ACERINOX

annual REPORT 2014

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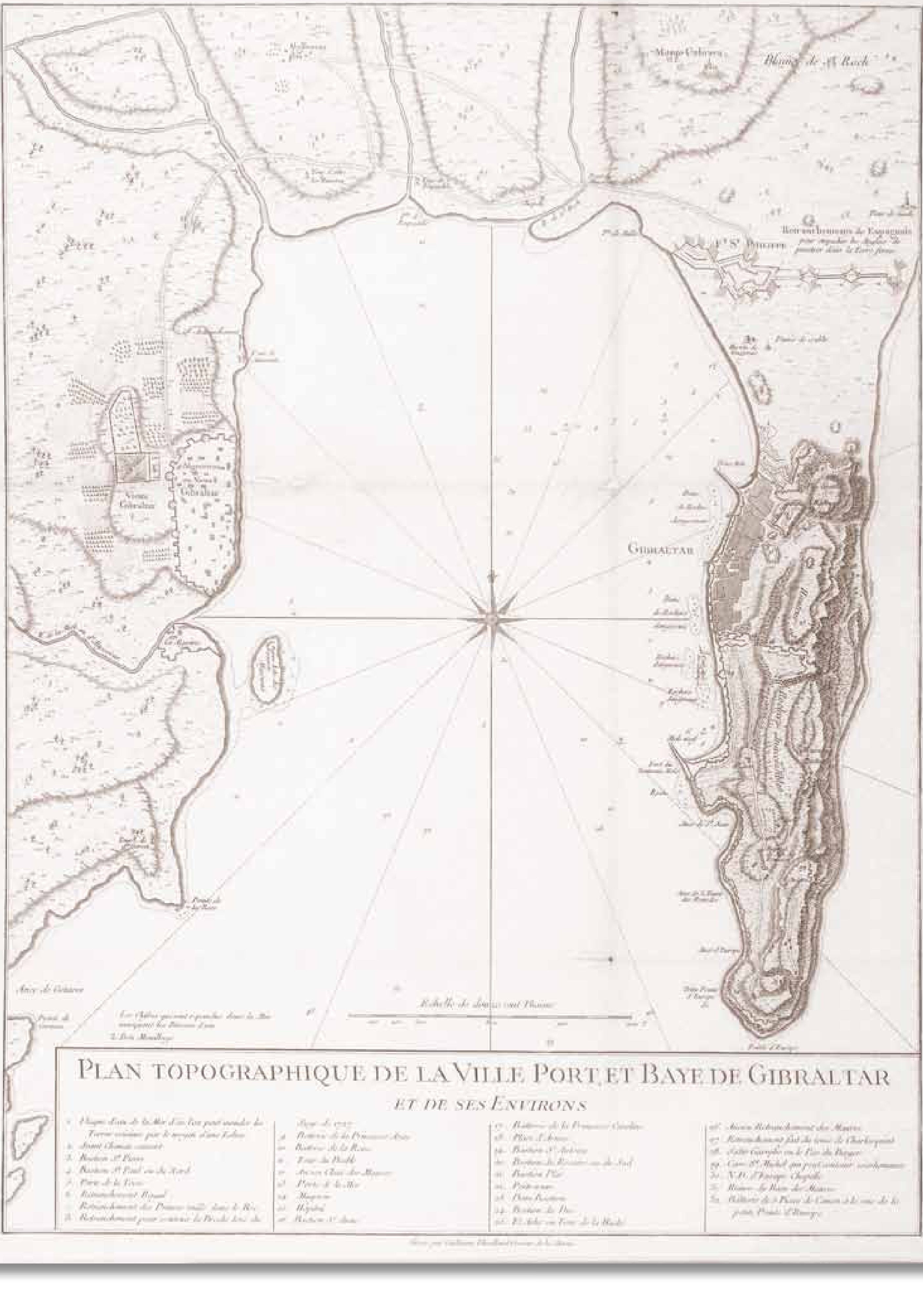
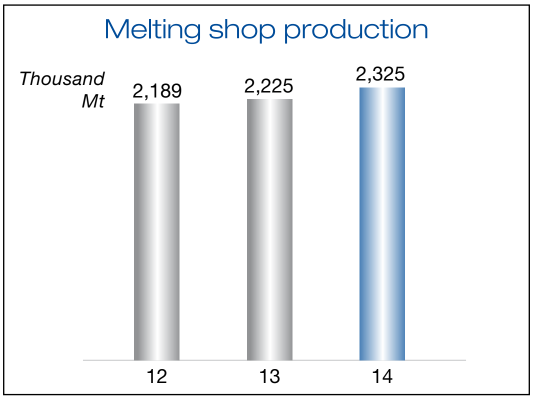
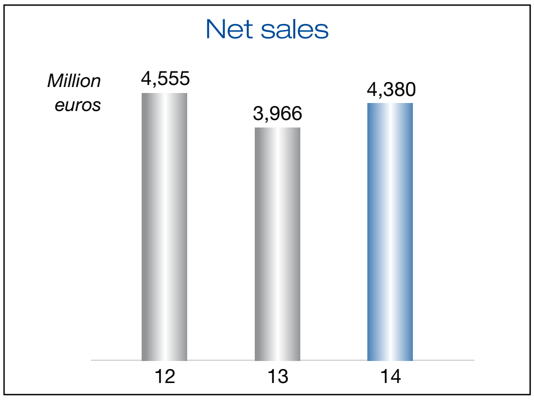
ACERINOX

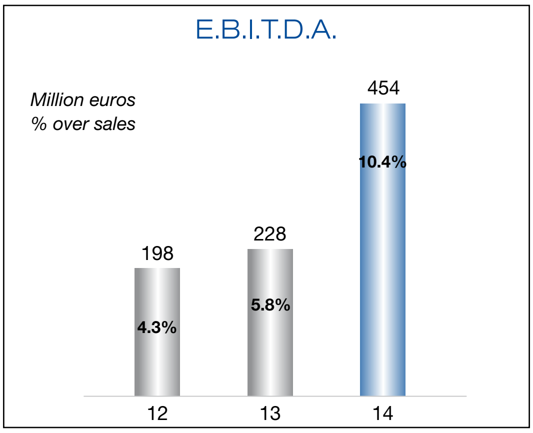
annual
REPORT 2014

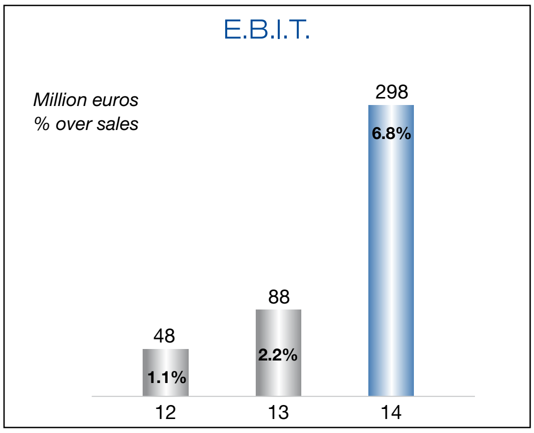

PLAN TOPOGRAPHIQUE DE LA VILLE PORT, ET BAYE DE GIBRALTAR
ET DE SES ENVIRONS
GIBRALTAR

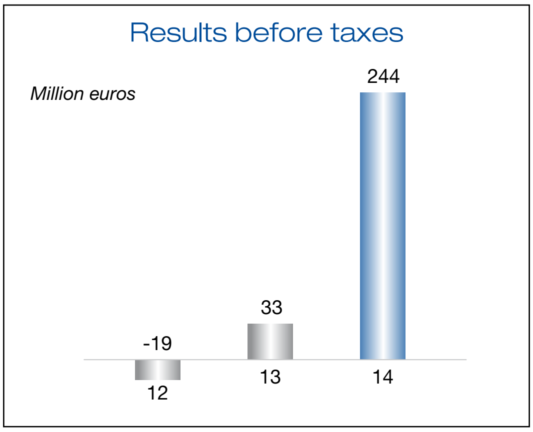
Index

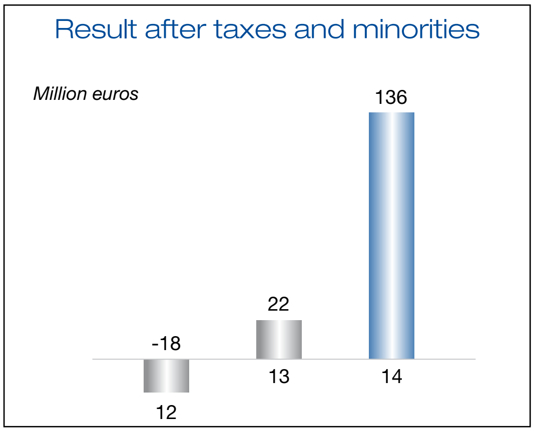

Melting shop production
Thousand Mt
2,189
2,225
2,325
12
13
14

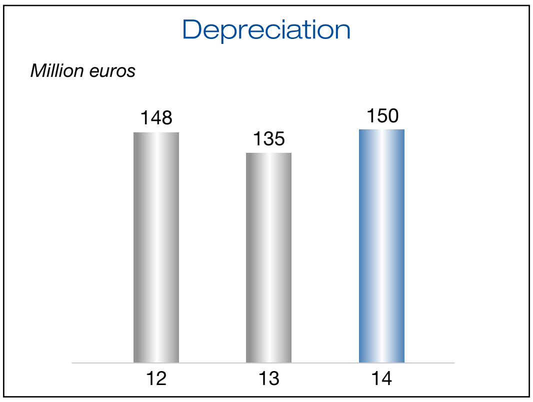

Net sales
Million euros
4,555
3,966
4,380
12
13
14

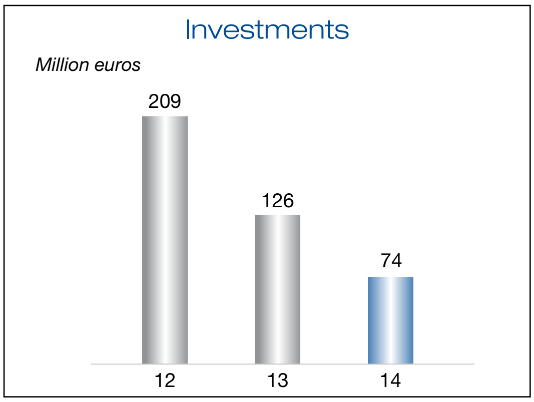

E.B.I.T.D.A.
Million euros
% over sales
198
4.3%
228
5.8%
454
10.4%
12
13
14

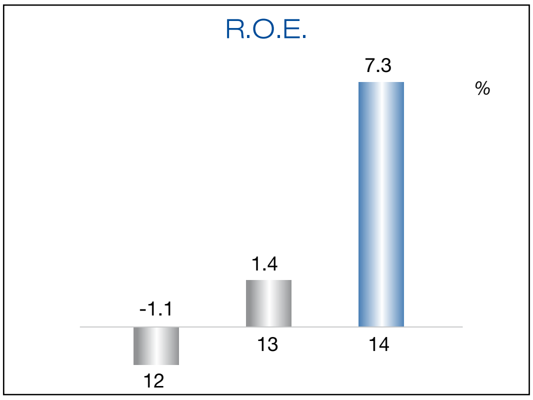

E.B.I.T.
Million euros
% over sales
48
1.1%
88
2.2%
298
6.8%
12
13
14

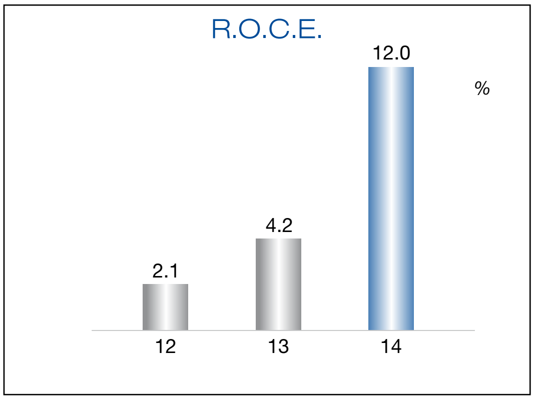

Results before taxes
Million euros
-19
33
244
12
13
14

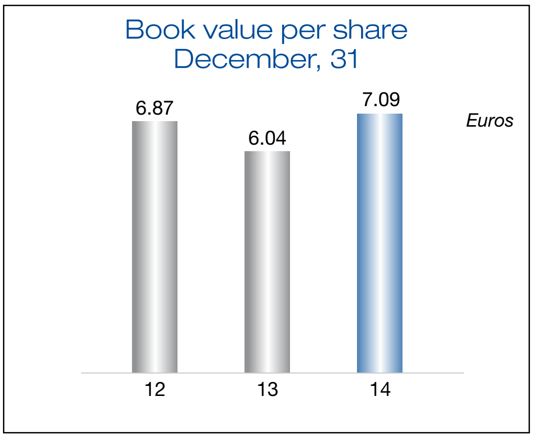

Result after taxes and minorities
Million euros
-18
22
136
12
13
14

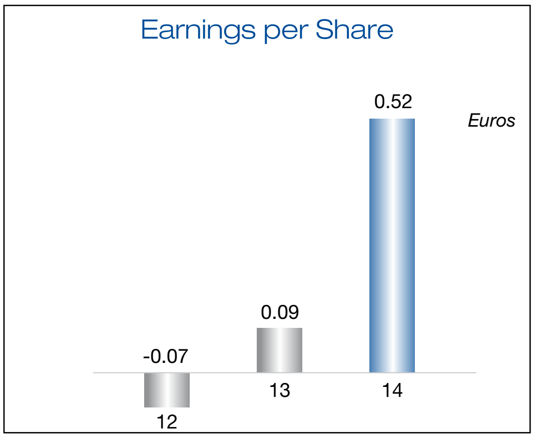

Depreciation
Million euros
148
135
150
12
13
14

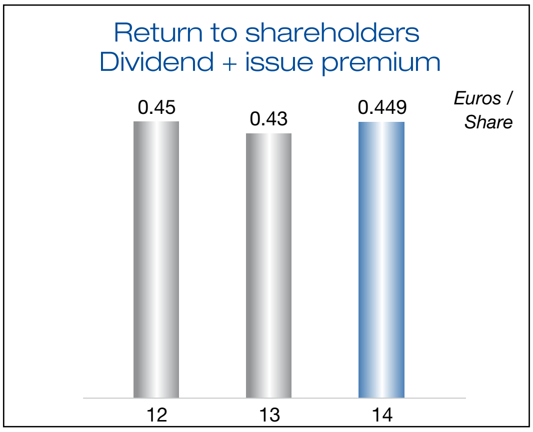

Investments
Million euros
209
126
74
12
13
14

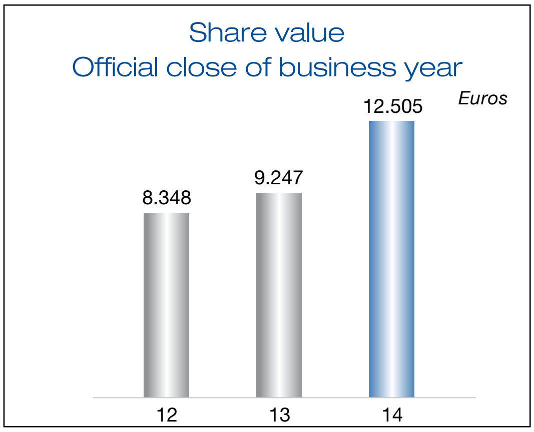

R.O.E.
%
-1.1
1.4
7.3
12
13
14

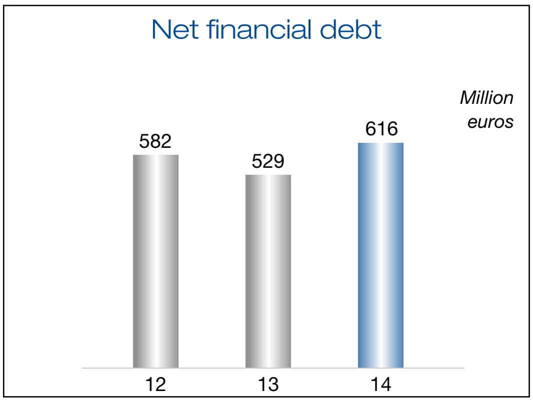

R.O.C.E.
%
2.1
4.2
12.0
12
13
14

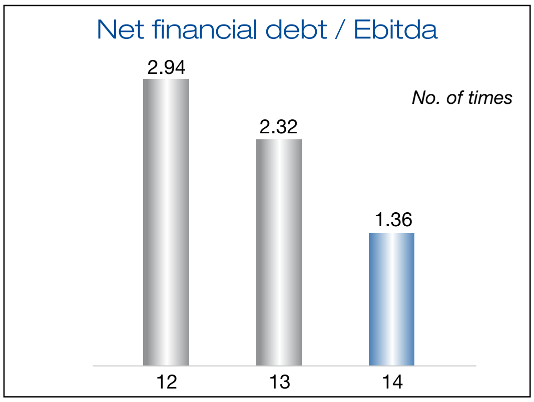

Book value per share
December, 31
Euros
6.87
6.04
7.09
12
13
14


Earnings per Share
Euros
-0.07
0.09
0.52
12
13
14


Return to shareholders
Dividend + issue premium
Euros / Share
0.45
0.43
0.449
12
13
14


Share value
Official close of business year
Euros
8.348
9.247
12.505
12
13
14


Net financial debt
Million euros
582
529
616
12
13
14


Net financial debt / Ebitda
No. of times
2.94
2.32
1.36
12
13
14

Letter from the Chairman

Dear shareholders,

It is a great satisfaction and honor to address all of you for the first time through these lines since I was appointed Chairman of Acerinox in April last year and I do it, to shed light on what happened during the year 2014 in our Company.

The year reflected in this Annual Report that we are presenting, has obtained very positive results as evidenced by the figures. The EBITDA generated, 454 million Euros doubles that of the previous year, net result before taxes was 244 million euros, which is 7.3 times than that of the year before, and the result, after taxes and minorities, reached 136 million euros, that in the case it had not been affected by the Corporate tax reform in Spain, would have achieved a figure of 159 million euros, being in either cases far higher than 22 million euros of the year 2013.

These results are the best since the year 2007, start year of this deep crisis we have been dealt, clearly consolidate the improvement started in 2013 and are the logical consequence of the correct strategy performed by our Company during these years, of the permanent management effort and the adjustments policy carried out by the company, as well as the better conditions in the most relevant markets where we operate.

Acerinox is a global company and consequently its performance is highly linked to the economy worldwide's evolution, as well as to those of the world areas where we have a significant position and of course to the specific conditions prevailing in the global stainless steel sector.

The GDP growth of the international economy has been 3.3%, growing global production and therefore the stainless steel demand at a rate of 8.3%, in million tons, over the year 2013. The *good behavior of the economy in United States, the high market share we hold in that country, the improvement produced in Europe and particularly in Spain, Germany and United Kingdom, European countries with great market penetration, together with our position in South Africa and the increasing share in the Asian market, despite the prevalence of Chinese producers, have promoted our sales by 10.4% in euros and consequently has allowed us to achieve the results previously explained.*

Having been able to reach these results is doubly meritorious if we consider that some of the weaknesses of our sector worldwide have remained without amended. The most significant of them continues being the overcapacity installed, essentially, due to China's positioning, which does not allow developing the markets with the efficiency we would like to.

I think we can say, without incurring in complacency, that during this year we have been able to take advantage from our unquestionable competitive advantages, to the shewed geographical diversification that we have and to the values which confirm the culture of our company.

The markets have recognized this positive evolution of our company rewarding our share with a revaluation by 35.2% during the year 2014, ten times higher than the revaluation experienced by IBEX-35.

These results, together with the positive evolution of the Company progress, allow the Board of Directors to propose the General Meeting the maintenance of the remuneration policy to our shareholders which we have been made and one more year make it through scrip dividend or dividend option, that so good acceptance it had in the two previous years.

The Corporate Governance of our Company is a matter to which we devote, both from the Board of Directors and Management bodies, a preferential attention. We care of variables and indicators which define the quality of the corporate governance in corporations, the protection of the investor and shareholders' interests, especially those of minority investors, the efficiency of the board of directors meetings and their correspondent committees, the strength reporting and auditing systems, are among other, critical variables which we seek to motorize on a permanent basis.

In the field of Corporate Governance, the year 2014 and the first months of 2015 have brought us important changes, with the Capital Companies Act reform, a mandatory regulation in this *subject and with the adoption of a new Code of Good Governance for Listed Companies of voluntary compliance, replacing the Unified Code of 2006.*

The Company has performed adaptation Works of Bylaws, Regulations of the Shareholders Meeting and the Board of Directors and the intention of the Directors is to propose the General Shareholders' Meeting the amendments made for their approval. In any case, we can say with satisfaction that our Company fulfills to a great extent, the recommendations of the new Code.

We are an industrial Company and as such, I think it is important to highlight that our company has an exemplary corporate social responsibility policy, understanding it in its broadest senses and with a compliance philosophy beyond the legislation strictly requires. I also want to highlight our commitment with all the stakeholders wherein we carry out our activity and most particularly the industrial one.

Integrated in this policy is our action in field of environmental sustainability, where we have obtained some results that besides bring us various recognitions from national and international institutions, place us as the most efficiency company of our the sector also in the environmental field.

First quarter results recently brought out to the markets, show a positive evolution of our financial variables in comparison to the previous year same period, all that despite the lower activity in certain markets and the difficulty to exercise a more aggressive prices policy. Our expectations are that during the year these difficulties will pass, the markets where we operate will recover the expected growth rates, and all that together with the impact of the recent measures adopted by the European Union against imports from China and Taiwan, will make our business evolves positively.

Dear Shareholders, we have the company perfectly prepared both in terms of competitiveness and economic financial structure, with a continuous demanding culture, with great flexibility, with a well-defined strategic and with view of leadership in the stainless steel sector worldwide. I firmly believe that all this will enable us, despite the great challenges and goals to overcome, to achieve the goals and objectives we have set for the future, which are to reach growing paths of our results, solid and recurrent which allow us generating an attractive value for our shareholders.

A well-managed Company, with an excellent human team, committed to the Company, to whom we must thank for their dedication and efforts made at every level to reach the position we have today.

It is also fair to thank the Board of Directors for their efficient work and of course to all our shareholders for their permanent support and confidence they prove day to day.

Yours sincerely,

Rafael Miranda Robredo
Chairman of the Board

Letter from the Chief Executive Officer

Dear Shareholders,

Once again, it is an honor to address you to present this Acerinox Annual Report corresponding to the year 2014. A year which has not been ease but plenty of hopeful because we have seen how the economic activity improved in almost all sectors and in almost all European countries and also because Acerinox has again proved we are able to compete even in the most adverse conditions.

In my opinion there have been to key factors to understand how our activity has been developed during last year: on the one hand the clear process of economy recovery and on the other the stainless steel production overcapacity installed worldwide.

During 2014, it has been confirmed the recovery of activity process in Europe we started to notice in September of the previous year which had already started in other regions. The stainless steel consumption growths again in all markets and do it more homogeneously. The sectors linked to consumption grow but also improve those liked to investment. The confidence in economy made possible the start of restocking process, not only of stainless steel but also goods made of this material which encouraged our activity during the first half of the year and allowed increasing productions and improve prices, always within a very competitive environment.

Nevertheless, the excess of capacity installed has prevented that the improving in demand will result in a recovery of market conditions due to the strong competition and the amazing evolution speed of current trading flows in a global market like that of the stainless steel. This circumstance made that in a short period of time, all consumption needs were met, the material was stored and have to suffer a new inventories correction during the second half of the year, worsened by the Nickel's price fall, so important in our production process, which happened as of September with the lowering of oil prices and raw materials in general.

At this point we have to insist, once again, on what the irruption of the new Chinese producers has meant, which have gone from producing the 3% of world production in the year 2.000 to over the 52% in 2014. It is easy to imagine how the traditional business trading flows have been altered and the efforts that all producers are making to settle in this new model, reducing production and, above all, improving our competitiveness.

In these circumstances, we are proud of the level of competitiveness achieved, which will allow us to obtain positive results even in the most adverse conditions, standing out from the most of our competitors to continue providing value, to keep growing and disputing the leadership in the stainless steel sector worldwide.

We also continue to develop our global strategic which has turned us into one of the most internationalized Spanish Companies, with over the 90% of our sales outside Spain and more than 60% out of Europe. In 2014 we have produced the 6% of the stainless steel world production.

To that end, we have four flat products factories in four continents, three of long products factories and our sale network with branches in 36 countries, through which we have distributed our products in 83 countries from the 5 continents.

Our geographic diversification has allowed us to reduce the great risks from the crisis we have been suffering, especially in Europe, and thanks to our continuous improving plans and the pooling of the practices improvements we have reached a new competitiveness threshold. We are convinced that we have made good use of time and we are prepared to face this new cycle of the economy in which requirements will be high, wherein it will not be enough being good, but we should pursue the excellence and where to be sustainable will be an essential condition to succeed.

In this sense, it is necessary to highlight and express our gratitude for the effort that the whole team of Acerinox has been carrying out, we should also thank our shareholders for the confidence they give us and which allow us to go forward with our strategy.

The European market evolved positively and the apparent consumption rose by 13.6% thanks to actual consumption and the greater confidence of stainless distributors, processors and distributors of finished products that bet on replenishing inventories after years of waiting. Regretfully, imports from Asia grew over 50% exerting strong pressure on prices and *diminishing effectivity to the efforts made by European producers to rationalize production and eliminate overcapacity.*

The American market, where we make more than 50% of our sales, also maintained a solid growth, which we estimate around 5% and imports from Asia also increased over 50%.

In 2014, China has exported more than 3 million tons and has forced the producers from the other Asian countries to seek new markets worldwide. One of the most affected areas is South East Asia, where Bahru Stainless and, to a large extent, Columbus Stainless, two of our flat products companies carry out their activity, where have been working with a low level of occupation. Apparent consumption in the area, according to our estimates, grew around 7%, highlighting Malaysia, country where is located our new factory with a growth of around 10%.

Only South Africa, among the countries where we produce, had a negative behavior, with a falling the apparent consumption nearly 5% as a result of labor disputes which devastated the country in 2014 and that prevented the economy join the recovery. We wish all players in this country collaborate to work in the research of prosperity, so necessary not only for South Africa but for the rest of the African countries that follow this model.

Global production reached a new record of 41.7 million tons, 8.3% more than in 2013, but very unevenly, nearly 14% in China and America and imperceptibly in the whole Europe and the rest of Asia. Asia, as a whole, already represents the 75% of the world production.

Acerinox melting output increased by 4.5% in 2014 up to 2.3 million tons, a figure equal to that of 2004 which was the second best year in our history. Hot rolling output increased by 5.6% to 2.0 million tons and cold rolling output 3.7% up to 1.6 million tons.

In the outlined circumstances, it is noteworthy that all the Acerinox factories have contributed positively to EBITDA of the Group, although in the case of Bahru Stainless the contribution is owed, to a large extent, to the black coil we produce in our factories of Acerinox Europe and South Africa to be re-rolled in Malaysia.

In the whole year, Acerinox invoiced 4,380 million euros, 10,4% more than 2013. The EBITA, 454 million euros, increased by 99.1% and net result of 136 million euros was 6 times higher than that of the previous year, after making an adjustment of 23 million euros as a result of the tax reform in Spain.

These results have been achieved with the lowest price level in the history and without making use of our total production capacity, they fill us with satisfaction and allow us to be optimistic for the future, once the market's conditions improve.

Group's net debt on December 31st, 2014 was 616 million euros, 33.2% on equity which is the equivalent to 1.36 times the EBITDA generated in the year. Even though funding is no longer a problem, at least for Acerinox, during last year we made two issuance of bonds for amounts of 75 and 50 million euros respectively, with the goal to diversify sources of financing at a competitive cost.

During the year we invested 74 million euros, 41.6% less than in 2013, expected fall in our strategic plan since we need some time to start and mature the second phase investment on Bahru Stainless in Malaysia. We are considering the following phases to be undertaken from the technical point of view, while waiting market conditions make its realization advisable. We are also considering other investments which allow a rapid recovery and give our factories higher flexibility to adapt to market changing situations, to provide products with higher added value or which allow improving quality and productivity or a better use of the resources.

We remain loyal to our traditional policy of remuneration to shareholders and, given the good acceptance they had in the two previous years, we will recommend, for the third consecutive time, to the General Shareholders Meeting which will be held on June 3rd, 2015, the distribution of 0.45 euros per share by the formula of "scrip dividend" or dividend option.

We keep the optimism and confidence in our sector and in our business model. Last year I made in these pages a short reflection which I would like to review, to give specific and objective reasons why we think we have a great potential.

We start by the product. Stainless steel is an extraordinary material that is still in growing phase, more and more applications can be found in our daily lives. Few materials can boast of a growth rate by 6% in the last 65 years, which increased to 7.2% in 2013 and 8.3% in 2014. At this rate, the production overcapacity installed worldwide will be eliminated and we will return to the equilibrium between supply and demand.

In this sense, the role of China is essential. China should not base its economy on producing goods for which needs natural resources which has not available, or can allow this practice is promoted thanks to subsidies, grants or permissive environmental issues. Insofar as it evolves toward international models and practices, the investment in the stainless sector will be rationalized, the local industry will be consolidated and the inefficient, polluting and unprofitable facilities will be closed, which will benefit the leading producers, both from China and the rest of the world. We think there are reasons to believe that these considerations are being taken into account by Asian giant and we hope they cease to provide financial support for investing in a sector with a clear capacity excess such as that of the stainless steel's producing in China.

The consolidation of the European industry is ongoing and it is expected the closing of the German steelmaker Bochum during 2015, thus completing the restructuring of Outokumpu, bringing the installed capacity would be balanced with consumption, as we think it is the case in America and the rest of Asia.

In the field of raw materials, it has been fulfilled, that following the prohibition to export raw materials from Indonesia, the nickel pig iron has become another form to supply nickel, which may be more or less competitive depending on the circumstances and market's laws, but it is not in itself an advantage. It has also contributed to modernize the nickel industry and to soften prices fluctuations in the London Metal Exchange.

European governments also maintain the growing interest on industry and have recognized its importance to alleviate the effects of the crisis. Today, we all know and accept that countries with a strong industry have suffered much less the crisis effects y we all also see the industry as the sector which provides more stable posts and jobs with higher quality, it is the sector which has a higher multiplier factor per each direct employ generated and the sector with higher investment in R & D, either directly or through the acquisition of new technologies.

Hopefully this entire trend generated in favor of industry will result in more favorable conditions to develop our business in Europe, where there is an offshoring risk of facilities. But above all, we hope that this improvement starts in Spain, where the price of energy has become a very clear disadvantage to compete with neighboring countries. We are participating in the "Steel Action Plan" in Brussels and the "Spanish Steel Plan" and rely on the development of one of its points, the observatory of energy prices to avoid major imbalances between countries of the European Union and between countries of the European Union and the rest of the world.

European interest in defending the industry is real and it has has been stated in the antidumping proceeding against imports of cold-rolled from China and Taiwan in which they have been imposed provisional measures with duties of around 12% for Taiwan and 25% for China.
All these subjects show a picture that is going clearing for the stainless steel sector both in Europe and in the rest of the world. But if there is something we are fully confident to meet the new challenges, it is the new threshold of competitiveness we have achieved in Acerinox. On December 31st, 2014 the third Excellence Plan concluded having achieved the 88% of the goals, or what is the same, having achieved an annual recurrent savings of 53 million euros, in addition to those already made in the previous plans.

In addition, the Board of Directors, held on December 16th approved the Excellence Plan IV, 2015-2016 in order to achieve additional savings for an amount of 70 million euros per year, including all companies and areas of activity of the Group, that is, having achieved the goal of creating a new corporate culture based on the excellence.

We have also promoted the field of R & D but above all the innovation, having confirmed activities for an amount of 16.1 million euros, with collaborations at all levels in the factories, and we have greatly increased the effort in training and safety.

In conclusion, we are ready to compete in the stainless Steel world because we have the most of the advantages of a company, a human team of quality, with a great accumulated experience and with a very high commitment to the project in Acerinox. We come out stronger from the crisis and 2014 results are only a foretaste of what we can offer in the future.

Finally, I want to remember with great fondness to that great Chairman of Acerinox, who was Rafael Naranjo and who left us in May 2014, setting an example up to last day of how to face difficulties of life. Not every year the president is changed and now we are fortunate to count with the support and experience of Rafael Miranda to continue improving.

I thank our shareholders, customers and suppliers for the loyalty and confidence in our project showed year after year and the support with which we have become a benchmark for the steel industry worldwide and one of the most internationalized Spanish companies and one of the Spanish industrial companies which contribute most to the good name and good image of our country.

Thanks to all the team of Acerinox and my closest coworkers for the tremendous effort made in the year and thanks for the commitment shown that makes me feel so proud to be part of Acerinox.

Bernardo Velázquez
Chief Executive Officer


ACERINOX

Acerinox Group

1 Acerinox and its Producing Companies

Acerinox

Acerinox SA has been the Group's parent company since 1970. From that date on, It has held the shares and participation of producing companies, while maintaining direct ownership of the factory in Los Barrios (Cádiz, Spain) until 2011.

That year, the Extraordinary General Shareholders' Meeting decided to affiliate production for the European market by transferring ownership of the Los Barrios factory to a newly created company called Acerinox Europa S.A.U. The youngest among the group's subsidiary companies came to hold the oldest factory.

In this manner, Acerinox SA is now a shareholder that coordinates, drives, defines strategy and steers activity for the entire group as well as centralising all its financial activity.

Acerinox Europe

As a result of the aforementioned operation, Acerinox Europe changed its name to align it with the factory in Campo de Gibraltar's main market, which is the European continent.

Its headquarters initially remained in Madrid, but after setting up and monitoring its corporate structure for a prudent period of time, it transferred its headquarters to Andalusia in 2014, where its main asset is and most of its workers come from, thus becoming one of the largest companies in the region in terms of turnover, and the leading industrial one, with business revenues of 1,431 billion euros.

The Group's constant investment in Acerinox Europe (over 300 million euros between 2008 and 2014) over the years, aimed at optimising equipment, among other improvements, have turned it into a model of technical know-how, and one of the most competitive factories in Europe. These features have been extremely helpful in implementing and developing Acerinox's factories in other continents.

Campo de Gibraltar (Spain).

North American Stainless

Known as NAS, the project was developed from the ground in 1990, as a result of a joint venture with Armco. Subsequently, Acerinox acquired the 100% of the company.

The NAS factory in Kentucky is the most efficient and profitable plant in the world, thus granting Acerinox the title of Nº1 in the USA. It is also the Group's biggest factory, with 1.4 million metric tonnes of nominal capacity in melting-shop.

Kentucky (USA).

Columbus Stainless

Columbus is the only stainless steel factory in Africa. Located in the South African region of Mpumalanga, just 100 km from Johannesburg, it was purchased by Acerinox in 2002 when it was already running, contrary to the Group's traditional policy of organic growth and not purchasing already-operational facilities.

Its location within a mining region and near Ferrochrome's refinery, with the added convenience of a railway line right next to the factory, gives undeniable strategic advantages. The South-African government is currently among the company's shareholders, with 24% of the capital held by its Industrial Development Corporation (IDC).

A third of Columbus' production is sold to the South African market and the rest is exported to other continents.

Middelburg (South Africa).

Bahru Stainless

Located in Johor Bahru, next to the strait separating Malaysia and Singapore, Bahru Stainless is the product of a joint venture with the Japanese manufacturer Nisshin Steel, which has been a shareholder of Acerinox since its incorporation. Acerinox holds 67% of the company's capital. Another Japanese partner, Metal One Corporation, holds 3%.

The new factory, whose cold rolling mill started to produce at the end of 2011, will be mainly dedicated to meet the growing demand from the markets in South-East Asia.

It's currently about to finalise investment Stage II, focused on cold rolling. The factory mainly uses hot-rolled coil provided by other factories belonging to the Group, mostly Acerinox Europe and Columbus.

Johor Bahru (Malaysia).

Roldan and Inoxfil

The Roldán factory in Ponferrada (Spain) is the oldest of the group's factories, being fully incorporated into the group in 1982. Dedicated to long products, it's one of Acerinox Europe's best customers, buying their billets for the production of wire rod and stainless steel bars and stainless steel profiles.

Inoxfil is a wire-drawing plant located in Igualada (Spain) which uses the wire rod produced in Roldán to manufacture stainless steel wire. For historical reasons, its share capital is held by Roldán and not by the parent company.

Ponferrada (Spain).

Igualada (Spain).

2 Distribution Companies

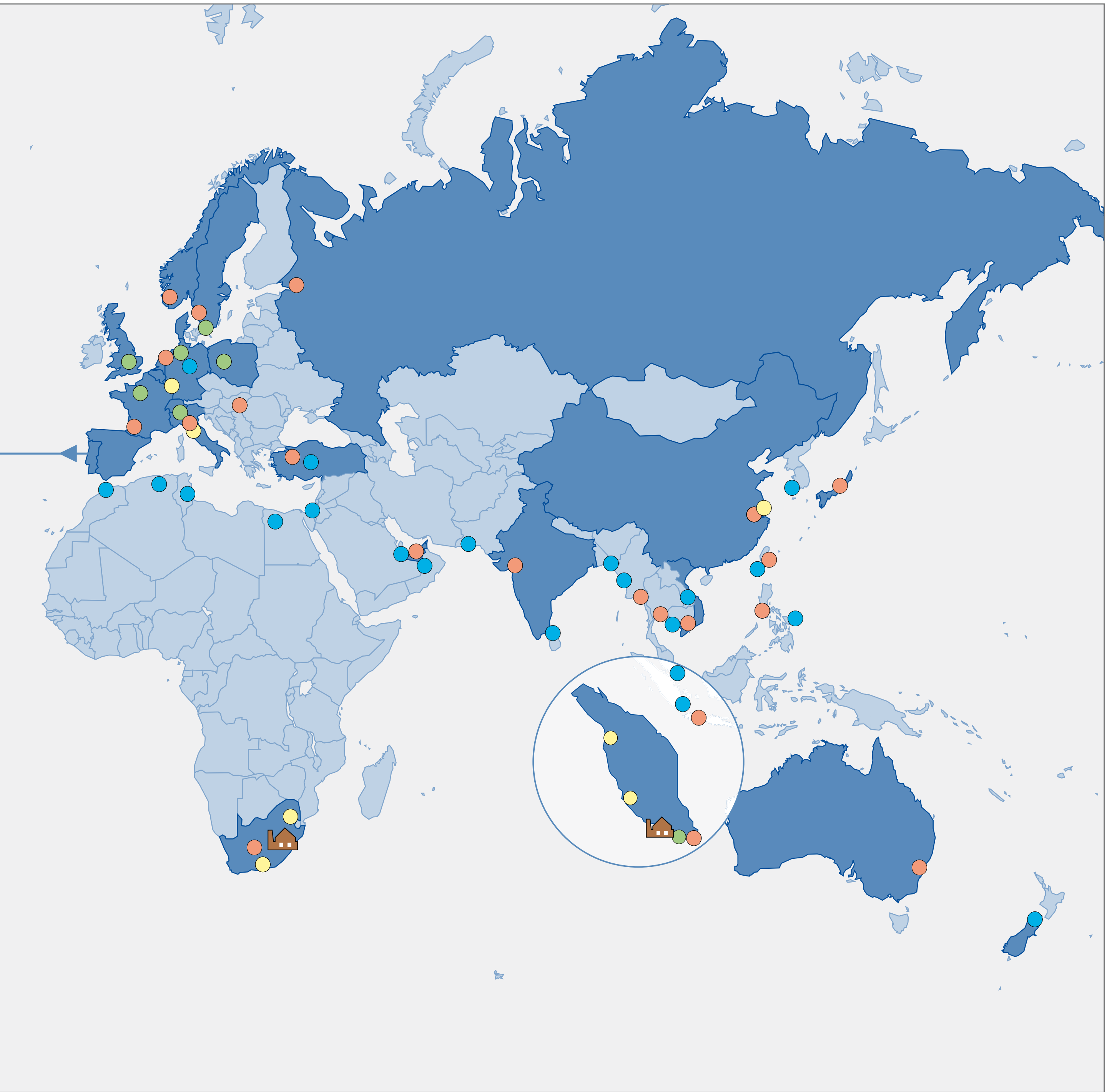
On 31st December 2014, our group's sales network was made up of 26 companies, 18 service centres, 26 warehouses and 30 sales offices, not to mention the countless sales agents in various countries which do not have a permanent office. In 2014 the Group opened a new sales office in South Korea.

In the past year Acerinox conducted sales in 83 countries.

The largest market, in terms of the Group's sales turnover in 2014, was the United States, followed by Spain, and Germany.

Thanks to its offices and service centres, Acerinox is present in 36 countries in all 5 continents, and sells in more than 80.

Since 2008, the development of the sales network has been centred on Asia, the region with the highest growth, where distribution companies and sales offices have been established in Vietnam, Thailand, the Philippines, Taiwan, Dubai, continental China, Indonesia and India.



1 Board Of Directors and Executive Committees (on 31st December 2014)

The General Shareholder Meeting held on 10th June, 2014, at the Board of Directors' proposal and following the report from the Appointments and Remunerations Committee, agreed to re-elect the following Board Members for a four years period, as established by the corporate bylaws:

- Bernardo Velázquez Herreros, as Executive Director.
- Santos Martínez-Conde Gutiérrez-Barquín, as Domanial External Director representing Alba Participaciones (Corporación Financiera Alba, S.A.).
- Mvuleni Geoffrey Qhena, as Domanial External Director representing "Industrial Development Corporation."

In the General Shareholder Meeting, it was also approved to appoint Mr. Javier Fernández Alonso as Domanial External Director representing Alba Participaciones (Corporación Financiera Alba, S.A.).

Likewise and following a proposal from the Appointments and Remunerations Committee, the General Shareholders Meeting approved the ratification and appointment of the following Board Members for a four year period, as established in the corporate by-laws:

- Rafael Miranda Robredo, who was appointed Independent External Director by cooptation, and Chairman of Acerinox on the 23rd April 2014, replacing the previous Chairman Rafael Naranjo Olmedo, who left the post on the 21st April 2014 for health reasons.
- Rosa María García García, who was appointed Independent External Board Member by cooptation on the 30th October 2013, replacing Belén Romana García.

In the meeting held on the 29th October 2014, the Board of Directors, at the proposal of the Appointments and Remunerations Committee, agreed the appointment by cooptation of George Donald Johnston III as Independent External Director, replacing Clemente Cebrían Ara, who left his post as Director on the 21st July 2014 because the major shareholder he represented—Casa Grande de Cartagena, S.L.—sold its equity stake in the company. This appointment shall be submitted for approval at the next General Shareholder Meeting.

Board of Directors in the General Shareholders Meeting 2014.

On the 31st December 2014, the Board of Directors and its Executive Committees were made up of the following members:

Board of Directors of Acerinox, S.A.

Chairman:

RAFAEL MIRANDA ROBREDO

Chief Executive Officer

BERNARDO VELÁZQUEZ HERREROS

Board Members:

PEDRO BALLESTEROS QUINTANA
MANUEL CONTHE GUTIÉRREZ
ÓSCAR FANJUL MARTÍN
JAVIER FERNÁNDEZ ALONSO
ROSA MARÍA GARCÍA GARCÍA
JOSÉ RAMÓN GUEREDIAGA MENDIOLA
RYO HATTORI
GEORGE DONALD JOHNSTON III
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
BRAULIO MEDEL CÁMARA
YUKIO NARIYOSHI
DIEGO PRADO PÉREZ-SEOANE
MVULENI GEOFFREY QHENA

Secretary

ÁLVARO MUÑOZ LÓPEZ

Executive Committee

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

Secretary

ÁLVARO MUÑOZ LÓPEZ

Appointments and Remuneration Committee

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

Secretary

ÁLVARO MUÑOZ LÓPEZ

Audit Committee

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

Secretary

ÁLVARO MUÑOZ LÓPEZ

2 General Shareholders' Meeting

The General Shareholder's Meeting was held in Madrid on the 10th June and was chaired by the recently-appointed chairman, Mr. Rafael Miranda Robredo. Just as the previous year, the session took place at the head offices of Mutua Madrileña Automovilística, on Paseo de la Castellana, No. 33.

Attendance was 77.19%.

No shareholders made use of the on-line discussion forum, but on-line voting did take place.

The agreements on the Agenda were entirety approved by the following margins:

	Votes in favour	Votes against
Approval of annual accounts	99.98%	0.00%
Proposal for allocation of earnings	99.97%	0.02%
Approval of the Board of Directors' management	99.68%	0.02%
Increase in capital stock to pay out flexible dividends	99.57%	0.02%
Authorisation for the Board of Directors to acquire treasury stock in 5 years' term	99.93%	0.05%
Appointment of account auditors	99.48%	0.50%
Re-election of Bernardo Velázquez Herreros as a Board Member	99.08%	0.83%
Re-election of Santos Martínez Conde as a Board Member	85.37%	14.33%
Re-election of M. Geoffrey Qhena as a Board Member	85.97%	13.74%
Appointment of Javier Fernández Alonso as a Board Member	86.13%	13.57%
Ratification and appointment of Rafael Miranda Robredo as a Board Member	99.43%	0.54%
Ratification and appointment of Rosa García García as a Board Member	99.41%	0.56%
Approval of Board Members' Annual Remuneration Report.	83.32%	16.55%
Delegation of powers to Directors of the Board.	99.98%	0.00%
Appointment of auditors to approve the Minutes of the Meeting	99.98%	0.00%

3 Steering Committee (on the 31st December 2014)

BERNARDO VELÁZQUEZ HERREROS
Chief Executive Officer

ANTONIO FERNÁNDEZ-PACHECO MARTÍNEZ
Managing Director

DANIEL AZPITARTE ZEMP
Sales Director

MIGUEL FERRANDIS TORRES
Chief Financial Officer

LUIS GIMENO VALLEDOR
General Counsel

Steering Committee, Investor Day in november 2014.

4 Senior Management of the Group Companies (on 31 December 2014)

Chief Executives of the Industrial Companies

Acerinox Europe:
ANTONIO MORENO ZORRILLA

North American Stainless:
CRISTÓBAL FUENTES TOVAR

Columbus Stainless:
LUCIEN MATTHEWS

Bahru Stainless:
OSWALD WOLFE GOMEZ

Roldán:
JORGE RODRÍGUEZ ROVIRA

Inoxfil:
ÁNGEL BRUÑÉN CEA

Chief Executives in the Trading Companies

1. SPAIN

Inoxcenter:
LUIS GUTIERREZ MAS

Inoxidables de Euskadi:
JOSÉ CRUZ DE VICIOLA GARCÍA

S.C. de Pinto
FLORENCIO ZURDO GÓMEZ

S.C. de Gavá
JUAN ESTEVE VESTIT

S.C. Betanzos
ÁLVARO SUAREZ LLANOS

2. EUROPE

Acerinox Deutschland:
JOACHIM MAAS

Acerinox Benelux:
LUIS PABLO GONZÁLEZ ROBLES

Acerinox France:
PHILIPPE AUDEON

Acerinox Italy:
GIOVANNI DE CARLI

Acerol Portugal:
FERNANDO MONTEIRO

Acerinox Polska:
PILAR SENISE GARCIA

Acerinox Scandinavia:
BENGT LAGERGREN

Acerinox Norway:
JAN GJERLAUG

Acerinox Switzerland:
HILDEGARD POITZ

Acerinox UK:
PABLO CANTLE CORNEJO

Acerinox Russia:
ROMAN BUTYRIN

Acerinox Metal Turkey:
JAAN ROXAN ARROYO

3. AMERICA

Acerinox Argentina:
JOSÉ CARLOS RODRÍGUEZ ARANDA

Acerinox Brazil:
DANIEL SILLERO GÜNTHER

Acerinox Chile:
IGNACIO MARTÍNEZ ALLUE

Acerinox Colombia:
GONZALO DEL CAMPO BARCÓN

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

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

North American Stainless Mexico:
BÁRBARA THIRION

North American Stainless Canada:
ROGER MANSFIELD

4. ASIA

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

Acerinox Pacific (Hong Kong):
MARY XU

Acerinox India:
PRATIK KACHCHHI

Acerinox Shanghai:
MARY XU

Acerinox SC Malaysia
BARRY FOO

Acerinox Shanghai Co. Lt Wuxi (China), Representative Office:
MARY XU

Acerinox Indonesia, Representative Office:
EFRAT AGUNG

Acerinox Vietnam, Representative Office:
JAIME DEL DIEGO SANZ

Acerinox Thailand:
PRAWIT LERTWIMONRAT

Acerinox Philippines:
ENRIQUE DAVID B. SANTIAGO

Acerinox Korea:
JUNHO CHOI

Acerinox Taiwan:
CARLOS BORES

Acerinox Middle East:
FERNANDO GOMEZ AIELLO

5. OCEANIA

Acerinox Australasia:
PATRICIA MAGARZO

5 Staff-Related Information

At the end of 2014, the Group's workforce consisted of 6,701 employees. The total number of workers was reduced by 282 people compared to the previous year, despite the opening of new trading companies and the hiring of staff for Bahru Stainless' new plant in Malaysia. This cutback was, among other reasons, due to the rationalisation process the European trading companies have undergone in order to adjust them to the Group's new strategies and technologies within a very competitive environment.

The 53.54% of the Group's employees perform their duties outside Spain. By continents, Europe still has the highest percentage of the Group's employees with 50.34%, followed by America (21.24%), Africa (20.31%) and Asia/Pacific (8.11%).

	2014	2013
Acerinox, S.A.	58	62
Acerinox Europa	2,280	2,334
NAS	1,382	1,381
Columbus	1,361	1,601
Bahru Stainless	447	385
Roldán and Inoxfil	539	534
National trading companies	236	244
Trading companies abroad	398	442
Total	6,701	6,983

6 Annual Corporate Governance Report. Risk Management

Acerinox's Annual Corporate Governance Report corresponding to the 2014 financial year is part of the Management Report, and once the annual accounts have been published, it is available both in the Spanish Securities and Exchange Commission and on the Acerinox website.

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

Olive oil bottling in oil mill.

1 Global Position

Acerinox is the most global of all stainless steel producers. It is not only the largest in the Western world in terms of melting capacity, but it is also the only group to have factories in four continents and a sales network with presence in 36 countries on 5 continents.

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

During the 2014 fiscal year the highest segment of our business revenues came from America, basically the U.S., followed by Europe. Revenues coming from Asia are at the same level as those originating in Africa, although they are expected to exceed them this coming year.

In terms of international markets, the U.S. is the most important, followed by Spain, Germany, South Africa and Canada. It is worth highlighting that Malaysia is already among the Group's ten main markets.

The Group's presence in all these markets has made it possible to reduce the negative impact caused by these turbulent times, while also enabling us to better seize the opportunities that have arisen at any time.

The global strategy and the choice to establish ourselves in all markets worldwide is part of the firm's DNA: constant growth by opening new trading companies in countries whose development brings about a significant demand for stainless steel. As has already been mentioned, the Group currently sells its products in more than 83 different countries.

Slabs.

2 Excellence Plans

Excellence Plan III 2013 - 2014

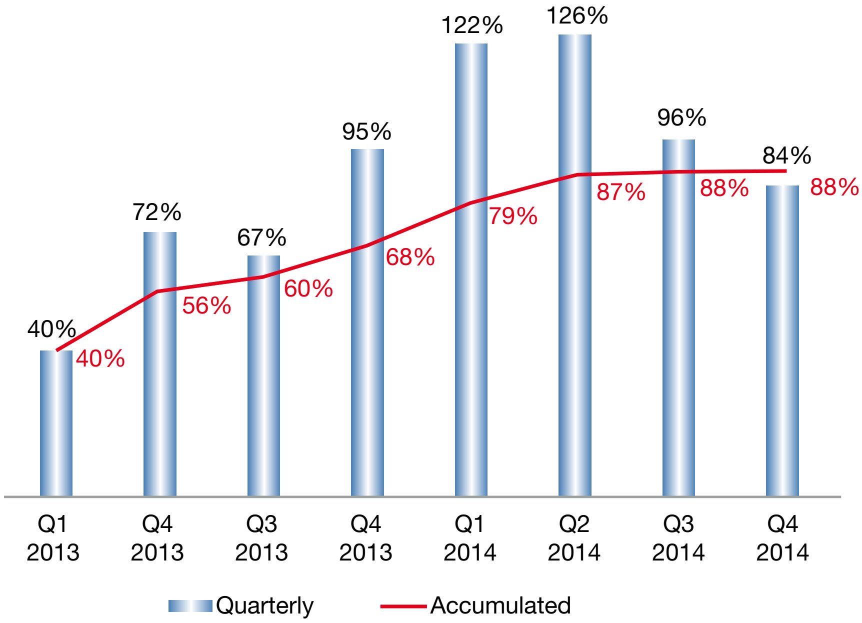
Excellence Plan III, which was approved by the Board of Directors in January 2013, originated, as did the previous two, as a result of intense and far-reaching programmes of internal benchmarking, and from the fact that the Excellence Plan has become a fundamental management tool for the Acerinox Group. This third Plan further develops the chapters included in the previous editions and incorporates two new chapters. Thus, the Plan has a total of 16 chapters, divided into four sections:

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

The goal behind this plan was to achieve recurring annual savings of around 60 million euros, if 100% the goals were reached.

On the 31st December 2014, after two years in effect, 88% of the goals had been accomplished, which translates into 52.7 million euros in recurrent annual savings. Particularly noteworthy is the considerable progress made in all chapters during the two years in which the plan has been in effect: 68% of commitments were achieved the first year and 107% in the second year, which means the goals set forth in the plan were surpassed and the savings obtained were consolidated.

QUATERLY RESULTS EXCELLENCE PLAN III



Excellence Plan IV 2015 - 2016

Excellence Plan IV 2015-2016 was approved by the Board of Directors on the 16th December 2014. Like the preceding plans, this one is based on the internal benchmarking activities which are becoming more and more extended and deeply rooted in Acerinox's corporate culture. It inherits some chapters from previous Plans, as well as adding new ones, and is intended to become one of the Acerinox Group's main management tools.

As was the case with previous plans, this Plan's starting point is the preceding fiscal year, that is, 2014. All progress made thanks to previous plans up to the current date will therefore be consolidated. Non-attained goals will remain in the Plan and more ambitious ones will be set, always with the objective of extending the very best practices to all business units.

Additionally, this Plan now includes Bahru Steel, which had already applied a plan of its own the last two years. On the other hand, chapters that had been previously aimed only at factories now extend to the sales network as well. Finally, chapters have been added in connection with the Environment and Personnel.

The scope of this new Plan is expected to be 70 million euros in recurring savings, in the event of 100% completion. It is divided into 5 sections, with a total of 23 chapters, 13 of which are related to factories and 10 to the Commercial and Financial areas.

Stainless steel strips.

3 Asset Optimising

Another of the Acerinox Group's competitive advantages, which has been an essential part of its DNA throughout its history, has been its light structure.

The changes that different markets have experienced, principally the European market, have forced us to resize the sales network in said continent, particularly in terms of disposing of assets not exclusively and directly connected with sales and related operations, mostly in the area of administration.

For this reason, an ambitious resizing plan was set in motion in 2013: on the one hand, European sales subsidiaries were to do away with the side of operations not directly connected with sales activities, and on the other, on-site sales were to be promoted (making sales directly from factories), thus eliminating unnecessary stages.

As a result, administration operations have become centralised and are managed from a shared service centre which is now fully operational. This has reduced costs and eliminated unnecessary operations.

Also in 2014, and with the aim of making production in the South African Columbus more flexible, staff was reduced via a downsizing plan which was negotiated during the first quarter of the year and implemented in the second quarter.

All in all, both operations have resulted in a reduction of 299 positions.

Improvements in European communication networks and a bigger role in the distribution process on the part of factories are factors that have made it possible to concentrate logistics activities in several countries and reduce certain maintenance expenses. Maintenance management and subcontracted services have also been modernised, with the resulting savings. The combination of these measures have generated estimated annual savings of 111 million euros.

Since 2008, and as a result of this set of rationalisation measures, there has been a total reduction of the Group's employees by 1,600, which is the equivalent of 20% of its global staff.

4 R+D+i and Investments

R + D + I

The demand for stainless steel has not stopped growing, by a factor of about 6% annually, since its appearance in the markets. No product can achieve such a feat without constant improvement and research directed at finding new fields of application.

At the time of its founding, Acerinox already had a clear idea of its vocation for development and self-improvement. Not content with simply providing a product, not even at a very competitive price, it has always strived to offer the best product in its category.

Its ambition led it to strive both for maximum efficiency in the manufacturing process and excellence in product quality.

In 1970 a group of engineers who had just graduated from college were hired by Acerinox and sent to Japan with the support of one of the founding shareholders, who still retains 15% of the Group's ownership, Nisshin Steel.

In Japan they learned first-hand what a stainless steel factory does, and the importance of research and developing both products and manufacturing processes. Later, those young engineers would manage departments, factories and even the Group itself, and passed their obsession with continually improving product quality and manufacturing processes to their collaborators.

The quality of materials manufactured by Acerinox has allowed us to take part in some of the most emblematic projects of the past few years: the most prestigious wineries, the Towers on the Paseo de la Castellana, in Madrid, the Copenhagen Opera house, the new toll road in Montana, the Liberty Tower at Ground Zero in New York city, the bridge joining Hong Kong and Macao with continental China, the City of Justice in Madrid, or more recently, the expansion of the Louvre Museum in Abu Dhabi.

The group's factories currently have agreements with universities, participate in research projects promoted by the government and maintain a great number of internal projects.

In 2012 the awards now known as the "Rafael Naranjo" awards were set up to recognise improvement and development projects and initiatives stemming from the Group's employees. Over twenty projects were presented in 2014, and most of them have been implemented into our industrial processes. These are the winning employees:

- First prize: Antonio Jesús Espinosa Sánchez and José Carlos López Cantos, for their project "Proposal to reduce refractory use, streamline their set-up and increase safety in the face of possible filtrations in the base of ladles". The prize was 12,500 euros
- Second prize: Rafael Almansa Torres for the project "Maintaining bar screen temperature during long periods of inactivity during the hot rolling mill process". The prize was 7,500 euros
- Prize for Safety and the Environment: Grupo de Control de Procesos de Acería-TLC Mantenimiento Eléctrico for their project "AOD-steelwork slag cone trolley-dragging device." The prize totalled 10,000 euros.

Granada subway.

Given the success of this initiative, the Board of Directors of Acerinox Europe SAU decided to increase awards to 45,000 euros for 2015.

As a result of this development work, new kinds of products have recently appeared whose use can help solve specific problems. For instance, new types of steel have been developed, with less chrome content, as well as other products with exceptional hardness and corrosion-resistance qualities. The new duplex, 3Cr12 and other exceptional polished annealed products manufactured by the Group, among others, make up these solutions to specific problems and meet the requirements of an increasingly demanding industrial environment, where more importance is given to costs, to resistance to different kinds of stress or simply to aesthetic requirements.

The Group's lab work is coordinated with all work related to the dissemination of solutions and analysis of needs carried out by the Cedinox association. Cedinox's aim is to understand the needs of engineers, architects and all other industrial sectors, including construction, and channel their efforts into finding appropriate solutions to problems and publicising the solutions available, providing assessment throughout the process of designing and implementing new products and applications.

In total, the Group has invested 16.1 million euros in R+D+i activities, which exceeds the 2013 figures by 4 million euros. The most active research and development centres were, once again, the plants in Campo de Gibraltar and Columbus, both of which averaged 6.8 million euros each, surpassing the investments made the previous year for the same purpose.

Besides R+D+i activities, the other main group of activities aimed at maintaining quality and production is investment.

73.7 million euros were allocated to the group in 2014, a slightly smaller amount than in 2013. This reduction is, to a large extent, the result of the second stage of cold-rolling being nearly completed in Bahru Stainless.

The quantities in this investment chapter are detailed in the following table:

	2014	2013
Acerinox, S.A.	1.0	0.7
Acerinox Europa	15.7	39.6
NAS	9.5	8.5
Columbus	6.1	16.0
Bahru Stainless	39.2	59.3
Roldán and Inoxfil	0.9	1.6
Spanish Trading Companies	0.1	0.1
Overseas Trading Companies	1.3	0.4
TOTAL	73.7	126.3

5 Risk Reduction

The goal of Acerinox's Risk Management System is to provide a rational level of safety while achieving the goals that have been established, providing shareholders, other interest groups and the market in general with an adequate level of value and guarantee-assurance. Acerinox establishes a series of key operational principles within the framework of its Risk Management System which allow it to improve its ability to generate value.

Acerinox's Risk Management System is based on its arrangement of business units, processes, geographical areas and functions, and is an integral element in decision-making processes.

The methodology behind the Risk Management System is contingent on identifying and assessing risks, as well as monitoring control activities and improvement plans, making it easier for Acerinox to reasonably manage the risks that it exposes itself to.

Risk assessment is carried out using qualitative techniques from a perspective of event probability and impact. Based on the valuation scales established for each impact and probability variable, we obtain the risk valuation matrix, which reflect four different levels for every risk: very high risk, high risk, moderate risk and low risk, all of which are represented on the company's high-level Global Risks Map, which is systematically and periodically updated under regular supervision on the part of the pertinent bodies: The Management Committee, the Auditing Committee and the Board of Directors

The policies and procedures applied in relation to Acerinox's Risk Management System are established and implemented to ensure that—among other things—responses to risks are carried out effectively.

Furthermore, Risk Management provides rigour in identifying risks and choosing among different possible alternative responses, thus reducing the amount of surprises, costs or losses involved.

The complexity and global scale of the sector in which Acerinox develops its activities involves a large variety of risks, the most important of which are detailed below.

Brisbane (Australia) footbridge with stainless steel structure.

Main, current risks and uncertainties connected with Acerinox, and Strengths and Opportunities which reduce and mitigate them

Structural risks

- Risk linked to overcapacity

Oversupply due to overcapacity in the markets, resulting in price reduction.

Acerinox's vertically integration and flexible structure allow it to quickly adapt to changes in the markets and endow it with a significant capacity to generate profit even with relatively low production levels. The Acerinox Group is the most global and international group in its sector, and has factories in four continents.

- Risks linked to Competition

The stainless steel market is characterised by a high level of competition, which leads to price reductions in order to increase or maintain market share on a global scale.

Acerinox's corporate culture, know-how and experience give it a great ability to adapt. Its implementation of Excellence Plans for the key indicators allow it to continually improve and guarantee its competitive position.

Acerinox has a broad distribution network in all 5 continents, including 19 service centres, 28 warehouses and 30 sales offices in the main consumption areas within the stainless steel sector.

- Risks linked to Raw Materials' price Volatility

The production of stainless steel requires considerable amounts of raw materials (mainly steel, nickel, chrome, molybdenum, etc.). Nickel is a particularly critical commodity that is listed on the LME (London Metal Exchange) and subject to speculation in the financial markets. This volatility has a direct effect on the apparent consumption of stainless steel.

Acerinox has production centres in four continents, all of which have short production cycles allowing the group to quickly adapt to the volatility which is commonplace in our sector. Our excellence plans allow us to maintain a competitive position insofar as liquid capital, in general, and our stock, in particular.

- Cyclic Sector-related Risks and Economic Crisis

The demand for steel products is directly correlated with the macroeconomic fluctuations and recessions of the global market. These produce imbalances between supply and demand and have a significant impact on prices.

Acerinox is the best-positioned company in the sector of stainless steel thanks to our production centres' diversification strategy and our global sales distribution. We have a high level of productive efficiency and strict financial discipline.

Circumstantial risks

- Risks linked to the deterioration of the general macroeconomic situation

GDP standstill in developed economies (Europe/Spain) and emerging countries.

Acerinox currently enjoys high levels of profitability (EBITDA, Roe, Roce margins) which rank among our best of all times, thanks to the Excellence Plans and the Acerinox Group's favourable financial position, adequate leverage and a low amount of net debt.

- Risks linked to competition circumstances in the US (increase in imports and own production)

The Group enjoys a strong position within our main market (US) and effectively manages our position through intelligent base-price policies. The North American market can easily absorb an increase in imports. The increase in internal production caused by the projects that are under way is not currently a real threat.

- Risks linked to over-regulation in the countries where we operate. Risks linked to protectionist measures in certain markets

Acerinox has sound regulation compliance policies, strengthened by the supervision and control tasks carried out by the ensemble of its Corporate Governance. Additionally, by selling in five continents it can use contributions received better, and minimise risks resulting from the arbitrary decisions made by some countries.

Stainless steel handrails on the seafront from Getaria to Zarautz.

1 Changes in Raw Materials

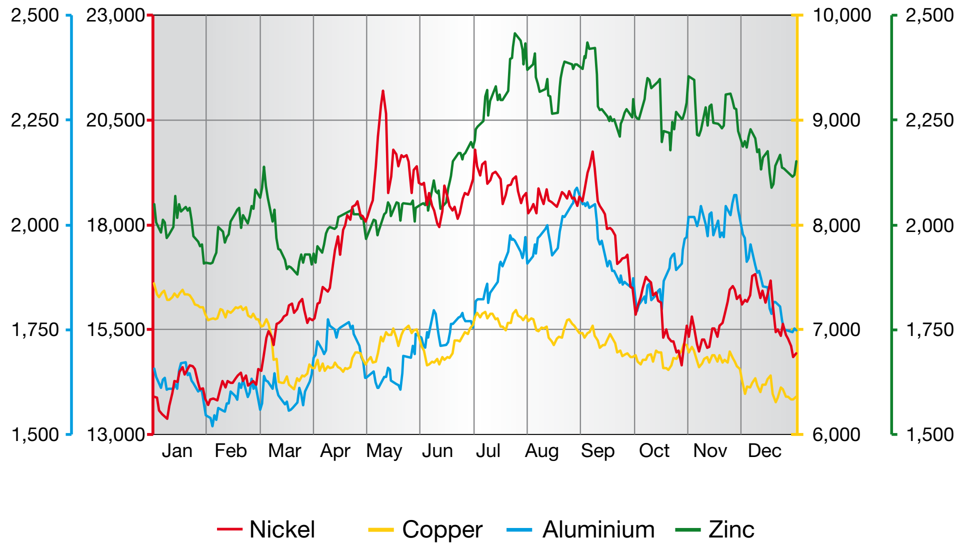
The prices of raw materials increased in the first half of 2014 with no exceptions, only to later undergo, also with no exceptions, an important correction during the latter half. In addition to the evolution of demand, specific circumstances concerning each raw material have played an important role throughout the year.

1.1 Nickel

The evolution of nickel prices have mainly been affected by the prohibition in Indonesia from exporting said mineral, which came into effect in January.

In 2014, China accounted for 50% of the world's nickel consumption. Raw or pig iron nickel makes up approximately 45% of the nickel consumed in the country. Uncertainty about how long China's nickel stockpile would last, in addition to the increase in global demand and concerns about possible sanctions on Russia — one of the main nickel producers — caused an increase in prices, while also triggering speculation in the London Metal Exchange, increasing prices to above 21,000 USD/t by mid-May—a level that hadn't been seen since the start of 2012.

OFFICIAL RAW MATERIAL PRICES IN THE LME (2014)



Daily trading data (USD/t)

The increase in mineral exports from the Philippines, which have virtually come to be China's only source of minerals, alongside stable demand contributed to correct the increase and left prices at around 19,000 USD/t. At the beginning of September it was already obvious that China had enough nickel; the reduction in global demand and political and economic uncertainty caused prices to fall as low as 15,000 USD/t towards the end of the year.

In 2014 the volume of nickel traded increased by 38.6%. In terms of options trading, the increase reached 335.1%.

The year ended with the Metal Exchange holding 414,900 t of nickel *stock*, a 58.7% increase compared to the previous year. This increase was partly due to the influx of nickel from China.

The continuous increase of the Metal Exchange's stock during the year, and its disconnection from price movements proved that the relevance of basic supply-demand mechanisms is decreasing and the price of certain metals is increasingly determined by merely speculative trends and positions.

When compared to all other metals, and despite the decrease in prices, the year ended with a revaluation of 7.41%. The price of aluminium and zinc increased by 4.33% and 4.08%, respectively. Copper, on the contrary, went down by 14.52%.

OFFICIAL PRICE OF NICKEL IN THE LME (2013 AND 2014)

Average trading price / three months (USD/t)

Scrap in the port of Acerinox Europe Factory.

1.2 Ferrochrome

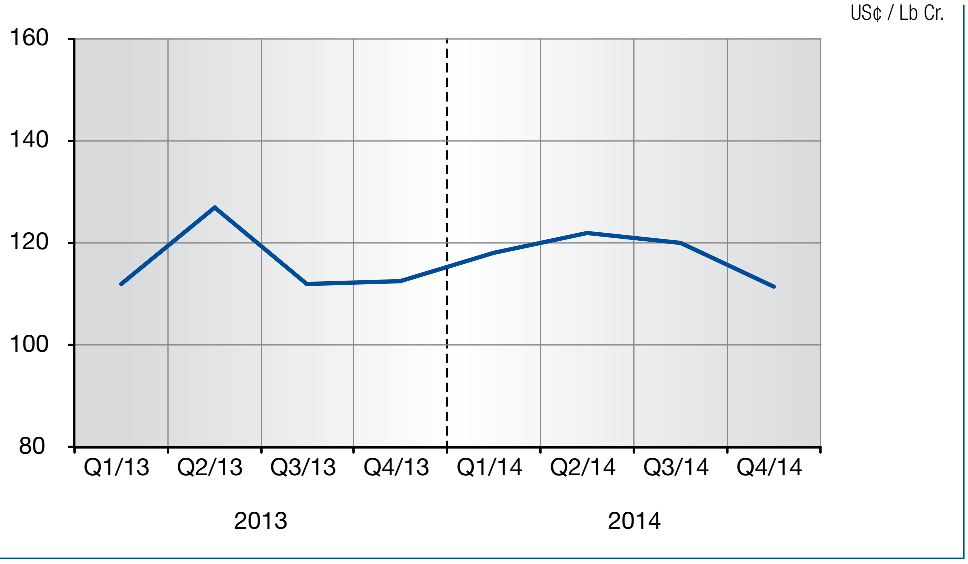
In 2014 the ferrochrome market was characterised by an excess in global supply and an increase in Chinese production, at the expense of chrome mining imports, mainly from South Africa.

The year began with a 5.5 US¢/Lb rise during the first quarter, leaving market prices at 118 US¢/Lb, followed by another 4 US¢/Lb rise during the second quarter, when prices reached 122 US¢/Lb. These rises were caused by an increase in demand, and concern about the impact the lack of electric power might have on South African production.

In China, the surplus caused local prices to fall throughout the year, which, in turn, affected its import prices and, therefore, caused major differences in relation to the prices in the rest of the world.

The need to bring chrome prices in Europe and America closer to Chinese levels, together with the global decrease in demand and the increase of production in South Africa, caused two consecutive falls during the second half of the year, of 3 US¢/Lb and 4 US¢/Lb, leaving global prices at 115 US¢/Lb.

QUARTERLY PRICE OF FERROCHROME



Source: Metal Bulletin

1.3 Molybdenum

After a stable start at around 10 USD/Lb, the price of molybdenum rose sharply during the second quarter above the 15 USD/Lb mark—a price that hadn't been registered since 2011. This increase was motivated by the rise in demand in European and American markets, as well as the doubts about a possible deficit of said material, which caused further stockpiling on the part of consumers and intermediaries. The Chinese market's consumption during the first two quarters was weak, and it even increased its exports, taking advantage of the rise in prices.

During the second half of the year the situation was the opposite: worldwide demand fell, molybdenum production increased and prices fell significantly to 9 USD/Lb toward the end of the year.

PRICE OF MOLYBDENUM

Source: Metals Daily

1.4 Scrap Iron

Prices began at 365 USD/t, the highest prices recorded all year, and tended downward during the ensuing months. The two main reasons for this decrease were the low activity of importing countries such as Turkey, South Korea and India, and the continuous fall of the price of iron ore, which led many common steel manufacturers to prioritise the use of mineral sources as opposed to scrap iron, and even to import billets from China as an alternative.

During the last quarter, coinciding with the lowest iron ore prices registered all year and the decrease in the demand for steel, scrap iron suffered an important fall, returning to 280 USD/t, the lowest price since 2009.

PRICES OF SCRAP IRON, FOB ROTTERDAM HMS 1&2

Source: Metal Bulletin

2 Main Markets

In 2014 prices followed the same trends that began in 2013 in Europe and the US, while Asia has behaved differently. In Europe apparent consumption increased, with the recovery of stock for the supply chain. In the United States consumption rose thanks to the important economic growth the country experienced, creating demand for stainless steel and goods made of it.

The Asian market continues to prove highly dynamic. In China demand remained stable despite the country's reduced economic growth. ASEAN member states experienced the highest growth, especially Indonesia and Malaysia.

Conditions were very favourable for the region's stainless steel market, which was characterised by strong competition sparked by the continuous growth in China's production.

Stainless steel coils.

Europe

When reporting on the 2013 fiscal year, we pointed out in this same chapter that the changing trend in the market that took place halfway through the year was to be confirmed in 2014, and that was the case.

Europe experienced a first half of the year characterised by an important increase in apparent consumption, caused by increased use on the part of end clients, as well as stock recovery on the side of supply chains. This stock/inventory was at historically low levels at the end of 2013 due to the restrictions in working capital. The replacement of these stocks, in combination with the slight improvement of the Euro zone's economy at the beginning of 2014, led to an increase in orders from European steel mills.

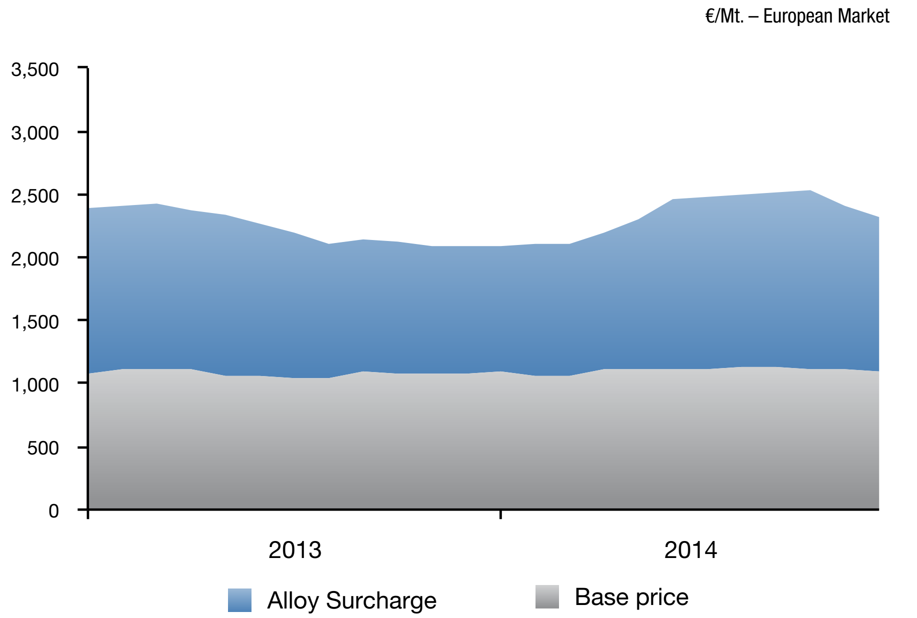
The second half of the year was somewhat more complicated, as the effects of the weak economy coupled with an increase in imports, following the announcement of anti-dumping procedures against China and Taiwan to hinder the import of flat cold-rolled sheet products. In fact, 2014 was the first year in which the trade balance was negative (data from Eurofer). This means that in 2014, for the first time in the history of the European Union, Europe imported more stainless steel than it exported.

However, apparent consumption grew throughout 2014, according to our estimates, at a rate unseen for a long time (+12.8% in Spain, +8.6% in Germany, +19.2% in Italy), with the exception of France, which was the only country that registered negative growth rates (-8.7%). We estimate that apparent consumption grew in the whole of Europe by 13.6%.

Some sectors, such as the automotive industry, contributed to this strong growth in apparent consumption: in 2014, 12.55 million new cars were registered in Europe (ACEA), the first increase since 2007, specifically, 5.7% more. In some countries, such as Spain, the increase reached 18.1%, whereas the numbers were 9.3% in the UK and 4.2% in Italy.

PRICES OF STAINLESS STEEL PLATE I 2.0MM AISI 304 COLD-ROLLED

2013 AND 2014



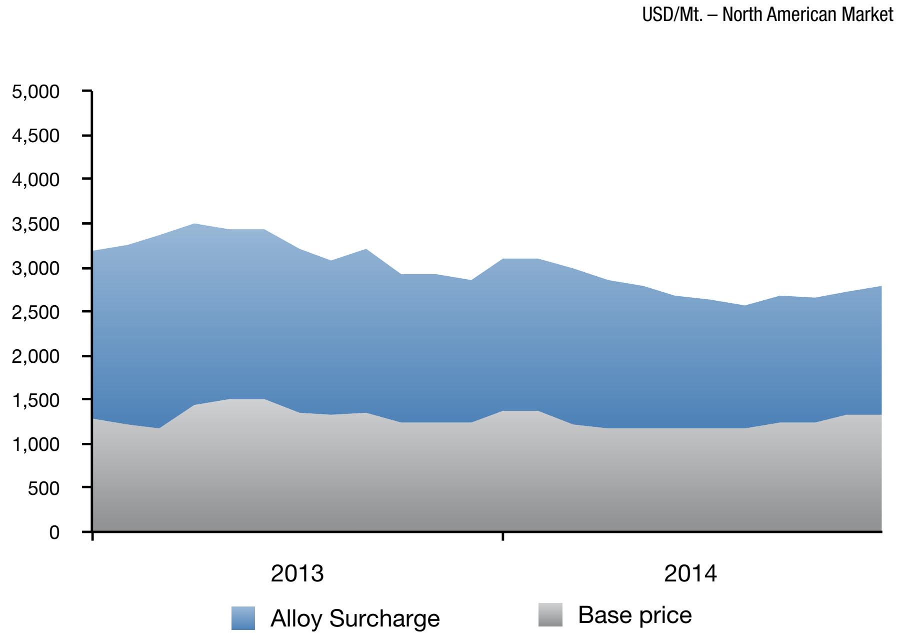
Source: Metal Bulletin

United States

After several years of excellent macroeconomic numbers, 2014 was no exception. GDP growth reached 5% in the third quarter, resulting in annual growth of 2.4% and the creation of 2.95 million jobs, thus lowering unemployment to 5.6%. 2014 was the fourth consecutive year in which the American economy was able to create more than 2 million jobs, with a controlled inflation level of -1.6%. All of this helped the consumption of stainless steel to keep growing in 2014, reaching a rate that we estimate at 5%. This led our factory in Kentucky to achieve record production figures to keep up with the high internal demand.

PRICES OF STAINLESS STEEL PLATE | 2.0MM AISI 304 COLD-ROLLED

2013 AND 2014



Source: Metal Bulletin

South Africa

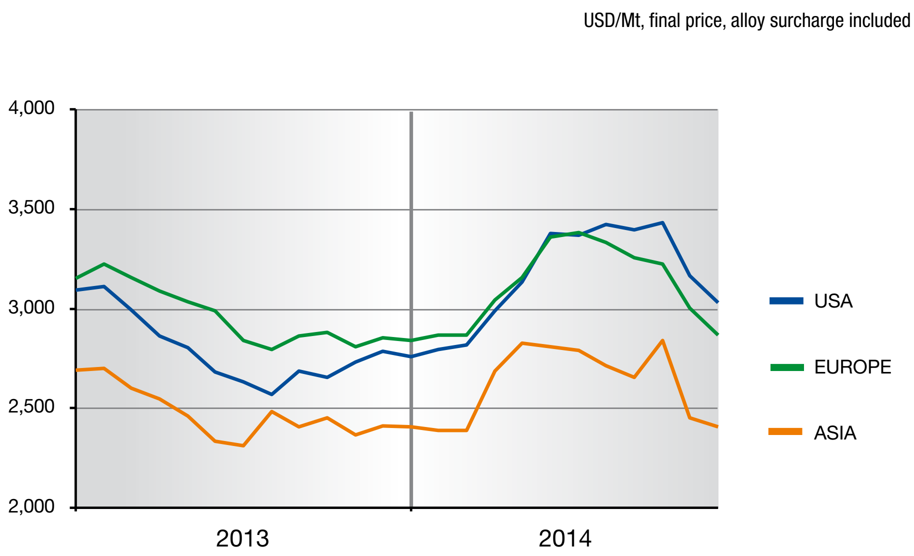
In South Africa the apparent consumption of stainless steel suffered the consequences of the labour conflicts the country went through for several months in 2014, which resulted in a -1.6% GDP decrease during the first quarter. The situation, nonetheless, improved during the rest of the year. The only slightly positive factor for the South African economy was the increase in exports, as weak internal demand continued to slow down growth throughout the year, causing the apparent consumption of stainless steel to fall by 4.65%.

Asia

Despite the Chinese economy slowing down from two-digit GDP growth to 7.3% in 2014, the stainless steel market experienced an estimated growth of 7%. We calculate internal consumption to have been above 16 million tonnes (2014), with a surplus of about 3.8 million t. The increase in internal consumption, at approximately 1.4 million tons, is an indicator that China is able to absorb its excess capacity in very little time. China's excess capacity is setting the course for the region's markets, as exports, over 3 million tons, approximately, force prices to a minimum.

The ASEAN area maintained its growth potential, as proven by its apparent consumption numbers, which did not stop growing, with there being a rise fo 10% in Bahru Stainless which continues to increase its market share in Malaysia once again.

PRICES OF STAINLESS STEEL PLATE | 2.0MM AISI 304 COLD-ROLLED 2013 AND 2014



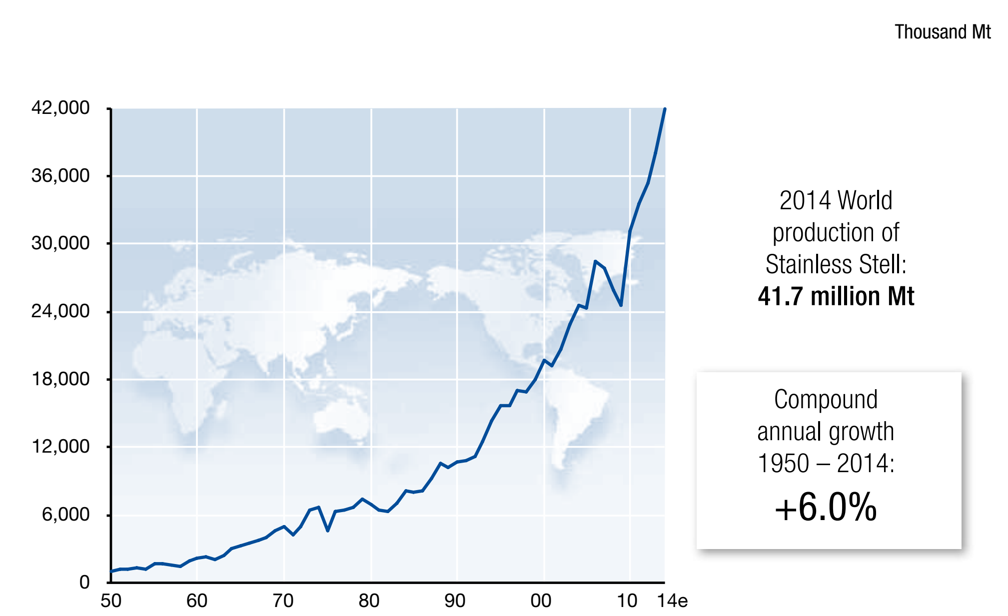
Source: Metal Bulletin

Stainless steel sheets.

3 Worldwide Production of Stainless Steel

The worldwide production of stainless steel grew in 2014, to 41.7 million tonnes, 8.3% more than in 2013. This represents average annual growth of 6% since 1950.

WORLDWIDE STAINLESS STEEL PRODUCTION
1950 – 2014



Source: ISSF

Given that, in the long term, production and consumption data tend to balance out, this growth in production — 3 million t — makes us feel positive about the sector's future: once China's growth lessens, a process which has already started as a result of its environmental and financial policies, the balance between supply and demand will quickly come to resemble that of other global markets.

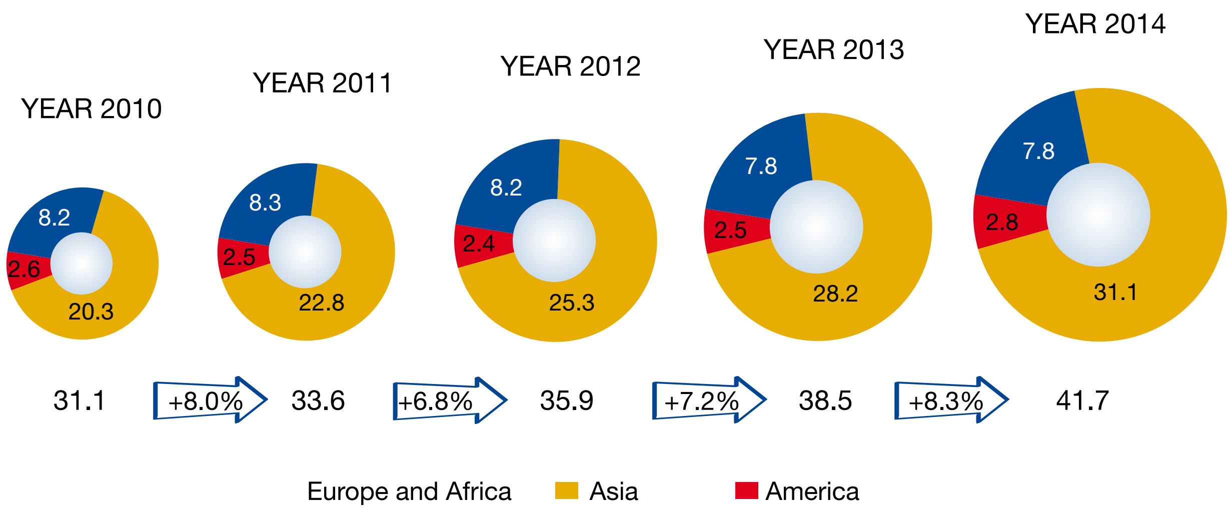
There is one important change in this year's analysis by geographic regions. The region with the highest growth rate was no longer China, but America, with a 14.6% increase compared to China's 14.3%. The US economy's strength undoubtedly contributed to the growth in apparent consumption both in the US and neighbouring countries such as Mexico, as did the inauguration of the Calvert steel mill in Alabama. The Europe/Africa regions produced the same as in 2013, because despite the European Union's slight growth, other European countries and Africa compensated for this increase. Asia—excluding China—remained stable for yet another year.

(Thousand Mt.)

	2013	2014	Variation
Europa/Africa	7,792	7,847	0.7%
Americas	2,455	2,813	14.6%
Asia without China	9,275	9,334	0.6%
China	18,984	21,692	14.3%
TOTAL	38,506	41,686	8.3%

Despite the increases in Europe and America, Asia maintained its hegemony, with over 74% of the global production.

EVOLUTION OF THE STAINLESS STEEL WORLD PRODUCTION (Million Mt.)



Source: International Stainless Steel Forum (ISSF)

1 Production

Melting output for the Acerinox Group in 2014 amounted to 2.3 million t, 4.5% up on that of 2013 and equal to that of 2004, just behind that of 2006, which was the year of highest production in our history. Hot-Rolled production accounted for 2.0 million t, a 5.6% increase in relation to the previous year, and that of Cold-Rolled increased by 3.7% to 1.5 million tons.

(Thousand Mt.)	Year 2014					Year 2013	Variation 2014 / 2013
	1st Quarter	2st Quarter	3st Quarter	4st Quarter	Accumulated	Jan-Dec	
Melting shop	617.5	631.6	560.2	515.5	2,324.8	**2,225.0**	**4.5%**
Hot rolling shop	542.0	552.0	491.8	463.6	2,049.3	**1,941.1**	**5.6%**
Cold rolling shop	384.5	411.7	384.2	375.2	1,555.6	**1,499.4**	**3.7%**
Long Product (Hot Rolling)	62.4	64.0	61.1	54.1	241.6	**223.0**	**8.3%**

By factories, melting output in Acerinox Europe has increased the most in comparison with 2013 by 11.9%, hot-rolling increased by 14.4%, and cold-rolling by 3.0 %. As for NAS, production rose by 3.6%, 4.8% and 1.9% in each workshop. In the case of Columbus, although melting shop (-4.1%) and hot-rolling (-3.6%) produced less than in 2013, production at the Cold-Rolled workshop improved by 0.2%.

Bahru Stainless has considerable increased production again, which has increased by 38.4% over 2013.

Tanker-truck in stainless steel.

2 Results

In 2014, the Acerinox Group obtained the best results since 2007, reflecting the improved conditions in the sector and, more particularly, the Excellence Plans and policy of adjustments followed by the Company.

MOST SIGNIFICANT NUMBERS OF ACERINOX

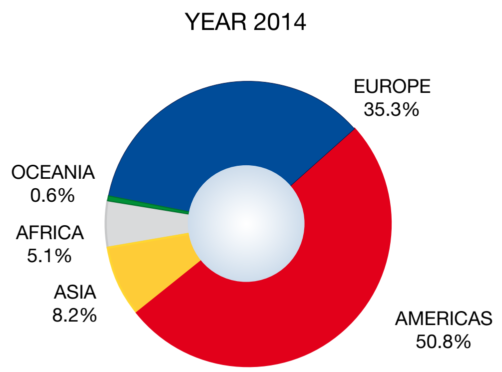
Thousand euros

	2014	2013	Variation
Net sales	4,380,289	3,966,278	10.4%
EBITDA	454,180	228,143	99.1%
EBIT	297,687	88,284	237.2%
Result before taxes and minorities	243,776	33,180	634.7%
Depreciation	150,345	134,981	11.4%
Gross cash-flow	394,120	168,161	134.4%
Result after taxes and minorities	136,329	22,068	517.8%
Net cash-flow	286,674	157,049	82.5%

Turnover for the Consolidated Group in 2014 amounted to 4,380 billion euros, which is 10.4% up on the previous year, as a result of the 6% increase in the number of tons sold and of the higher average sales price over the year, the rise in nickel and consequently, in alloy extras.

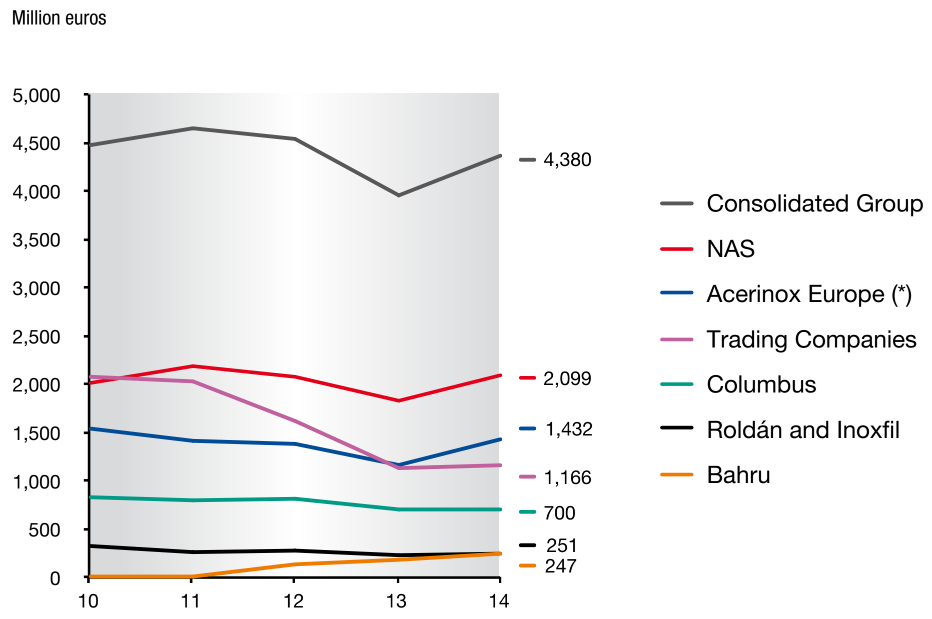
GEOGRAPHICAL DISTRIBUTION OF ACERINOX GROUP NET SALES

YEAR 2014



All Group companies took advantage of the best market circumstances to increase their order book and, therefore, increase sales.

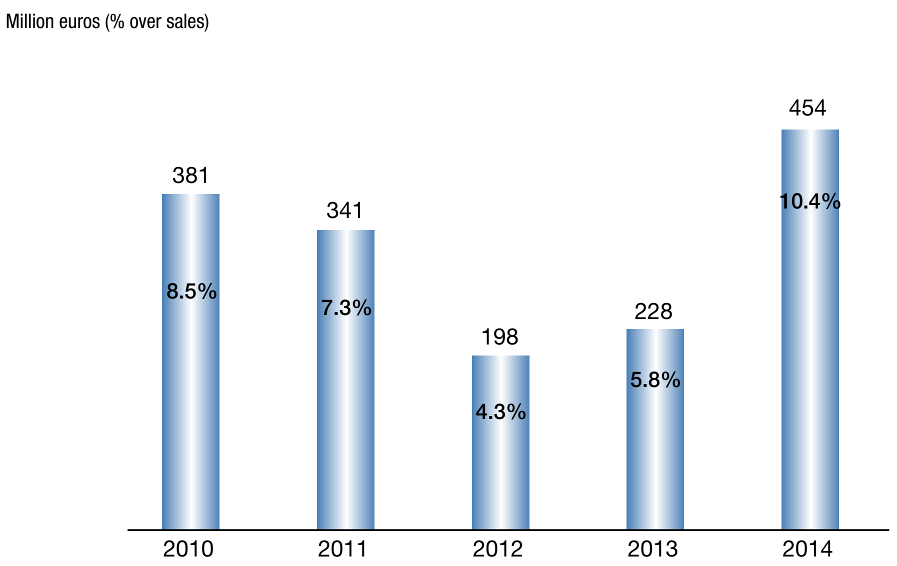
EVOLUTION OF ACERINOX GROUP NET SALES YEAR 2014



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

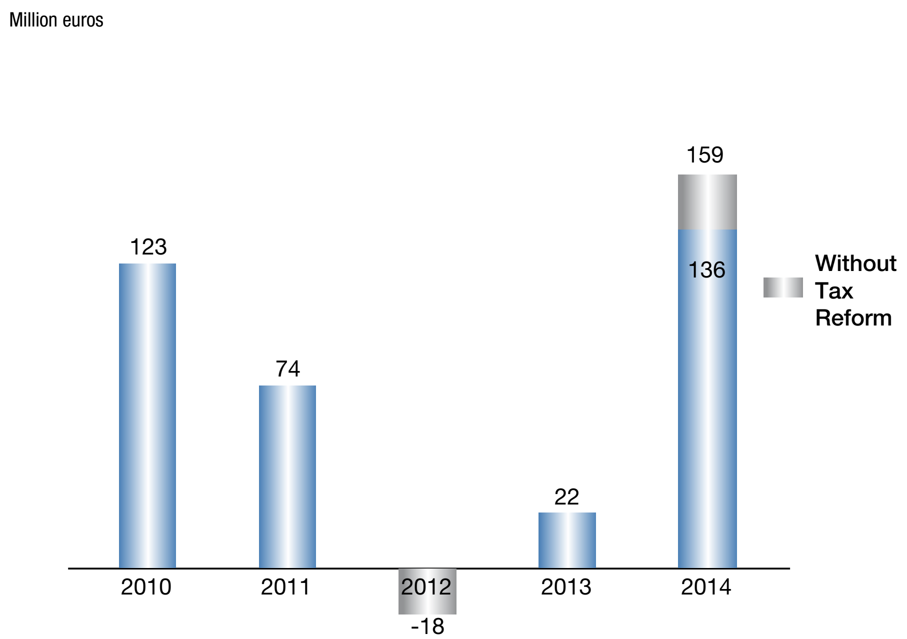
EBITDA generated, 454 million euros during the year, doubling that of the previous year. Despite the greater activity, the entries for operations and personnel expenses continued to fall (12 million euros as a whole). These savings are added to the 43 million euro reduction in operations and personnel expenses in 2013 in comparison with 2012 and have been generated thanks to the plans for excellence and reducing fixed costs.

EVOLUTION OF THE CONSOLIDATED GROUP EBITDA



Pre-tax results of 244 million euros is 7.3 times greater than that obtained the previous year. Results after taxes and minorities of 136 million euros was affected by the impact of the corporate income tax reform in Spain, which led to a 25% drop in the recoverability of any tax credit activated. This impact is quantified in 23 million euros and, had it not occurred, Group results would have amounted to 159 million euros.

RESULTS AFTER TAXES AND MINORITIES



Working operating capital increased by 213 million euros as a result of a higher activity over the year and of the better price of raw materials.

	2014	2013
Inventories	852	730
Debtors	444	377
Creditors	841	865
Working Capital	454	241

The net financial debt of the group at year-end amounted to 616 million euros, with a ratio to shareholder equity of 33.2% and to EBITDA of 1.36. All covenants imposed by credits and those relating to the Group's ratios were fully satisfied.

CONDENSED BALANCE SHEET

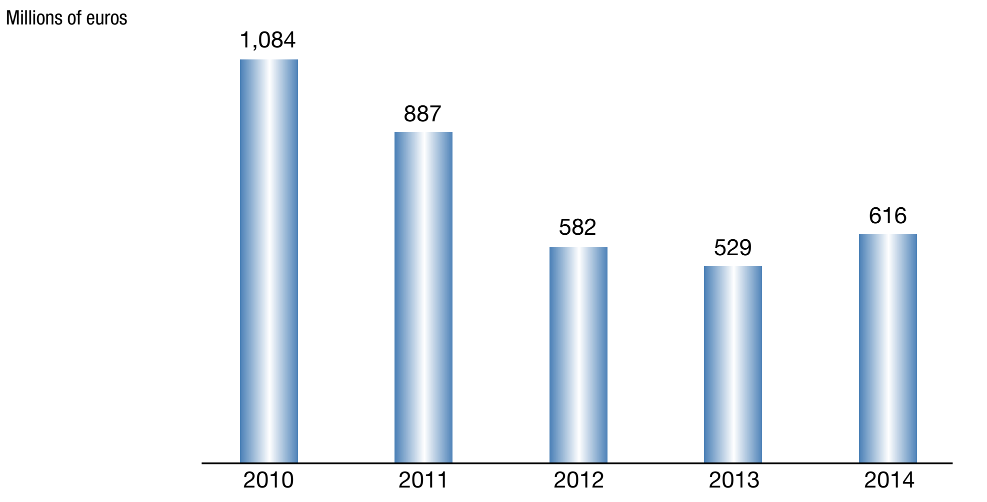
Million euros

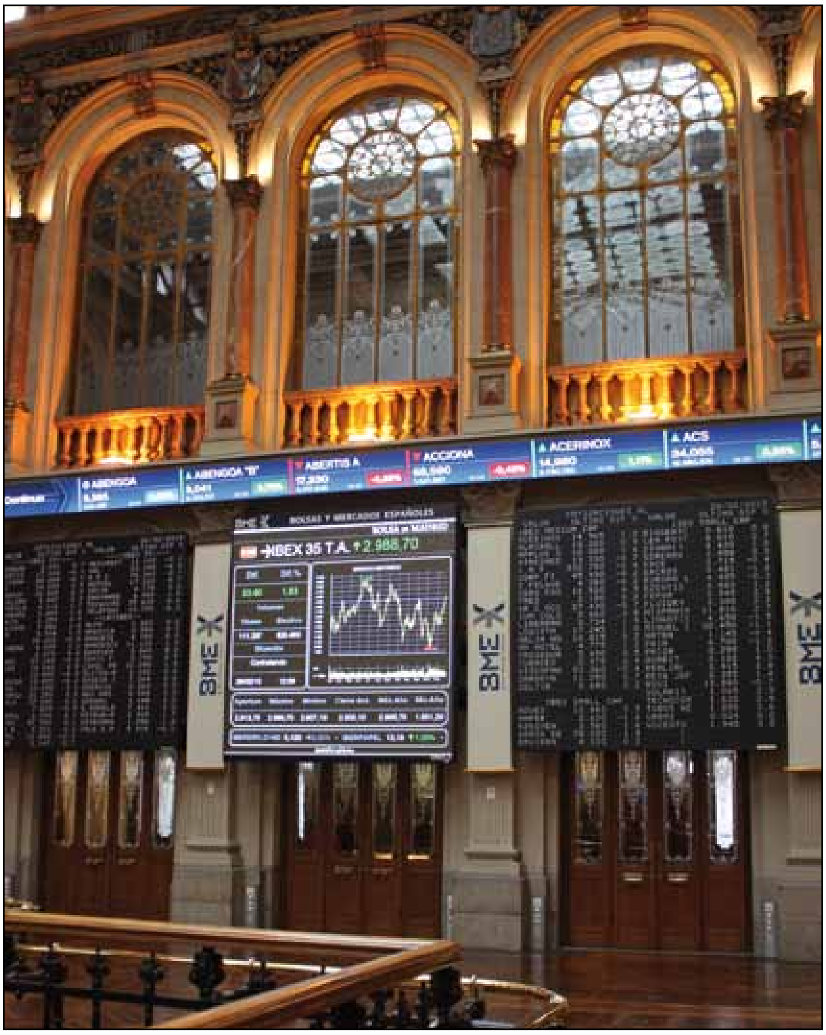
ASSETS	2014	2013	Variation
NON CURRENT ASSETS	2,270.43	2,200.07	3.2%
CURRENT ASSETS	2,159.12	1,790.90	20.6%
Inventories	851.70	729.59	16.7%
Debtors	475.19	410.55	15.7%
- Trade debtors	443.56	376.62	17.8%
- Other debtors	31.62	33.94	-6.8%
Cash and other current assets	832.24	650.76	27.9%
TOTAL ASSETS	4,429.55	3,990.97	11.0%

LIABILITIES	2014	2013	Variation
EQUITY	1,856.13	1,553.22	19.5%
NON CURRENT LIABILITIES	1,279.66	990.61	29.2%
Interest be aning loans and borrowings	1,020.01	750.66	35.9%
Other non current liabilities	259.66	239.95	8.2%
CURRENT LIABILITIES	1,293.76	1,447.14	-10.6%
Interest be aning loans and borrowings	334.08	408.27	-18.2%
Trade creditos	841.07	865.18	-2.8%
Other current liabilities	118.61	173.68	-31.7%
TOTAL EQUITY AND LIABILITIES	4,429.55	3,990.97	11.0%

On 31st December, Acerinox had 1.909 billion euros in standing lines of credit, 29% of which were available.

EVOLUTION OF NET FINANCIAL DEBT





Madrid stock market.

In its aim to diversify sources of finance, the Group issued debentures twice over the year, which were subscribed in the form of private placements. The first was signed in July for the sum of 75 million euros, due in 2024; and the second in December for the sum of 50 million euros, due in 2018.

The capital markets support the strategy of Acerinox, buying these debenture issues under very competitive price conditions for the Company that reflect its long-term credibility in financial markets.

The cash flow statement shows the importance of working capital in our sector and its impact on reactivating the market, as was the case this year. Despite the increase in revenue from these better results, the 261million increase in working capital has meant that the total cash flow generated by the group was a negative 27 million euros, after having made investment payments to the sum of 74 million euros.

ABRIDGED CASH FLOW STATEMENT

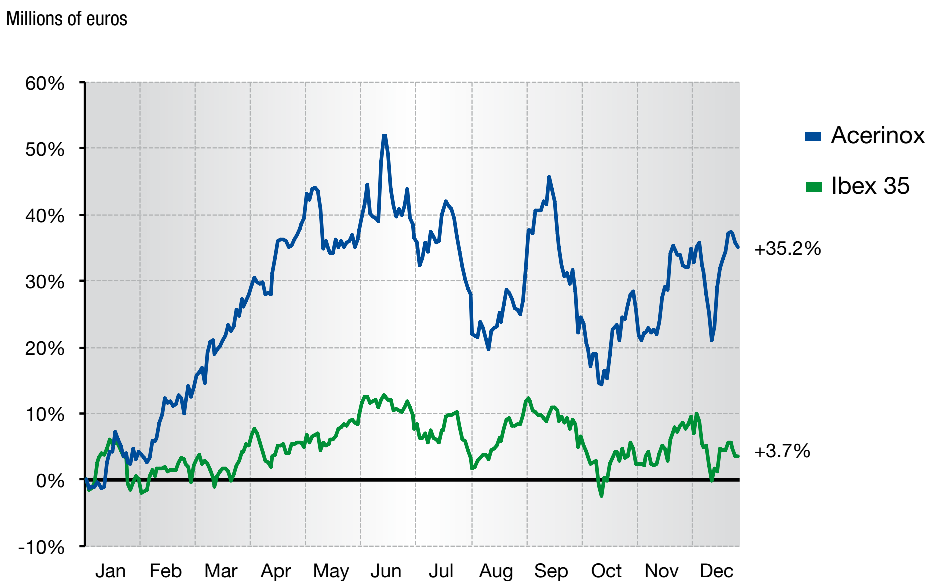
2014 (Millions of euros)

	Jan-Dec 2014	Jan-Dec 2013
Result before taxes	**243.8**	**33.2**
Adjustments for:	**227.7**	**185.7**
Depreciation and amortisation	150.3	135.0
Changes in provisions and impairments	-2.6	1.7
Other adjustments in the result	80.0	49.0
Changes in working capital	**-261.4**	**149.1**
Changes in operating working capital	-213.2	187.9
- Inventories	-122.1	140.9
- Trade debtors	-66.9	9.6
- Trade creditors	-24.1	37.4
Others	-48.3	-38.8
Other cash-flow from operating activities	**-160.2**	**-108.7**
Income tax	-103.4	-54.7
Financial expenses	-56.8	-54.0
NET CASH-FLOW FROM OPERATING ACTIVITIES	**49.9**	**259.3**
Payments for investments on fixed assets	**-74.2**	**-160.8**
Others	**-3.1**	**-1.3**
NET CASH-FLOW FROM INVESTING ACTIVITIES	**-77.3**	**-162.1**
NET CASH-FLOW GENERATED	**-27.4**	**97.2**
Acquisition of treasury shares	**0.0**	**0.0**
Dividends payed to shareholders and minorities	**-56.1**	**-46.8**
Changes in net debt	**151.2**	**18.5**
Changes in bank debt/private placement	195.2	-5.3
Conversion differences	-44.0	23.8
Attributable to minority interests	**0.0**	**0.0**
Others	**0.0**	**0.1**
NET CASH-FLOW FROM FINANCING ACTIVITIES	**95.0**	**-28.3**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**67.7**	**68.9**
Opening cash and cash equivalents	**629.6**	**582.7**
Effect of the exchange rate fluctuations on cash held	**41.1**	**-22.0**
CLOSING CASH AND CASH EQUIVALENTS	**738.1**	**629.6**

3 Share price evolution

Acerinox shares appreciated by 35.2% in 2014. This behaviour is ten times higher than that experienced by the IBEX 35, which recorded appreciation figures of 3.7%. The Acerinox share was excluded from the IBEX 35 in December 2013 in line with liquidity criteria, as there were 35 listed securities that had greater liquidity than that of Acerinox. We hope to return soon to the Spanish Stock Market Index in which industry is so under-represented at present.

MARKET EVOLUTION OF ACERINOX AND THE IBEX 35



Daily percentages, 2014

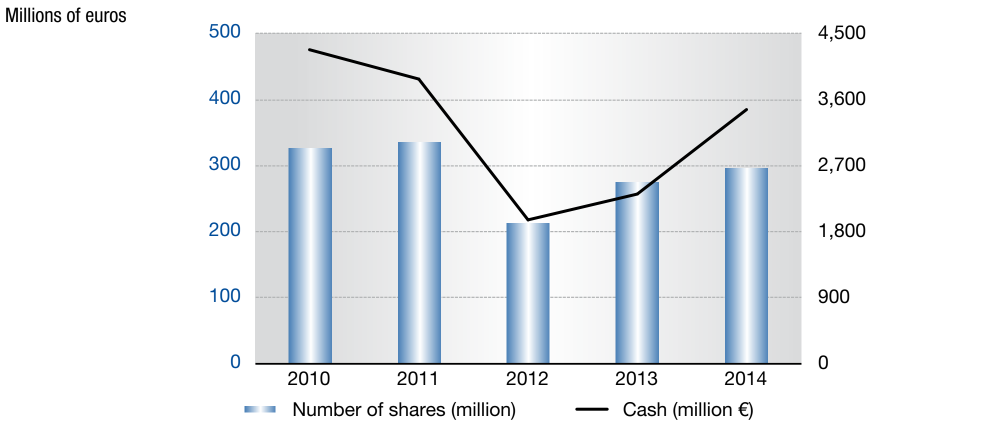
2014 was a very volatile year for the Spanish stock exchange and even more so for Acerinox shares. On one hand, it was marked by ECB support for the European economy, which meant that investor interest remained steady. However, the negative side saw the Ukrainian-Russian crisis, currency crises in emerging markets, the drop in oil prices and the political uncertainty in Greece. The highest point of 11,188 points was reached on 19th June and the lowest of 9,670 points on 16th October.

Acerinox reached its annual minimum very quickly, on 9th January, with a listing of 9.02 euros per share. The improved perspectives of the stainless steel sector together with the limitation placed on the export of minerals in Indonesia (with the subsequent increase in nickel prices) meant that the share shot up to 14.06 euros per share (+52%), its annual maximum, on 20th June. The slowing down of the European economy over the second half of the year meant that part of this appreciation was lost, and 2014 ended with a 35% increase.

In 2014, Acerinox shares were traded for the 255 days the Continuous Market was open for business. The total number of shares traded amounted to 296,035,972, with average daily trading of 1,160,925 shares.

In respect to the trading volume, it reached a total of 3,466 billion euros for the entire year of 2014, with a daily average of 13,6 million euros.

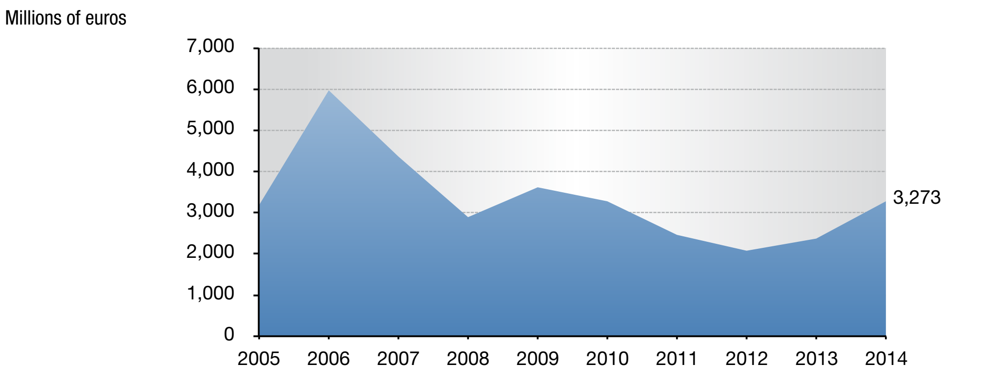
CONTRACTS OF SHARES AND CASH



Capitalisation

On 31st December 2014, the market capitalisation of Acerinox reached 3,273 million euros.

MARKET CAPITALISATION OF ACERINOX, S.A. 2005-2014



Source: MBR

Capital Stock

At year-end 2014, Acerinox's capital stock totalled 65,425,535 euros, divided into 261,702,140 shares with a nominal value of €0.25 each.

On 23rd July, 4,555,963 new shares of Acerinox, S.A. were admitted to official trading on the Madrid and Barcelona Stock Exchanges as a result of the increase of paid-in capital approved at the Ordinary General Shareholders Meeting of 10th June 2014 to set up the scrip dividend system.

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

The attendance of shareholders and representatives at the General Shareholders Meeting of 10th June 2014 held in Madrid represented 77.19% of the capital stock.

4 Refunds to shareholders

The General Shareholders Meeting of 10th June 2014 approved payment of a scrip dividend to a maximum sum of 115,715,779.65 euros, equivalent to the sum of approximately €0.45 per share. This is the same amount that the company has provided for shareholders since 2007.

It is the second time that the company has chosen a scrip dividend, deciding to repeat the operation in 2014 due to the great acceptance of the system in 2013, which also rewarded shareholders who chose payment in kind with good share revaluation. The acceptance of payment in kind was slightly lower in 2014 than in the previous year (51.38% compared with 56.62%).

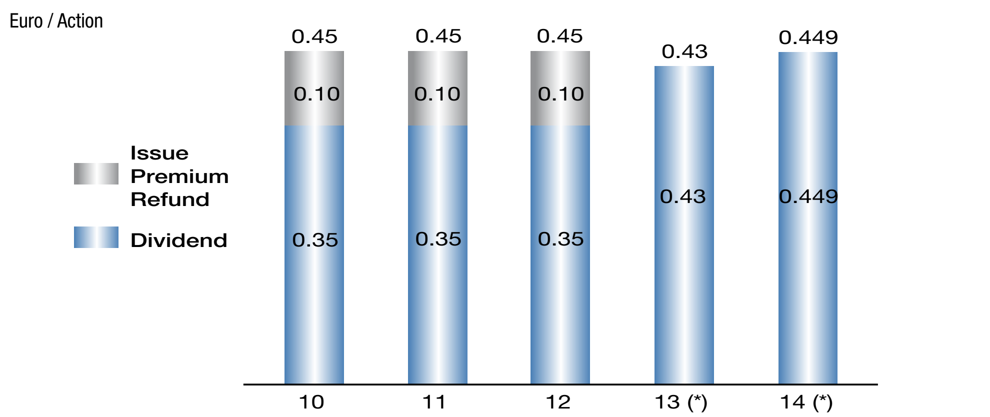
The following calendar was followed in 2014:

- 10th June 2014, approval by the General Shareholders Meeting.
- 11th to 17th June 2014 were the reference dates to determine the average price of shares at closing, with the pre-cot being established at 13.029 euros per share. The result of this change determined the next two parameters, in accordance with the agreement approved in the General Meeting:
  - The number of rights needed to receive one share was established at twenty nine (29).
  - The price offered to corporate shareholders who wanted to sell their shares to Acerinox at the start of the operation was set at 0.449 euros per share.
- The rights were traded on the Continuous Market in the Madrid and Barcelona Stock Exchanges from 24th June to 8th July 2014.
- Those who were shareholders at the start of the operation (11:59 a.m. on 23rd June 2014) had between 24th June and 2nd July 2014 to report the sale of their rights to the Corporation at the price of 0.449 euros per share.
- On 11th July, 2014, shareholders who requested it received 0.449 euros for the sale of each of their rights.
- On 23rd July 2014, the 4,555,963 new shares from the capital raised by the scrip dividend approved at the General Meeting of 10th June 2014 were admitted to official trading on the Continuous Market in the Madrid and Barcelona Stock Exchanges.

The return obtained by shareholders who sold their rights to the Corporation meant a profit of 3.59% in respect to the closing exchange for Acerinox shares in 2014.

Shareholders who chose to subscribe to shares with their free allotment rights saw their number of shares increase by 3.45%.

SHAREHOLDER REMUNERATION



(*) scrip dividend


ACERINOX

Consolidated Annual Accounts

ACERINOX, S.A.
and Subsidiaries

Annual Accounts of the Consolidated Group
31 December 2014

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of
Acerinox, S.A.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Acerinox, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of Acerinox, S.A. and subsidiaries at 31 December 2014 and their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable provisions of the financial reporting framework.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2014 contains such explanations as the Directors of Acerinox, S.A. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2014. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Acerinox, S.A. and subsidiaries.

KPMG Auditores, S.L.

(*Signed on the original in Spanish*)

Borja Guinea López

26 February 2015

1. CONSOLIDATED FINANCIAL STATEMENTS

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

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

ASSETS	Note	2014	2013
Non-current assets			
Goodwill	7	69,124	69,124
Other intangible assets	7	9,311	6,644
Property, plant and equipment	8	1,985,432	1,892,810
Available-for-sale financial assets	9	8,401	9,149
Deferred tax assets	17	192,130	218,248
Other non-current financial assets		6,032	4,091
TOTAL NON-CURRENT ASSETS		2,270,430	2,200,066
Current assets			
Inventories	10	851,698	729,594
Trade and other receivables	9	466,091	413,931
Other current financial assets	9	84,576	12,162
Current tax assets	17	18,390	5,615
Cash and cash equivalents	11	738,368	629,602
TOTAL CURRENT ASSETS		2,159,123	1,790,904
TOTAL ASSETS		4,429,553	3,990,970

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

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

EQUITY AND LIABILITIES	Note	2014	2013
Equity			
Subscribed capital	12	65,426	64,287
Share premium	12	81,403	81,403
Reserves	12	1,442,370	1,477,870
Profit for the year	12	136,329	22,068
Translation differences	12	18,048	-208,583
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		1,743,576	1,437,045
Non-controlling interests	12	112,552	116,180
TOTAL EQUITY		1,856,128	1,553,225
Non-current liabilities			
Deferred income	13	6,430	4,834
Issue of bonds and other marketable securities	9	124,050	
Loans and borrowings	9	895,958	750,656
Non-current provisions	14	13,706	13,580
Deferred tax liabilities	17	216,763	200,226
Other non-current financial liabilities	9	22,758	21,313
TOTAL NON-CURRENT LIABILITIES		1,279,665	990,609
Current liabilities			
Loans and borrowings	9	334,079	408,271
Trade and other payables	9	915,596	979,570
Current tax liabilities	17	35,997	14,340
Other current financial liabilities	9	8,088	44,955
TOTAL CURRENT LIABILITIES		1,293,760	1,447,136
TOTAL EQUITY AND LIABILITIES		4,429,553	3,990,970

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

2. CONSOLIDATED INCOME STATEMENTS

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

(In thousands of Euros)

	Note	2014	2013
Revenues	15	4,380,289	3,966,278
Other operating income	15	17,285	12,723
Self-constructed non-current assets	15	15,993	39,404
Changes in inventories of finished goods and work in progress		38,203	-54,090
Supplies		-3,102,614	-2,828,147
Personnel expenses	15	-347,164	-352,116
Amortisation and depreciation	7.8	-150,345	-134,981
Other operating expenses	15	-553,960	-560,787
RESULTS FROM OPERATING ACTIVITIES		297,687	88,284
Finance income	16	5,301	9,509
Finance costs	16	-61,802	-65,664
Exchange gains/(losses)	16	-63,988	1,043
Revaluation of financial instruments at fair value	16	66,577	8
Share of profit/loss of equity-accounted investees		1	
PROFIT FROM ORDINARY ACTIVITIES		243,776	33,180
Income tax	17	-118,311	-21,748
Other taxes	17	-2,778	-1,847
PROFIT FOR THE YEAR		122,687	9,585
Attributable to:			
NON-CONTROLLING INTERESTS		**-13,642**	**-12,483**
NET PROFIT ATTRIBUTABLE TO THE GROUP		136,329	22,068
Basic and diluted earnings per share (in Euros)		0.53	0.09

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

3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(In thousands of Euros)

	Note	2014	2.013
A) PROFIT FOR THE YEAR		122,687	9,585
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	9.2.5	-745	1,695
2. Other income/expense			
II. Cash flow hedges	9.2.6	26,236	-5,605
III. Translation differences	12.3	236,779	-135,899
IV. Actuarial gains and losses and other adjustments	14.1	-1,685	776
V. Tax effect		-7,902	1,930
B) TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		252,683	-137,103
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
I. Measurement of assets and liabilities			
1. Measurement of financial instruments			
2. Other income/expense			
II. Cash flow hedges	9.2.6	-22,770	21,677
III. Translation differences			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		6,905	-6,668
C) TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		-15,865	15,009
TOTAL COMPREHENSIVE INCOME		359,505	-112,509
a) Attributable to the Parent		362,992	-84,164
b) Attributable to non-controlling interests		-3,487	-28,345

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

4. ECONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(In thousands of Euros)

		Equity attributable to shareholders of the Parent												
		Subscribed capital	Share premium	Retained earnings (including profit for the year)	Property, plant and equipment revaluation reserves	Cash flow hedge reserves	Available-for-sale asset fair value reserve	Actuarial valuation reserves	Translation differences	Interim dividend	Own shares	TOTAL	Non-controlling interests	TOTAL EQUITY
	Notes													
Equity at 31/12/2012		62,326	81,403	1,540,081	5,242	-23,366	-7,861	0	-89,337	0	0	1,568,488	144,525	1,713,013
Profit for 2013				22,068								22,068	-12,483	9,585
Measurement of available-for-sale assets (net of tax)	9,2,5						1,186					1,186		1,186
Cash flow hedges (net of tax)	9,2,6					11,430						11,430	664	12,094
Actuarial valuation of employee benefit commitments	14,1							398				398	127	525
Translation differences	12,3								-119,246			-119,246	-16,653	-135,899
Income and expense recognised in equity		0	0	0	0	11,430	1,186	398	-119,246	0	0	-106,232	-15,862	-122,094
Total comprehensive income		0	0	22,068	0	11,430	1,186	398	-119,246	0	0	-84,164	-28,345	-112,509
Capital increase	12,5	1,961		-2,028								-67		-67
Distribution of dividends	12,5			-46,831								-46,831		-46,831
Distribution of share premium	13,1											0		0
Transactions with shareholders		1,961	0	-48,859	0	0	0		0	0	0	-46,898	0	-46,898
Acquisition of own shares	12,1										-74	-74		-74
Disposal of own shares	12,1			19							74	93		93
Other movements				-400								-400		-400
Equity at 31/12/2013		64,287	81,403	1,512,909	5,242	-11,936	-6,675	398	-208,583	0	0	1,437,045	116,180	1,553,225
Profit for 2014				136,329								136,329	-13,642	122,687
Measurement of available-for-sale assets (net of tax)	9,2,5						-475					-475		-475
Cash flow hedges (net of tax)	9,2,6					1,687						1,687	7	1,694
Actuarial valuation of employee benefit commitments	14,1							-1,180				-1,180		-1,180
Translation differences	12,3								226,631			226,631	10,148	236,779
Income and expense recognised in equity		0	0	0	0	1,687	-475	-1,180	226,631	0	0	226,663	10,155	236,818
Total comprehensive income		0	0	136,329	0	1,687	-475	-1,180	226,631	0	0	362,992	-3,487	359,505
Capital increase	12,5	1,139		-1,199								-60		-60
Distribution of dividends	12,5			-56,135								-56,135		-56,135
Transactions with shareholders		1,139	0	-57,334	0	0	0		0	0	0	-56,195	0	-56,195
Acquisition of own shares	12,1									-1		-1		-1
Disposal of own shares	12,1									1		1		1
Acquisition of non-controlling shares from non-controlling interests	5,2			-955								-955	-141	-1,096
Other movements				689								689		689
Equity at 31/12/2014		65,426	81,403	1,591,638	5,242	-10,249	-7,150	-782	18,048	0	0	1,743,576	112,552	1,856,128

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

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(In thousands of Euros)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	243,776	33,180
Adjustments for:		
Amortisation and depreciation	150,345	134,981
Impairment	-4,555	-2,576
Change in provisions	1,909	4,317
Grants recognised in the income statement	493	-2,977
Gains on disposal of fixed assets	-1,747	-358
Change in fair value of financial instruments	-37,974	12,260
Finance income	-5,301	-7,258
Finance costs	67,815	75,621
Other income and expenses	56,761	-28,336
Changes in working capital:		
Increase/decrease in trade and other receivables	-4,048	-42,763
Increase/decrease in inventories	-82,630	84,473
Increase/decrease in trade and other payables	-174,740	107,429
Other cash flows from operating activities		
Interest paid	-62,018	-61,141
Interest received	5,191	7,144
Income tax paid	-103,392	-54,716
NET CASH FROM OPERATING ACTIVITIES	49,885	259,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-77,894	-163,912
Acquisition of intangible assets	-996	-601
Acquisition of non-controlling shares from non-controlling interests	-1,094	
Acquisition of other financial assets	-1,294	-786
Proceeds from sale of property, plant and equipment	3,720	3,066
Proceeds from sale of intangible assets	0	0
Proceeds from sale of other financial assets	171	113
Dividends received	111	1
Other amounts received/paid for investments		
NET CASH USED IN INVESTING ACTIVITIES	-77,276	-162,119
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of own equity instruments	-60	-67
Acquisition of own shares	-1	-78
Disposal of own shares	1	97
External financing received	801,600	365,930
Repayment of interest-bearing liabilities	-650,363	-347,314
Dividends paid	-56,135	-46,831
Distribution of share premium		
Contribution from non-controlling shareholders		
NET CASH FROM/USED IN FINANCING ACTIVITIES	95,042	-28,263
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,651	68,898
Cash and cash equivalents at beginning of year	629,602	582,671
Effect of exchange rate fluctuations	41,115	-21,967
CASH AND CASH EQUIVALENTS AT YEAR END	738,368	629,602

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

CONTENTS NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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

6 NOTES TO THE CONSOLIDATED ANNUAL ACCOUNT

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

NOTE 1 GENERAL INFORMATION

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

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

Registered office: Calle Santiago de Compostela, 100, Madrid, Spain.

Statutory and principal activity: the Company's statutory activity, as described in its articles of association, is the manufacture and sale of stainless steel products and other similar or derivative products, either directly or indirectly through shareholdings in companies with the same or similar statutory activities. The Parent's principal activity is that of a holding company, as parent of the Acerinox Group. The Company also renders legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group. The Group's principal activity, conducted through its subsidiaries, is the manufacture, transformation and marketing of stainless steel products. The Acerinox Group has six stainless steel factories: two manufacturing flat products in Spain and South Africa; one producing flat and long steel in the United States; a further two making long steel products in Spain; and another in Malaysia that makes flat steel and currently has cold rolling production lines. The Group also has a network of sales subsidiaries in Spain and abroad that sell all its products as their main activity.

Financial year: the financial year of Acerinox, S.A. and all the Group companies is the twelve-month period from 1 January to 31 December.

Annual accounts: these consolidated annual accounts were authorised for issue by the board of directors of Acerinox, S.A. on 25 February 2015.

NOTE 2 ACCOUNTING POLICIES

2.1 Statement of compliance

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

The annual accounts for 2014 have been prepared using the same accounting principles (IFRS-EU) as for 2013, except for the standards and amendments adopted by the European Union mentioned below, which are obligatory as of 1 January 2014, and which have not had a significant impact on the Group.

Among the standards taking effect from 1 January 2014, the following have a relevant impact:

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

  - IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2014. This IFRS establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It introduces a new model for assessing whether control exists. This IFRS supersedes IAS 27.

  - IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014. The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It increases the disclosure requirements in consolidated financial statements.

- The following are standards or interpretations already adopted by the European Union and obligatory in coming years and are expected to have a greater impact for the Group:

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

- IFRS 15 - Revenue from Contracts with Customers. Effective for periods beginning on or after 1 January 2017. Pending adoption by the EU.

These amendments are not expected to have a relevant impact on the Group's annual accounts.

No disclosures or accounting principles have been applied in advance.

2.2 Basis of presentation of the consolidated annual accounts

The accompanying consolidated annual accounts have been prepared by the directors of the Parent to present fairly the Group's consolidated equity and consolidated financial position at 31 December 2014 and 2013, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the years then ended.

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

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

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

The consolidated annual accounts for 2013 were approved by the shareholders at their annual general meeting held on 10 June 2014. The Group's consolidated annual accounts for 2014 are currently pending approval by the shareholders. The directors of the Company consider that these consolidated annual accounts will be approved with no changes by the shareholders at their annual general meeting.

2.3 Going concern assumption and accruals basis

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

2.4 Consolidation principles

a) Subsidiaries

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

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

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

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The Acerinox Group's consolidated subsidiaries at 31 December 2014 and 2013 are listed in **note 5**.

b) Non-controlling interests

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

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

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

c) Business combinations

The Group applies the acquisition method for business combinations.

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

No business combinations took place in 2014 or 2013.

d) Associates

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

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

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

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

e) Balances and transactions eliminated on consolidation

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

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

2.5 Translation differences

i) Functional and presentation currency

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

ii) Foreign currency transactions, balances and cash flows

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the closing exchange rate prevailing at that date. Any exchange differences that may arise from translation are recognised in profit or loss.

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

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

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

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

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

Exchange gains and losses on non-monetary items measured at fair value are recorded as a part of the gain or loss on the fair value of the item.

iii) Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. As permitted by IFRS 1, the Group did not apply IAS 21 The Effects of Changes in Foreign Exchange Rates retrospectively to goodwill arising on business combinations that occurred before the date of transition to IFRS. Consequently, goodwill is considered as an asset of the acquirer not the acquiree, and is therefore not subject to variations due to exchange rate fluctuations affecting the acquiree. Since that date, the financial statements of Group companies that are stated in a currency other than the presentation currency have been translated to Euros as follows: assets and liabilities, including goodwill and fair value adjustments to net assets derived from the acquisition of the foreign operations, are translated at the closing rate prevailing at the reporting date; income and expenses are translated at the average exchange rate for the period; and exchange differences are recognised separately in equity under translation differences.

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

No Group companies operate in hyperinflationary economies.

2.6 Intangible assets

a) Goodwill

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

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

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

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

Internally generated goodwill is not recognised as an asset.

b) Internally generated intangible assets

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge is expensed in the consolidated income statement when incurred.

When research findings are applied to produce new products or to substantially improve existing products and processes, the associated development costs are capitalised if the product or process is technically and commercially feasible, the Group has sufficient resources to complete development and sufficient future cash flows are expected to be generated to recover the costs, with a credit to self-constructed non-current assets in the consolidated income statement. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads.

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

Capitalised development costs are not amortised while the project is underway. Upon successful completion of the project, amortisation begins on a systematic basis over the estimated useful life. In the event of changes in the circumstances that led to the capitalisation of the project expenditure, the unamortised balance is expensed in the year the changes arise.

c) Computer software

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

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

d) Emission allowances

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

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

During the year, the Group has modified its policy for determining impairment on emission allowances; as a result, impairment is now recognised provided that the allowances are earmarked for sale and their carrying amount exceeds their market value. To date, all the Group's allowances have been acquired free of charge and are used in the production process.

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

This policy change has not had any impact on the Group's accounts, as the allowances were acquired free of charge and as such any impairment recognised in the income statement would be accompanied by a corresponding application of grants.

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

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

Detailed information on emission allowances received and consumed in 2014 and 2013 is included in note 7 Intangible assets.

e) Amortisation

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

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

Estimated useful lives are as follows:

- Industrial property: 5 years

- Computer software: 2-5 years

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

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

2.7 Property, plant and equipment

a) Owned assets

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

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

Borrowing costs directly linked to financing the construction of property, plant and equipment are capitalised as part of the cost until the asset enters service. The Group also capitalises certain borrowing costs incurred on loans that are not directly used to finance the investments, applying a capitalisation rate to amounts disbursed to finance the asset based on the weighted average of the borrowing costs incurred on loans other than those specifically used to finance the asset in question. The amount of borrowing costs capitalised never exceeds the amount of borrowing costs incurred during the period.

The cost of property, plant and equipment includes major repair costs, which are capitalised and depreciated over the estimated period remaining until the following major repair.

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

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

b) Investment property

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

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

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

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

c) Depreciation

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

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

Land is not depreciated.

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

- Buildings: 10-50

- Technical installations and machinery: 3-30

- Other property, plant and equipment: 2-10

2.8 Impairment of non-financial assets

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

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

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

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

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

Except in the case of goodwill, impairment losses recognised in prior years are reversed through the income statement provided that there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, the new carrying amount cannot exceed the carrying amount (net of amortisation or depreciation) that the asset would have had if no impairment loss had been recorded.

2.9 Financial instruments

2.9.1 Classification

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

2.9.2 Financial assets

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

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

The measurement criteria applied to the financial assets held by the Group in 2014 and 2013 are detailed below.

a) Financial assets at fair value through profit or loss

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

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

Changes in fair value are recorded under revaluation of financial instruments at fair value in the income statement.

b) Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are only classified as non-current when they are not due to mature within 12 months of the reporting date. These investments are initially recognised at the fair value of the consideration given, including transaction costs directly attributable to the purchase, and subsequently measured at amortised cost using the effective interest method.

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

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

c) Available-for-sale financial assets

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

When a decline in the fair value of an available-for-sale financial asset has been recognised in comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to the income statement. This amount is calculated as the difference between the acquisition cost and the current fair value, less any previously recognised impairment. Any impairment losses recognised in the income statement in relation to these assets are reversed against equity rather than through profit and loss. Any subsequent increase in fair value is recognised under valuation adjustments in the consolidated statement of comprehensive income.

At the end of each reporting period the Group assesses whether there is objective evidence of impairment. Objective evidence of impairment exists when there is a significant or prolonged decline in the listed price of an investment below its cost. To determine whether this is the case, the Group examines the historical listed prices of its securities and how long they have been trading below cost. In the case of listed securities, fair value will be determined on the basis of the share price, even when this is not considered representative of how the fair value has evolved or the expected impact on the Group's future cash flows.

2.9.3 Financial liabilities

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

a) Debts and payables

The financial liabilities classified in this category are initially recognised at cost, which is the same as their fair value, less any transaction costs incurred. These liabilities are subsequently measured at amortised cost using the effective interest method. Any difference between the amount received (net of transaction costs) and the amortised cost is recognised in profit or loss.

This category also includes the bonds issued by the Group during the year.

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

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

b) Financial liabilities at fair value through profit or loss

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

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

2.9.4 Transfers between categories of financial instruments

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

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

2.9.5 Hedge accounting

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

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

The Group only undertakes cash flow hedges.

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

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

2.10 Inventories

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

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

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

- Raw materials and other supplies are measured using the weighted average cost formula.

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

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

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

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

Raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.

2.11 Cash and cash equivalents

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

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

2.12 Deferred income

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

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

2.13 Employee benefits

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

a) Defined contribution plans

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

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

b) Defined benefit plans

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

Existing obligations may be classified as:

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

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

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

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

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

c) Share-based payments

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

2.14 Provisions

The Group recognises provisions when:

(i) It has a present obligation (legal or constructive) as a result of past events;

(ii) It is more likely than not that an outflow of resources will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

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

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

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

2.16 Income taxes

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

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

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

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

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

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

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

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

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

The Parent has filed consolidated tax returns since 1998. As agreed by the shareholders at an annual general meeting held on 28 May 2003, Acerinox, S.A. and the Spanish-domiciled subsidiaries form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A. and Inoxidables de Euskadi, S.A., which file tax returns separately. At 31 December 2014 and 2013 the consolidated tax group comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldán, S.A., Inoxfil, S.A., Inoxcenter, S.L. and Inoxcenter Canarias, S.A.U.

2.17 Income

a) Sales of goods and rendering of services

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

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

b) Rental income

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

c) Income from dividends

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

2.18 Environmental issues

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

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred. Nonetheless, the Group recognises environmental provisions, where applicable, by applying the general criteria described in **note 2.14**.

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

NOTE 3 FINANCIAL RISK MANAGEMENT

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

The Group does not acquire financial instruments for speculative purposes.

3.1 Market risk

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

3.1.1 Currency risk

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

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

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

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

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

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

Note 9.2.6 includes details of the financial instruments arranged by the Group to hedge this type of risk at 31 December 2014 and 2013.

Finally, the Group is exposed to currency risk as a result of the translation to Euros of the individual financial statements of companies whose functional currency differs from the Group's presentation currency, particularly the US Dollar and the South African Rand. In 2013 the Group company Bahru Stainless adopted the US Dollar as its functional currency because, as a result of completing the first stage of its investments, this company began to invoice a much larger volume of materials in US Dollars. Bahru Sdn Bhd's exports are expected to exceed local sales significantly, so this is the currency in which most commercial transactions have been denominated and settled. Purchases of raw materials for the manufacturing process are also made in US Dollars. The Group's exposure to the Malaysian Ringgit has been greatly reduced as a result of this change in functional currency.

The sensitivity to changes in the value of these currencies against the Euro, with other variables remaining constant and taking the 2014 closing exchange rate as a reference, is as follows:

(In thousands of Euros)

	Profit and loss		Equity	
	10% appreciation	10% depreciation	10% appreciation	10% depreciation
31 December 2014				
USD	16,442	-13,452	158,537	-129,712
ZAR	240	-197	21,340	-17,460
31 December 2013				
USD	9,486	-7,761	143,213	-117,174
ZAR	-1,499	1,227	22,430	-18,377

3.1.2 Interest rate risk

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

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

The Group has therefore hedged the interest rate risk on the majority of its non-current loans in recent years. **Note 9.2.6** includes details of the financial instruments arranged by the Group to hedge this type of risk at 31 December 2014 and 2013.

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

Had interest rates been 100 basis points higher, with all other variables remaining constant, the Group's consolidated profit after tax would have been Euros 3.65 million lower due to a higher finance cost on variable-rate debt (Euros 2.55 million lower in 2013). The effect on the Group's equity of higher interest rates across the entire curve would have been a net increase of Euros 5.86 million (Euros 13.74 million in 2013), as the ensuing increases in the values of its interest rate hedging derivatives held at the reporting date would more than compensate for the higher borrowing costs.

3.1.3 Price risk

The Group is exposed to three types of price fluctuation risk:

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

The risk of price fluctuations in listed securities relates to the shares held by the Group in Nisshin Steel, which is traded on the Tokyo Stock Exchange. The Group has not hedged this risk with derivative financial instruments. **Note 9.2.5** provides details of the impact of the fluctuations in listed securities during the year.

2. Risk due to regional crises

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

3. Risk of changes in prices of raw materials

The stainless steel market is characterised by healthy demand, which has grown at an annual rate of approximately 6% for over 50 years. Exceptionally, the market shrank by 11.8% in 2007-2009 because of the worldwide economic recession, but recovered with growth of 26.4% in 2010. The aforementioned annual growth rate is therefore expected to prevail in the medium term. The stainless steel market grew by 7.9% in 2014 (6.8% in 2013). Stainless steel is required for all industrial applications and used in all sectors, which guarantees that this growth will be sustained in the coming years. With end consumption stable, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption (in line with fluctuations in the price of nickel on the London Metal Exchange).

To counter the risk derived from the fact that independent wholesalers, which follow an inventory stockpiling/realisation policy, control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to achieve a significant market share among end customers and, therefore, stabilise sales and reduce this risk. The recent investments made in the Pinto (Madrid) service centre and the newly opened sales branches in Russia, Thailand, the Philippines, Taiwan, Indonesia, Vietnam and Dubai are examples of this strategy.

Maintaining sufficient inventory levels in warehouses entails the risk that these inventories might be recognised above their market price. The Group alleviates this risk by maintaining strict control over inventory levels. At the end of 2014, the level of inventories was close to the level targeted by the Group and down 3% in terms of tonnage on the prior year.

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

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

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

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

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

3.2 Credit risk

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

The Group's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the risk corresponding to the country where the customer operates. Due to the diversity of its customers and the countries in which it operates, credit risk is not concentrated in any individual customer, sector or geographical region.

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

In 2014 payouts of Euros 4,010 thousand have been collected under the credit insurance policy (Euros 5,825 thousand in 2013).

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

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

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

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

The Group makes valuation adjustments to trade receivables where necessary to mitigate the risk of bad debts or provide for past-due balances, or when circumstances indicate that collection is doubtful. Details of movement in impairment of trade receivables are provided in **note 9.2.2**.

At 31 December 2014, consolidated trade receivables amount to Euros 443,565 thousand (Euros 376,618 thousand in 2013). Revenues for 2014 total Euros 4,380,289 thousand (Euros 3,966,278 thousand in 2013). Credit risk insurance has been contracted for 50% of consolidated net sales, (49% in 2013). Cash conditions exist for 2% (3% in 2013). Confirmed letters of credit and guarantees are used to hedge credit risk in 2% of consolidated net sales (3% in 2013). 45% of consolidated net sales (40% in 2013) are domestic sales by North American Stainless Inc. with a collection period of under 30 days.

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

(In thousands of Euros)

	2014	2013
Less than 30 days	73,555	52,008
30-60 days	11,923	6,371
60-90 days	2,055	3,417
Over 90 days	10,930	14,915
TOTAL	98,463	76,711

The Group has made provisions for Euros 10,847 thousand (Euros 10,219 thousand in 2013). Most of the Group's past-due receivables are insured and generally reflect customary delays in trading activity. Over 85% of the above past-due debt has been collected at the date of authorising the consolidated annual accounts for issue (87% in 2013).

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

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

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

3.3 Liquidity risk

Although access to liquidity has improved considerably during 2014, the Group ensures its solvency and flexibility through long-term loans and financing facilities for amounts exceeding the quantities required at any time.

The Group's cash is centrally managed to optimise resources. The Group's net debt is primarily concentrated within the Parent (more than 85% of total borrowings at year end).

Based on its cash flow estimates and considering its investment plans, the Group has sufficient funding to meet its commitments, and maintains sufficient balances available for drawdown from credit facilities to cover liquidity risk. In 2014 and 2013 no payment defaults occurred on the principal of loans or loan interest on the Group's financing.

At year end the Group has been granted current and non-current financing totalling Euros 1,909 million and facilities for factoring without recourse for Euros 480 million. Euros 1,354 million has been drawn down at 31 December 2014. In 2013, the Group had current and non-current financing facilities of Euros 1,804 million and facilities for factoring without recourse of Euros 480 million. Total drawdowns amounted to Euros 1,159 million. At 31 December 2014 cash and cash equivalents amount to Euros 738 million (Euros 630 million in 2013).

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

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

In July 2014 a non-extinctive novation was signed for the Euros 370 million factoring agreement arranged between Acerinox Europa S.A.U., a number of trading subsidiaries of Acerinox S.A. and a syndicate of financial institutions in April 2013. This novation extended the expiry and amended the economic conditions of the factoring facility. Through this agreement, various Group subsidiaries factor invoices to end customers in several European countries. The syndicate is led by Banco Santander and the other participants are Santander de Factoring y Confirming S.A. E.F.C., Banca March S.A., Caixabank S.A., Popular de Factoring S.A. E.F.C., Bankinter S.A., Banco Sabadell S.A. and Banco Marocaine Du Commerce Exterieur Internacional S.A.

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

An analysis of the Group's payment obligations at the 2014 close is as follows:

(In thousands of Euros)

	Amount at 31/12/2013	Future cash flow maturities	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non-current payables	1,020,008	-1,102,737	-8,753	-12,487	-312,760	-671,838	-96,899
Current payables	334,079	-338,278	-229,707	-108,571			
Suppliers and other payables	890,916	-890,916	-890,916				
FINANCIAL DERIVATIVES							
Hedged using interest rate swaps and cross-currency swaps	-1,020	-1,195	-1,900	-879	-62	1,677	-31
Export exchange rate insurance	5,600	317,141	317,141				
Import exchange rate insurance	-52,476	504,952	504,952				
TOTAL	2,197,107	-1,511,033	-309,183	-121,937	-312,822	-670,161	-96,930

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

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

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

3.4 Capital management

The aims of the capital management policy are:

- to safeguard the Company's capacity for sustained growth

- to provide appropriate returns to shareholders

- to maintain an optimum capital structure

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

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

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

Net financial debt is around 1.36 times EBITDA, 41.6% down on the 2013 ratio (2.3x). All the covenants relating to the Group's ratios as stipulated in the financing and credit facilities have been comfortably met.

The Group's gearing ratio is 33.2%, the lowest ratio for the past 12 years (34.1% in 2013).

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

The total remuneration offered to shareholders was Euros 0.45 per share in 2014 (as in 2013). Nevertheless, at the ordinary annual general meeting held on 10 June 2014, for the second year running the shareholders approved a scrip dividend – also known as a flexible dividend – in which Acerinox shareholders were able to choose between cash or new shares. Through this decision the Company abided by its traditional policy of maintaining shareholder remuneration.

On 23 July 2014, 4,555,963 new Acerinox shares, created as a result of shareholders representing 51.4% of the Company's share capital opting to receive their dividend in the form of shares, were admitted for trading. As a result, Acerinox, S.A.'s share capital now amounts to Euros 65,425,535, represented by 261,702,140 shares.

Although the improvement in results during the year has entailed greater cash flows, it has also resulted in increased working capital requirements, leading to net financial debt increasing by 16.3% to Euros 615.72 million on the prior year (Euros 529.33 million).

In order to diversify the sources of its financing and extend its debt maturities, the Group has carried out two bond issuances during the year, for amounts of Euros 75 million and Euros 50 million, as described in note 3.3 above.

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

3.5 Insurance

As the Group's four integrated flat product production plants (including one under construction) and three long product production plants are located in different regions, an accident would not affect more than one-third of total production. This guarantees the continuity of the business, while adequate co-ordination between the remaining factories reduces the consequences of material damage to any of the facilities.

Sufficient coverage has been contracted for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 45.68% of the Acerinox Group's insurance expenditure. All assets under construction are covered by both the insurance policies taken out by the respective suppliers in addition to a global building and assembly policy.

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

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

NOTE 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Impairment of goodwill and other non-financial assets

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

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

The recoverable amount of a cash-generating unit (CGU) is determined based on its value in use. These calculations are made using reasonable assumptions based on past returns and future production and market development expectations. **Notes 7.2** and **8.1** include details of the analyses conducted by the Group in 2014 and 2013.

b) Useful lives of plant and equipment

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

c) Fair value of derivatives or other financial instruments

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

d) Provisions

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

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

e) Net realisable value

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

f) Recoverability of available tax loss carryforwards and deductions

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

The criteria used by the Group in 2014 and 2013 are the same as in prior years, with the exception of Spain, where tax reforms have led to the establishment of permanent limitations to the recovery of tax loss carryforwards, which have been taken into account in the evaluations.

NOTE 5 PERÍMETRO DE CONSOLIDACIÓN

5.1 Subsidiaries and associates

At 31 December 2014 and 2013, in addition to Acerinox, S.A., the Acerinox consolidated group includes 40 fully consolidated subsidiaries and one equity-accounted associate.

Investments in subsidiaries and associates in 2014 are as follows:

FULLY CONSOLIDATED COMPANIE	2014				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
ACERINOX (SCHWEIZ) A.G.	Mellingen -Suiza	326	100%	ACERINOX S.A	KPMG
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A	Chinen, Morbelli y asociados
		13	10%	INOXIDABLES DE EUSKADI, S.A.U	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A	
ACERINOX BENELUX S.A. - N.V.	Bruselas - Bélgica	209	100%	ACERINOX S.A	KPMG
ACX DO BRASIL REPRESENTAÇOES, LTDA	Sao Paulo - Brasil	373	100%	ACERINOX S.A	
		0	0.001%	INOXIDABLES DE EUSKADI, S.A.U	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A	KPMG
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Alemania	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Algeciras - España	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.S	París -Francia	18,060	99.98%	ACERINOX S.A	KPMG
		0	0.02%	INOXIDABLES DE EUSKADI, S.A.U	
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milano - Italia	78,844	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor -Malasia	4,752	100%	ACERINOX S.C. MALAYSIA SDN. BHD	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu /Beyoglu - Turquía	150	99.73%	ACERINOX S.A	
		0	0.27%	INOXIDABLES DE EUSKADI, S.A.U	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - Emiratos Arabes Unidos	10	100%	ACERINOX S.A	Al Sharid Auditing and Management Consultancy
ACERINOX NORWAY A.S	Oslo - Noruega	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai - Hong Kong	5,262	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Varsovia - Polonia	25,174	99.98%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES DE EUSKADI, S.A.U	
ACERINOX RUSSIA LLC	Saint Petersburg - Rusia	98	95.00%	ACERINOX S.A	
		5	5.00%	ACERINOX SCANDINAVIA AB	
ACERINOX SCANDINAVIA AB	Malmoe - Suecia	31,909	100%	ACERINOX S.A	KPMG
ACERINOX S.C. MALAYSIA SDN. BHD	Johor -Malasia	37,556	100%	ACERINOX S.A	KPMG
ACERINOX SHANGAI CO., LTD.	Shangai - China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapur - Singapur	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham - Reino Unido	28,444	100%	ACERINOX S.A	KPMG
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Maia - Portugal	15,828	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor -Malasia	171,769	67%	ACERINOX S.A	KPMG

FULLY CONSOLIDATED COMPANIE	2014				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - Sudáfrica	279,615	76%	ACERINOX S.A	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Perú	58	100%	ACERINOX S.A	
INOX RE, S.A.	Luxemburgo	1,225	100%	ACERINOX S.A	KPMG
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - España	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona - España	16,657	98.3%	ACERINOX S.A	KPMG
INOXFIL S.A.	Igualada (Barcelona) - España	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.U	Vitoria - España	2,705	100%	ACERINOX EUROPA, S.A.U	KPMG
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Maia - Portugal	14,843	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya) - España	3,289	98.3%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky - U.S.A.	545,072	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	28,800	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - U.S.A.	15	100%	ACERINOX S.A	
ROLDAN S.A.	Ponferrada - España	17,404	99.76%	ACERINOX S.A	KPMG

		2014		
ASSOCIATES	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT
		COST (in thousands of Euros)	% OWNERSHIP	
BETINOKS PASLANMAZ ÇELIK A.S.	Turquía	313	25%	ACERINOX S.A

The activities of the Group companies are as follows:

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

Investments in subsidiaries and associates in 2013 are as follows:

FULLY CONSOLIDATED COMPANIES	2013				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
ACERINOX (SCHWEIZ) A.G.	Mellingen -Suiza	326	100%	ACERINOX S.A	KPMG
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A	Chinen, Morbelli y asociados
		13	10%	INOXIDABLES EUSKADI, S.A.U	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A	KPMG
ACERINOX BENELUX S.A. - N.V.	Bruselas - Bélgica	209	100%	ACERINOX S.A	KPMG
ACX DO BRASIL REPRESENTAÇOES, LTDA	Sao Paulo - Brasil	373	100%	ACERINOX S.A	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A	KPMG
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Alemania	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Madrid - España	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.S	París -Francia	18,060	99.98%	ACERINOX S.A	KPMG
		0	0.02%	INOXIDABLES EUSKADI, S.A.U	
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milano - Italia	99,954	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor -Malasia	4,752	100%	ACERINOX S.C. MALAYSIA SDN. BHD	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu /Beyoglu - Turquía	150	99.73%	ACERINOX S.A	
		0	0.27%	INOXIDABLES EUSKADI, S.A.U	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - Emiratos Arabes Unidos	10	100%	ACERINOX S.A	
ACERINOX NORWAY A.S	Oslo - Noruega	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai - Hong Kong	10,876	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Varsovia - Polonia	25,174	99.98%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES EUSKADI, S.A.U	
ACERINOX RUSSIA LLC	Saint Petersburg - Rusia	98	95.00%	ACERINOX S.A	
		5	5.00%	ACERINOX SCANDINAVIA AB	
ACERINOX SCANDINAVIA AB	Malmoe - Suecia	31,909	100%	ACERINOX S.A	KPMG
ACERINOX S.C. MALAYSIA SDN. BHD	Johor -Malasia	37,556	100%	ACERINOX S.A	KPMG
ACERINOX SHANGAI CO., LTD.	Shangai - China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapur - Singapur	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham - Reino Unido	28,444	100%	ACERINOX S.A	KPMG
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Maia - Portugal	13,930	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor -Malasia	171,769	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - Sudáfrica	279,615	76%	ACERINOX S.A	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Perú	58	100%	ACERINOX S.A	
INOX RE, S.A.	Luxemburgo	1,225	100%	ACERINOX S.A	KPMG
INOXCENTER CANARIAS, S.A.	Telde (Gran Canaria) - España	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona - España	8,609	97.5%	ACERINOX S.A	KPMG
INOXFIL S.A.	Igualada (Barcelona) - España	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.U	Vitoria - España	2,705	100%	ACERINOX EUROPA, S.A.U	KPMG
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Maia - Portugal	14,843	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya) - España	2,986	97.5%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky - U.S.A.	545,072	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	28,800	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - U.S.A.	15	100%	ACERINOX S.A	KPMG
ROLDAN S.A.	Ponferrada - España	17,391	99.74%	ACERINOX S.A	KPMG

ASSOCIATES	COUNTRY	2013		
		INTEREST		COMPANY HOLDING INVESTMENT
		COST (in thousands of Euros)	%OWNERSHIP	
BETINOKS PASLANMAZ ÇELIK A.S.	Turquía	313	25%	ACERINOX S.A

5.2 Changes in the consolidated Group

Changes in the consolidated Group during 2014 are as follows:

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

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

Roldan, S.A.

During the year the Group has purchased 559 shares in Roldan, representing 0.02% of its share capital, from non-controlling interests for Euros 13 thousand.

Changes in the consolidated Group during 2013 were as follows:

Acerinox Middle East DMCC

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

Acerinox Malaysia, Sdn. Bhd.

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

Newtecinvest, A.G.

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

5.3 Capital increases and reductions

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

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

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

5.4 Impairment of investments

At 31 December 2014 investments in Group companies have been tested for impairment to determine whether their carrying amount exceeds the recoverable amount.

The tests conducted indicate that the cost of the investment in Acerinox Pacific, Ltd exceeds its recoverable amount. The Parent recorded impairment of Euros 5.6 million. Furthermore, based on the recoverable amounts determined for Inoxcenter and Acerol Portugal, the impairment losses recorded in 2012 on these investments totalling Euros 7.3 million and Euros 1.9 million, respectively, have been reversed.

This impairment has not had an impact on consolidated results as these companies are fully consolidated.

NOTE 6 SEGMENT REPORTING

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

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

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

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

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

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

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

6.1 Operating segments

Segment results for the year ended 31 December 2014 are as follows:

(In thousands of Euros)

	2014					
	Flat products	Long products	Other	Unallocated	Adjustments	Total
Income statement						
Revenue	3,918,205	667,559	7,519	4,060	-183,776	4,413,567
Inter-segment sales	-171,902	-11,874	0	0	183,776	0
Total revenues	3,746,303	655,685	7,519	4,060	0	4,413,567
Gross operating profit/loss	376,337	86,396	3,181	-17,882	0	448,032
Amortisation and depreciation	-135,038	-14,590	-171	-546	0	-150,345
Impairment losses	0	0	0	0	0	0
Finance income	2,290	27	18	2,966	0	5,301
Finance costs	-22,480	-618	-342	-38,362	0	-61,802
Exchange gains/(losses)	3,194	-148	-1	-456	0	2,589
Impairment of financial instruments	0	0	0	0	0	0
Profit/(loss) before income tax	224,303	71,067	2,685	-54,279	0	243,776
Income tax	-99,613	-27,897	-2,056	8,477	0	-121,089
Consolidated profit/(loss) for the year	124,690	43,170	629	-45,802	0	122,687
Attributable to:						
Non-controlling interests	-13,633	-10	1	0		-13,642
Net profit/loss attributable to the Group	138,323	43,180	628	-45,802	0	136,329
Balance sheet						
Segment assets	3,537,187	347,853	20,274	524,239	0	4,429,553
Equity-accounted investees		0	0		0	0
Total consolidated assets	3,537,187	347,853	20,274	524,239	0	4,429,553
Segment liabilities	1,313,040	44,319	16,047	1,200,019		2,573,425
Unallocated liabilities						0
Total consolidated liabilities (excluding equity)	1,313,040	44,319	16,047	1,200,019	0	2,573,425
Property, plant and equipment	1,832,556	137,567	4,296	11,013	0	1,985,432
Investments in property, plant and equipment and intangible assets	70,385	2,306	9	962	0	73,662

2013 figures are as follows:

(In thousands of Euros)

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

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

6.2 Geographical segments

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

Data relating to geographical segments in 2014 is presented below:

(In thousands of Euros)

	2014						
	Spain	Rest of Europe	Americas	Africa	Asia	Other	Total
Revenue by destination of goods	395,328	1,151,440	2,225,060	221,305	360,086	27,070	**4,380,289**
Segment assets by origin	1,342,943	382,468	1,405,694	457,167	841,077	204	**4,429,553**
Property, plant and equipment at origin	267,247	76,734	802,204	171,257	667,967	23	**1,985,432**
Investments in property, plant and equipment and intangible assets at origin	17,641	1,138	9,502	6,087	39,293	0	**73,662**

2013 figures are as follows:

(In thousands of Euros)

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

The Group sells its products in several countries spanning five continents. The following countries accounted for more than 5% of total consolidated sales in 2014 or 2013: the United States, 42.36% (41.12% in 2013); Spain, 8.91% (8.33% in 2013); Germany, 7.49% (7.37% in 2013); and South Africa, 5.19% (5.61% in 2013).

No single transaction with an external customer exceeds 10% of the Group's consolidated revenues for 2014 or 2013.

NOTE 7 INTANGIBLE ASSETS

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

(In thousands of Euros)

COST	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 31 December 2012	7,908	24,312	22,609	54,829	69,124
Acquisitions	1,637	0	671	2,308	
Transfers	0	0	774	774	
Disposals	-1,865	0	-21	-1,886	
Translation differences	0	0	-838	-838	
Balance at 31 December 2013	7,680	24,312	23,195	55,187	69,124
Acquisitions	1,228	0	1,052	2,280	
Transfers	0	0	82	82	
Disposals	-1,886	0	-310	-2,196	
Translation differences	0	0	217	217	
Balance at 31 December 2014	7,022	24,312	24,236	55,570	69,124

ACCUMULATED AMORTISATION AND IMPAIRMENT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 31 December 2012	2,561	24,308	20,995	47,864	0
Charges	0	2	826	828	
Reversals of impairment	274	0	0	274	
Transfers	0	0	367	367	
Disposals	0	0	-21	-21	
Translation differences	0	0	-770	-770	
Balance at 31 December 2013	2,835	24,310	21,397	48,542	0
Charges	0	0	667	667	
Impairment	-2,835	0	0	-2,835	
Disposals	0	0	-310	-310	
Translation differences	0	0	195	195	
Balance at 31 December 2014	0	24,310	21,949	46,259	0

CARRYING AMOUNT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Cost at 31 December 2012	7,908	24,312	22,609	54,829	69,124
Accumulated amortisation and impairment	-2,561	-24,308	-20,995	-47,864	
Carrying amount at 31 December 2012	5,347	4	1,614	6,965	69,124
Cost at 31 December 2013	7,680	24,312	23,195	55,187	69,124
Accumulated amortisation and impairment	-2,835	-24,310	-21,397	-48,542	
Carrying amount at 31 December 2013	4,845	2	1,798	6,645	69,124
Cost at 31 December 2014	7,022	24,312	24,236	55,570	69,124
Accumulated amortisation and impairment	0	-24,310	-21,949	-46,259	
Carrying amount at 31 December 2014	7,022	2	2,287	9,311	69,124

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

Research and development and technological innovation (R&D&i) costs directly recognised as expenses for the year and taken to the income statement amount to Euros 16,101 thousand (Euros 12,321 thousand in 2013).

At 31 December 2014 the Group has not entered into any contracts to acquire intangible assets (Euros 6 thousand at 31 December 2013).

7.1 Emission allowances

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

2013	2.014	2.015	2.016	2017	2018	2019	2020
248,936	244,613	240,239	235,818	231,350	226,839	222,272	217,687

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

2013	2.014	2.015	2.016	2017	2018	2019	2020
26,857	26,391	25,919	25,442	24,960	24,473	23,980	23,486

In 2014, CO_2 emissions were made requiring 231,559 allowances, which will be surrendered in 2015 (198,874 in 2013, surrendered in 2014). Therefore, as in 2013, it has not been necessary to acquire more allowances on the market. The Group has not sold its surplus allowances.

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

Movement in emission allowances in 2014 and 2013 is as follows:

	Number of allowances	Value (in thousands of Euros)
Balance at 31/12/2012	714,490	7,908
Allocation for the year	248,936	1,637
Disposals	-167,936	-1,865
Balance at 31/12/2013	795,490	7,680
Allocation for the year and others	278,583	1,228
Disposals	-198,862	-1,886
Balance at 31/12/2014	875,211	7,022

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

At 31 December 2014 the emission allowances held have a fair value of Euros 6,337 thousand (Euros 4,846 thousand at 31 December 2013), although no provision for impairment has been recorded as these emission allowances are expected to be used during the production process. In 2014 the Group released the Euros 2,835 thousand provision existing at 31 December 2013. In 2013 the Group recognised impairment of Euros 274 thousand, reflecting the difference between the cost and the listed price of allowances not used at the reporting date. As explained in the relevant measurement standard of the Group's annual accounts, neither the release carried out during the year nor the provision recorded in 2013 had any impact on the income statement. During the year, the provision was released to other operating income in the income statement. The provision was recorded under other operating expenses during the prior year.

The expense for the year in respect of CO2 emissions totals Euros 1,827 thousand in 2014 (Euros 1,859 thousand in 2013) and is included under other operating expenses. This is the value of the allowances surrendered in the year, equivalent to the market value of these allowances when allocated.

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

No significant contingency exists in respect of fines over emissions.

7.2 Goodwill impairment testing

At 31 December 2014, goodwill totals Euros 69 million and mainly relates to the acquisition of a controlling interest in Columbus Stainless, Ltd. in 2002. This goodwill has been allocated to the Columbus cash-generating unit (CGU), which manufactures and sells flat products only.

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

Forecast volumes of sales and production are based on the current capacities of existing machinery and equipment. Management determined budgeted gross margins based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are pre-tax values and reflect specific risks related to the relevant segments.

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

During 2014, Columbus Stainless, Ltd has significantly surpassed the budgets prepared during the prior year, to achieve a pre-tax profit of Rands 68.5 million (loss of Rands 317 million in 2013). Nevertheless, the Company is confident in the recovery of flows to perpetuity, mainly in terms of its use of production capacity and margins, while still applying prudent criteria to the growth rate (g): estimated growth rates for the country and industry have been used, even though average growth over recent years has been much greater (around 6%, as is mentioned further on).

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

	2014	2013
Budgeted EBIT margin (*)	4.9%	4.5%
Weighted average growth rate (**)	2.5%	2.5%
Discount rate applied (***)	11.3%	10.9%

(*) EBIT margin, considered equivalent to operating profit/loss

(as a percentage of revenue)

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

(***) Pre-tax discount rate applied

The rise in interest rates on South African sovereign debt (ten-year swap on the South African Rand) is noteworthy in terms of calculating the discount rate applied (WACC or weighted average cost of capital). The rate used in 2014 was 8.2%, up on the 7.1% used in 2013.

When calculating the terminal value, repayments are considered equal to investments and the change in working capital is calculated as the value of the last projected year, 2019, which is understood to be consistent in the long term, increased by the growth rate (g).

The growth rate (g) remains constant at 2.5%. In 2014 the global stainless steel market continued to consolidate the historical market growth rate of 6% (1950-2014 period). Nevertheless, in 2014 the South African market was 4.6% down on the figure recorded in 2013 (down 9% between 2012 and 2013). Despite this decline, the local producer Columbus Stainless Ltd's turnover in this market remained stable at figures similar to those of the prior year (down 11.5% in 2013).

2014 was an encouraging year for Columbus Stainless, Ltd as the producer became profitable once more having been affected by the crisis for a number of years. Sales of 3CR12 in the North American market, the supply of semi-products to Bahru Stainless, Sdn Bhd the Group's factory in Malaysia and the greater penetration in the Middle East have contributed to this positive trend. The Company's budgets reflect these factors as well as a gradual increase in sales to Bahru Stainless, Sdn Bhd as the Malaysian factory achieves higher utilisation of its present installed production capacity.

Other relevant key assumptions are the Euro-Rand exchange rate (14.0353) and the price of raw materials (USD 16,500/MT). Both are extrapolated using highly conservative criteria, at all times referring to the most recent market values at the time of analysis.

The impairment test performed at 31 December 2014 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 172 million (Euros 158 million in 2013). The discount rate (WACC), the growth rate (g) and the budgeted EBIT margin are considered key assumptions in the impairment test.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by over 39% while simultaneously bringing the growth rate (g) down to zero. The EBIT margin would also have to fall 27% to 3.6%, with the other two assumptions remaining constant, for impairment to occur.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement in 2014 and 2013 are shown in the following table:

(In thousands of Euros)

COST	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2012	670,442	2,871,552	129,813	492,802	4,164,609
Additions	1,102	38,259	6,835	77,768	123,964
Transfers	12,466	48,546	-7,205	-54,581	-774
Disposals	-2,556	-22,052	-8,877	0	-33,485
Translation differences	-20,335	-154,679	-3,570	-17,071	-195,655
Balance at 31 December 2013	661,119	2,781,626	116,996	498,918	4,058,659
Additions	888	18,572	1,743	50,179	71,382
Transfers	45,313	347,159	-34,617	-357,937	-82
Disposals	-4,008	-11,498	-1,729	-4	-17,239
Translation differences	39,106	189,413	3,281	67,552	299,352
Balance at 31 December 2014	742,418	3,325,272	85,674	258,708	4,412,072

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2012	257,475	1,797,223	90,302	0	2,145,000
Charges	14,220	112,688	7,245	0	134,153
Transfers	899	-1,511	245	0	-367
Disposals	-985	-20,747	-5,135	0	-26,867
Translation differences	-5,299	-78,398	-2,373	0	-86,070
Balance at 31 December 2013	266,310	1,809,255	90,284	0	2,165,849
Charges	15,254	126,816	7,608	0	149,678
Transfers	29	1,416	-1,445	0	0
Disposals	-2,689	-3,430	-2,948	0	-9,067
Translation differences	12,515	104,470	3,195	0	120,180
Balance at 31 December 2014	291,419	2,038,527	96,694	0	2,426,640

CARRYING AMOUNT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Cost at 31 December 2012	670,442	2,871,552	129,813	492,802	4,164,609
Accumulated depreciation and impairment	-257,475	-1,797,223	-90,302	0	-2,145,000
Carrying amount at 31 December 2012	412,967	1,074,329	39,511	492,802	2,019,609
Cost at 31 December 2013	661,119	2,781,626	116,996	498,918	4,058,659
Accumulated depreciation and impairment	-266,310	-1,809,255	-90,284	0	-2,165,849
Carrying amount at 31 December 2013	394,809	972,371	26,712	498,918	1,892,810
Cost at 31 December 2014	742,418	3,325,272	85,674	258,708	4,412,072
Accumulated depreciation and impairment	-291,419	-2,038,527	-96,694	0	-2,426,640
Carrying amount at 31 December 2014	450,999	1,286,745	-11,020	258,708	1,985,432

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

Property, plant and equipment under construction

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

(In thousands of Euros)

	2014	2013
Buildings	52,190	42,841
Technical installations and machinery	205,223	455,361
Other property, plant and equipment	1,228	685
Advances	67	31
TOTAL	258,708	498,918

Of the total, Euros 251 million are assets under construction relating to the investment in the Malaysia plant (Euros 494 million in 2013). During the year, on completion of the start-up period, phase I investments made by the Group company Bahru Stainless Sdn Bhd were reclassified from work in progress to finished goods. The amount reclassified in this company is Euros 349 million. This reclassification has entailed a Euros 15 million increase in the depreciation charge this year.

Assets located outside Spain

Details of assets located outside Spain are as follows:

(In thousands of Euros)

	2014		2013	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	482,175	-138,551	401,741	-116,378
Technical installations and machinery	2,198,073	-1,082,279	1,693,885	-881,674
Other property, plant and equipment	41,027	-37,373	38,372	-32,876
Property, plant and equipment under construction	255,112	0	498,353	0
TOTAL	2,976,387	-1,258,203	2,632,351	-1,030,928

Changes in accounting estimates

Estimated useful lives remained unchanged in 2014 and 2013.

Guarantees

At 31 December 2014 none of the Group's assets has been pledged to secure loans and borrowings (pledged assets totalling Euros 27,276 thousand in 2013). The secured loan was repaid during the year.

Commitments

At 31 December 2014 the Group has entered into contracts to purchase new equipment and facilities amounting to Euros 71,095 thousand (Euros 72,228 thousand at 31 December 2013), of which Euros 62,530 thousand are for investments in the new Malaysian plant (Euros 67,326 thousand in 2013).

Capitalised borrowing costs

Borrowing costs of Euros 6,577 thousand have been capitalised in 2014 (Euros 9,569 thousand in 2013). The capitalisation rate in 2014 was 4.36% (3.89% in 2013).

Asset disposals

A loss of Euros 229 thousand on the sale of property, plant and equipment or removal of assets from service has been recorded under other operating expenses in the 2014 income statement (Euros 514 thousand in 2013).

The gain on the sale of property, plant and equipment or the removal of assets from service totals Euros 1,977 thousand and is recognised under other operating income in the 2014 income statement (Euros 872 thousand in 2013).

Environment

Property, plant and equipment held to minimise the environmental impact of the Group's activities and to protect and improve the environment at 31 December 2014 and 2013 are as follows:

(In thousands of Euros)

	2014		2013	
Nature and use	Gross value	Accumulated depreciation	Gross value	Accumulated depreciation
Water treatment	80,711	-40,322	62,097	-32,828
Acid neutralisation	33,860	-17,286	24,817	-15,143
Gas emission treatment	55,544	-42,441	52,026	-39,261
Automatic additions systems	8,082	-5,205	7,568	-4,841
Other items	146,448	-91,311	138,053	-83,029
Total	324,645	-196,565	284,561	-175,102

In 2014 and 2013 the Group received no grants for investment in infrastructure aimed at protecting the environment.

The Group incurred environment-related ordinary expenses of Euros 99,342 thousand in 2014 (Euros 92,491 thousand in 2013).

At 31 December 2014 and 2013 no significant contingencies exist relating to the protection and improvement of the environment and, accordingly, no provision has been made in this respect.

Property, plant and equipment not used in ordinary activities

The Group's property, plant and equipment not used in ordinary activities include the warehouses of the Spanish Group company Inoxcenter, S.L., which were classified as investment property during the year. Details are provided in the section on investment property.

Other Information

At 31 December 2014 and 2013 there are no litigation cases, seizures or similar measures that may affect items of property, plant or equipment.

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

Investment property

Acerinox, S.A. has leased certain floors of one of its buildings to third parties, thereby obtaining income of Euros 152 thousand (Euros 152 thousand in 2013). The associated operating expenses, including maintenance and repairs, amount to Euros 48 thousand (Euros 50 thousand in 2013).

The lease contract signed between Acerinox, S.A. and the lessee includes a yearly increase in line with the CPI and expires on 31 December 2016.

During the year, certain warehouses of the Spanish Group company Inoxcenter, S.L. were reclassified to this category as these properties will be earmarked for lease or sale, rather than for production activities. The carrying amount of the properties transferred totals Euros 3,147 thousand. No rental income has been generated nor any operating expenses incurred in connection with these properties.

In 2013, an industrial bay in Pinto (Madrid) belonging to Acerinox Europa, S.A.U., which is earmarked for lease, was reclassified to this category. The reclassified carrying amount totalled Euros 378 thousand. No rental income has been generated on this property this year.

At 31 December 2014 investment property has a total market value of Euros 17,333 thousand (Euros 8,140 thousand in 2013) and a carrying amount of Euros 6,933 thousand (Euros 3,775 thousand in 2013). The increase in value derives from the classification of new assets as investment property.

8.1 Impairment

As established in IAS 36, and as mentioned in the accounting policies for the Acerinox Group's consolidated annual accounts (note 2.8), the value of an asset is impaired when its carrying amount exceeds its recoverable amount. The Group has assessed whether there is any indication that its assets may be impaired at the reporting date. The companies that have reported losses show indications of impairment, so the Group has estimated the recoverable amount of these assets. Indications of impairment have only been detected in the investment in Roldan, S.A.

Property, plant and equipment and intangible assets represent 47% of the Group's assets. A breakdown of these figures by company shows that 94% of the Group's assets (both property, plant and equipment and intangibles) are located in the factories, with the remaining 6% held by its 34 other trading subsidiaries.

SUBSIDIARIES	% of property, plant and equipment
ACERINOX EUROPA, S.A.U.	9.24%
ROLDAN, S.A.	1.17%
INOXFIL, S.A.	0.18%
NORTH AMERICAN STAINLESS INC.	38.82%
COLUMBUS STAINLESS PTY Ltd	12.27%
BAHRU STAINLESS	31.84%
Rest of subsidiaries	6.48%
TOTAL	100.00%

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

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

The value in use of Roldan's assets has been determined based on the estimated future cash flows the entity expects to obtain from the asset and the discount rate, understood to be the weighted average cost of capital (WACC). The following points were taken into consideration when calculating the discount rate:

1. The financing structure or gearing is not company-specific, but based on market participant assumptions.
2. The cost of debt is obtained using the applicable market risk-free rate plus a spread of 2%.
3. The risk-free rate is based on that applied to ten-year bonds.
4. The risk premium has been estimated at 5%.

Future cash flows were estimated considering:

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

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

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

The Company is confident in the materialisation of flows to perpetuity, mainly in terms of its use of production capacity and margins, while still applying conservative criteria to the growth rate (g): estimated growth rates for the country and industry have been used, even though average growth over recent years has been much higher (around 6%, as is mentioned in the next section).

c) Projections for years subsequent to the projected period are estimated by extrapolating previous projections using a growth rate of 2%. The historical growth rate for the global stainless steel market is 6% (1950-2014 period).

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

NOTE 9 FINANCIAL INSTRUMENTS

9.1 General considerations

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

9.2 Categories of financial assets and financial liabilities

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

(In thousands of Euros)

Classes / Categories	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and receivables					6,032	4,053					476,547	423,842
Held-to-maturity investments												
Assets available for sale												
- At fair value	8,391	9,136										
- At cost	10	13										
Assets at fair value through profit or loss												
- Held for trading											52,503	1,907
- Other												
Hedging derivatives						38					21,617	344
TOTAL	8,401	9,149	0	0	6,032	4,091	0	0	0	0	550,667	426,093

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

(In thousands of Euros)

Classes / Categories	Non-current financial instruments						Current financial instruments					
	Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other		Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Debts and payables	895,958	750,656	124,050		2,582	2,260	334,079	408,271			915,596	979,570
Liabilities at fair value through profit or loss												
- Held for trading											7,655	23,989
- Other												
Hedging derivatives					20,176	19,053					433	20,966
TOTAL	895,958	750,656	124,050	0	22,758	21,313	334,079	408,271	0	0	923,684	1,024,525

9.2.1 Determination of fair value

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

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

Details at 31 December 2014 and 2013 are as follows:

(In thousands of Euros)

	2014			2013		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Available-for-sale financial assets	8,391			9,136		
Financial derivatives (assets)		74,120			2,250	
TOTAL	8,391	74,120	0	9,136	2,250	0

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		28,264			64,008	
TOTAL	0	28,264	0	0	64,008	0

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the valuation date, forward interest rates, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institution with which it operates.

9.2.2 Trade and other receivables

Details at 31 December are as follows:

(In thousands of Euros)

	2014	2013
Trade receivables	443,565	376,618
Personnel	394	518
Public entities	20,051	26,791
Other receivables	3,636	11,231
Prepayments	9,292	8,992
Impairment of bad debts	-10,847	-10,219
TOTAL	466,091	413,931

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

(In thousands of Euros)

	2014	2013
Opening balance	10,219	7,650
Charges	2,175	5,203
Application	-965	-1,266
Reversal	-705	-1,199
Translation differences	123	-169
Balance at 31 December	10,847	10,219

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

No interest was accrued on impaired financial assets in 2014 or 2013.

No allowances have been made for bad debts with related parties in 2014 or 2013.

At 31 December 2014 certain Group companies discounted receivables without recourse through financial institutions. These receivables amounted to Euros 251,277 thousand (Euros 209,964 thousand in 2013) and represented 85%-90% of total factored invoices, depending on the conditions and coverage of the credit insurance. These amounts have been derecognised as they meet the conditions specified in IAS 39 regarding the transfer of risks and rewards.

9.2.3 Trade and other payables

Details at 31 December 2014 and 2013 are as follows:

(In thousands of Euros)

	2014	2013
Suppliers and trade payables	844,631	902,379
Personnel	24,536	21,168
Suppliers of fixed assets	7,824	17,461
Tax and Social Security	24,680	18,681
Other payables	2,932	9,826
Current provisions	10,993	10,055
TOTAL	915,596	979,570

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

(In thousands of Euros)

	Payments made and outstanding at 31/12/2014		Payments made and outstanding at 31/12/2013	
Within maximum legal period (60 days)	245,032	32.69%	220,704	44.67%
Other	504,485	67.31%	273,338	55.33%
TOTAL PAYMENTS FOR THE YEAR	749,517	100.00%	494,042	100.00%
Weighted average late payment days	28		32	
Late payments exceeding the maximum legal period at the reporting date	86,241		23,649	

9.2.4 Loans and borrowings and bond issues

Details of financial debt at 31 December 2014 and 2013, including loans and borrowings and bonds issued by the Group during the year, are as follows:

(In thousands of Euros)

	Non-current		Current	
	2014	2013	2014	2013
Bonds issued	124,050			
Loans and borrowings	895,958	750,656	334,079	408,271
Total financial debt	1,020,008	750,656	334,079	408,271

Details of the maturity of outstanding debt at 31 December 2014 are as follows:

(In thousands of Euros)

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

2013 figures are as follows:

(In thousands of Euros)

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

Debt by currency is as follows:

(In thousands of Euros)

	Non-current loans		Current loans	
	2014	2013	2014	2013
EUR	790,816	466,461	137,367	264,793
USD	229,192	284,195	111,616	79,980
ZAR			77,468	57,477
GBP			0	266
MYR			7,628	5,755
TOTAL	1,020,008	750,656	334,079	408,271

Details of debt by interest rate are as follows:

(In thousands of Euros)

	Non-current loans		Current loans	
	2014	2013	2014	2013
Fixed	231,399	9,599	3,199	90,259
Variable	788,609	741,057	330,880	318,012
TOTAL	1,020,008	750,656	334,079	408,271

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

As the majority of bank debt was extended at variable interest rates, its fair value is the same as its amortised cost. Nevertheless, the fair value of fixed-rate loans and borrowings and private placements is Euros 226,160 thousand at 31 December 2014. The fair value of these borrowings at 31 December 2013 was Euros 99,628 thousand.

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

At 2014 year end the Group's Euro-denominated financing instruments, Euros 929 million in total, have a weighted average cost, before hedging, of 2.15%, while the average pre-hedging cost of borrowings in US Dollars, amounting to US Dollars 387 million, is 1.57%. In 2013, the Group's Euro-denominated borrowings, Euros 731 million in total, bore an average cost of 2.68%, while the average cost of borrowings in US Dollars, amounting to US Dollars 505 million, was 1.87%.

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

At 31 December 2014 accrued interest of Euros 3 million is payable (Euros 4.1 million in 2013).

Borrowing costs calculated using the effective interest rate on loans at amortised cost amount to Euros 2,291 thousand (Euros 2,080 thousand in 2013).

At 31 December 2014 the Group has credit facilities with financial institutions with a maximum available limit of Euros 1,909 million, of which Euros 1,354 million has been drawn down. In 2013 the maximum available limit was Euros 1,804 million, of which Euros 1,159 million had been drawn down.

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

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

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

In July 2014 a non-extinctive novation was signed for the Euros 370 million factoring agreement arranged between Acerinox Europa S.A.U., a number of trading subsidiaries of Acerinox S.A. and a syndicate of financial institutions in April 2013. This novation extended the expiry and amended the economic conditions of the factoring facility. Through this agreement, various Group subsidiaries factor invoices to end customers in several European countries. The syndicate is led by Banco Santander and the other participants are Santander de Factoring y Confirming S.A. E.F.C., Banca March S.A., Caixabank S.A., Popular de Factoring S.A. E.F.C., Bankinter S.A., Banco Sabadell S.A. and Banco Marocaine Du Commerce Exterieur Internacional S.A.

With regard to the loans received by Columbus mentioned in the consolidated annual accounts for 2013, the ZAR 300 million loan extended by Standard Bank was repaid in full in February, and the ZAR 397 million loan extended by IFC (World Bank Group) in 2009 was repaid in July 2014.

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

In April 2013, Acerinox Europa, S.A.U. and several trading subsidiaries of Acerinox, S.A. entered into a Euros 370 million agreement with a syndicate of banks for the factoring of invoices to end customers in several European countries. The syndicate is led by Banesto and the other participants are Banco Español de Crédito S.A., Santander de Factoring y Confirming S.A. E.F.C., Banca March S.A., Caixabank S.A., Popular de Factoring S.A. E.F.C., Bankinter S.A., Banco Sabadell S.A. and Banco Marocaine Du Commerce Exterieur Internacional S.A.

The debt refinancing operations arranged have essentially comprised extensions to the maturity dates and spread reductions. In view of these significant modifications, the Group has recognised the effects of the new agreements as if they were new loans, and as such has recorded a simultaneous repayment and arrangement of a new loan. The implicit costs totalling Euros 505 thousand deriving from measuring these loans at amortised cost were taken to profit and loss for the year.

Non-current borrowings subject to covenants

At the 2014 reporting date several loans are subject to covenants. These loans include the syndicated loan signed in the United States in 2012, the loans taken out in 2007 and 2008 from the ICO (Spain's Official Credit Institute) in both Euros and US Dollars, as well as borrowings covered by export credit agencies, namely those taken out with Banco Santander/OEKB, and Deutsche Bank/JBIC (Japan Bank for International Cooperation).

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

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

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

9.2.5 Available-for-sale financial assets

Available-for-sale financial assets total Euros 8,401 thousand at year end, of which Euros 8,391 thousand reflect Acerinox's investment in the Japanese Nisshin Steel Holding Co. Limited., which is listed on the Tokyo Stock Exchange.

The quotation value was JPY 1,162 per share at 31 December 2014 (JPY 1,259 per share at 2013 year end). Acerinox, S.A holds 1,052,600 shares in this company, representing a percentage ownership of 0.96% (0.96% in 2013). As Nisshin Steel holds a 15.39% interest in Acerinox, S.A this is a strategic investment that Acerinox, S.A has no intention of selling. Nisshin Steel not only holds a significant interest in the Company but is also Acerinox's partner in the new Malaysian venture Bahru Stainless, Sdn Bhd the Group's fourth flat stainless steel factory.

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

In 2014 the Group recognised the Euros 745 thousand loss in the fair value of assets classified in this category in reserves. As a result, the accumulated change in value vis-à-vis the cost is a gain of Euros 950 thousand, before the tax effect. During 2013, the Euros 1,695 thousand gain on the value of this investment was recognised in reserves.

9.2.6 Derivative financial instruments

The Group classifies derivative financial instruments that do not qualify for hedge accounting as financial instruments at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives and are recognised applying the measurement criteria defined in **note 2.9.5**.

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

Derivative financial instruments classified by category are as follows:

(In thousands of Euros)

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	21,617	20,609	382	40,019
Derivatives at fair value through profit or loss	52,503	7,655	1,907	23,989
TOTAL	74,120	28,264	2,289	64,008

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

(In thousands of Euros)

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Exchange rate insurance	54,559	7,683	2,231	24,003
Interest rate swaps	52	8,534	58	11,382
Cross-currency swaps	19,509	12,047		28,623
TOTAL	74,120	28,264	2,289	64,008

Currency risk

The Group operates in a large number of countries and bills customers in several currencies, and therefore uses financial instruments to hedge cash flow risks related to the settlement of balances in foreign currencies. The contracted operations mainly comprise forward sales and purchases in foreign currencies.

Derivatives of this nature do not always qualify for consideration as effective cash flow hedging instruments in accordance with IAS 39. At 31 December 2014 the effect of measuring these derivatives at market value totals Euros 66,577 thousand and has been recognised under revaluation of financial instruments at fair value in the income statement (Euros 8 thousand in 2013). This increase was particularly influenced by the appreciation of the US Dollar during the latter part of the year.

At 31 December 2014 all exchange rate insurance contracts basically cover both receivables (assets) and payables (liabilities) and include both trade and financing transactions between Group companies. At 31 December 2014 the Group has exchange rate insurance cover of Euros 46,876 thousand (negative amount of Euros 21,772 thousand in 2013), of which Euros 54,559 thousand is recognised under assets and Euros 7,683 thousand under liabilities. Only Euros 2,029 thousand of this amount qualifies for recognition as hedging instruments. In 2014, an amount of Euros 145 thousand was transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 128 thousand in 2013).

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

At 31 December 2014 the Group has entered into contracts for foreign currency operations amounting to Euros 317 million for currency sales and Euros 505 million for currency purchases. The comparative figures at 31 December 2013 were Euros 205 million for sales and Euros 545 million for purchases. Details of these contracts by currency are as follows:

(In thousands of Euros)

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
USD	223,352	895,881	153,089	672,191
EUR	34,456	2,688	23,601	41,787
GBP	19,011	53	28,734	
SEK	200,994		60,382	
PLZ	3,013		18,244	
AUD	19,679		8,888	
CHF	0		228	
NZD	3,070		336	
NOK	7,763			
MYR	173,650		98,356	
JPY				15,000

The increase in derivatives in US Dollars is mainly due to the arrangement of exchange rate insurance for financing transactions, due to the greater intra-Group financing in this currency.

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

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

Interest rate risk

At 31 December 2014 the Group has arranged the following interest rate swaps for the majority of its current and non-current loans and borrowings as well as the following cross-currency swaps for loans in currencies other than the functional currency of the company in question:

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

No further interest rate hedges have been contracted during 2014, although the Group has arranged numerous fixed-rate financing facilities totalling Euros 225 million for the period of the financing.

The average interest rate applicable to USD-denominated loans for which an interest rate hedge has been arranged is 2.70% (3.03% in 2013). The average rate for Euro-denominated loans with an associated interest rate hedge is 3.43% (3.53% in 2013). The credit spread has been included in both cases.

Details at 31 December 2013 were as follows:

	Notional value contracted	Outstanding amount	Maturity
Variable to fixed rate	EUR 35 million	EUR 35 million	2014
Variable to fixed rate	ZAR 300 million	ZAR 75 million	2014
Variable to fixed rate	EUR 50 million	EUR 50 million	2015
Variable to fixed rate	EUR 15 million	EUR 15 million	2015
Variable to fixed rate	EUR 30 million	EUR 30 million	2015
Variable to fixed rate	EUR 30 million	EUR 30 million	2016
Variable to fixed rate	EUR 15 million	EUR 15 million	2016
Variable to fixed rate	EUR 10 million	EUR 10 million	2016
USD variable to EUR fixed rate	USD 385.6 million	USD 308.48 million	2017
Variable to fixed rate	EUR 400 million	EUR 224 million	2017
USD variable to USD fixed rate	USD 63 million	USD 59.29 million	2017
USD variable to EUR fixed rate	USD 160 million	USD 81.63 million	2018
Variable to fixed rate	EUR 76.13 million	EUR 58.22 million	2020

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

With effect from 1 January 2013, Bahru Stainless Sdn Bhd changed its functional currency from the Malaysian Ringgit, which it had used until that date, to the US Dollar (USD). As a result of this change in functional currency, on 2 January 2013 the Group cancelled the cross-currency swap that Bahru Stainless Sdn Bhd had taken out to hedge the currency and interest rate risk arising from the USD 63 million loan granted to Bahru Stainless Sdn Bhd by the Bank of Tokyo Labuan in 2010. The cost of cancelling this cross-currency swap was Malaysian Ringgit 13.7 million. Bahru Stainless Sdn Bhd then arranged a hedge fixing the interest rate on this USD-denominated loan at 2.03%, including the applicable credit spread.

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

Based on the market value of equivalent financial derivatives at the reporting date, the interest rate swaps and cross-currency swaps have a negative fair value of Euros 1,020 thousand (negative fair value of Euros 39,947 thousand at 31 December 2013), which have been recognised as follows:

	2014		2013	
	Current	Non-current	Current	Non-current
Other financial assets	19,561		20	38
Other financial liabilities	405	20,176	20,952	19,053
TOTAL	19,966	20,176	20,972	19,091

At 31 December 2014 and 2013 the derivatives contracted qualify as cash flow hedges and therefore the unrealised gain of Euros 26,235 thousand on their measurement at fair value has been recorded in the consolidated statement of comprehensive income (loss of Euros 5,605 thousand in 2013).

In 2014 an amount of Euros 22,624 thousand was transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 21,804 thousand transferred from the consolidated statement of comprehensive income to profit and loss for the year in 2013).

The Group has documented the effectiveness of the derivatives contracted for the purpose of applying hedge accounting, as detailed in **note 2.9.5**. Hedging transactions have been contracted for periods and amounts equivalent to the cash flows deriving from the associated loans.

As a result of adapting its measurement method for interest rate hedges to the new IFRS 13, since 2013 the Acerinox Group has considered both the credit risk of the financial institutions with which it operates and that of its own counterparty. These changes to the measurement of these derivatives have generated a gain of Euros 144 thousand in 2014 (Euros 688 thousand in 2013). For this measurement, the Group used credit risk curves of the financial institutions with which the hedges have been arranged, while prudently using the credit risk curves of a sector company with a rating that is supposedly higher than that which could be obtained by the Group.

9.2.7 Other information

At 31 December 2014 and 2013:

- No financial assets have been pledged to secure liabilities or contingent liabilities

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

See also details of guarantees in **note 14.3**

NOTE 10 INVENTORIES

Details at 31 December are as follows:

(In thousands of Euros)

	2014	2013
Raw materials and other supplies	246,119	188,887
Work in progress	179,540	156,660
Finished goods	408,560	371,803
By-products, waste and recoverable materials	16,588	11,585
Advances	891	659
TOTAL	851,698	729,594

The cost of goods sold is Euros 3,870 million in 2014 (Euros 3,675 million in 2013).

In 2014 the Group wrote inventories down to net realisable value where this was lower than cost, with a total adjustment of Euros 9,402 thousand. The adjustment for 2013 amounted to Euros 11,294 thousand.

At 31 December 2014 and 2013 no inventories have been pledged as collateral to guarantee repayment of debts or commitments undertaken with third parties.

Commitments

At 31 December 2014 the consolidated Group has commitments to purchase raw materials for Euros 106,380 thousand (Euros 116,225 thousand in 2013). Although no firm sales commitments exist at the reporting date, there are formal orders for which the Group does not foresee any circumstances that could prevent delivery by the agreed deadlines.

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

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

NOTE 11 CASH AND CASH EQUIVALENTS

Details at 31 December are as follows:

(In thousands of Euros)

	2014	2013
Cash in hand and at banks	233,779	368,071
Current bank deposits	504,589	261,531
TOTAL	738,368	629,602

The effective interest rate on current bank deposits is 0.35% for the US Dollar, 2.60% for the Malaysian Ringgit, 5.30% for the South African Rand and 1.08% for the Euro (0.31% for the US Dollar, 2.60% for the Malaysian Ringgit, 4.95% for the South African Rand and 1.90% for the Euro in 2013). At the reporting date 80% of all deposits have been made by the Parent (97% in 2013). Deposits are generally placed for between 45 days and one week with banks of recognised solvency. In 2013 the Group companies generally invested their cash surpluses in deposits with an average term of between 45 days and one week.

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

NOTE 12 EQUITY

12.1 Subscribed capital and share premium

Movement of issued and outstanding shares in 2014 and 2013 is as follows:

(In thousands of Euros)

	Number of shares (thousand)	Ordinary shares (thousand)	Own shares (thousand)	Share capital (thousands of Euros)	Share premium (thousands of Euros)
Balance at 1 January 2013	**249,305**	**249,305**	**0**	**62,326**	**81,403**
Capital increase	7,842	7,842		1,961	
Acquisition of own shares			-74		
Disposal of own shares			74		
Balance at 31 December 2013	257,147	257,147	0	64,287	81,403
Capital increase	4,555	4,555		1,139	
Acquisition of own shares			-1		
Disposal of own shares			1		
Balance at 31 December 2014	261,702	261,702	0	65,426	81,403

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

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

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

On 9 July 2014:

- 125,023,234 rights were sold to Acerinox, S.A for Euros 0.449 per right, with the Company therefore paying out Euros 56,135,432.07 to its shareholders on 11 July 2014.
- 4,555,963 new shares were issued in the share capital increase.

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

In the prior year, at the annual general meeting held on 5 June 2013, the shareholders also agreed to increase share capital with a charge to reserves by issuing ordinary shares to be allocated to the shareholders free of charge. Following this meeting, the board of directors agreed to implement the share capital increase by means of a flexible dividend.

The shareholders to choose between the following options:

- Sell the rights to the Company for Euros 0.433 per right.
- Sell the rights on the stock exchange at the market price.

Subscribe shares in Acerinox on the basis of one new share for every eighteen rights

On 26 June 2013:

- 108,155,168 rights were sold to Acerinox, S.A for Euros 0.433 per right, with the Company therefore paying out Euros 46,831,187.74 to its shareholders on 5 July 2013.
- 7,841,631 new shares were issued in the share capital increase.

These new shares were admitted to trading on 17 July.

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

At 31 December 2014 share capital is represented by 261,702,140 ordinary shares (257,146,177 in 2013) with a par value of Euros 0.25 each, subscribed and fully paid.

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

At 31 December 2014 the only holders of 10% or more of the share capital of Acerinox, S.A. are Alba Participaciones, S.A. (23.09% in 2014 and 23.50% in 2013) and Nisshin Steel Holding, Co. Ltd. (15.39% in 2014 and 15.65% in 2013). In 2013, Feynman Capital, S.L/Morinvest SICAV S.A. (Omega) held 10.99% of the Parent's share capital.

There has been no distribution of the share premium in 2014 or 2013.

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

12.2 Reserves

a) Retained earnings

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

Details of reserves by company are included in **note 12.4**.

There are no restrictions on the transfer of funds by any Group company in the form of dividends, except for the non-distributable reserves required by applicable legislation. At 31 December 2014 Euros 20,251 thousand of the Group's reserves and retained earnings are subject to restrictions (Euros 20,207 thousand at 31 December 2013).

The legal reserve, which is included under retained earnings in the statement of changes in equity, has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires companies to transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. At 31 December 2014 the Company has appropriated Euros 12,465 thousand, an amount equivalent to 19.05 of its share capital, to this reserve (Euros 12,465 thousand and 19.39% of share capital in 2014 and 2013).

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

b) Property, plant and equipment revaluation reserve

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

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

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

c) Hedging reserve

The hedging reserve includes cumulative net changes in the fair value of cash flow hedging instruments associated with highly probable future transactions.

d) Adjustment of available-for-sale assets to fair value

The Company has classified certain financial instruments as available for sale. In accordance with the applicable measurement criteria, any changes in the fair value of these instruments are recognised directly in the consolidated statement of comprehensive income until the financial asset is impaired or derecognised. **Note 9.2.5** includes a detailed description of instruments classified as available for sale and their value.

12.3 Translation differences

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

Details of cumulative translation differences by company at the 2014 and 2013 reporting dates are as follows:

(In thousands of Euros)

GROUP COMPANIES	2014	2013
ACERINOX (SCHWEIZ) A.G.	963	1,002
ACERINOX ARGENTINA S.A.	-3,364	-2,795
ACERINOX AUSTRALASIA PTY.LTD.	64	48
ACERINOX BRASIL, LTDA	-73	-78
D.A ACERINOX CHILE S. A.	218	290
ACERINOX COLOMBIA S.A.S	-6	-11
ACERINOX INDIA PTE LTD	-52	-101
ACERINOX MALAYSIA SDN. BHD	329	1,104
ACERINOX METAL SANAYII VE TICARET L.S.	-44	-63
ACERINOX MIDDLE EAST DMCC (DUBAI)	25	0
ACERINOX NORWAY A.S	-124	-59
ACERINOX PACIFIC LTD.	-3,474	-2,240
ACERINOX POLSKA,SP Z.O.O	-1,515	-837
ACERINOX RUSSIA LLC.	-56	-8
ACERINOX SCANDINAVIA AB	-2,828	-1,311
ACERINOX MALAYSIA SC	-2,205	-2,708
ACERINOX SOUTH EAST ASIA PTE.LTD.	145	66
ACERINOX SHANGAI CO., LTD.	2,509	1,629
ACERINOX U.K., LTD.	-3,223	-4,915
BAHRU STAINLESS, SDN. BHD	30,853	13,619
COLUMBUS STAINLESS INC.	-123,105	-128,500
CORPORACIÓN ACERINOX PERU S.A.C	-20	-29
NORTH AMERICAN STAINLESS CANADA, INC	2,829	-2,056
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	3,002	58
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD	3	1
NORTH AMERICAN STAINLESS INC.	117,246	-80,640
SUBTOTAL	18,097	-208,534

ASSOCIATES	2014	2013
BETINOKS PASLANMAZ ÇELIK A.S.	-49	-49
SUBTOTAL	-49	-49

TOTAL	18,048	-208,583

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

Details at 31 December 2014 and 2013 are as follows:

(In thousands of Euros)

	2014				2013			
	Reserves	Profit/(loss)	Profit/ (loss) Non-controlling interests	Non-controlling interests	Reserves	Profit/(loss)	Profit/ (loss) Non-controlling interests	Non-controlling interests
ACERINOX, S.A	647,481	-30,635			711,022	-17,546		
ACERINOX (SCHWEIZ) A.G.	2,223	264			2,230	-120		
ACERINOX ARGENTINA S.A.	5,330	455			4,924	403		
ACERINOX AUSTRALASIA PTY. LTD.	-4	232			143	-147		
ACERINOX BENELUX S.A. - N.V.	132	222			26	106		
ACX DO BRASIL REPRESENTAÇOES, LTDA	176	8			117	59		
ACERINOX CHILE, S.A.	-3,239	73			-1,930	-1,309		
ACERINOX COLOMBIA S.A.S	120	66			28	92		
ACERINOX DEUTSCHLAND GMBH	-20,271	1,840			-21,632	1,360		
ACERINOX EUROPA S.A.U	-92,904	13,077			-66,290	-26,615		
ACERINOX FRANCE S.A.S	-10,489	462			-11,665	1,177		
ACERINOX ITALIA S.R.L.	-13,691	675			-14,271	580		
ACERINOX INDIA PVT LTD	353	46			266	87		
ACERINOX MALAYSIA SDN. BHN	-17,820	-46			-17,856	35		
ACERINOX METAL SANAYII VE TICARET L.S.	279	62			106	174		
ACERINOX MIDDLE EAST DMCC (DUBAI)	0	223						
ACERINOX NORWAY A.S	710	195			471	239		
ACERINOX PACIFIC LTD.	-15,966	-2,563			-15,918	-48		
ACERINOX POLSKA, SP Z.O.O	140	14			-891	1,031		
ACERINOX RUSSIA LLC.	-52	114			0	-52		
ACERINOX SCANDINAVIA AB	-4,236	973			-5,672	1,436		
ACERINOX S.C. MALAYSIA SDN. BHD	-19,170	-1,133			-17,538	-1,632		
ACERINOX SHANGAI CO., LTD.	-139	419			39	-178		
ACERINOX (SEA), PTE LTD.	38	-356			206	-168		
ACERINOX U.K., LTD.	480	359			-352	833		
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	-3,408	649			-3,365	-44		
BAHRU STAINLESS, BDN. BHD	-39,353	-29,166	-14,345	66,065	-22,835	-16,532	-8,132	71,927
COLUMBUS STAINLESS (PTY) LTD.	54,926	1,992	683	46,093	68,753	-13,826	-4,261	43,740
CORPORACIÓN ACERINOX PERU S.A.C	-27	-12			4	-32		
INOX RE, S.A.	23,063	1,395			20,032	3,031		
INOXCENTER CANARIAS S.A.U	2,104	62	1	41	2,065	20	0	60
INOXCENTER, S.L.	-24,558	12	0	-133	-21,197	-2,514	-64	-201
INOXFIL S.A.	685	-760	-2	13	1,765	-1,082	-3	17
INOXIDABLES DE EUSKADI S.A.U	123	396			532	-409		
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	876	328			569	307		
METALINOX BILBAO S.A.	17,125	1,929	33	382	17,198	56	1	523
NORTH AMERICAN STAINLESS CANADA, INC	6,325	4,217			4,313	2,019		
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	1,462	1,681			765	706		
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-10,577	10,575			-9,029	9,027		
NORTH AMERICAN STAINLESS INC.	927,297	162,892			836,590	90,863		
ROLDAN S.A.	27,091	-4,907	-12	91	36,411	-9,319	-24	114
SUBTOTAL	1,442,635	136,329	-13,642	112,552	1,478,134	22,068	-12,483	116,180
ASSOCIATES								
BETINOKS PASLANMAZ ÇELIK A.S.	-265	0			-264	0		
SUBTOTAL	-265	0	0	0	-264	0	0	0
TOTAL	1,442,370	136,329	-13,642	112,552	1,477,870	22,068	-12,483	116,180

The two companies with the largest non-controlling interests are Columbus Stainless, Ltd., which is 24% owned by the South African IDC Group (Industrial Development Corporation), and Bahru Stainless Sdn. Bhd, whose main non-controlling shareholder is Nisshin Steel Holding. Co, Ltd., with a 30% interest. Columbus has assets totalling Euros 414 million, of which Euros 174 million are non-current. Bahru Stainless Sdn. Bhd has assets amounting to Euros 826 million, of which Euros 657 million are non-current. Neither company distributed dividends in 2014 or 2013.

12.5 Distribution of profit/application of loss

The proposed application of the 2014 loss of the Parent, Acerinox, S.A., to be submitted to the shareholders for approval at their annual general meeting is as follows:

(In thousands of Euros)	2014
Basis of allocation	
Loss for the year	-16,408
Application	
Prior years' losses	-16,408

At the board meeting held on 16 December 2014, the directors resolved to postpone any decisions regarding shareholder remuneration until the annual general meeting.

The application of the Company's losses for the year ended 31 December 2013 was approved by the shareholders at their annual general meeting held on 10 June 2014. The loss for the year, amounting to Euros 4,689 thousand, was carried forward as prior years' losses.

12.6 Earnings per share

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

(In thousands of Euros)	2014	2013
Profit attributable to the Group	136,329	22,068
Weighted average number of ordinary shares outstanding	259,168,276	252,913,844
Earnings/loss per share (in Euros)	0.53	0.09

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

The Group has not issued any financial instruments that give access to capital or convertible debt and therefore diluted earnings per share are the same as basic earnings per share.

NOTE 13 DEFERRED INCOME

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

(In thousands of Euros)	2014	2013
Balance at 1 January	4,834	5,908
Grants awarded	1,583	2,294
Transfer to the income statement	13	-3,368
Balance at 31 December	6,430	4,834

Deferred income primarily reflects grants received by Acerinox Europe for its research and development activities, and the balancing entry for emission allowances allocated free of charge under the National Allocation Plan and not been used during the year (see **note 7**).

The Group considers that it has met or will meet all the conditions for receipt of these grants in the period stipulated and therefore no significant contingencies exist in connection with the grants obtained.

NOTE 14 PROVISIONS AND CONTINGENCIES

Details of non-current provisions included in the balance sheets for 2014 and 2013 are as follows:

(In thousands of Euros)

	2014	2013
Employee benefits	11,204	9,844
Other provisions	2,502	3,736
TOTAL	13,706	13,580

14.1 Employee benefits

14.1.1 Defined contribution plans

In accordance with legislation in force in their countries of operation, certain Group companies make contributions to pension plans managed by external institutions. An expense of Euros 7,037 thousand has been recognised for the year under personnel expenses in respect of such plans (Euros 7,010 thousand in 2013).

14.1.2 Defined benefit plans

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

(In thousands of Euros)

	2014	2013
Pension plans	2,136	1,669
Early retirement benefits	290	302
Supplements	694	689
Post-employment benefits	8,084	7,184
TOTAL	11,204	9,844

Post-employment obligations reflect post-retirement medical care plans provided by certain Group companies to specified plan members. The Company performs actuarial valuations of these obligations every two years, the latest having been carried out in 2013. The assumptions used were discount rate of 8.8%, medical services inflation of 6.9%. The opening balance for the period reconciles with the closing balance as follows:

(In thousands of Euros)

	2014	2013
Balance at 1 January	7,184	7,739
Contributions paid	-216	-198
Service cost recognised in the income statement	187	179
Interest cost	656	530
Actuarial loss recognised in comprehensive income		737
Translation differences	272	-1803
Balance at 31 December	8,084	7,184

14.2 Other provisions

Movement in 2014 is as follows:

(In thousands of Euros)

	Litigation	CO_2	Other provisions	Total
Balance at 31 December 2013	1,347	1,883	506	3,736
Charge to provision		1,828	19	1,847
Application	-5		0	-5
Reversal	-1,071	-1,885	-120	-3,076
Balance at 31 December 2014	271	1,826	405	2,502

CO_2

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

Applications for the year are mainly due to the derecognition of emission allowances for 2014 totalling Euros 1,886 thousand (Euros 1,865 thousand in 2013) (see **note 7.1**).

Litigation

The provision at 31 December 2013 basically reflected additional income tax raised on inspection of the Group subsidiary Acerinox Italia, S.r.l. for 2004 On 23 March 2014 the subsidiary was notified of the ruling in its favour, which in turn was communicated to the taxation authorities. No appeal was filed by the authorities prior to the deadline, and as such, the proceedings are considered to have been concluded, with a ruling in favour of the subsidiary. The corrections required by this tax assessment include adjustments to the transfer prices applied in transactions between Acerinox Italia and the Spanish Group company Roldán, S.A. Euros 1 million has been recognised in other operating income as a result.

Other provisions

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

14.3 Guarantees provided

At 31 December 2014 the Group has provided guarantees to third parties, mainly government bodies, totalling Euros 25 million (Euros 17 million in 2013). This amount includes the guarantee pledged to the Italian taxation authorities in connection with the assessments deriving from the tax inspection, described in **note 17.4**. Group management does not expect any significant liabilities to arise from these guarantees.

NOTE 15 INCOME AND EXPENSES

15.1 Income and revenue

Details of income and revenue in 2014 and 2013 are as follows:

(In thousands of Euros)

	2014	2013
Sale of goods	4,377,025	3,962,938
Services rendered	3,264	3,340
Self-constructed assets	15,993	39,404
Operating lease income	208	373
Gains on disposal of fixed assets	1,977	872
Reversal of impairment of intangible assets	2,835	0
Income from grants and subsidies	486	1,235
Income from emission allowances	-499	2,133
Other income	12,278	8,110
TOTAL	4,413,567	4,018,405

15.2 Personnel expenses

Details of personnel expenses in 2014 and 2013 are as follows:

(In thousands of Euros)

	2014	2013
Salaries and wages	261,103	267,676
Social Security	62,777	63,145
Contributions to employee benefit plans	7,037	7,010
Termination benefits	5,996	4,617
Change in the provision for employee benefits	785	1,473
Other personnel expenses	9,466	8,195
TOTAL	347,164	352,116

The average headcount in 2014 and 2013, distributed by category, is as follows:

	2014	2013
University graduates	790	874
Administrative staff	964	1,126
Manual workers	4,999	5,145
TOTAL	6,753	7,145

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

		2014	2013
Board members	Male	14	14
	Female	1	1
Senior management personnel	Male	4	4
	Female	0	0
University graduates	Male	572	664
	Female	206	196
Administrative staff	Male	554	615
	Female	378	431
Manual workers	Male	4,867	4,952
	Female	119	120
TOTAL		6,715	6,997

At 31 December 2014 the number of employees in Spain with a disability of at least 33% is 54 (50 male and 4 female) (59 in 2013; 56 male and 3 female).

All Spanish companies comply with the 2% minimum stipulated in the Law on Social Integration for the Disabled.

15.3 Other operating expenses

Details are as follows:

(In thousands of Euros)

	2014	2013
Rentals	8,069	9,220
Trading costs	159,129	145,128
Utilities	200,964	190,030
Maintenance	52,876	52,345
External services	66,506	69,917
Insurance	17,001	14,783
Other operating expenses	30,991	63,429
Taxes other than income tax	18,096	14,890
Losses on disposal of fixed assets	229	514
Impairment of intangible assets	0	274
Other expenses	99	257
TOTAL	553,960	560,787

Other operating expenses include Euros 3,075 thousand in bank fees and securities depository fees (Euros 3,076 thousand in 2013).

NOTE 16 NET FINANCE COST

Details of the net finance cost are as follows:

(In thousands of Euros)

	2014	2013
Interest and other finance income	5,190	7,257
Income from dividends	111	1
Gain on disposal of investments in consolidated companies		2,251
Gain on revaluation of financial instruments at fair value (exchange rate insurance)	67,427	5,323
Exchange gains		1,043
TOTAL FINANCE INCOME	72,728	15,875
Interest expense and other finance costs	-61,802	-65,664
Loss on revaluation of financial instruments at fair value (exchange rate insurance)	-849	-5,315
Exchange losses	-63,989	
TOTAL FINANCE COSTS	-126,640	-70,979
NET FINANCE COST	-53,912	-55,104

NOTE 17 TAXATION

At 31 December 2014 and 2013 the consolidated tax group in Spain comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldán, S.A., Inoxfil, S.A., Inoxcenter, S.L. and Inoxcenter Canarias, S.A.U.

17.1 Income tax expense

Details of the tax expense are as follows:

(In thousands of Euros)

	2014	2013
Current tax	100,503	57,580
Deferred tax	17,808	-35,832
Total income tax	118,311	21,748

In 2014 the Parent received dividends from some of its foreign subsidiaries amounting to Euros 11.2 million. Under the corresponding double taxation conventions, some of these dividends were subject to withholdings at source amounting to Euros 1,123 thousand, which have been recognised under other taxes in the income statement. This account also reflects other withholdings on interest paid to Group companies, as well as taxes paid overseas in relation to activities conducted by Acerinox, S.A. and Acerinox Europa, S.A.U.'s permanent foreign operations.

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

(In thousands of Euros)

	2014		2013	
Net profit for the year		136,329		22,068
Non-controlling interests		-13,642		-12,483
Income tax		118,311		21,748
Other taxes		2,778		1,847
Profit before income tax		243,776		33,180
Income tax at the local tax rate	30.00%	73,133	30.00%	9,954
Effects on tax payable:				
Effect of tax rates of foreign operations		10,827		6,049
Non-deductible expenses		5,553		2,707
Tax incentives not recognised in the income statement		-14,613		-2,628
Non-taxable income		-514		-1,895
Prior year adjustments		1,411		-544
Adjustment of tax rates, deferred taxes		22,793		-4
Unrecognised tax credits		11,193		4,995
Other		8,528		3,114
Total income tax		118,311		21,748

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

The tax rate resulting from the Group's consolidated income statement for 2014 was 50%. Although the resulting tax rate is lower than that for the prior year, it has been adversely affected by the aforementioned tax reform and would have been 9% lower had the tax reform not been implemented. In 2013, the tax rate exceeded 50%, due to the combined effect of a higher contribution made to Group profits by the US company North American Stainless, which is taxed at a rate of 35%, partially offset by losses in certain companies whose tax credits were not capitalised. This effect is not as striking this year as the majority of Group companies have generated a profit.

17.2 Deferred tax

Movement in deferred tax assets and liabilities is as follows:

(In thousands of Euros)

	2014		2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at 1 January	218,248	200,226	202,880	225,545
Expense/income for the period	-34,114	-16,306	17,877	-17,955
Taxes recognised directly in equity	-1,772	-777	-4,486	251
Exchange rate fluctuations	24	24,403	-549	-10,580
Transfers	9,346	9,346	2,966	2,967
Other changes	398	-129	-440	-2
Balance at 31 December	192,130	216,763	218,248	200,226

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

(In thousands of Euros)

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Goodwill	0	2,819	-7,515	-11,446	-7,515	-8,627
Property, plant and equipment	6,640	1,712	-256,998	-244,562	-250,358	-242,850
Financial assets	1,574	-1,078	-21,593	-26,312	-20,019	-27,390
Inventories	1,352	796	-713	39	639	835
Other assets	31		-236	-211	-205	-211
Provisions	7,009	3,512	-11,556	-10,863	-4,547	-7,351
Employee benefit plans	3,739	8,332	780	91	4,519	8,423
Financial liabilities	3,490	5,348	-40	-2	3,450	5,346
Other liabilities	0		-16	-570	-16	-570
Non-deductible finance costs	24,969	27,198			24,969	27,198
Other tax deductions	30,236	36,841			30,236	36,841
Unused tax losses	194,214	226,378			194,214	226,378
Deferred tax assets/liabilities	273,254	311,858	-297,887	-293,836	-24,633	18,022
Offsetting of deferred tax assets and liabilities	-81,124	-93,610	81,124	93,610		
Deferred tax assets/liabilities	192,130	218,248	-216,763	-200,226	-24,633	18,022

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

At 31 December 2014 and 2013, the Group has tax credits available as follows:

(In thousands of Euros)

Availability limit	2014	2013
1 to 5 years	1,464	2,179
6 to 10 years		3,958
11 to 15 years	6,848	104,544
16 to 20 years		36,935
No prescription date	185,902	78,762
TOTAL	194,214	226,378

The Group also has tax credits in respect of loss carryforwards of Euros 27,954 thousand (Euros 22,314 thousand in 2013), which, following conservative criteria, have not been recognised. During the year, impairment was recorded on the tax credits of Acerinox Pacific Ltd for Euros 2 million, due to the lack of evidence as to their future recoverability within a reasonable period, and these credits have therefore not been capitalised for accounting purposes. Pursuant to prevailing tax legislation, the recovery period for these tax credits is unlimited.

The new Income Tax Law approved in Spain, details of which are provided in note 17.3, eliminates the deadline for recovering tax losses. Consequently, many of the credits that expired in periods of 10 to 20 years can now be recovered with no prescription date.

The Group prepares projections of profit and loss on an individual basis for all companies with available tax credits to determine whether the credits will be recoverable within the timeframe specified under the applicable legislation, and never in a period exceeding that specified in the budget. Furthermore, the Group takes into account the limitations regarding offsetting tax loss carryforwards stipulated in certain jurisdictions. The Group also assesses the existence of deferred tax liabilities against which tax losses may be offset in the future. Based on these criteria, the directors consider that all capitalised tax credits are likely to be recovered through future taxable income, in a reasonable period not exceeding that permitted by the corresponding local authorities in each country.

The Group has performed a sensitivity analysis of the estimates made that support the recovery of the capitalised tax loss carryforwards, in order to determine the possible risk of their irrecoverability in the event that the forecast results are not achieved. Based on the results of this analysis, even if the results were 40% below the forecast, the Spanish tax group could recover all its tax loss carryforwards within ten years. The capitalised deferred tax assets of the Spanish tax group total Euros 112 million. In certain cases, these tax loss carryforwards could be offset against deferred tax liabilities in the future.

The results estimated by the Group reflect the financial and macroeconomic circumstances and those of the stainless steel market itself.

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

The Group continues to prepare documentation to support its eligibility for certain tax benefits offered by the Malaysian government in relation to investments in assets for the construction of the Bahru Stainless Sdn Bhd plant. These tax benefits would enable the company to reduce its taxable income once it starts generating a profit on its activities.

17.3 Legislative amendments

Tax reform in Spain

The new Income Tax Law 27/2014, which includes a comprehensive legislative text on this tax, was approved on 27 November 2014. The law repeals the Revised Royal Legislative Decree 4/2004 of 5 March 2004, currently in force.

The developments introduced by the new Law with the most significant impact for the Group are as follows:

- Progressive reduction in tax rates, from the prevailing rate of 30% to 28% in 2015 and to 25% from 2016 onwards. Although this reduction is a positive measure which will entail a lesser tax burden, it has had a particularly negative impact on the Group's income statement for the year, as deferred tax assets have also decreased.

As explained in the Group's accounting policy regarding measurement of deferred tax assets and liabilities (see **note 2.16**), the Group has valued these items based on the latest rates approved, taking into account the expected date of recovery, with the exception of deferred tax assets deriving from tax losses, which have been revalued using the rate of 25% Details of the impact on results are as follows:

(Datos en miles de euros)

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

- Limitation on the offsetting of tax loss carryforwards, including elimination of the deadline. The Law stipulates a limit of 70% on the tax loss carryforwards that may be offset prior to application of the capitalisation reserve. The transitional limitation of 25% in place for large companies will be maintained for 2015, and increased to 60% for 2016. The Group has assessed the possible impact of this measure vis-à-vis the longer recovery periods and the potential accounting impact. However, in view of the budgets approved by management for the next five years, no problems relating to recovery have been detected and the Group expects that it will recover all the available tax loss carryforwards of the Spanish consolidated tax group within a period of less than sieven years.

- Capitalisation reserve. Establishment of a 10% reduction in the tax base of the increase in capital and reserves during the year, provided that this increase is maintained for a period of five years and a specific, restricted reserve is created with a balance equivalent to the amount of the reduction. This reduction may not exceed the equivalent of 10% of the tax base. Shareholder contributions and share capital increases are not included in the calculation of the increase.

- Simplification of tax depreciation/amortisation tables. The number of items has been reduced to 30. No significant impact for the Group has been detected following an assessment of the new tables.

- Amendments to deductions for international double taxation. New rules have been established for the exemptions of dividends and similar income. No significant impact is expected for the Group.

- Modifications to the consideration of certain non-deductible expenses.

- Promotion of the R&D&i deduction and elimination of other previous deductions.

- The temporary limitation on deductibility of 30% of amortisation and depreciation charges, established for 2013 and 2014, has been eliminated, and a new reduction in tax due for 2015 onwards has been created to soften the effect of the tax rate reduction.

- Creation of a 5% deduction for goodwill and intangible assets with indefinite useful lives. Deductions for goodwill will remain at 1% in 2015, as in prior years.

- Amendments will be made to the regulation governing related party transactions, specifically that relating to documentation requirements.

Other legislative amendments

In 2014 and 2013 the following tax rates applicable to certain Group companies were amended pursuant to local legislation:

- U.K: progressive modifications to the income tax rate. The applicable rate will be 20% from 1 April 2015 onwards.

- Portugal: the tax rate has been reduced from 25% to 23% from 2015 onwards, although a 2.5% increase has been provided for where profits exceed Euros 1.5 million. Simultaneously, the period for recovering tax loss carryforwards has been extended from 6 to 12 years.

- Chile: progressive increase in tax rates, from 17% at present to 27% from 2018 onwards. The applicable rate in 2015 will be 24%.

- Canada: the tax rate was reduced from 26.5% in 2011 to 25% from 2013 onwards.

- Sweden: the income tax rate was reduced from 26.3% in 2012 to 22% for 2013 and thereafter.

- As of 2014, the tax rate in Norway has been reduced from 28% to 27%.

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

A number of changes were made to Spanish legislation in 2012 and 2013, affecting income tax and the recognition and application of deferred tax assets and liabilities. These measures have been taken into account when calculating income tax for 2013 and this year:

- Tax-deductible amortisation/depreciation is capped at 70% for 2013 and 2014. Any undeducted amortisation/depreciation will be deductible on a straight-line basis over a ten-year period or over the useful life of the asset from 2015 onwards.

- Article 12.3 of the Revised Spanish Corporate Income Tax Law, on the impairment of interests in Group companies, has been repealed. Under a transitional regime introduced in the same amendment, if the impaired equity is recovered or dividends are distributed, the impairment recognised in previous years must be reversed.

- Impairment losses on receivables or other assets as a result of possible debtor insolvency, as well as allowances or contributions to employee benefit systems that have given rise to deferred tax assets, must now be included in taxable income. The inclusion of these amounts is capped at the amount of positive taxable income before both their inclusion and the offsetting of tax loss carryforwards. Any amounts not included in one tax period must be included in the next tax periods, up to the same limit.

- If a company's tax due is of an insufficient amount for it to apply available R&D tax credits, it can cash in on these credits by applying a 20% discount for credits generated from 1 January 2013 onwards, capped at Euros 1 million for technological innovation activities and Euros 3 million for all R&D&I credits as a whole. The first year that this option can be availed of in the income tax return is 2014, and there are certain conditions that must be met. The Group has no intention of availing of this option in this year

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

Certain temporary changes to the calculation of instalment payments brought in by RD 20/2012 – such as the minimum payment of 12% of accounting profit and the inclusion in taxable income of 25% of all dividend and interest income that entitles the recipient to the exemption set forth in article 21 of the Income Tax Law – were also extended to 2014 and 2015.

Provincial legislation was also passed during 2013, with income tax among the areas affected. The most significant measures include the introduction of a 15-year limit on the offsetting of tax loss carryforwards, measures aimed at improving the capitalisation of companies, the restriction of the deductibility of certain expenses and the review and elimination of certain deductions of little effect as incentives.

17.4 Current tax

At 31 December 2014 the Group has a current tax asset of Euros 18,390 thousand (Euros 5,615 thousand in 2013) and a current tax liability of Euros 35,997 thousand (Euros 14,340 thousand in 2013).

17.5 Tax inspections and years open to inspection

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

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

At 31 December 2014 Acerinox, S.A. and the companies in the consolidated tax group have open to inspection by the taxation authorities all the main applicable taxes for 2008 and from 2010 onwards. The other Group companies have open to inspection the taxes for the years stipulated by their respective local legislation. The directors of the Company and subsidiaries do not expect that any significant additional liabilities would arise in the event of an inspection.

The situation with regard to tax inspections underway or for which appeals are open at the end of 2014 is as follows:

Italy

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

- On 27 December 2012 the company received the assessment notice for 2007, indicating transfer pricing adjustments for its sales and purchases with the Group's factories. As a result of this assessment notice Acerinox Italia was required to pay Euros 8.4 million, plus interest of Euros 1.3 million. No penalties were imposed. The company challenged this 2007 assessment in an appeal filed before the provincial tax commission of Milan on 23 May 2013, in which it was also requested that a stay be placed on the tax debt until completion of the proceedings. This stay was accepted by the Italian authorities, subject to the pledging of a Euros 3.8 million bank guarantee, which has been provided. On 9 December 2013 the Group applied to the Spanish and Italian authorities for the elimination of double taxation pursuant to Convention 90/436/EEC of 23 July 1990. As most of these transactions are with companies resident in Spain (Acerinox S.A. and Roldán, S.A.), any adjustment relating to transfer prices is protected by Convention 90/436/EEC on the elimination of double taxation in connection with the adjustment of profits of associated enterprises. This Convention guarantees the elimination of double taxation due to transfer pricing adjustments within the European Union. Following negotiations between the Spanish and Italian taxation authorities, or an arbitrator's ruling if necessary, this initial adjustment, or whichever adjustment is agreed, will therefore be neutralised by a counter-adjustment in the other member state. Although the financial effect of the time that elapses until completion of the proceedings is not specifically covered by the Convention, when the Spanish authorities record an adjustment in favour of the taxpayer, this includes accrued interest, or else another method is used to ensure that the financial effect does not entail a charge for the taxpayer. The Spanish Directorate-General for Taxation and the Italian authorities have confirmed their acceptance of the initiation of the mutual agreement procedure relating to the Spanish entities and the Italian firm. This procedure is therefore expected to be concluded within the next two years, approximately.

- The assessment for 2008 was received on 13 December 2013, which also indicated transfer pricing adjustments for this company's sales and purchases with the Group's factories. The amount payable in Italy as a result of this assessment is Euros 7.3 million plus Euros 1.2 million in late payment interest. The pertinent objections have been submitted during the year, as has a request for a stay on the debt. Guarantees totalling Euros 3.6 million were pledged in February 2015, to secure the stay.

- The assessment for 2009 was received on 7 November 2014. The additional assessment raised in Italy is Euros 953 thousand plus interest. No penalties have been imposed. The Group intends to follow the same procedure as for the other assessments.

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

- The comparability analyses presented by the company, demonstrating that the prices applied by Acerinox to independent third parties are in line with those applied to the Italian subsidiary, have not even been considered by the Italian taxation authorities.

- No analysis or consideration whatsoever has been made of the economic market and industry conditions, which, based on the aforementioned regulations, are legitimate justification for the companies having returned a loss.

- The years of reference used for comparison in the analyses performed are clearly periods in which the economic cycle was noticeably different from the one under analysis, leading to an obvious distortion of results.

- There are other minor considerations indicative of serious flaws in the businesses used for comparison.

- It is an internationally recognised basic principle that transfer pricing is not an exact science and it is necessary to weigh up the circumstances of each individual case. Even so, this analysis does not give a single value, but rather a range of values, all of which can be considered arm's length prices.

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

- Court appeal in Italy

- Court settlement

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

Furthermore, as explained in **note 14.2** under the section on lawsuits, the procedures carried out by the Italian company relating to the transfer pricing adjustments handed down in assessments regarding prior years were ultimately resolved in favour of the company and did not lead to any adjustments payable. The company therefore expects the same criteria and arguments that led the courts to find in its favour in those cases to be applicable to the assessments for 2007 and 2008.

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

Germany

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

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

As is the case with Italy, as most of these transactions are with the companies resident in Spain, any adjustment relating to transfer prices is protected by Convention 90/436/EEC on the elimination of double taxation in connection with the adjustment of profits of associated enterprises. This Convention guarantees the elimination of double taxation due to transfer pricing adjustments within the European Union. Following negotiations between the Spanish and German taxation authorities, or an arbitrator's ruling if necessary, this initial adjustment, or whichever adjustment is agreed, will therefore be neutralised by a counter-adjustment in the other member state.

The company intends to initiate the arbitration proceedings immediately in order to eliminate the double taxation with the Spanish and German authorities.

Malaysia

On 24 and 28 December, notice was received of the start of an inspection of taxes for 2010 and 2011 of the Group company Bahru Stainless Sdn. Bhd.

On 20 January notification was received of the initiation of a tax inspection of transfer prices in Acerinox SC Malasia, Sdn. Bhd. for 2010 to 2013.

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

Spain

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

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

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

South Africa

On 24 June 2014 notice was received of the start of a tax inspection of transfer prices for 2010 to 2012 in Columbus Stainless (Pty) Ltd. The Group company has submitted all the information requested but has yet to receive the certificate concluding the tax inspection.

NOTE 18 RELATED PARTY BALANCES AND TRANSACTIONS

18.1 Identity of related parties

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

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

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

18.2 Related party balances and transactions

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

a) Associates

No transactions were carried out with associates in 2014 or 2013.

b) Directors and key management personnel

Remuneration received by the four members of senior management who do not hold positions on the board of directors of Acerinox, S.A. amounts to Euros 1,510 thousand. Euros 979 thousand of this amount reflect salaries, Euros 86 thousand are allowances and Euros 445 thousand are other remuneration. In 2013, the four senior management personnel received Euros 1,523 thousand, of which Euros 1,076 thousand reflected salaries, Euros 94 thousand were allowances and Euros 353 thousand were other forms of remuneration.

In 2014 members of the board of directors of Acerinox, S.A., including those that hold key management positions and sit on the boards of other Group companies, received Euros 2,036 thousand in fixed remuneration for attending board meetings and fixed and variable salaries (the latter based on profit from the prior year), of which Euros 1,360 thousand reflect salaries and fixed board member remuneration, Euros 384 thousand are allowances and Euros 292 thousand are other remuneration. In 2013, the remuneration received totalled Euros 1,950 thousand, of which Euros 1,330 thousand reflected salaries and fixed remuneration, Euros 404 thousand were allowances and Euros 216 thousand were other forms of remuneration.

Commitments with all senior management personnel, totalling Euros 1,422 thousand in 2014, have been accounted for correctly and are adequately covered through insurance contracts (Euros 1,266 thousand in 2013). No commitments have been contracted with directors representing shareholders or independent directors of Acerinox, S.A. At 31 December 2014 no advances or loans have been extended to the members of the board of directors or senior management and the Company has no balances receivable from or payable to these executives.

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

c) Significant shareholders

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

- Credit facilities up to a limit of Euros 4 million, of which Euros 0 million have been drawn down.
- Guarantees up to a limit of Euros 0.06 million, of which Euros 0.06 million have been drawn down.
- Reverse factoring facilities for Euros 16 million, of which Euros 3.99 million have been drawn down.
- Non-current loan of Euros 30 million, fully drawn down.
- Factoring facilities for Euros 70 million, of which Euros 25.74 million have been drawn down.

In 2013 the Group contracted the following financing transactions with Banca March, all of which were under market conditions:

- Credit facilities up to a limit of Euros 2 million, of which Euros 0.06 million have been drawn down.
- Guarantees up to a limit of Euros 0.06 million, of which Euros 0.06 million have been drawn down.

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

Details of the Group's transactions with Banca March in 2014 and 2013 are as follows:

(In thousands of Euros)

	2014	2013
Interest cost	3,004	2,123
Fee and commission expenses	100	133
TOTAL	3,104	2,256

All the terms and conditions of the loans and financial transactions detailed in the foregoing paragraph were arranged on an arm's length basis.

Insurance premiums and other transactions totalling Euros 10,672 thousand (Euros 10,755 thousand in 2013) have been brokered through March J.L.T. Correduría de Seguros (a March Group company).

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

(In thousands of Euros)

	2014	2013
Dividends	110	40
Finance costs	77	
Sales of goods	786	
Trade and other receivables	197	
Services rendered	645	285

NOTE 19 AUDIT FEES

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

(In thousands of Euros)

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

2013	KPMG Auditores, S.L.	KPMG International	TOTAL
Audit services	307	443	750
Tax advisory services		413	413
Other services	59	31	90
TOTAL	366	888	1,253

The amounts detailed in the above table include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

Other audit firms invoiced the Group fees and expenses for audit services amounting to Euros 84 thousand in 2014 (Euros 81 thousand for audit services in 2013).

NOTE 20 EVENTS AFTER THE REPORTING PERIOD

Acerinox, S.A.

On 6 January 2015 the securities relating to the second ordinary bond issue of Acerinox, S.A., which had been registered with the CNMV on 29 December 2014, were admitted for trading on the AIAF fixed-security market. These bonds totalling Euros 50 million bear variable interest pegged to 3-month Euribor + 1.75% per annum and were issued through the prospectus filed at the Spanish National Securities Market Commission (CNMV) on 17 July 2014. The bond issue furthers the Group's efforts to diversify the sources of its financing, which began with the first issue in July, and has enabled Acerinox to reduce the average cost of its borrowings.

Columbus Stainless (Pty), Ltd

Columbus Stainless (Pty) Ltd has reached an outline agreement with a group of international and South African banks regarding a structured syndicated financing up to Rands 3,500 million (Euros 265 million) to be secured with its current assets (Secured Borrowing Base Revolving Credit Facility). This facility is expected to become available by March, and negotiations are currently at the documentation stage.


ACERINOX

Acerinox Group Companies

1 Acerinox, S.A.

Acerinox, S.A. Office in Madrid.

Acerinox S.A. is the Group's parent company and the main holding company for shares of its various subsidiaries. Company shares are traded on the Madrid and Barcelona Stock Exchanges. The share capital on 31st December 2014 was 65,425,535 euros, consisting of 261,702,140 shares with a nominal value of 0.25 euros each.

Acerinox S.A. directs and coordinates the Group's activities worldwide, establishing the strategies to follow and channelling and performing management activities in the purchase of raw materials and funding of the entire Group and its companies

The General Shareholders Meeting of 10th June 2014 approved payment of a scrip dividend to a maximum sum of 115,715,779.65 euros, equivalent to the sum of approximately €0.45 per share. This is the same amount that the company has provided for shareholders since 2007.

It is the second time that the company has chosen a scrip dividend, deciding to repeat the operation in 2014 due to the great acceptance of the system in 2013, which also rewarded shareholders who chose payment in kind with good share revaluation. The acceptance of payment in kind was slightly lower in 2014 than in the previous year (51.38% compared with 56.62%).

The details of this operation are explained further in the "Return to Shareholders" section.

The return obtained by shareholders who had sold their rights to the Corporation meant a profit of 3.59% in respect to the closing price for Acerinox shares in 2014.

Shareholders who chose to subscribe the shares with their rights saw their number increase by 3.45%.

2 Acerinox Europa, S.A.U.

The head offices of the subsidiary owning the Los Barrios plant (Spain) were initially in Madrid, together with the Group's parent company.

In 2014, its Board of Directors transferred the registered offices and tax address to Los Barrios, Cadiz, making it immediately one of the largest industries in Andalusia and probably in its top exporter.

The Acerinox Europa, SAU workforce is made up of 2,280 employees, 2,185 of whom work at the Campo de Gibraltar plant while the rest are distributed between Madrid and the Gavá, Betanzos and Pinto Service Centres.

At the same time as the change, the plant was visited for the first time in its long history by a president of the Regional Government of Andalusia. Susana Díaz toured the facilities and was full of praise and affection for Acerinox and what it means for Spain.

In terms of investments, the Group has invested 15.7 million euros in the plant, which is yet another example of Acerinox's commitment towards this plant, probably the most competitive in Europe. The new polishing line transferred from the Acerinox Italy service centre is particularly significant, made necessary by the increasing number of direct deliveries to clients from the plant itself.

Port of Acerinox Europe.

3 Nas

The American subsidiary of the Group has maintained its leadership in 2014. Leadership in its positive contribution towards the group's profit and loss account and leadership of the American stainless steel market.

The Kentucky plant (USA) has exceeded its own production records over several months. The recovery of the American economy, contained energy prices, efficient organisation and the appreciation of the US dollar at the end of the year strengthened the role of NAS as the great profit provider within the group.

The NAS workforce is made up of 1,382 employees, which is 0.36% more than the previous year.

New investments to the sum of 9.5 million euros have been approved over the year. The most noteworthy were the hot-rolling mill converter cycle and the SL-4 slitter.

NAS Factory (USA).

4 Columbus

2014 was a very hopeful year for the Mpumalanga plant (South Africa) as it once again continued to report profits after several years of suffering the severe effects of the crisis.

The drop in activity led Columbus to consider a retrenchment in the workforce, which was carried out in the first quarter of the year. It was also a difficult period due to the strikes and unrest shaking the country.

At the end of the period, Columbus was able to focus on completing its restructuring and improving its efficiency and financial situation.

The Columbus workforce at year end stood at 1,361 people, which is 14.88% less than at 31st December 2013 due to the aforementioned workforce cuts.

Sales of 3Cr12 in the US market have contributed towards the improved results, along with the supply - together with the Spanish Los Barrios plant - of unfinished material for the group's Malaysian plant, an increase in its presence in the Middle East and its participation in several high-profile projects.

In 2014, Columbus contributed substantially to the good results of the 3rd Excellence Plan and has considerably improved in terms of cost saving.

The Group made investments of over 6 million euros in Columbus in 2014.

Columbus Factory (South Africa).

5 Bahru Stainless

The commissioning of equipment for Phase II continues at the planned rate, which has helped in being able to start to offer local clients a superior range of thicknesses and types of steel. This has allowed for increases in production and turnover of almost 30% in comparison with the previous year.

The approval processes for Bahru products in sectors of higher added value and high quality standards have started, such as in the case of the Japanese car factories in the ASEAN zone and in the local market, and shares in Bahru continue to increase, despite strong competition by Chinese and Taiwanese producers.

In October 2014, the first 0.4mm thick and 1550mm wide roll was processed at Bahru Stainless; a milestone in the Group's history.

Bahru Stainless remains at the forefront in Malaysia for the development of local industry, directly or indirectly helping locate local investments for Spanish companies and many others in different sectors of activity.

The number of employees at year end stood at 447, compared with the 397 in the previous year and the14 people relocated here from the different Group companies. The continuous personnel training plans are producing the required results and there is now a stable base of employees at all levels.

Safety in the workplace remains a priority and this can be seen in the extremely low accident rate recorded over the year, none of which had serious consequences. The working conditions and the concern for energy efficiency in the design and implementation of facilities and the commissioning of equipment are at the forefront of local industry. In 2014, Bahru obtained the ISO 14001 certificate and is actively cooperating with different Malaysian government departments to set certain CO_2 emissions standards in Malaysian industry. Proof of this is the award given to Bahru Stainless by the Ministry of Natural Resources and Environment for its participation in the "MYCARBON" programme.

The Johor Bahru plant continues with its learning and improvement process regarding its recent installations, breaking its own production records month after month.

It continued to implement Phase II in 2014, involving construction and equipment procurement, making investments of 39 million euros, which is a lower figure than in previous years given that Phase II is close to completion.

The workforce has increased by 50 employees, who have undergone the necessary phases of training and education.

Bahru Stainless continued to increase its share in the Malaysian market and continues to gain relevant shares in the remaining countries in the ASEAN zone, primarily in Thailand. The group's sales network in the Far East continues to expand, with certain countries being reinforced and the number of sales representatives being increased in the area.


BAHRU STAINLESS
BAHRU STAINLESS SDN. BHD.
SLITTING AND BANDING LINE 2
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6 Roldan and Inoxfil

For Roldán and Inoxfil, 2014 was a year of transition, with no special events worth noting.

Both had to face the relative listlessness of the European long products market and, in comparison with other players in this difficult market, their behaviour can be classed as satisfactory, despite recording logically moderate results.

The Roldan workforce at 31st December stood at 428 employees and that of Inoxfil at 111, one less than at the end of the previous year.

The Group invested a total of 928,612 euros in both companies, aimed at maintaining and improving their production capacity.

Conveyor belt in Airport.

In 2014, the European trading companies concluded the process for restructuring their administration activities by outsourcing certain shared services.

1 Spanish Trading Companies

The progress of the Spanish trading companies was rather good. The restructuring and adjustments made during 2013 and 2014 placed these companies on the path of sustained benefits and cost reduction in the Spanish market, which also seems to be making a marked recovery.

There are 236 employees working in these companies as a whole, which is 3.28% less than the previous year. Of these employees, 169 work in Inoxcenter, which is the largest of all these companies.

2 Foreign Commercial Companies

The consolidated sales of these companies were 3.43% higher than the year before, once again due to the increase in direct sales from the Group's factories.

The Group continues with its policy to open new premises in Asian markets and opened in Seoul (South Korea) in 2014, as was announced in this same report in 2013.

The total workforce for these companies or offices stands at 398 people, which is a 13.2% decrease on 2013, despite the increase in the number of organisations due to the aforementioned outsourcing of administration work.

Birmingham Service Centre (UK).


ACERINOX
BAHRU STAINLESS

Responsibility and Sustainability

Introduction

In 2011 the Group made the decision to present its Annual Report in such a way that they are getting closer to what should be an integrated report. If you take a time to compare this report with those of previous years, you will realize how we have moved forward and how those aspects related to sustainability, in its broadest sense, have been gaining prominence.

Acerinox Group believes in integrated reporting. If financial statements represent the extent to which a company has achieved its primary function - which is none other than to create value and wealth for the shareholder - the integrated report adds to that essential need the quality of the way in which it has fulfilled its function, and the explanation of the reasons why it will continue to achieve it in the future.

The integrated report must provide assurance for all matters: the capacity of the company to generate wealth, the existence of a project, how exciting this project is and the capacity to maintain it over time, what it is that our shareholders and workers want and that advanced societies demand.

The fact is that companies, like any other human partnership - from marriage to the European Union - are essentially a project and that is what they are worth. They will persist as long as the project which sustains them remains; they will be solid in so far as that one is, and they will share the same level of quality. After having dedicated the first part of this Annual Report to the necessary accountability and to provide an explanation of the market and results, in this second part we are going to expound what else we do offer to Society.

Henceforth, we will see how the Industry in the developed World can be competitive while preserving the environment, how the Industry may be able to create quality and long-term employment, and how our Industries have contributed to improving the quality of life and supporting the welfare state as well as public expenditure in the regions where they are located, among many other aspects which we will be discovering.

We will also try to clearly explain our role in the disposal or reuse of waste, both internal or external, and the challenges we have set for the future both in that and other fields; the continuous search of efficiency to output our products with the lowest possible resources; how our workers show solidarity towards their communities, and all what we do to improve the characteristics of our product and the quality of the market, social and natural environments in which our activity is developed.

1 Corporate Governance

1.1. The General Shareholders' Meeting

Held on 10 June, 2014 the General Meeting once again approved the social management together with a capital increase charged to reserves through the issue of ordinary shares to be allocated at no charge to the shareholders. Subsequently, the Board of Directors agreed to carry out the capital increase which was implemented through a flexible dividend also called dividend option or "*scrip dividend*", being the dividend at 0.449 euros per share. Of all shareholders, the 48.62% decided to receive their remuneration in cash and 51.38% decided to receive it in shares.

The articles of association require ownership of at least 1,000 shares to be able to attend the meeting, but they do not set any limitation on the number of votes to be cast by any shareholder, and therefore the number of votes to be cast is equal to the shares held.

Since the Company had no treasury shares at the time of the Meeting, the number of possible votes was equal to the number of outstanding shares, i.e. 257,146,177 shares. After the capital increase in 4,555,963 shares, as a result of the flexible dividend the number of shares stood at 261,702,140.

The General Shareholders' Meeting attendance represented 77.19% of the share capital with voting rights; an improvement on the 2013 attendance, which was 71.88%.

All the items on the agenda were approved by large majorities, ranging from 83.32% to 99.98% of the capital present at the General Meeting.

General Shareholders Meeting 2014.

1.2 Main Governance Bodies: The Board of Directors and Other Executive Bodies

1.2.a The Board of Directors

The Board of Directors is the body responsible for running, managing and representing the Company, without prejudice to the powers conferred to the General Shareholder's Meeting . The Board has three delegated committees: the Executive Committee, the Appointments and Remunerations Committee and the Audit Committee.

The Board of Directors has 15 members, which is the maximum allowed by the Articles of Association. The Secretary does not have Director Status, although there is no prohibition to the contrary.

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

All Board members have extensive professional experience in the corporate and business world and, in many cases, a wealth of academic experience too. Several of them belong to elite bodies within the Spanish Administration or are University professors.

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

Under Spanish law, the remunerations paid to the directors and the remuneration policy were the subject of a consultative vote at the General Meeting –a vote that was in favour of the proposal, with the endorsement of the remuneration policy by 83.32% of the share capital with voting rights that attended the General Meeting.

Also based on this policy of transparency, it will be reported that the remunerations for sitting on the Board of Directors and its delegate Committees in 2014 amounted to 1,315,000 euros (see Annual Corporate Governance Report) www.acerinox.com

With regard to the changes made to the Board of Directors during 2014, it should be noted that the General Shareholders' Meeting held on 10 June, 2014 agreed, on the motion put by the Board of Directors and following a report from the Appointments and Remunerations Committee, to re-elect the following Board Members for a period of four years, as established in the Corporate Bylaws: Bernardo Velázquez Herreros as Executive Director, Santos Martínez-Conde Gutiérrez-Barquín, as External Domanial Board Director representing Corporación Financiera Alba, S.A., Mvuleni Geoffrey Qhena as External Domanial Director representing Industrial Development Corporation (IDC) , and the appointment of Javier Fernández Alonso as External Domanial Board Director representing Corporación Financiera Alba S.A., replacing Luis Lobón Gayoso, whose mandate expired and who resigned on the day of the General Meeting.

Likewise, the General Shareholders' Meeting, following a proposal from the Board of Directors and at the prior proposal from the Appointments and Remuneration Committee, agreed to ratify the appointment by co-optation of Rafael Miranda Robredo as External Independent Director of ACERINOX, S.A. made by the ACERINOX, S.A. Board of Directors on 23 April 2014 and appoint him Director of ACERINOX, S.A. for a four year period, as established in the Corporate Bylaws.

Truck tanker of stainless steel.

Likewise, the General Shareholders' Meeting following a proposal from the Board of Directors and at the prior proposal from the Appointments and Remuneration Committee, agreed to ratify the appointment by co-optation of Rosa María García García as Director of ACERINOX, S.A. carried out by the ACERINOX, S.A. Board of Directors on October 30th, 2013 and appointed her External Independent Director of ACERINOX, S.A. for a four years, as set out in the Articles.

The Board of Directors, at its meeting held on October 29th, 2014, following a proposal by the Appointments and Remunerations Committee, agreed on the appointment by co-optation of George Donald Johnston as External Independent Director to cover the vacancy left by Clemente Cebrián Ara, who resigned in writing from his position as External Domanial Director on 21 July 2014.

In total, the Board of Directors held seven meetings during 2014.

1.2.b The Executive Committee

This body, responsible for ensuring the follow-up and management of business, held a total of five meetings in 2014.

The Chairman and the Secretary to the Board of Directors were the Chairman and Secretary of the Executive Committee respectively.

1.2.c The Audit Committee

Once again, this was the most active body in 2014 as far as number of meetings held, with a total of nine, which has allowed it to develop its envisaged work plan by devoting itself to its main competencies, which are:

- Reporting the annual, bi-annual and quarterly accounts to be sent to the regulatory bodies.
- Supervising the internal audit services, the performance of the company's internal control systems and the risk management systems.
- Supervising the process of drawing up and presenting the regulated financial information.
- Proposing to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of the accounts auditors.

The Audit Committee is chaired by an independent Director, and the Secretary of the Board of Directors acts as Secretary.

1.2.d The Appointments and Remunerations Committee

Four meetings were held during 2014. It continued with its initiative of previous years to propose to the Board of Directors a submission for consideration by the General Meeting to maintain, without updating, the remunerations of the Board Members. It was also involved in setting the remunerations of the senior management. It also reported the Board of Directors the re-election of the Directors Bernardo Velázquez Herreros, Santos Martínez-Conde Gutiérrez-Barquín, and Mvuleni Geoffrey Qhena; the appointment as Director of Javier Fernández Alonso; the appointment as Director and later as Chairman of Rafael Miranda Robredo, the ratification of the Directors Rafael Miranda Robredo and Rosa García García; and the appointment by co-optation of George Donald Johnston.

The Appointments and Remunerations Committee is chaired by an independent Director and the secretary of the Board of Directors acts as secretary.

Stainless steel tanks for food industry.

1.2.e Other executive bodies

Acerinox's Management and Strategy Committee comprises of five people: the CEO, the Managing Director, the Financial Director, the Commercial Director and the General Counsel.

The remunerations of these people are determined by the Appointments and Remunerations Committee. The amount received during the year 2014 by this group, not including the CEO, was 1,510 thousand euros.

1.3 the rules governing the group

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

- Articles of Association.
- Regulations of the Board of Directors.
- Regulations of the bodies delegated by the Board of Directors.
- Operating guidelines for the Senior Management Committee.
- Operating guidelines for the Internal Audit Service.
- Code of Conduct and Good Practice, and related regulations.
- Other compulsory rules of a lower level.

The Articles of Association and other internal rules are available at **www.acerinox.com**.

1.4 Our shareholders

One of the most remarkable characteristics of Acerinox S.A. is the permanence and continuity of its reference shareholders. This loyalty, in the case of Nisshin Steel Co. Ltd. goes back to the creation of the company itself, over 40 years ago, and in the cases of Omega Capital, Corporación Financiera Alba and IDC, loyalty goes back 17, 13 and 13 years respectively.

SIGNIFICANT SHAREHOLDINGS IN THE SHARE CAPITAL OF ACERINOX

	2014	2013
Alba Participaciones, S.A.	23.09%	23.50%
Nisshin Steel Co. Ltd.	15.39%	15.65%
Feynman Capital / Morinvest Sicav	8.58%	10.99%
T. Rowe Price Associates Inc.	5.01%	--
Industrial Development Corporation (I.D.C.)	3.12%	3.00%
Asset Management LLP	3.03%	--

2 Group Fiscal Policy

Bus structure in stainless steel.

The adherence of ACERINOX to the Code of Good Tax Practices (henceforth CBPT, its initials in Spanish) from July 2010, carries with it a series of obligations:

"1.1 They are good practices which must be promoted by companies which are driving towards a reduction in significant fiscal risks and the prevention of behaviour which is susceptible to creating them.

1.2 Companies will avoid the use of tax structures of an opaque nature, being understood as those in which, through the interposition of shell companies in tax havens or territories which do not cooperate with the tax authorities, are designed for the purpose of preventing the Tax Inspectorate gaining knowledge of who has ultimate responsibility for the activities or the ultimate ownership of the assets or rights implied.

1.3 The Companies and the Tax Inspectorate will work together on the detection and search for solutions with respect to those fraudulent fiscal practices which could be carried out within the markets in which the company is present in order to eradicate those that exist and prevent their spreading."

In general terms the only admissible fiscal policy is one which is fully compliant with the letter of fiscal law and respects its spirit, without prejudice to the fact that, before the range of admissible and arguable interpretations, the company may opt for the interpretation which best serves the economic interests of the company.

Moreover, the general fiscal policy of ACERINOX consists of the following criteria:

1) The abuse of tax havens and the contrived interposition of shell companies must be rejected.

All the companies partially considered as tax havens are only dedicated to selling stainless steel.

The growth of our business in the Middle East has led to the creation of a company in Dubai called "Acerinox Middle East DM CC". This company deals solely with the sale of stainless steel.

Acerinox South East Asia, located in Singapore, deals solely with the sale of stainless steel, and does not do business of a financial nature. We also wish to point out that Singapore is not now a tax haven according to OECD standards as it has signed a double taxation agreement between The Kingdom of Spain and the city-state, which contains an exchange of information clause.

Acerinox Pacific (Hong Kong) does not do any business of a financial nature, and neither does Acerinox Schweiz. In any case, Switzerland is not now considered a tax haven as there is an exchange of information with Spain and tax rates which are comparable with those within the European Union.

The financial activities of the Acerinox Group are centred on a Spanish holding company and are carried out through it, with structures of greater complexity being deliberately rejected.

2) The greatest possible prudence is exercised in the creation of contingencies deriving from the remuneration packages of managers of a certain level.

A specific remuneration policy, particularly for managers of a certain level, can subordinate some decisions to the achievement of short-term benefit or to the adoption of decisions which are excessively risky.

They can also generate fiscal contingencies for which the company is liable. For that reason remuneration packages, particularly those of top management, have been designed to not influence decision-making, and are guided by a high degree of simplicity, thus avoiding the risk of disagreements with the tax authorities.

3) The Group, with the help of internationally recognized experts, monitors the use of transfer pricing.

Transfer pricing constitutes a priority aim for the various fiscal bodies, particularly in periods of economic downturn in which no administration will be resigned to accepting negative tax bases, which they hope to increase by taking an increasingly arbitrary approach to tax collection. Hence the need to have a transfer pricing policy which is robust and consistent, and provides an effective brake on the appetite of some fiscal authorities while always remaining within the limits of tolerance established by OECD guidelines.

In the development, maintenance and defence of the system use has been made - and will continue to be made - of globally recognized specialists: one for the design and implementation, the other to ensure through a second opinion the robustness of the criteria and systems employed.

4) All payments and receipts are carried out and reflected in such a way that there is always a corresponding bank record.

The Code of Conduct for companies within the Group set down in writing what was already common practice for the group. The Group only pays and receives payments through a major credit institution, and pays and receives payments to or from whosoever acquires or provides goods, and service providers, and never from or to third parties not meeting these conditions.

5) Any reasonable suspicion of the existence of opaque practice by our suppliers or customers will oblige the companies in ACERINOX to collaborate fully with the relevant authorities. Companies within the Group are also required to provide prompt and effective cooperation in matters of tax collection required by the various authorities.

Likewise no request for information shall be unattended regarding third parties or collaboration in tax collection matters presented to any company within the Group which meets the formal requirements under applicable legislation. During the last tax year companies from the group have dealt with around a thousand orders of detention and payment for amounts at the behest of the authorities, the majority of which concerning fiscal matters and social security.

6) Fiscal creativity that cannot be included within the boundaries of a reasonable interpretation of the rules as understood under Spanish General Tax Law or the basic fiscal rules of the country where tax is paid in each case.

A reasonable interpretation of the fiscal rules is that which is backed by at least one administrative or judicial decision, or a sufficiently authorized doctrinal opinion. The companies within the Acerinox Group are not authorized to look for loopholes or to reinterpret legal relationships in order to seek a reduction in taxation, nor to design its operations in a way that is not recommended by its own legal relations under the pretext of obtaining fiscal advantage.

7) Any operation that, through its nature, amount or through the circumstances in which it was carried out could merit being the object - if that were possible - of an inquiry to the Spanish General Directorate of Taxes in the Ministry of Economy and Finance- or any equivalent body from the corresponding area or country - in order to obtain a favourable outcome, an evaluation agreement or a ruling which minimizes any possible fiscal surprise.

The reduction of fiscal risk forms an important part of risk mitigation for the Group. The majority of regulations offer mechanisms which allow for the reduction – or on occasions the elimination – of tax risk in the case of following the directions laid down by an official body. These systems must be used when they are available.

8) When due to issues of opportunity prevent from obtaining a resolution in the situation above exposed, the convenience of minimizing fiscal risk through a reasonable settlement which is backed by the less advantageous interpretation shall be considered.

If deadlines do not permit another course of action it is preferable to settle and submit a claim in order to obtain a rebate or a reduction in the quota, than risk suffering surcharge penalties.

9) In any event, if an operation of this nature is proposed, then the competent bodies will be notified, in writing, of the foreseen fiscal consequences and the existence of any consultations, rulings or doctrines covering the interpretation.

The governance body must take the decision in sure knowledge that it is acting with full knowledge of the facts and conscious of the consequences of its actions, ensuring that these do not negatively affect the company or components of the administrative body.

The written information, in such cases, must cover the opinions of the internal bodies of the Group and of a high-level external consultant who can offer a greater guarantee. Both opinions shall be included within the operation documents so that there can be no doubt on the part of the decision-makers regarding legality.

10) The necessary conclusions will be obtained for administrative actions in which companies within the Group are part, and the conduct of companies within the Group will at all times adjusted to legislation and case law.

3 Environmental Indicators

The implementation of programmes directed towards reducing environmental impact and the efficient use of resources is an integral part of Acerinox business activity.

Respect for the environment is one of the commitments adopted by the company, its management and its workers. Its objectives are, among others, to make rational use of resources, develop adequate waste management, and carry out the effective control of emissions.

Zero Emissions Target

Zero Emissions Target or ZET is the effort to reduce on a continuing basis the emissions without setting a limit. European industry is the leader in emissions reduction. No other sector has proportionally reduced its emissions like the European steel industry.

The objective of *ZET* is to reduce without setting a percentage target. Its end is that emissions fall and resources are used in an increasingly efficient way.

ZET is not a fight against the rest but a challenge to oneself. The aim is to beat one's own achievements, to go forward from one's own achieved records, which in turn become the new reference point for improvement.

3.1 RESOURCE CONSUMPTION CONTROLS

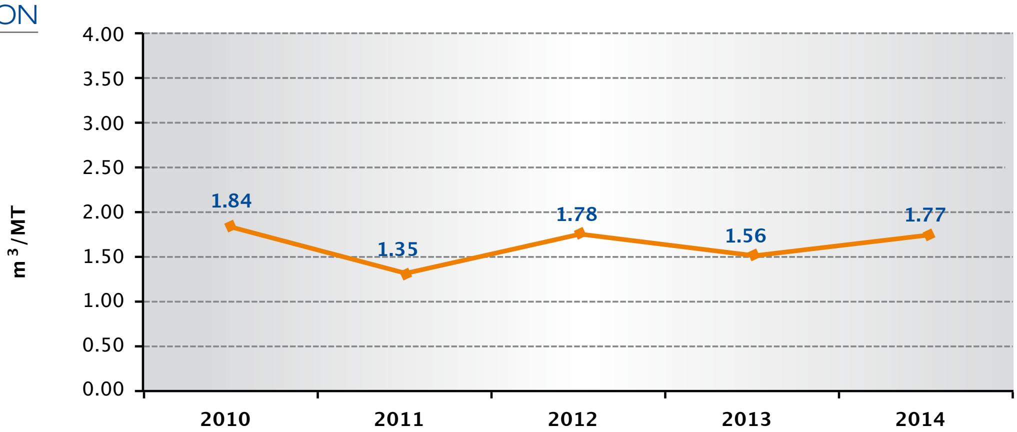
Water

Steel production requires water. The efforts made by Acerinox are in two main directions. First, contain water consumption. Second, ensure that the water used returns to the environment free from harmful substances, and to do this it is treated in settling tanks in order to capture any metal particles – which is used in production process - and is subsequently purified.

Granada subway.

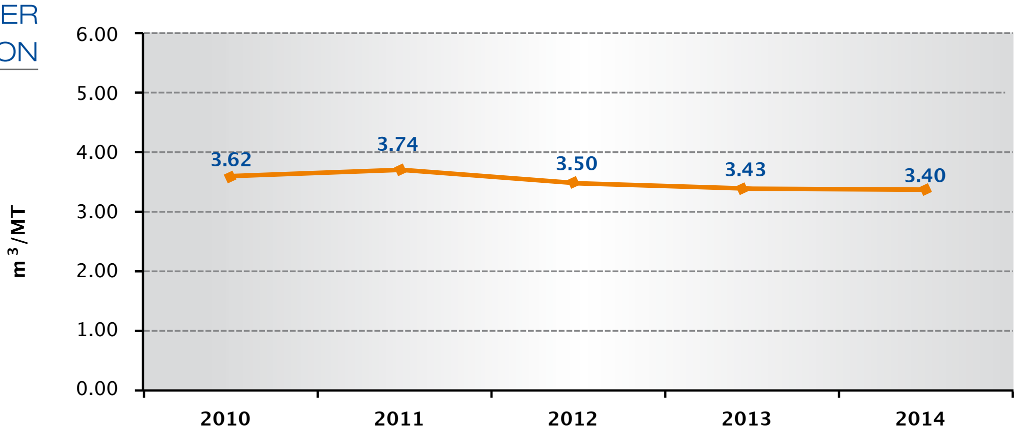
As can be seen, the data differs greatly from one factory to another, and this is due to variables such as the average temperature in the area or the conditioning factors that this imposes. The low figures for the South African factory at Columbus stand out. The figure that appears is only for water taken from the mains supply. The majority of water used is rainwater stored during the rainy periods, which is necessary in the dry season in Mpumalanga.

COLUMBUS SPECIFIC WATER CONSUMPTION



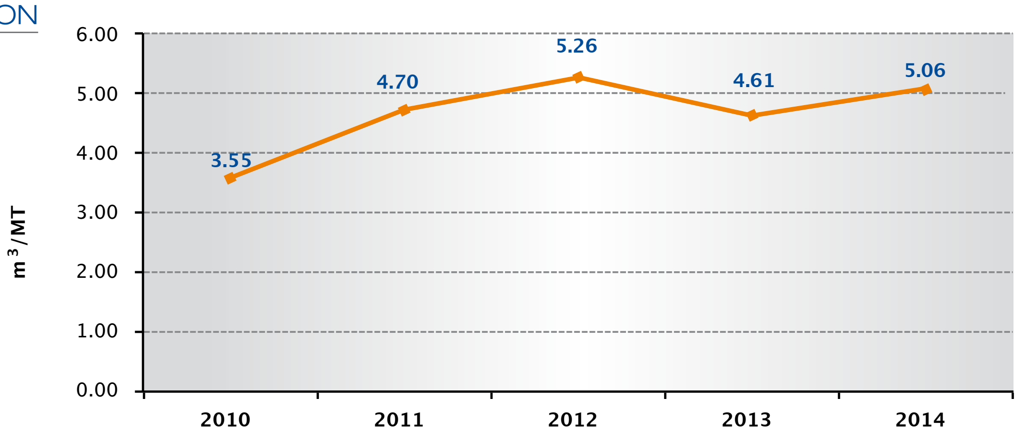
In Acerinox Europa a clear tendency downwards can be seen in specific consumption figures, and this is thanks to the continuous effort of the company to reuse as much as possible. Acerinox Europa has, in addition, an underwater pipeline which allows returned water to be taken various nautical miles out to sea, thus avoiding problems due to differences in temperature or salinity and favouring the rapid dilution.

ACERINOX EUROPA SPECIFIC WATER CONSUMPTION



NAS has an efficient management model for water which ensures sustainable consumption. It takes water from Ohio River, and is returned through a diffuser system thus avoiding any environmental impact. NAS also sponsors the cleaning of the Ohio River and promotes the participation of employees in programs it subsidizes.

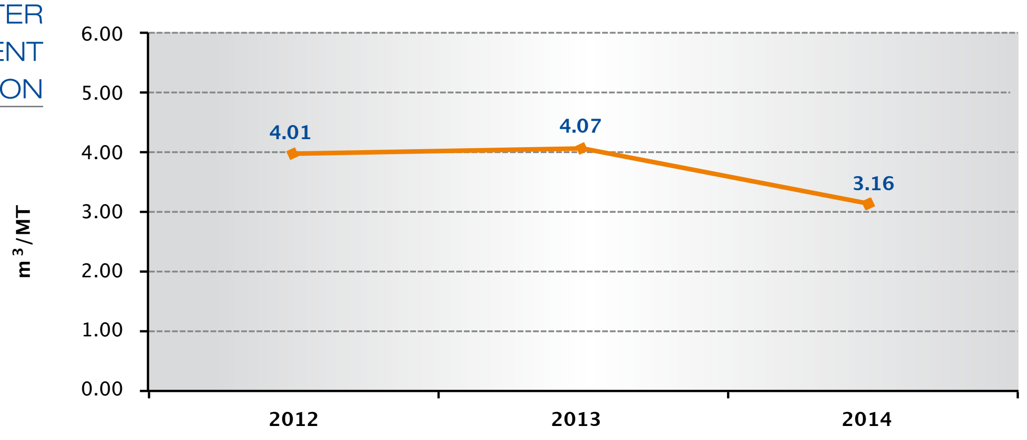
NAS
SPECIFIC WATER
CONSUMPTION



Cleaning of Ohio river.

Bahru Stainless only has data available for the last 3 years, as it is a Mill of recent creation. The learning process means that water consumption can be falling even when production is increasing. Bahru Stainless takes water from artificial reservoirs fed by rainwater. This system of reservoirs and pipelines has been financed through a *Public Private Partnership* agreement between the company, the government of Johor, and the federal government.

BAHRU STAINLESS WATER APPARENT CONSUMPTION



Washing machine drum in stainless steel.

As can be seen on the various graphs, there is a broad spread of specific consumption figures. The circumstances described - the collection of rainwater - and the differing environmental temperatures with their logical influence on evaporation, make *benchmarking* between factories difficult. What the companies all have in common is the quality of the water once treated and returned to its cycle.

Electricity

It is in the interests of the factories within the Group to optimize the use of electricity, especially in countries such as Spain where for political reasons the price of electricity does not reflect its market cost, and where indirect costs deriving from the national energy mix are the highest in Europe.

Electricity consumption figures for the main factories were the following:

Acerinox Europa	785,620.00	Mwh
NAS	1,011,840.68	Mwh
Bahru	78,494.00	Mwh
Columbus	577,223.67	Mwh

Gas

Gas provides another essential source of energy for the Group. In recent years numerous investments have been made towards the optimization of its consumption, such as the installation of regenerative burners for natural gas and the utilization of heat from combustion gases.

Gas consumption figures for the main factories were the following:

Acerinox Europa	898,660,960.00	Kwh
Bahru	150,119,079.00	Kwh
Columbus	655,045,963.89	Kwh
Nas	1,445,675,878.00	Kwh

3.2 Gaseous Emissions Controls

The basic principle underlying the environmental protection policy at Acerinox is reduction, aside from the requirements demanded by the legislation within each country. This guiding principle with respect to safeguarding air quality shows itself through the minimizing of emissions into the atmosphere, whether these are greenhouse gases or of any other substance.

The organization continually monitors the main factory emission sources.

Actions

The European legal requirements regarding air quality are especially strict, leading to the European industry being world leader in the reduction of greenhouse gas emissions. Even so, Acerinox is constantly trying to reduce gas emissions as much as possible, particularly for CO_2, through the use of regenerative burners for natural gas, improvements to hot-rolling furnaces, and heat recovery boilers, being for a further year one of the most efficient companies in emission reductions according to data from the *International Stainless Steel Forum* (ISSF). The intensity of direct emissions is 20% below the average for other global manufacturers of stainless steel.

Recognition

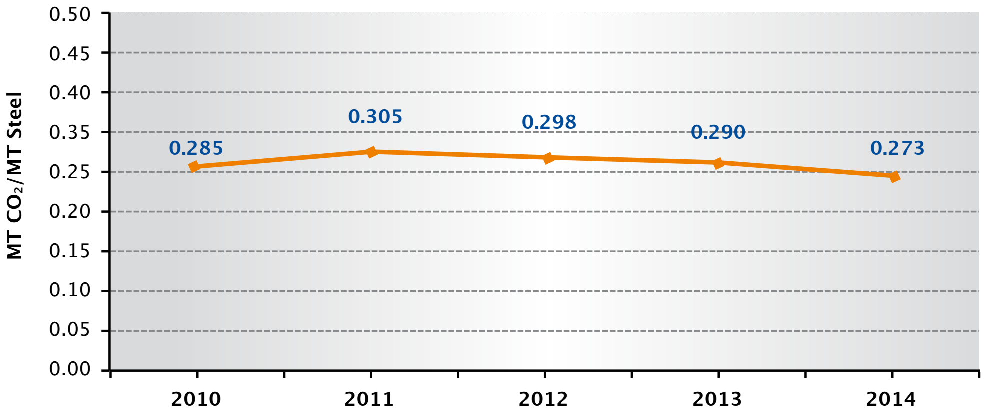
The prestigious *Carbon Disclosure* Program 2014 (CDP), in which Acerinox voluntarily took part, gave Acerinox the highest marks possible thanks to the progressive and substantial reduction in CO_2 emissions and their monitoring.

Acerinox has also actively collaborated with the *Worldsteel* organization and UNESID (Spanish National Union of Steel-making Companies) maintaining its strategy of transparency in this matter.

Greenhouse gases

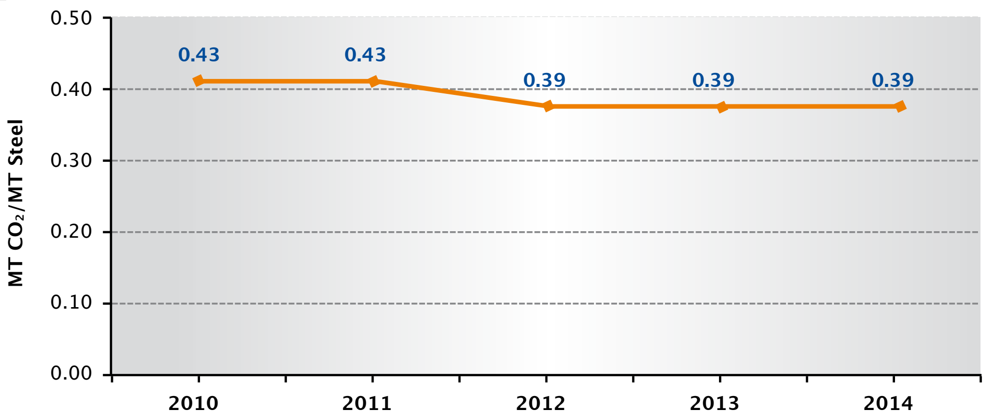
Acerinox Europa, at its Campo de Gibraltar factory, has 244,613 CO2 emission allowances allocated. Despite the adjustments that the European Commission has made during recent years, the gradual reduction of assigned allowances, it will continue to have sufficient emission allowances up to 2020 thanks to the efforts made during these years. However, it is expected that the implementation of new techniques and an increase in the use of the factory will allow for further reductions in specific emissions, as will without doubt be required by the European Union for the 2020-2030 period.

ACERINOX EUROPA SPECIFIC EMISSIONS



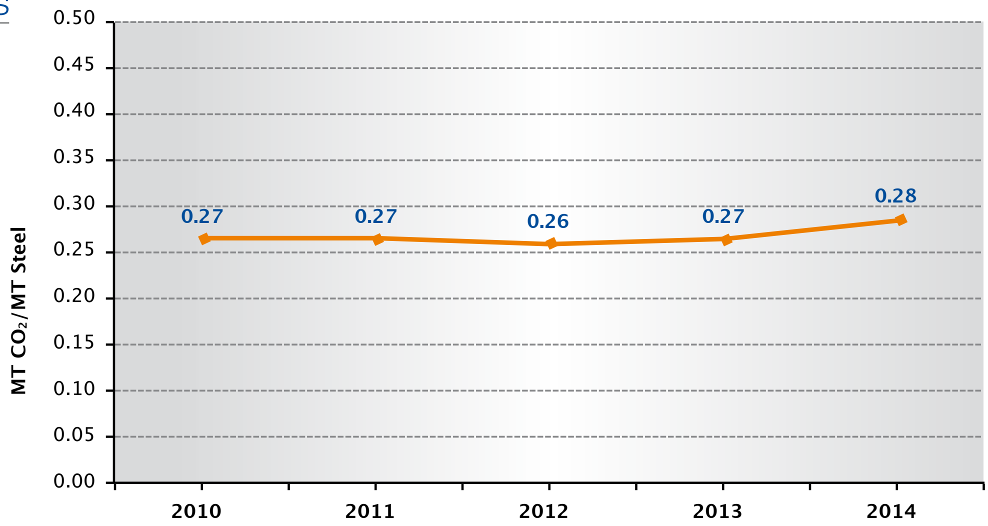
In Columbus CO_2 emissions are calculated using the ISSF method, and they are found to be way below the limits imposed by local legislation. In recent years a significant reduction in emissions has been noted thanks to the strong commitment by Columbus to improve in this area.

COLUMBUS SPECIFIC EMISSIONS



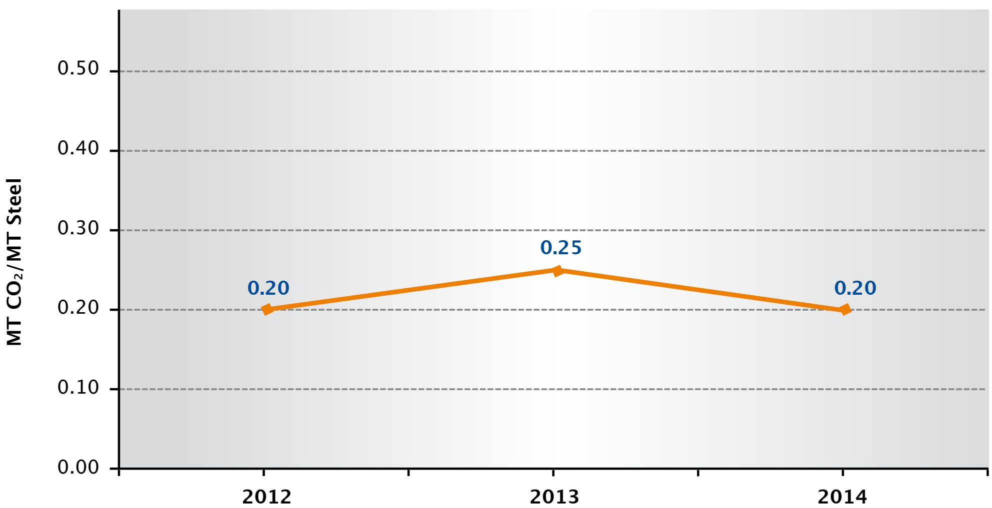
Although the US is not a signatory to the world Agreements on emissions reduction, the Group has applied to NAS the same good practice as in Europe, with analogous results.

NAS
SPECIFIC
EMISSIONS



Following a tough start, production at Bahru has increased considerably this year, and thanks to the dedicated investment and effort, specific CO_2 emissions have gone down with respect to 2013. It will be a great challenge for Bahru to keep up this rhythm in successive years.

BAHRU
STAINLESS
SPECIFIC
EMISSIONS



3.3 Waste management

Reused waste

Stainless steel is a product which is highly sustainable and can be recycled as many times as required without losing or diminishing any of its characteristics during each cycle, favouring a fall in the exploitation of natural resources and a reduction in the quantity of waste which generates a negative environmental impact. With the aim of achieving greater efficiency the company developed its smelting technology using a high percentage of recycled material, way above 60%, surpassing the global average for steel manufacturers according to the *International Stainless Steel Forum* (ISSF).

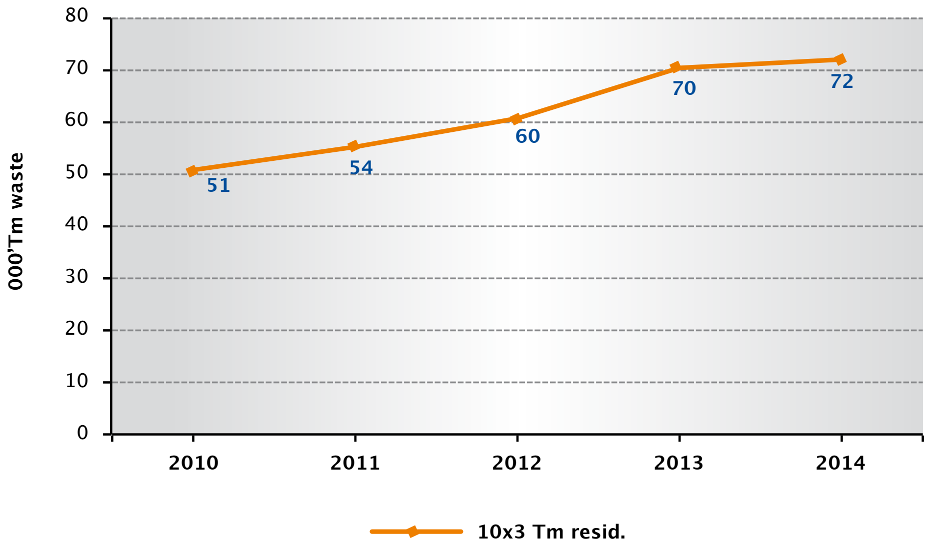
By using Electric Arc Furnaces to melt the raw material and making use of scrap in the process, Acerinox always recycles when it manufactures or, if you prefer, it recycles to manufacture.

If we recycle to produce, we also recycle after producing. The Group management has decided to monitor the process of waste recycling constantly and organize the subsequent treatment of waste.

Acerinox strives year after year to improve its recycling techniques and this is reflected on the graphs. The figures are given in absolute values, and therefore in some case decrease due to lower melting shop production levels in 2014 (Columbus).

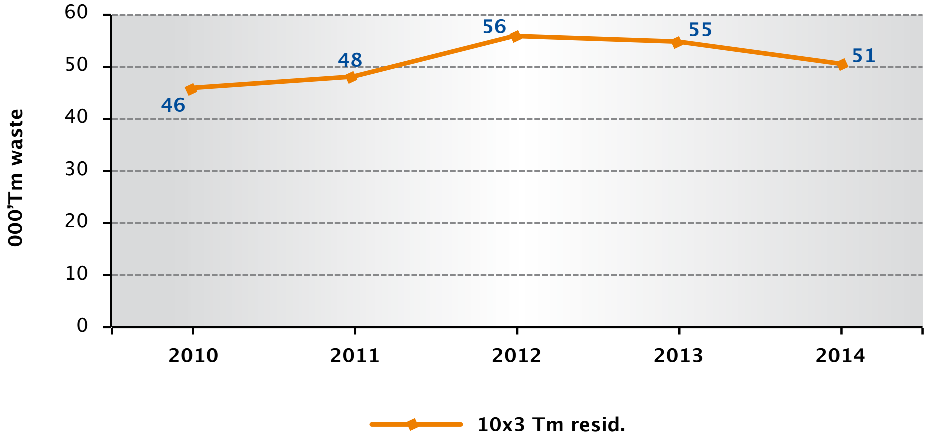
Columbus has been implementing an ambitious plan for years in order to reuse the slag from the melting shop, improving the quality for the usage in agricultural sector, and therefore improving the land PH. The figures are not comparable in the case of Bahru Stainless, as its factory does not have melting shop, and thus the generation of waste is clearly lower.

NAS
RECYCLED
WASTE



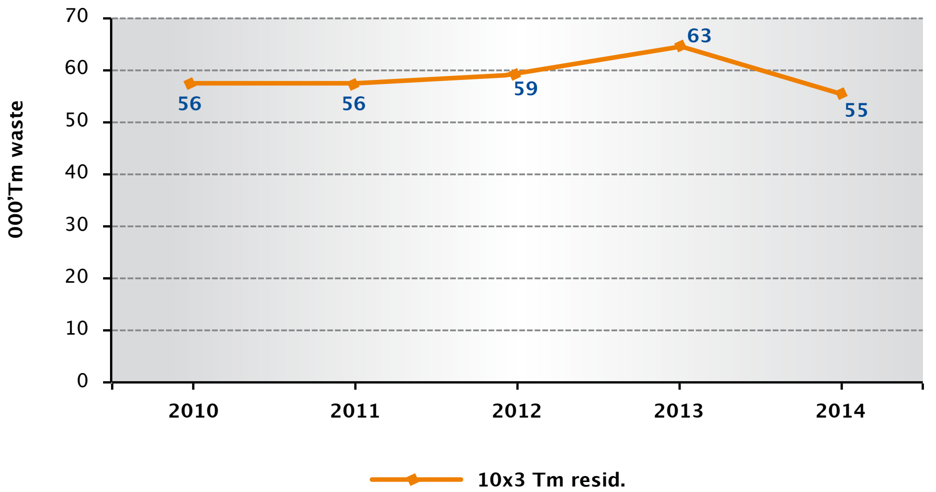
*The waste products which have been recycled are: metals, acids and oil paper.

ACERINOX EUROPA RECYCLED WASTE



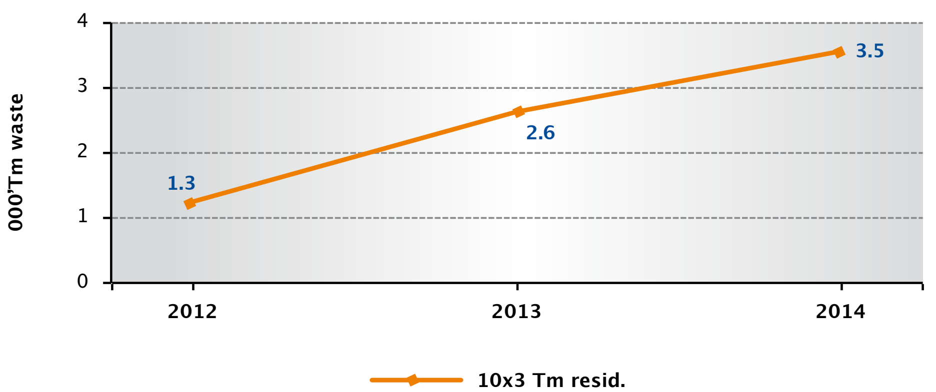
*The waste products which have been recycled are: metals, acids, mill scale and oil paper.

COLUMBUS RECYCLED WASTE



*The waste products which have been recycled are: metals, acids and oil paper.

BAHRU STAINLESS RECYCLED WASTE



*The results are low as there is no steelworks

*The waste products which have been recycled are: mill scale, acids and oil paper.

4 Contribution to well-being and wealth

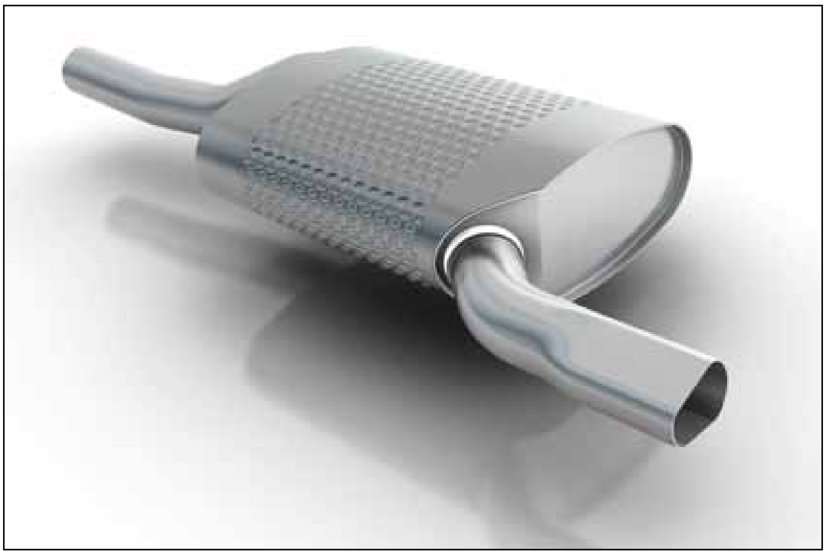
At Acerinox, we firmly believe that the greatest benefit that a company can provide to society is through the responsible performance of its operations, which implies creating value and paying its suppliers, shareholders and employees. It is also essential that the Company contributes to public expenditure through the current tax system and to the Social Security system in the countries in which we operate.

Thus it is worth pointing out the following contributions towards the development of society, apart from the charity work that the Group has carried out.

- It has paid 261,103,000 euros in salaries that have been received by our workers and their families.
- It has paid 78,400,000 euros in contributions to various social security schemes, health care and old age pensions for the benefit of our workers and their families.
- It has paid out 117,766,000 euros in dividends to our shareholders through a script or flexible dividend system that allowed them to choose the most convenient means of remuneration for them.
- It has paid out 121,488,000 euros in direct taxes to the various public authorities.
- It has paid 95,000,000 euros in indirect taxes, including VAT and similar items, taxes on economic activity and property taxes.

These obligations are held over time and do not depend on circumstantial decisions or marketing ploys that can easily be revoked, and come to a total of 563,134,000 euros. In their essence, these obligations constitute the greatest and most committed demonstration of a corporation's social responsibility.

As explained in section 2, Acerinox does not use any system of fiscal engineering in order to reduce its tax bases in Spain, nor in any other country in which it operates. It does not create shell companies in tax havens, and when it has to operate in a country considered as such its activities are solely commercial and constitute an insignificant contribution towards turnover -and to the results- of the Group.



Exhaust pipe in stainless steel .

5 Health and Safety

Steel-making is an activity which may involve risk, and for that reason the factories in western countries take its control and prevention very seriously. For that reason it is much more self-demanding than required under current legislation.

All factories within the Group and the holding Acerinox, S.A. company include as an essential and unavoidable point on the agenda of its governance bodies the monitoring of accident rates and the loss of work hours due to illness.

This exhaustive monitoring also reaches the safety measures in place in subcontractors who have workers, either permanently or occasionally, at our workplaces. Our terms and conditions establish as a breach of contract for subcontractors any serious non-compliance with safety measures applicable to subcontracted personnel, measures for which the standard is set by Acerinox, and not by the subcontractor.

Acerinox Europa goes beyond compliance with current legislation by implementing a Health and Safety Management System throughout its work centres, in line with the requirements of the OHSAS 18001:2007 standard.

NAS also has good practice programmes, achieving very high efficiency levels, continuing with its policy of *Zero Accidents*, in accordance with the OSHA Form 300 regulations.

In addition NAS has taken part this year in *World Steel Safety Day*, the objective of which is to bring together various companies and compare the measures in training and prevention. NAS surpassed expectations on being considered one of the most active companies with respect to the training of employees in safety matters at a global level.

Columbus. Again this year Columbus's Health and Safety Programme is based on OHSAS 18001 standards and on its own Health Management System and the regulations of the Occupational Health and Safety Act. In addition, since 2012 it has the re-certification of the ISO 14001 regulation.

The final objective of all these commitments is to fight to achieve zero accidents for employees and for the personnel of subcontractors.

Bahru. The Health and Safety Committee at Bahru, in addition to meeting every month, also carries out inspections in order to identify dangers, unsafe practices, and opportunities for improvement. During this year numerous actions have been carried out in order to improve safety, from which the following are worth highlighting; the *General Safety Induction Programme*, which was implemented in all areas so that all workers receive the necessary training so that they know how to act when faced with danger and learn the policies and procedures established at Bahru, and the *Train the Trainer for Crane and Forklift Operation* programme of internal training for any activity which involves the use of Cranes or Elevators in the company.

Thanks to the fact that Bahru has applied the health and safety systems from the rest of the factories, there have been no fatalities either among its own employees or among the subcontractor personnel. Neither were there any serious accidents during the construction phase.

The following measures exist as a common denominator for all factories in the Group:

Preventive measures for employees in our factories

- Each employee attends General Safety, Health and Environment courses every two years, and specific safety and health courses each year.
- Risk assessments are conducted to identify hazards and risks and to take corrective/preventive measures in the workplace to eliminate or reduce the risks.
- Employees are trained in safe operating procedures and to comply with all health protocols in their tasks.
- Each employee attends a monthly Health, Safety and Environment meeting.
- Personal protective equipment is provided free for employees.
- Employees are trained in the use and limitations of their personal protective equipment.
- Employees have the right to refuse a task if the situation is not safe or may affect their health.
- Safety, Health and Environment inspections and controls are conducted by the risk management team.
- Incident and Accident Investigations.

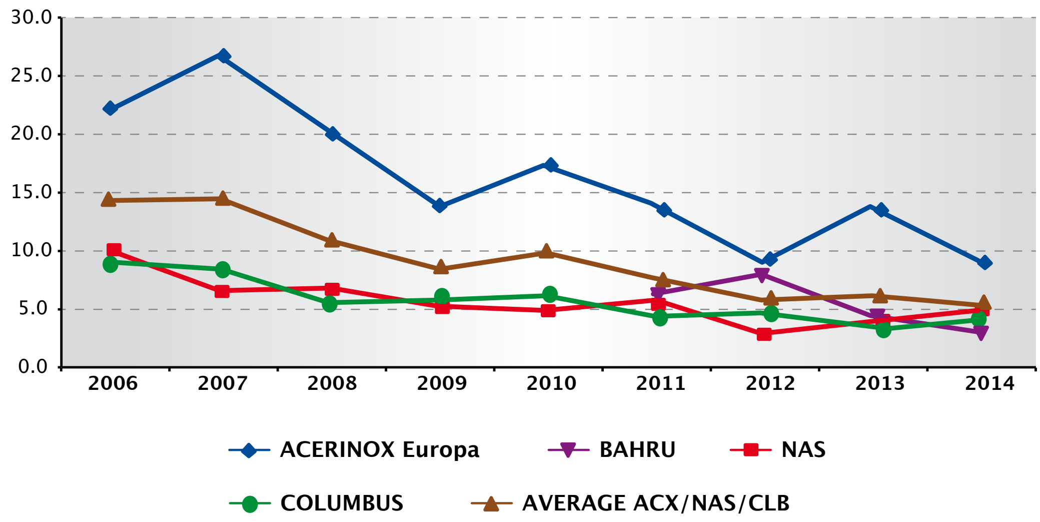
Laboratory in the factory of Acerinox Europe.

Preventive measures for subcontracted employees

- All contractors attend general and specific plant courses on Health, Safety and Environmental each year.
- Health, Safety and Environment agreements are signed between the factory and subcontractors.
- Contractors performing construction work have to provide a protocol for Health and Safety. The protocol must be approved by contractor prior to the commencement of work.
- The terms and conditions set out the non-compliance with health and safety standards as a breach of contract.

Periodic inspections are conducted on contractors to ensure compliance with the Health and Safety protocol and the use of protective equipment.

ACCIDENT RATE EVOLUTION



Recordable accident incidentrate = No. recordable accidents * 200,000/No. worked hours

On the graph showing the evolution of accidents, the general accident index is shown, according to OSHA Form 300.

The continued Health and Safety policy adopted by all relevant units of the Acerinox Group has consolidated indexes for these matters that are among the best in its sector.

6 Quality of Employment Offered

6.1 The best professionals

The steel industry generates stable, quality employment. Europe cannot compete on energy prices or regulated costs, and thus relies on no other weapon than business excellence. It must produce better, in less time, while looking for more savings and providing better service and thus requires the best professionals.

Training a worker so he or she becomes a top level steel worker requires time, investment and dedication. Temporary work is not compatible with our business. For that reason companies within the group invest a lot on training, sometimes making full use of the public facilities, and most of the times with the company subsidizing training as one more investment.

The first discipline in which workers have to be trained – and continually refreshed – is in occupational risk prevention.

The Acerinox Group has 6,701 professionals contracted throughout the world, and over 97% are on indefinite contracts under adequate conditions, thus contributing to the sustainable development of society through its capacity to generate quality employment. The aim is to always offer professionals a diverse and innovative proposal of value, and be an attractive option for those who do not yet form a part of Acerinox, while always maintaining close ties with those who at some time were a part of this large family.

Youth employability throughout the world is one of the challenges which Acerinox is confronting, and today we have approximately 950 people under 30 in the Group.

During 2014 the different companies within the Group have hired 395 new employees, of which 92 are in Spain. The staff recruitments in Spain have been made under the modality of indefinite contract.

The quality of the employment offered is shown by the low staff rotation and the seniority of the same.

The average workers seniority of the Group in Spain is over 16 years, reaching 18 years in the Head Office in Madrid. These figures, are only possible when the employment offered is stable and of quality and with excellent working conditions. In the case of the most recent factories and companies, the average age also reaches relevant values: 8 years in United States and nearly 9 years in South Africa, respectively.

6.2 Investment in training

Professional development is a basic right for the individual and a need for the company. Acerinox believes that the development of its professionals is a priority, given that without adequate training there is neither quality nor innovation, and for that reason it promotes training courses for employees.

Some training courses are compulsory, necessary and periodical, such as those related to safety and risk prevention. Others are strongly encouraged by the company, including through systems deriving from collective negotiations.

A significant proportion of training is given by company workers both active and retired. There is nobody more capable of teaching than one who has dedicated part of his life to the company. This system unites the admiration that the teacher-colleague generates with the pride for the role of teaching that come from one whose knowledge is recognized by the company in which he has developed his professional career.

In addition this system ensures that knowledge, know-how and the culture of the house are transmitted, when the worker leaves us through retirement, to the youth who, therefore, will see their process of specialization reduced

7 Diversity and Equal Opportunities

One of the greatest assets that Acerinox Universe treasures is Diversity. People of different creeds, races and customs work together, with each one providing their particular point of view and their application to the uniform directives existing within the group.

The racial and logistical diversity of the mother company Board of Directors is reflected through the various governance bodies of companies in the Group and over their work committees, offices and factories. Everything is in perfect harmony.

Stainless steel boat for maritime’s works cleaning

This diversity is also reflected in the requirement for rigorous equality of opportunities, and thus the companies within the Group have predominantly local management teams. In some countries the companies reinforce this diversity and equality of opportunity through the adherence to and promotion of policies of positive discrimination towards less-favoured races and the economic re-balancing of special groups. It is the case of the re-balancing policies of *Black Empowerment* in South Africa to which we referred to, in another place.

Equality between men and women is a reality among the companies within the Group, where there is identical treatment and salary policy which does not distinguish between sexes, but is based on performance and the professional career, in accordance with the principles of merit and capability.

Diversity and inclusion is a strategic objective for Acerinox because what is at stake is the ability to attract and keep the talent necessary for success, providing the best service to our customers throughout the world.

7.1 Human Rights

Acerinox adheres to the United Nations Global Compact to exteriorize and formalize, at the highest level, the commitment of the Company in this matter. The progress made by Acerinox with regards to the ten principles of the Global Compact based on human, labour and environmental rights, and the fight against corruption were rewarded with an “*Advanced*” rating.

THE GLOBAL COMPACT
Network Spain
WE SUPPORT

By adhering to the Global Compact, Acerinox commits publicly to a vigilant, demanding attitude. In order to ensure respect for the ten principles it even has a management system in place which ensures integrity in those relationships which the company enters into with suppliers and contractors, requiring them to comply with the internationally recognized principles. This requirement is covered in the general terms and conditions or framework contracts signed by the main suppliers.

7.2 Prevention of Harassment in the Workplace

Within the Acerinox Code of Conduct and Good Practice are a series of basic, universal principles, among which can be found some essential declarations regarding the prohibition and prevention of harassment in the workplace.

The measures implemented within the company to avoid these situations are, among others, a reporting system in which the worker in addition to reporting also has the possibility to request the adoption of precautionary measures which are applied automatically on request while the case runs its course, even though no decision has as yet been taken.

Stainless steel sink.

8 Certification in Relation to Sustainability

The Group has taken part in numerous projects this year, with the following being worth pointing out:

- Carbon Disclosure Project (CDP)

Since 2011 Acerinox has taken part in the Carbon Disclosure Project (henceforth CDP). The CDP reports are read by global investors who look favourably on companies that fight continuously against climate change and that have been capable of reducing their Greenhouse Gas emissions. The reports produced by the CDP are internationally recognized as the most reliable and precise.

Within its climate change programme CDP has received information from over 2000 companies from throughout the world, and from these only 187, a figure which included Acerinox, have been distinguished with the maximum “A” rating. In addition this year Acerinox was presented with an award for being the leading world stainless steel producer in fighting climate change, obtaining a mark of 96A out of a theoretical maximum of 100A.

Acerinox carries out voluntary data verification exercises through its ISO 14,064 certification regarding the quantification of Greenhouse Gas emissions and reductions. Since starting this verification in 2011, Acerinox has year on year increased the areas covered, reaching in 2014 the emissions within Scope 1, Scope 2 and Scope 3.

- Global Reporting Initiative (GRI)

The Company Annual Reports have, for several years, been adapting to the Guide for the drafting of sustainability reports in its G3 version, of the Global Reporting Initiative (GRI), having obtained the highest ratings. This year we are pending to get GRI certificate in its new version G3.1.

-Climate Action Programme - World Steel Association

Since 2010 Acerinox has taken part in the world programme for action against climate change developed by the *World Steel Association*. It consists in sharing CO_2 emissions data with other global companies in the sector, and in setting ways towards improvement.

- Life Cycle Inventory (LCI)

The most sustainable sectors use specific tools such as *Life Cycle Assessment (LCA)* in order to understand the possible environmental impact that a process could cause within the supply chain. It is a very valuable tool because it allows any impact to be minimized through the implementation of more effective measures, and leads to a “greener” product.

For that reason every year Acerinox takes part in the LCI project promoted by EUROFER, assessing the environmental implications of the entire stainless steel life cycle, from the process of manufacturing to the end of its useful life, together with the quantity of material recycled.

- Environmental Management System (EMS)
Acerinox and Columbus have implemented a robust Environmental Management System (EMS) in accordance with parameters from ISO 14001 regulations. The environmental policy of the Group sets out as an objective to always be one degree of compliance greater than that which is required by law or by other elements of reference.

The Acerinox EMS sets out objectives for environmental improvement through environmental programmes and, for example, it can point to energy efficiency through good practice adopted in production, which in 2014 has led to a saving of 10,200 tons of CO_2 emissions.

With respect to environmental risks, Acerinox has collaborated with UNESID on the development and approval of the SID-MIRAT methodology, with steel-making being the first sector in the country to carry out this activity.

- Kentucky Excellence in Environmental Leadership (KY EXCEL)
This year, NAS obtained once again the *KY EXCEL* certificate, obtaining the highest rating of "*Master Level*" after becoming a member of KY EXCEL in 2007.

This rating is the highest in the programme and involves a rigorous compliance with the environmental regulations for a minimum of 3 years, which implies among other things the ability to demonstrate, through plans and projects, the continuous improvement of the environment.

Stainless steel reinforcing bars for the motorway in Edmonton (Canada)

9 Social Action

Support for Society

Economic collaboration with the communities in which the Group has facilities goes further than the thousands of employees and payrolls that they directly generate, and those who work indirectly thanks to our business.

Every year **Columbus** contributes to the growth of small businesses in the area, through which hundreds of jobs are maintained. In the same way it collaborates with the Mhzuli Employment organization. The said institution finds jobs for those without training or the possibility of insertion within the labour market. Columbus takes part in this social integration by counting on them for large projects through which these persons can integrate within the company structure.

In addition the company has guided through the Departments of Human Resources and Engineering, providing employment orientation and advice for more than 3000 college students so that they can focus their professional careers.

Columbus has signed different agreements with the University of Pretoria with the aim to provide positions to trainees on an ongoing basis.

Acerinox Europa also carries out similar activities. In August 2013, at the request of the Works Committee, a Social Commission was created to collect donations. These are voluntary economic aids through a small contribution -three euros on each paycheck- by both the workers and the company. The money goes to various bodies, NGOs and non-profit associations whose efforts are directed towards helping those in need.

The company provides the same sum as that monthly collected by the workers' supportive participation. The Social Commission for Donations distributes the funds among the various NGOs and Associations which have requested help. From there on it is decided by unanimous decision to give the donation of the month to a body or organization that helps families at risk of social exclusion, the unemployed people, the elderly, the sick, the homeless or immigrants, offering them basic assistance such as food, medicines, school materials, clothes or footwear. On occasions help is given to pay costs such as the rent, electricity or water bills.

987 workers from **Acerinox Europa** make up the "Company Association". Its members finance through their paychecks various activities, from holiday camps to cultural trips.

One of the main activities of this Association is the management of the Club which provides sports pitches, swimming pools and a social club. These facilities had almost fallen into disuse until the workers at the Los Barrios factory decided to take on their management.

Acerinox Europa SAU gives financial support to the Company Association in order to relieve somehow the effort that the members make to achieve such spectacular results.

In addition the company works with social products and community aid projects such as the Palmones sanitary modules. Acerinox invested 1,728 euros for their installation on the area's beaches, thus promoting their maintenance, besides of dealing with cleaning in the green areas around them.

Acerinox Europa Contributes 21,035 euros to the Summer Camp for the Palmones plant staff children, an initiative that the company has undertaken for over 10 years.

It also helps, in the sporting area, with the provision of means to the “Juventud de Palmones Fútbol Club”, with the travel costs of “Unión Deportiva Los Barrios”, with the “Asociación Deportiva Los Cortijillos” and the “Club de Fútbol Atlético Zabal”. This is intended to promote a healthy lifestyle among the young people.

In the case of **NAS** the support is displayed in various ways, including initiatives such as the donation of 7,000 dollars for the “NAS Annual Basketball Tournament” organized by Carroll County. NAS also supports activities intended to help senior citizens in Carroll County, or others such as sponsorship for adult and youth teams within the Carroll County Parks and Recreation organization.

From **Bahru** steps have also been taken, such as the contribution with the Sports and Social Club of the Malaysian Investment Development Authority (MIDA).

Liqueur distillers made of stainless steel.

Personnel with reduced mobility

The commitment of the Company towards those with reduced mobility grows year to year. While in 2012 there were 50 people of these characteristics working in **Acerinox Europa**, in 2013 there were 105, and in 2014 the figure of 120 was reached.

Furthermore, 75 employees have had their positions changed due to health reasons by the company medical service, and seven more following the decision by the work inspector.

In **Columbus** there are 13 workers with disabilities carrying out their work both in the areas of production and administration. It is the intention of the company to increase this figure, as an additional effort to improve its support for disadvantaged classes and races.

Other social collaboration

Columbus collaborates on the projects of various institutions with social ends, such as the Centre for Environmental Law, the Nazareth Centre against Drug Consumption, the South African Office Against Crime, or the social activities of Eskom, the distribution electricity company, which tries to bring the supply to houses devoid of it.

NAS has sponsored a publication by the Carroll County primary school, called “Carroll County Kids”, which seeks to provide pupils with the news in an age-appropriate way. Other sums have been provided for diverse programs in the schools of Carroll County with the aim of promoting the learning of maths, science and engineering. On the other hand, it provides funds to assist the Carroll County *Ministerial Association*, which uses the said funding to help families with limited resources.

For its part, the **Acerinox Europa** Social Commission for Donations collaborated on the reintegration of people into society in the area through Cáritas and the Parish of San Pio X in La Linea de la Concepción.

It also collaborated on cultural or university activities such as sponsorship of the L.B. Photography Competition, and the IX Workshops of “Science in Funscience Street” during the course 2014-15. Further help was provided for the university agenda of Cadena Ser.

Within this programme the following projects have also been included:

- Ambae Association “My Kids ” Project (Distribution of evening meals to families with few resources).
- Cáritas Algeciras, la Línea de la Concepción, Tarifa or La Piñera with aid to projects such as foster homes, clothing and food distribution, drug dependence centres, fishermen’s parish, etc.
- On another level Acerinox provides donations towards the sanitary modules on Palmones Beach, to the NGO ACOES for collaboration between Spain and Honduras, and for Huertos Solidarios (Solidarity Vegetable Plots), among others.
- The company also works on cultural promotion through collaboration with ESIEM on the sponsorship of the Photography Competition “The Woman in the Fields of Gibraltar” Project from the Los Barrios Town Hall, and with the Friends of science “Funscience” Association.

BBBEE in South Africa

In South Africa the *Broad Black Based Economic Empowerment* programme is intending to promote the improvement for black citizens, thus accelerating the creation of a middle class which would provide higher stability to the country.

Since it does not depend on licences to carry out its activity, Columbus is under no obligation to obtain a minimum score. The Company wanted to double its efforts towards progress in the various parameters which make up good BBBEE policy.

To that end, during the year a second black director was sought and appointed, and Columbus, in parallel, began a policy of the detection of black employees to be promoted in the medium term, intending to increase the proportion of non-whites in posts carrying greater responsibility.

Simultaneously, and to the same end, the employment of with partial disabilities was promoted. Columbus is strengthening the hiring of services and the acquisition of goods from companies which provide goods and services which are, in turn, classified under BBBEE, thus increasing its contribution to the economy of black citizens. It has adhered to various initiatives by new black entrepreneurs, for which logistical and technical support is provided in administrative tasks, and covers diverse activities with young people in the schools and hostels in the Mpumalanga area.

At the same time, it has agreed with MERSETA (the local employment creation authority) to provide placements for young workers, and organize talent hunting activities in the schools and universities in the area.

It is the wish of Columbus to continue improving its BBBEE rating and support the efforts of the South African government in favour of the traditionally most disadvantaged races.

Programme against AIDS in South Africa

Columbus collaborates with programmes of population assistance and education for the prevention of AIDS. A battle in which Columbus takes an active part within the United Nations programme to coordinate the fight against the virus (UNAIDS), forming part of the “Zero new infections, Zero discrimination and Zero deaths due to the disease” project. Columbus supports controls on its spread, and confronts the virus by assisting with the following measures:

- Condoms are distributed to all employees and in all group facilities in order to prevent infection.
- Columbus trains and promotes educators within its centres in order to provide information and answer questions from colleagues regarding the disease.
- A web which is available to all employees provides relevant information regarding the virus.
- Training courses are held for employees with the intention of preventing new contagion.
- On 1 December 2014 Columbus commemorated World AIDS Day by providing information, together with a voluntary virus detection test.

The free detection test for workers is beginning to show that previous actions were effective. In 2014 the number of positive cases fell to 3. The average HIV+ levels among Columbus workers are one of the lowest in the area.

For 2015 Columbus does not foresee any change to its policy of fighting AIDS in view of these encouraging results.

BBVA building covered in stainless steel

Alliances and external initiatives

The Group has a large associative activity with presence in the following entities and associations:

ACERINOX
Eurofer
Euro Inox
International Stainless Steel Forum (ISSF)
Unesid
The Spain-US Advisory Foundation
The International Chromium Development Association
The Association of Large Industries of Campo de Gibraltar
The Alavés Business Association
CEDINOX - The Association for Research and Development in Stainless Steel
The Chamber of Commerce of the United States in Spain
The Elcano Royal Institute
Association of Large Energy Consumption Companies (AEGE)
Institute of Internal Auditors Association
Spanish Institute of Engineering
Spanish Network of the United Nations Global Compact
Risk Management Initiatives (IGREA)
Management Progress Association

NAS
American Society of Testing and Materials (ASTM)
Stainless Fuel Tanks (SASFT)
Kentucky Automotive Industry Association (KAIA)
Concrete Reinforcing Institute (CRSI)
Specialty Steel Industry of North America (SSINA)
Metals Service Center Institute (MSCI)
American Iron and Steel Institute (AISI)
Carroll County Chamber of Commerce
Carroll County Training Consortium
Kentucky Chamber of Commerce
Kentucky Association of Manufacturers (KAM)
National Association of Manufacturers
Kentucky excellence in Environmental leadership (Ky Excel)
Carroll County Local Emergency Planning Committee (LEPC)
US Chamber of Commerce
International Stainless Steel Forum (ISSF)

COLUMBUS
South African Stainless Steel Development Association (SASSDA)
South African Institute of Stainless Steel Industries (SAISI)
Iron and Steel Producers Association
Manufacturing Circle
Steel and Engineering Federation of South Africa
Energy Intensive Users Group
Middelburg Chamber of Commerce
International Stainless Steel Forum (ISSF)
Spanish Chamber of Commerce
Gas Users Group

BAHRU
Federation of Malaysian Manufacturers (FMM)
Malaysian Iron and Steel Industry Federation (MISIF)
Malaysia Steel Institute (MSI)

In addition, due to its strong commitment to society, the Company collaborates with various social, cultural and sporting organizations and with different events sporting, cultural and social.

Stainless steel kitchen.

Important events occurred after the year-end

- On January 6th, 2015 the shares corresponding to the second issue of Standard Debentures of Acerinox, S.A. were admitted to final quotation by AIAF Fix Income Market, registered in the official records of the Spanish Security and Exchange Commission (CNMV) on December 29th, 2014. This issuance, for an amount of 50 MM euros, at a floating interest rate Euribor three months plus 1.75% annual, in accordance with the prospectus registered in the official records of the Spanish Securities and Exchange Commission on July 17th, 2014. The operation progresses in line with diversification of funding which started with the First Issuance conducted in July and allows Acerinox to lower its debt average cost.

- Columbus Stainless Pty. Ltd. reached an agreement with an international group of banks and from South Africa to arrange an integrated syndicated loan agreement up to 3,500 MM Rands (264 MM euros) with Secured Borrowing Base Resolving Credit Facility).

Barrel of beer made of stainless steel.

Stainless steel in the aerospace industry.

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