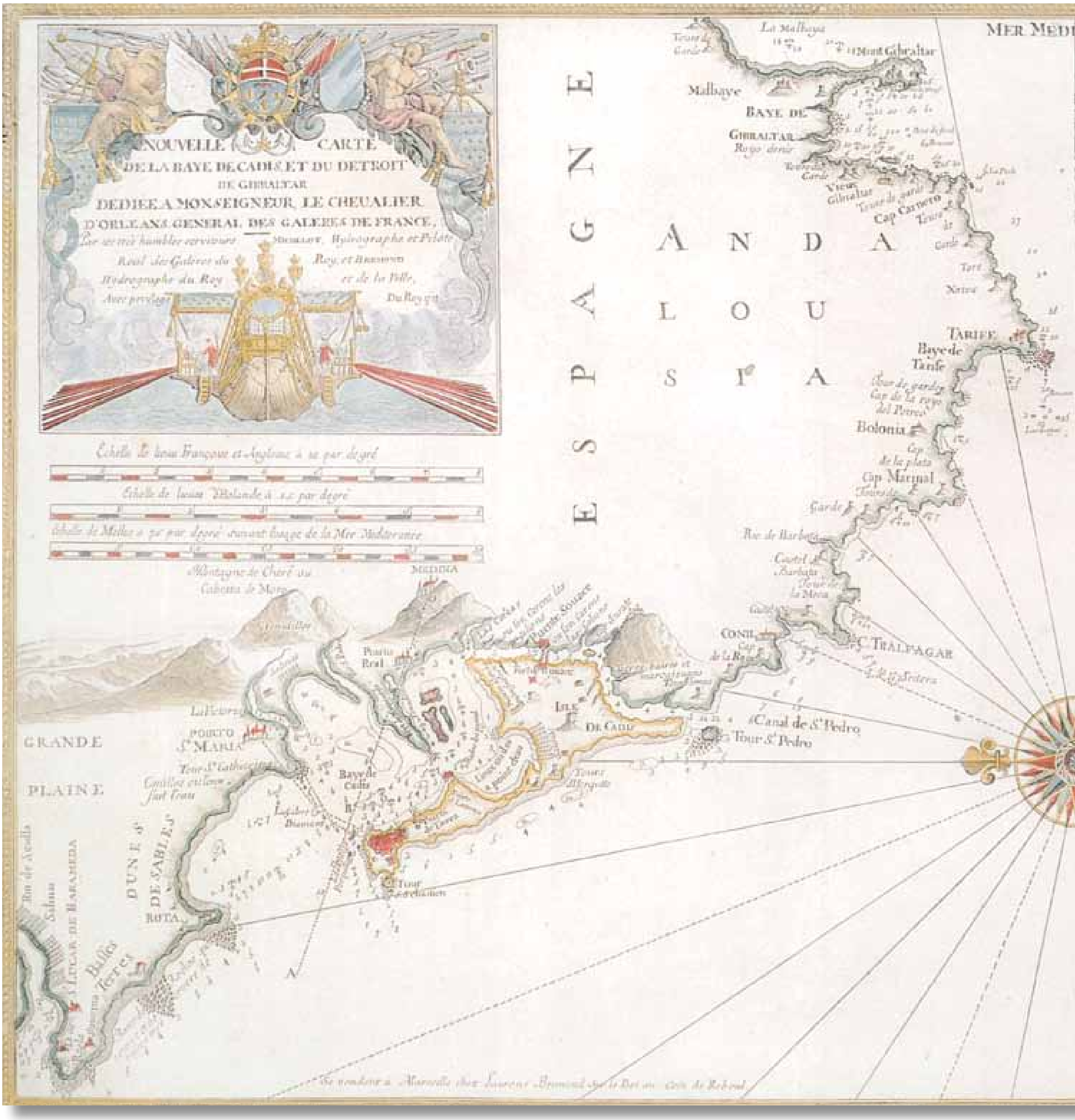
ACERINOX

annual REPORT 2012

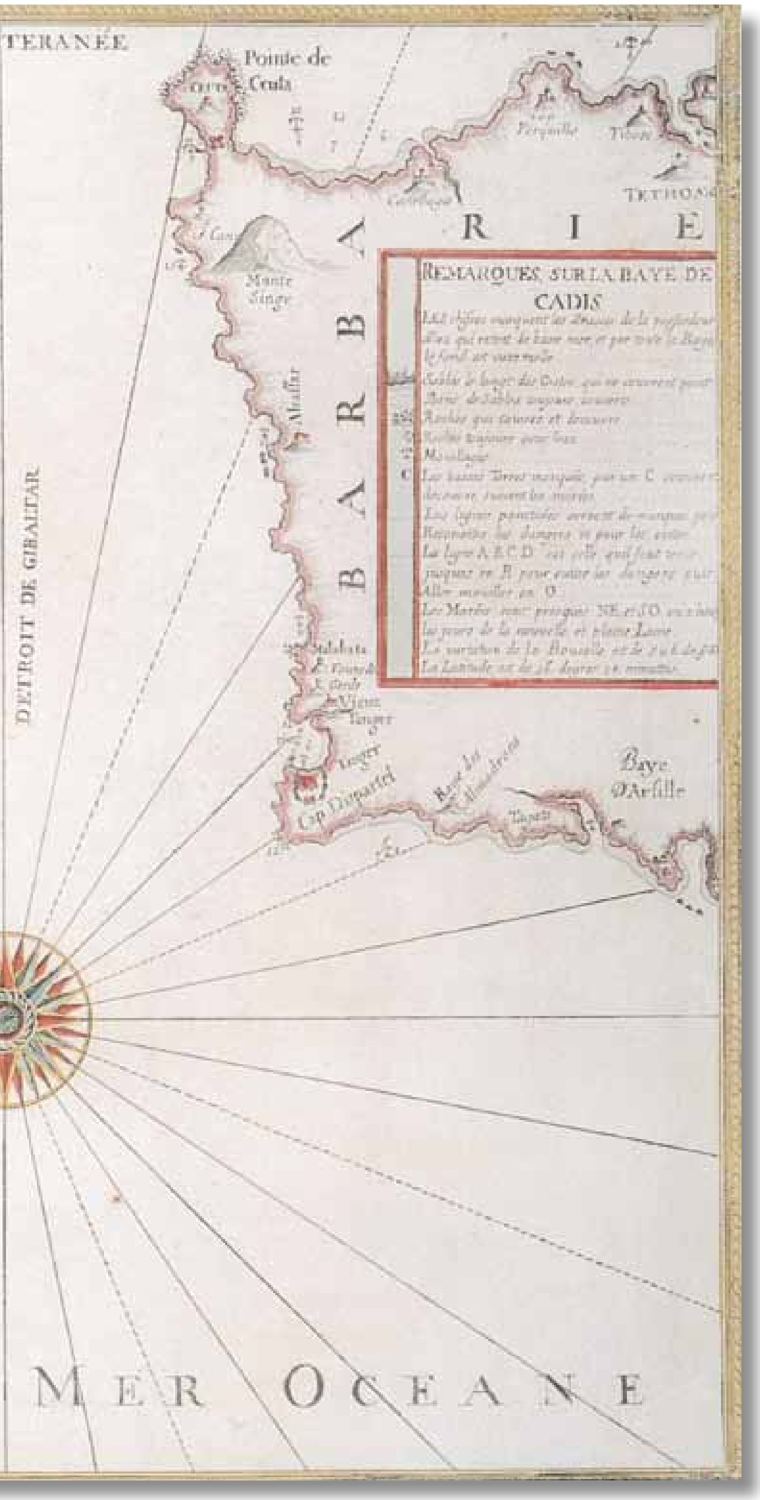
Excell

ACERINOX

annual REPORT 2012

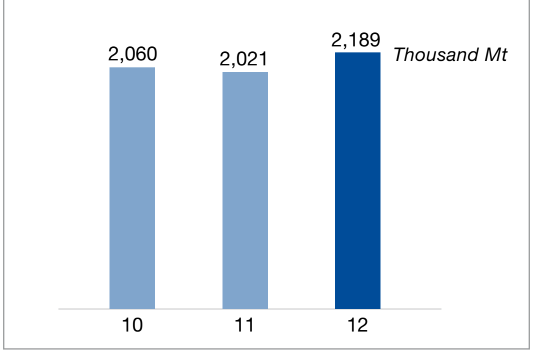

NOUVELLE CARTE
DE LA BAYE DE CADIX ET DU DETROIT
DE GIBRALTAR
DEDIEE A MONSEIGNEUR LE CHEUALIER
D'ORLEANS GENERAL DES GALERES DE FRANCE,
ESPAGNE
ANDALOUSIA
Malbaye
BAYE DE GIBRALTAR
Mont Gibraltar
Cap Carnero
TARIFE
Baye de Tarife
Bolonia
C. TRALFAGAR
CONIL
MEDINA
Canal de S.t Pedro
Tour S.t Pedro
ISLE DE CADIX
Baye de Cadix
PORTO S.t MARIA
GRANDE PLAINE
DUNES DE SABLES
BOTA

Contents

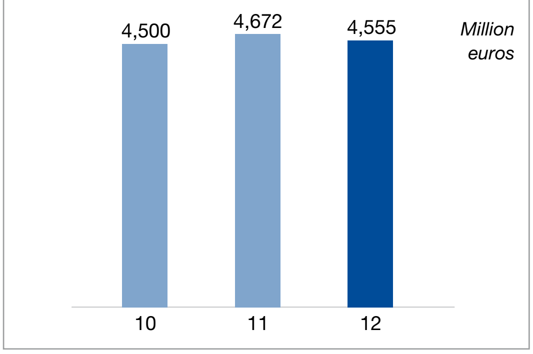

TERANÉE
Pointe de Ceuta
B A R B A R I E
REMARQUES SUR LA BAYE DE CADIS
DETROIT DE GIBALTAR
Baye D'Arsille
MER OCEANE

Most significant data of Acerinox

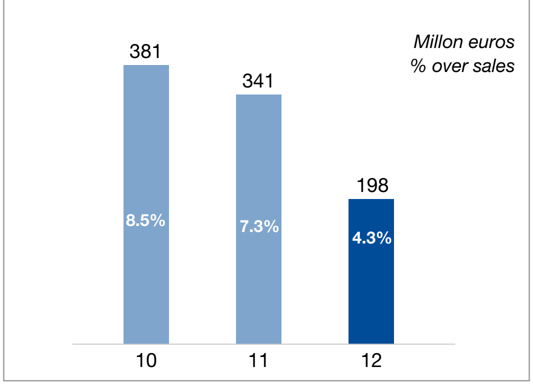
Melting shop Production



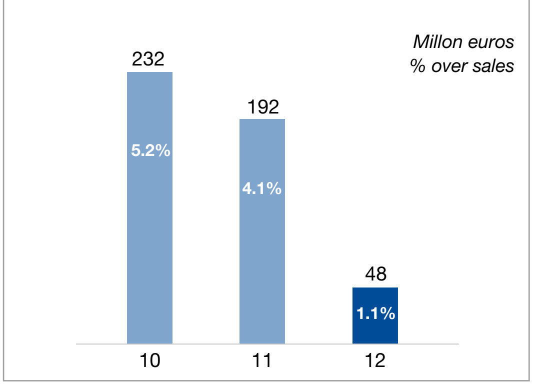
Net Sales



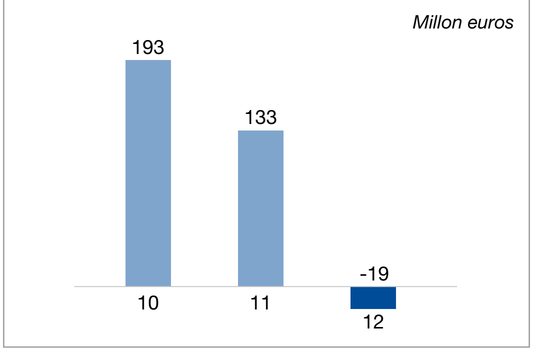
E.B.I.T.D.A.



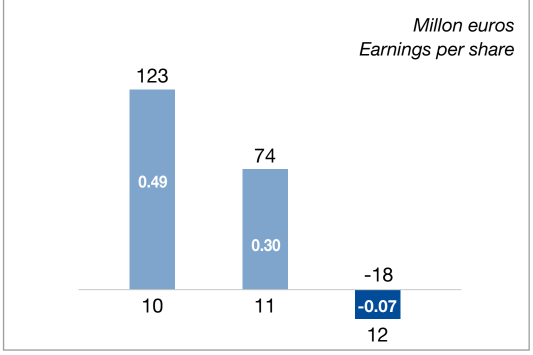
E.B.I.T.



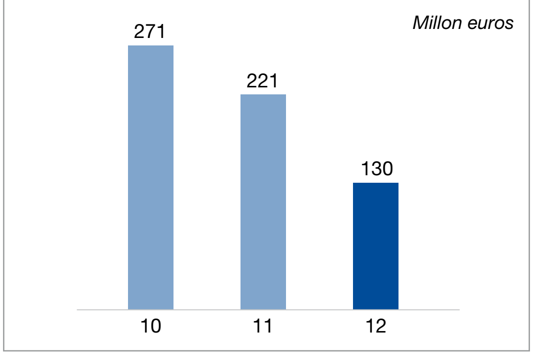
Result before taxes



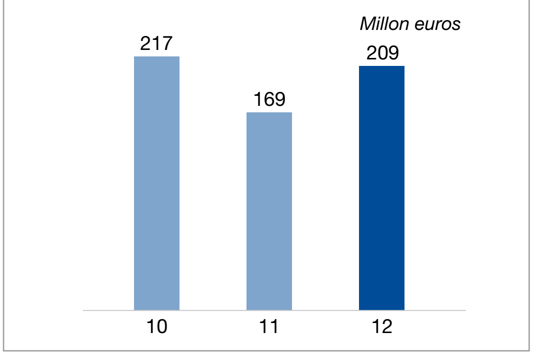
Result after taxes and minorities

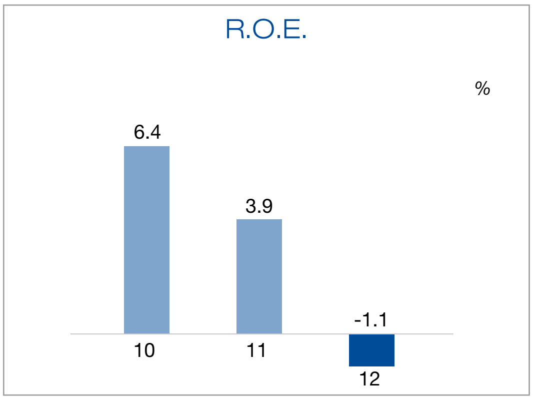


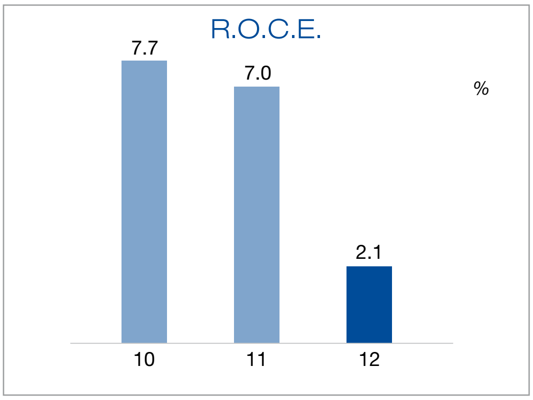
Net cash flow

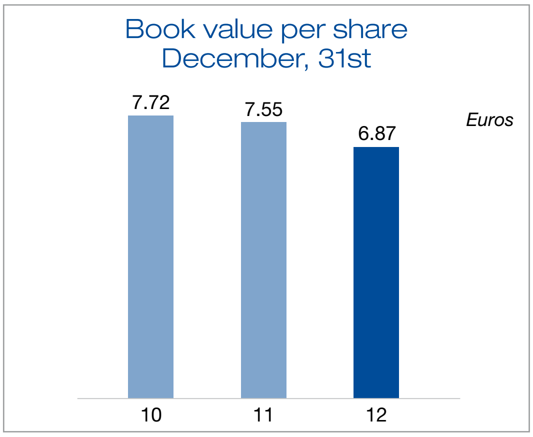


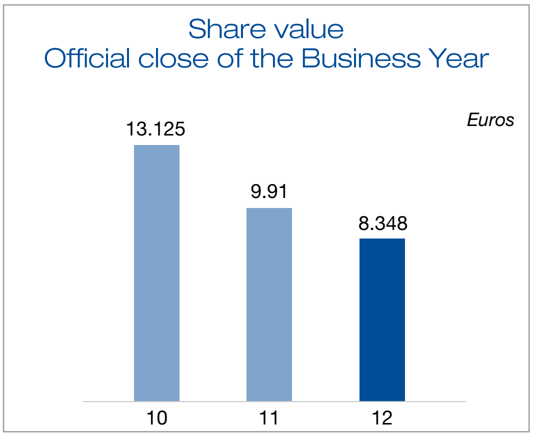
Investments

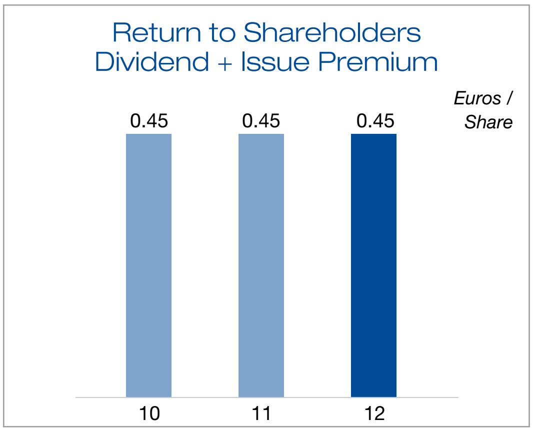


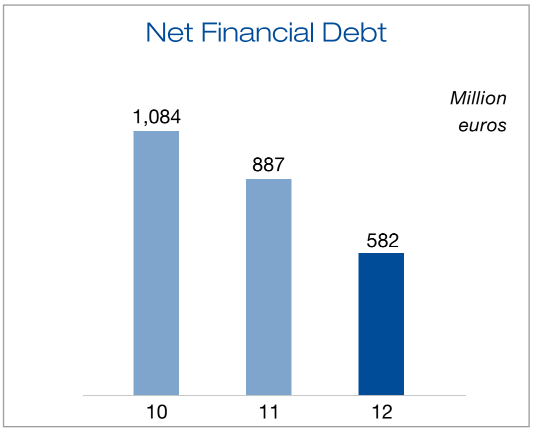

R.O.E.
%
6.4
3.9
-1.1
10
11
12

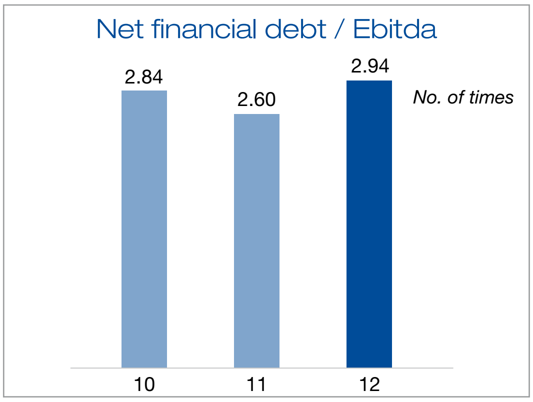

R.O.C.E.
%
7.7
7.0
2.1
10
11
12

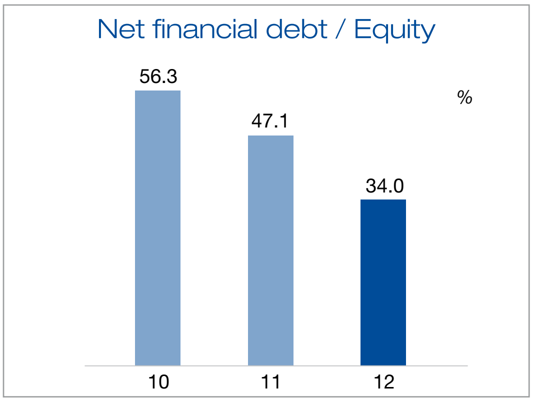

Book value per share
December, 31st
Euros
7.72
7.55
6.87
10
11
12


Share value
Official close of the Business Year
Euros
13.125
9.91
8.348
10
11
12


Return to Shareholders
Dividend + Issue Premium
Euros / Share
0.45
0.45
0.45
10
11
12


Net Financial Debt
Million euros
1,084
887
582
10
11
12


Net financial debt / Ebitda
No. of times
2.84
2.60
2.94
10
11
12


Net financial debt / Equity
%
56.3
47.1
34.0
10
11
12

Letter from the Chairman

Dear Shareholders,

It is an honor for me to have, once again, the opportunity to address you as Chairman of Acerinox to analyze the progress of the Company during the fiscal year 2012.

The year 2012 has been characterized, especially in Europe, by the continuance of the economic crisis and specifically in the stainless steel sector it has been a transition year with turbulences and hesitations produced by a consolidation and divestment process, of which we approve but in which we don't take part and which we expect to conclude this year.

The world production and consumption of stainless steel has grown again and it maintains its excellent accumulated average growth rate of around 6% during the last sixty years, however, this growth has taken place in China, while other world areas have remained stable.

Our company has also increased its production even while having a strict policy of inventory control.

Within this general framework, Acerinox has continued its policy to improve the parameters which define our activity.

We have continued to develop our fundamental objective to improve the competitiveness in our industrial facilities. We try to reach new levels of competitiveness adapted to those activity levels required by the markets in the current situation. All this is being performed through the Excellence Plans with very satisfactory results.

We have also given great importance to strengthening our balance sheet. During 2012 very consistent financial management has taken place, with special attention to financing lines, working capital and net debt reduction.

The annual results are slightly negative and practically similar to the adjustment of inventories to their net realizable value.

We have continued to develop our Strategic Plan 2008 – 2020 in accordance with the planned stages and timetable. This plan mainly considers strengthening our presence in Asia with the establishment of an integrated stainless steel production facility in Malaysia, Bahru Stainless, and setting up trading offices in the countries within the area where we did not yet have a presence.

In the first quarter of this year the second phase of the investment in Bahru Stainless has been completed in cold rolling with an investment of 680 million dollars. The plant is fully operational and in the future it will be one of the fundamental assets of Acerinox.

From the institutional point of view, I want to remark that this year the Board of Directors will propose to maintain our remuneration policy to our shareholders, although this time with a new option, including the shareholder's choice through the use of a flexible dividend or a dividend option.

The Board of Directors will also propose the re-election as board members of Mr. Diego Prado and Mr. Ryo Hattori, both as domanial members, the first one representing Omega Capital and the second one Nisshin Steel.

Finally, I want to thank all staff within our organization for their effort, support and dedication to our project and our shareholders for the support and confidence that they show us every day which allows us to make Acerinox a competitive company and a safe and profitable investment.

D. Rafael Naranjo Olmedo
Chairman

Letter from the Chief Executive Officer

Dear Shareholders.

I´m glad to have a new opportunity to write and explain to you what our performance has been in a most challenging year, due to a dire global economic situation, made even worse by an European steel sector under distress, which also affected our stainless steel business.

I hope that the reading of the Acerinox 2012 Annual Report will bring on a positive, confidence-inspiring overview of the Group, its strategy and products, as well as of our relentless efforts to increase competitiveness.

Much has been written about the long crisis we are going through, a crisis now in its fifth year. A crisis which has been deemed to be economic at its early stages, then economic and nowadays we can´t rule out it is even a political one, particularly in Europe. From 2008 to 2012 industrial output has shrink at an accumulated 8% in the EU and, even worse, it triggered North–South unbalances hard to put up with.

European industry struggles from general decrease in the consumer spending as well as from the harsh consequences of too merry decisions made during the bounty years. The outcome has been a way too relevant process of offshoring – or de-industrialization, to put it more bluntly – as the only valid way for many to tackle such unfavorable state of things.

High energy costs, the fight against climate changes , regulatory excesses at the local, regional, national and European levels , rigid labor markets and , topping it all , harm inflicted by other country´s protectionism are the most relevant threats we have to fight against if we want to have a chance of getting away unscathed from this situation.

And we will, for sure. According to EUROFER data, more than 65% of world trade steel is subject to – or benefited, from protectionist and restrictive measures.

At Acerinox we are firmly convinced that our Planet does need a new model of sustainable development. But this goal will unlikely be achieved if those who comply with their obligations are penalized and those who dodge them are benefited from it.

Therefore we applaud Mr. Tajani´s initiative (currently Mr. Tajani is European Commissioner for Industry and Entrepreneurship). Mr. Tajani has opened a debate regarding the future of European steel, inviting representatives of the major industries, as well as unions, members' states and members of the European Parliament.

We welcome this token of a sincere interest in bringing the industry back into the European focus and in defending employment in our sector. We long for the success of this European reindustrialization, a process currently going through in the United States, which is recovering its industry through high competitive energy costs and a pragmatic approach to the problems.

We also trust in that the Spanish authorities will firmly stand up for our industry, whose contribution to Spain`s GDP has faded so much in recent years. We must particularly hope that such measures will benefit Spanish companies whose decision-making centers are still based in the country and are which are not part of foreign multinationals. Acerinox is one of the very best examples – and, one of the very few left - in the country´s industrial sector. You can still find in our Country a pretty bunch of examples of how our companies offset increasing costs and fierce – or unfair- competition through improved efficiency and productivity.

It is not possible to explain the dire situation the steel sector is going through unless we refer to the process taking place in China, and which has dramatically affected the trade flows in our industry.

In recent year, stainless has been deemed a strategic material vital to the industrial growth of the Asian giant. This has resulted in a quick development of such an industry in the country. While in 2001 China accounted for a mere 3.8% of global stainless output, in 2012 we estimate that its share must be in the verge of 46%. On the grounds of the most accurate available data for 2011, the average growth rate in global production was 5.7% (more or less in line with the growth of the last six decades). However, this rate must be pretty misleading, as it is an average of the very quick growth in China and the stagnation the rest of the world is suffering from.

This data do not only depicts the rapid development of the Chinese economy, it also highlights the withdrawal or offshoring of much of the traditional American and European processing industries. This capacity has already moved to China, where products which were previously manufactured in the European Union - e. gr. electric appliances, utensils and sinks, to name just a few - are currently being produced and exported to Europe. According to the prestigious sector´s analysts Markus Moll, a million tons of stainless steel – give or take- arrive into Europe every year in the form or the said finished products and another million do so in the States.

After suffering from a deficit of 2 million tons in 2001, in 2012 China´s balance of trade for stainless is showing a surplus of 1 million tons. This swift, boosted by protectionists measures, has reversed traditional trade flows and led to fierce international competition in the form of low prices and silly behavior of most of the markets, affecting our results. Despite steady market growth, the surplus of supply means that consumer demand is assuaged very quickly, annihilating our efforts to attain healthier price levels.

This year, in addition to the global conditions and the sudden irruption of Chinese competition, another factor has brought on more doubts: the always expected process of consolidation in the European industry. We´re pretty sure this process will benefit both producers and consumers in the medium and long term, but so far it has only cast doubts and uncertainty, mostly put down to the struggle between the future partners to build for themselves a bigger stake in the new structure.

On the 7 of November of 2012, the European Commission gave the thumbs up to the merger of Inoxum into Outokumpu, on the condition that Inoxum´s premises (AST) and some sales centers scattered around Europe were divested by May 2013. On February the 20 th.in was given out that the third largest European producer, Aperam had signed an agreement with a consortium of Italian industrial companies, including the tube makers Marcegaglia and Arvedi, to make a joint bid for AST. As of today, the EU commission has still not made up its mind regarding this or any other possibility.

Acerinox has not been involved in this process, as it has a single integrated plant in Europe and the output of all its mills is fully balanced, so synergies with other plants would be almost non-existent.

We hope that the right decision will be made and that this restructuring of the European market comes to a close as soon as possible. The European competition authorities must speed up the decisions in cases like this one in order to avoid destabilizing the markets while the situation becomes clear.

Fortunately, ours is a superb product, as shows its annual growth of almost a 6%, which will enable us to redress the supply-demand imbalances quickly. Acerinox operates in a cyclical sector and this is not the first time we have been hit by the economic cycles or surplus of supply- These are situations that we have always overcome and emerged being stronger than before. We will continue then to aim for excellence throughout our business, to retain our position as undisputed leaders in efficiency and competitiveness. Our geographical diversification will allow us to seize any opportunity presented to us.

According to our preliminary figures, world production of stainless steel grew by 5.2% in 2012. Output declined in Europe (-1.0%) as well as in America (-4.7%), increasing only in Asia (+14.2%) and with little variation in the rest of the World (-0.6%). Despite the above said imbalances, global production has grown during six consecutive quarters, which is a fairly positive sing in terms of consumption, as stocks have remained low in all the markets.

At market level, performances have been unequal. At Acerinox we believed we were on the verge of a recovery in the United States at the end of 2011 which would haul the European economy. Although we still believe in this scenario, European hesitations and the rigid approach to its problems seem to be holding back the world economy. A robust 8.8% growth in the United States contrasts with a decline of 2.5% in Europe, where only Poland (+8.9%), France (+7.1) and the UK (+3.1%) performed positively, while Portugal (-10.5%), Spain (-8.3%) and Italy (-5.7%) saw the most crumbling markets. Apparent consumption of stainless even decreased in Germany by 2.7%.

According to our figures, consumption in Asia rose by 2.5% with a particularly noteworthy growth in India (+6.9%) and China (4.2%).

This situation, combined with a limited visibility and financial difficulties has brought some instability to our market, forcing companies to operate on a hand to mouth market with scarce room for long term planning. Low stock levels at both end customers and stockists as well as the volatility of the raw materials, basically nickel have created few opportunities which have been too quickly seized. Nickel prices, which importance in our business is so great has decreased for a second consecutive year resulting in a depreciation of our inventories. The transitional confidence in the economic recovery drove the price of this metal up to an annual high of 21,830 USD/MT on February the 8th, but it started a steady decline throughout the year, and ended up at 17,085 USD/MT.

As we have already pointed out, the price of nickel does not follow its own trend but is mostly determined by movements in the financial markets, like other metals traded at the LME, such as aluminum or zinc.

Acerinox production has been managed accordingly to market waives and our own policy of stock reductions. Nonetheless, output increased 8.3% in melt shop, 7.6% in hot rolling and 11.6% in cold rolling.

Our sales were of 4,555 million euros, 2.5% lower figure than in 2011, due to low nickel prices, alloy surcharges and base prices, as in terms of physical units, sales grew in fact a 9.8%.

In 2012 our EBITDA was positive in all the four quarters, ending the year at Euros 197.6 million, 42% less than in the previous year. The Company achieved a net profit for the first Half. However, the market slowdown, the fierce competition and the low prices – mainly in Europe – due to the restructuring of the sector in the Old Continent resulted in an unexpected net loss in the second Half.

Result of the full year has been a net loss of Euros 18.3 million, after accounting a prudent adjustment of inventories to their Net Realizable Value of Euros 17.0 million.

The reduction of production cycle times and that of the stock levels has been one of the tenets of our excellence plans. We have been focusing on these areas since 2008, allowing us to tackle swiftly to changes in the market and volatile raw materials prices. In 2012 the effort to further reductions of inventory levels and working capital and the commitment of our suppliers to our business project has paid off, leading to a cut in the debt until a low level of 581,5 million euros, 34.4% below the balance at the end of 2011.

Our sound financial situation has been reinforced by the USD 482 million syndicated loan successfully negotiated with a pool of American banks in early 2012, as well as for the continued confidence Spanish banks have shown us. It has also strengthened by a good internal management of working capital in recent years.

In all cases, the covenants applicable to our main long-term loans have been met, or the necessary waivers have been granted. This situation allows us to manage our business with an enviable coolness for a Spanish company.

Despite our favorable financial situation, prudence has led us to postpone any decision on dividend distribution until the general meeting, where our shareholders should be the ones to decide on this important issue.

In 2012 we have kept on moving forward the Strategic Plans, focusing primarily on the Excellence Plans, global expansion through our new factory in Malaysia and developing the commercial network.

The investments carried out during the year are mainly focused on Bahru Stainless, our Malaysian plant. With regard to our commercial network development, in 2012 Acerinox Turkey (Istanbul) started operating, Acerinox Russia (Saint Petersburg) was established and the new offices in Bangkok (Thailand), Manila (Philippines), Taipei (Taiwan), Hanoi (Vietnam) and Surubaya (Indonesia) are at an advanced stage of study to expand our presence in Asia, the largest market in the world. With these new incorporations, Acerinox will have presence in 35 countries of five continents, managing sales in 84 countries.

Bahru Stainless continues to progress with an exemplary starting-up process. In its first operating year they have been rolled 56,482 Mt of stainless steel, mainly supplied by Columbus and Acerinox Europe, and also by our partner and historical shareholder Nisshin Steel and several Asian producers which ensure the supply of black coil.

The equipment of the first phase is performing exceptionally thus confirming the wise decisions made with regard to design and contract awards. Malaysian staff continues its training process and the first generation of local technicians have become the real trainers of the staff which has been hired to meet production requirements, with the additional support from Spanish, American, South African and Japanese experts. The staff is composed of 418 workers of which the 97% are local.

The quality of our material produced in Malaysia has already been proved by 188 customers from 15 different countries, besides more than 300 which are supplied by our local distributor, Acerinox Malaysia. The 72.8% of the turnover correspond to export.

It should be noted the collaboration of Nisshin Steel, the stainless steel Japanese producer, with a 30% share in Bahru, as well as a 15% share in Acerinox, by whom we are accessing all Japanese companies with production's plants in the area.

Phase II equipment is being incorporated into the production line, having already started the second rolling mill on December 2012 and the second annealing and pickling line of is close to be installed. This new equipment will provide our facilities with higher versatility, variety of sizes and finishes in products with a higher added value. In addition, it will increase the needs for black coils as raw material which will give us a higher use of the melting shop capacity as well as the hot rolling from other factories of the Group.

We are proud of our pioneering work in Southeast Asian and of our small contribution to promote high technology and quality of Spanish industry, as widely known in Acerinox and the other ten companies which have contributed to develop our project. We encourage Spanish companies to come along in Malaysia, a country which has received us with enthusiasm and to which we have to thank so much, which is also the door to develop our business in the other Asian countries, one of the most fascinating markets and with the greatest potential for the future in the world.

On December, 31st, 2012, we conclude Excellence Plan II, having achieved 59% of the objectives over the two years of applicability. Although the fine adjustment is becoming difficult and during 2011 we only achieved 35% of the objectives, the hard work from our staff has allowed to reach the 81% during the second year (or the equivalent to 73 million euros of yearly recurrent savings) which will set the future standard of operation allowing us to describe this second plan as a new success.

We firmly believe in this management and control project, based on participation and cooperation of all technicians from all Acerinox plants, which is already a part of Acerinox' business culture and we have decided to extend the application field pursuit of excellence to the entire supply chain.

This is the origin of Excellence Plan III (2013-2014) with the aim to achieve 60 million euros of yearly recurrent savings, as well as other difficult aims quantification, which will result in a higher connection between the different areas within Acerinox and optimization of internal synergies, becoming the driving force for the Group and generating value for the shareholders.

At the same time, we continue working to reduce and adapt our fixed costs to our current production requirements and sales on the different geographical areas where we operate.

We are proud of the achievements obtained at Campo de Gibraltar plant, where on July 5th 2012, it was signed a model collective bargaining agreement, with a modern remuneration system entirely based on efficiency, productivity and profitability. Our workers' strong commitment has also made possible the success in the first edition of operating quality awards and in environmental and safety improvements with more than 18 projects presented with a very high standard. Absenteeism has also been reduced to 2.5%, half rate compared to 2006.

At the end of 2012 it was agreed the implementation of an ambitious training plan given by Acerinox staff with almost 40 years' experience, which will guarantee the transmission of knowledge and improve operations in all areas. Since 2007 more that 20% of the workforce has retired according to the normal procedure, without any impact on the plant's operations. We feel very close to this group which has done so much for Acerinox and the steel industry in Spain and we consider this staff renewal process, one of the main risk we detected six years ago, as finished.

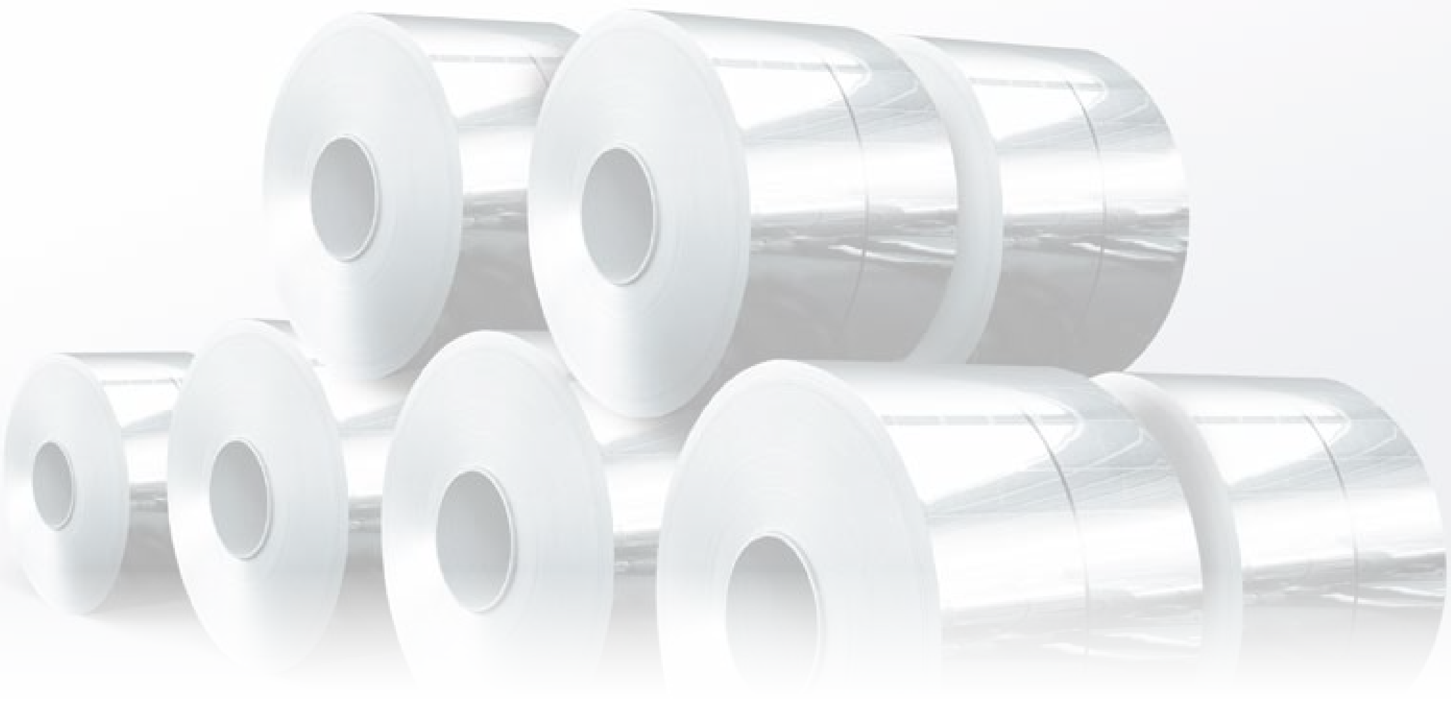
We are a sustainable company with a future proved by our business development since Acerinox's establishment in 1970 and more recently by the certifications given by the prestigious GRI (Global Reporting Initiative) and CDP (Carbon Disclosure Project). We remain true to our principles and the objective of being an stainless steel producer company and providing added value to its shareholders, workers, the communities where its activity is developed, its customers and suppliers.

In 2012 we were awarded by "Círculo de Empresarios", business association for our internationalization history, presented to our Chairman, Mr. Rafael Naranjo by H.R.H. the Asturias Prince, Felipe de Borbón. Also the Americas Chamber of Commerce in Spain (AMCHAM) awarded us the prize for expansion into United States, presented by the Ambassador in Spain, Mr. Solomont.

Finally, I would like to thank all our shareholders, customers and suppliers for the confidence they have shown year after year in Acerinox global project and the analyst and media members who follow us and who so much help us to improve.

Above all, I would like to thank all Acerinox human team, and specially, the management for the enormous effort they are making to overcome difficulties during such a hostile period from which I am sure we will emerge strongly strengthened. We owe each and every one of them our success and I ask all of them to keep up the good work, helping us to look forward with optimism, pride and with the certainty that we will maintain our leading position at the forefront of the global steel industry.

D. Bernardo Velázquez Herreros
Chief Executive Officer



1

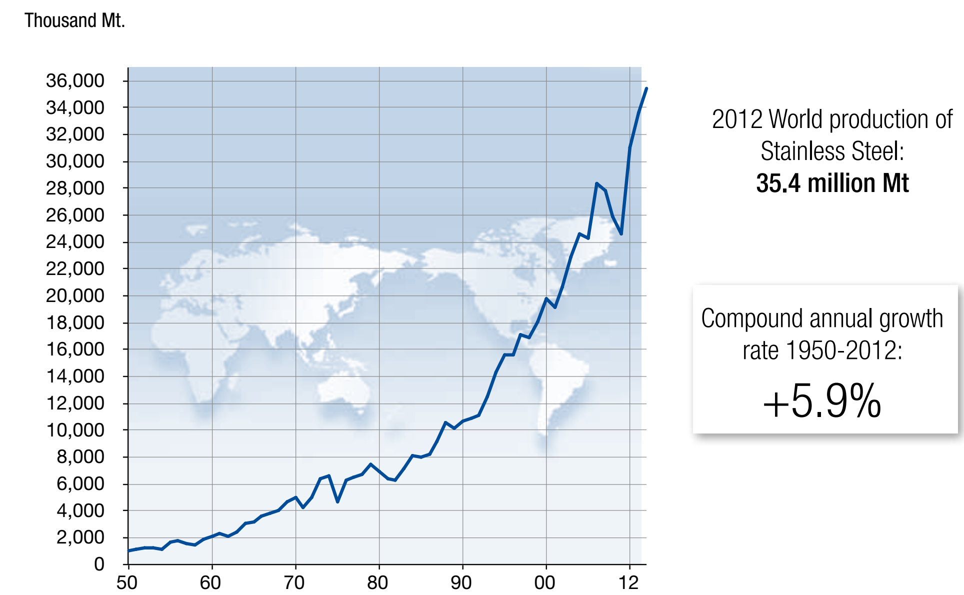
Directors’ Report of Acerinox

1 Worldwide Production

Despite 2012 being a difficult year marked by economic uncertainty and crisis in the Eurozone, the stainless steel market has continued to demonstrate its robustness, with worldwide production growing to 35.4 million MT, up 5.2%.

Following two years of healthy growth in worldwide production, with rises of 26.4% in 2010 and 8.1% in 2011, well above the annual growth rate for the past 62 years (5.9%), 2012 was a year of consolidation:

Worldwide stainless steel production



Source: VALE INCO e ISSF

Acerinox Europe Melt Shop

Since the third quarter of 2011 and until the fourth quarter of 2012 production has continued to increase, which shows a strong consumption growth, given that inventories have not increased during this period.

(thousand Mt)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Year 2011	8,736	8,438	8,097	8,351	33,621
Year 2012	8,922	9,017	8,582	8,843	35,364

An analysis by markets indicates that the differences seen in prior years have become more marked. Production is down 1.0% in the Europe/Africa region and has continued to decline in the Americas (by 4.7% this year). Asia, excluding China, produced -0.6% more than in 2011, while China has reaffirmed its position as the largest producer in the world, with growth of 14.2% in 2012.

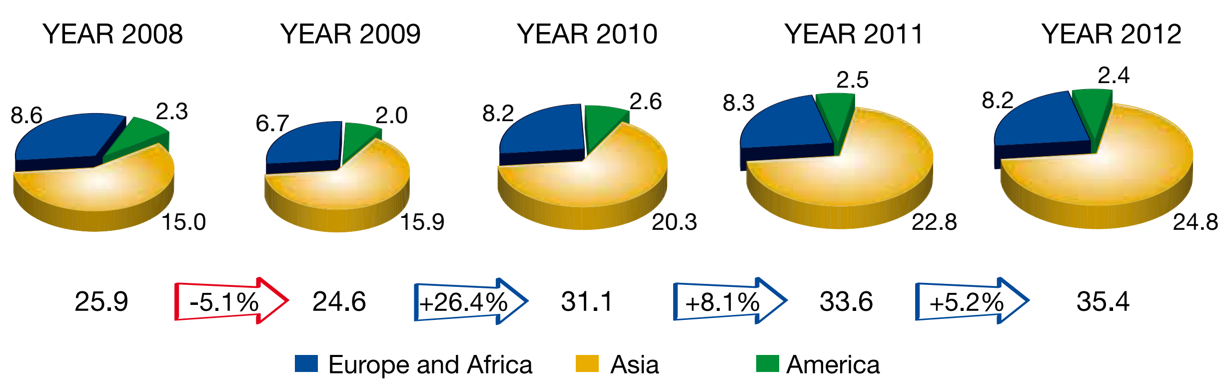
(thousand Mt)

	2011	2012	Variation
Europe/Africa	8,274	8,188	-1.0%
America	2,486	2,368	-4.7%
Asia without China	8,770	8,721	-0.6%
China	14,091	16,087	14.2%
TOTAL	33,621	35,364	5.2%

The data reflects an increasing shift in production towards Asia, where 70% of the world's stainless steel is produced. More specifically, this shift is to China, which is responsible for 46% of total global production.

In 2001, China's output represented just 3.8% of the world total. Naturally, this very sharp increase in production in China has considerably altered the traditional pattern of exports, leading to overcapacity that is affecting both stainless prices and the profitability of companies present in the sector.

Evolution of the Stainless steel World Production (Million Mt.)



Source: International Stainless Steel Forum (ISSF)

2 Raw Materials

The macroeconomic uncertainty and the ensuing impact on consumption have meant that despite increased production, raw material prices fell in 2012, returning to levels not seen since 2009.

Nickel

Starting at 18,430 USD/MT on 3 January, the price of nickel started to rise, reaching a high for the year of 21,830 USD/MT on 8 February. Prices then plummeted to an annual low of 15,190 USD/MT on 16 August, the lowest figure since July 2008.

In September, in response to announcements of economic stimulus measures in various markets, the price of nickel recovered some of the ground lost, returning to 18,840 USD/MT on 2 October. However, this effect was short-lived and the price fell yet again, ending the year at 17,085 USD/MT.

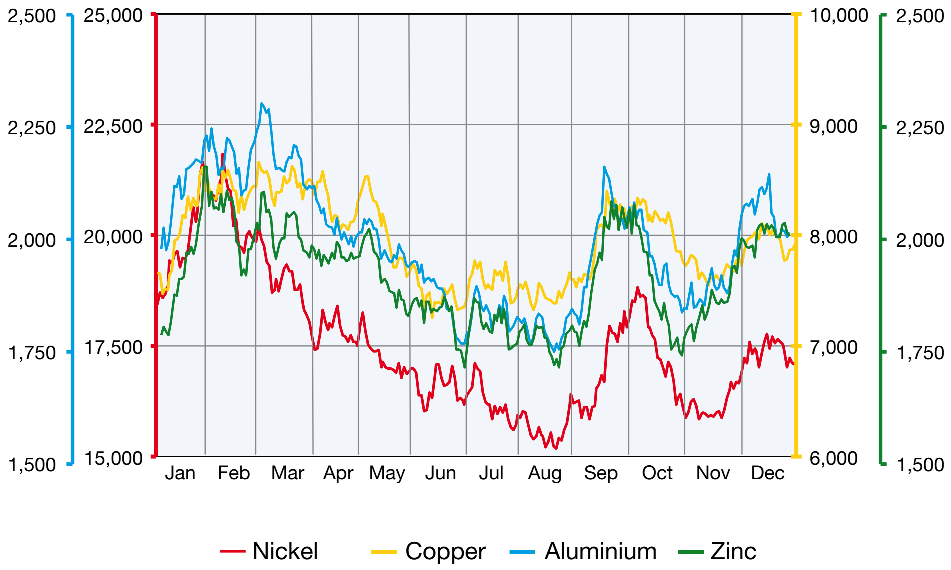
Official nickel price in the L.M.E.

The start-up of new nickel production plants and the decline in consumption have maintained a positive supply-demand balance. At the end of the year, the estimated stock level (LME and producers) was 14 weeks of consumption. A similar price trend was seen in all other industrial metals traded on the LME.

This prices trend affects not only to nickel but also to all metals used by the industry listed in the LME.

From early February to year end, the prices of all metals traded fell, with the 18.1% decrease in nickel prices being the largest drop. Aluminium prices dropped by 8.1%, copper 5.2% and zinc 2.7%.

Raw materials price in the L.M.E. Year 2012



Daily values (US$/Mt 3 months)

In 2012 the metal with the highest growth rate in terms of futures contracted on the London Metal Exchange was nickel, up 38.6%.

Nickel briquettes

Ferrochrome

The price of ferrochrome was 115 US¢/lb in the first quarter of the year. In the second quarter, growth in demand and an estimated 350,000 MT cut in South African output led to a 17.4% rise, pushing the price up to 135 US¢/lb.

Ferrochrome quarterly average price

Source: Metal Bulletin

The second half of the year saw prices fall by 7.4% to 125 US¢/lb in the third quarter and 12% in the fourth quarter, ending the year at 110 US¢/lb, the lowest level since the first quarter of 2010.

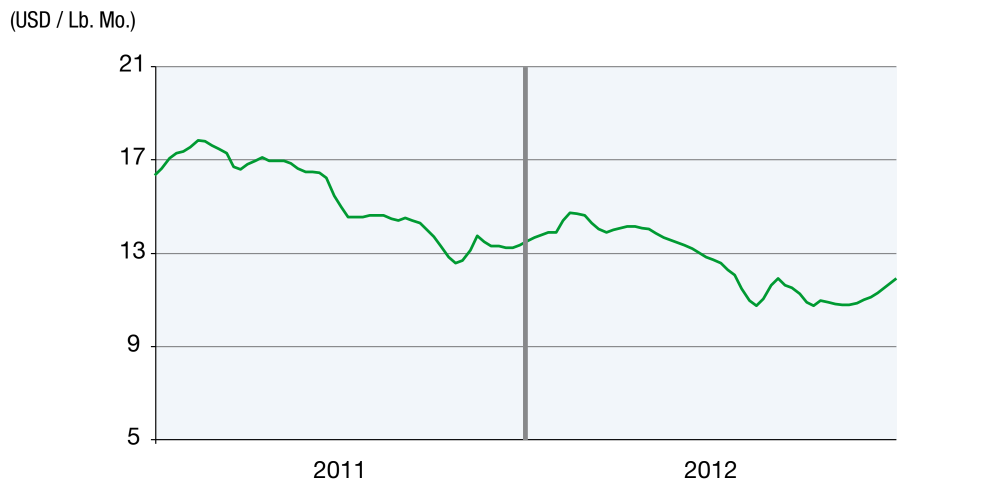
It should be noted that Chinese ferrochrome production increased in 2012, consolidating the country's position as the largest global producer of the alloy and overtaking South Africa, traditionally the top producer.

The Chinese government scheme supporting production of strategic materials including stainless steel has driven imports of chromeand nickel ores, which are unavailable in China, making that country the world's largest chrome and nickel importer and the largest stainless steel manufacturer.

Molybdenum

Molybdenum prices initially maintained the upward trend seen at the end of the prior year, starting at 13.4 USD/lb on 2 January and reaching a high for the year of 14.8 USD/lb on 20 February. Prices subsequently slid, hitting an annual low of 10.9 USD/lb on 20 August, the lowest price since November 2009. Echoing the trend seen in other raw materials, prices picked up in early September, only to later resume their downward trend, hitting a new low of 10.9 USD/lb in mid-October. Growing demand, primarily from China, spurred a recovery in prices, closing at 11.6 USD/lb.

Molybdenum price

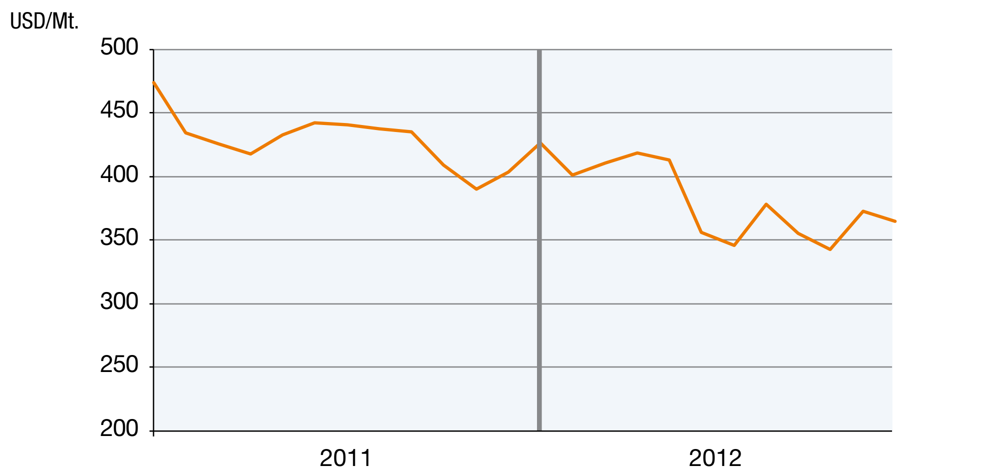


Source: Metals Week

Steel scrap

From an annual high of 434 USD/MT at the start of January, steel scrap prices trended downward through to the end of the year. Following an initial fall of 9% in February, prices then stabilised in the region of 420 USD/MT until mid-May. A further drop of 18% ensued, dragging prices down to 346 USD/MT at the end of July. Despite a slight recovery in August prices continued to slide, bottoming out at 334 USD/MT on 12 October, the lowest price since October 2010. Part of the lost ground was recovered at the start of November, ending the year at 368 USD/MT.

Price of carbon steel scrap HMS 1&2 FOB Rotterdam



Source: Metal Bulletin

Pig Iron Nickel

In recent years a new factor has emerged in the raw materials market, namely the appearance of "*Pig iron*", whose nickel content is low (less than 2.5%).

This mineral, which is mined in countries such as the Philippines and Indonesia, is largely bought up by Chinese manufacturers, affording them protection against price fluctuations on the LME.

Pig iron can only be processed in countries with very lax environmental laws and its use is profitable only when nickel prices are relatively high.

3 Markets

The global economy stalled yet again in 2012. Two factors contributed to this: on the one hand, the ongoing crisis in the Eurozone, which led to widespread uncertainty; on the other some cooling of the Chinese economy, which saw the country's growth rates drop into single digits.

Global GDP growth was 2.1% (compared to 2.5% in the prior year) driven by the United States, which grew 2.2%, and growth in Asia of 3.8%. However, the Eurozone offset this with a decline of 0.4%, with many of its countries, France, Italy, Spain, the United Kingdom and even Germany, ending the year in recession.

Conditions on the stainless steel market are being undermined by China's increase in production capacity. As already mentioned, the country's contribution to global production has increased from 3.8% to more than 46% in ten years.

Such overcapacity, at a time when the global economy is suffering a crisis, explains much of the difficulty in keeping market prices at profitable levels for any length of time despite global growth of the sector.

Falls in nickel prices further undermine stainless prices, particularly in a world economy that is facing systemic liquidity problems and considerable monetary uncertainty in Europe.

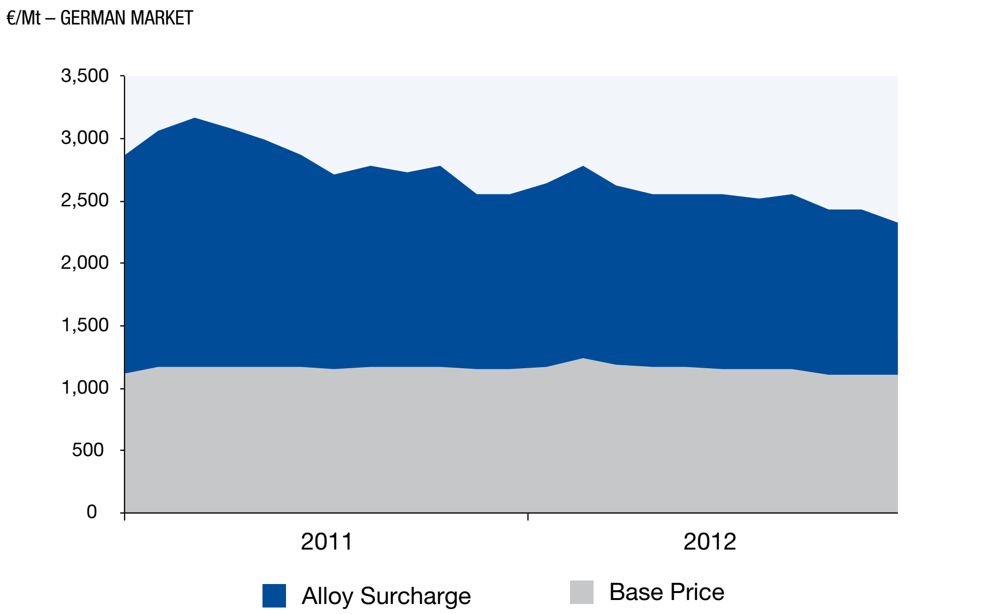
Nonetheless, should global consumption continue to grow at its current pace, the present surplus capacity should be eliminated in the medium term. By that time the Eurozone should foreseeably have overcome its internal stresses and we should see a more stable market following an upward trend and regaining traditional levels of profitability.

Europe

Stainless steel has not been immune to the economic situation in Europe, characterised by the absence of liquidity in the system and a lack of confidence in the economy. This has led to 2.5% fall in flat products overall, with an even more marked decline in southern Europe, where this was the second consecutive year of falling consumption. In 2012, added to the drops of 2011, there were decreases of 5.7% in Italy, 10.5% in Portugal and 8.3% in Spain. However, the year also saw consumption contract in Germany, shrinking 2.7%.

On the positive side, consumption climbed in France (+7.1%), the United Kingdom (+3.1%) and Poland (+8.9%).

Stainless steel sheet prices cold-rolled 2.0mm AISI 304



Source: Metal Bulletin

The drop in consumption and low end prices in Europe have made the region less attractive for imports from other countries, which have returned to 2010 levels after a rise in 2011. Overall, imports represent 16% of the European market. The major exporters of stainless steel to the European Union continue to be the countries with substantial excess output - primarily Taiwan, South Korea, China and the United States.

Although apparent consumption in the European Union totalled 3.9 million tonnes, one basic worrying fact should not be overlooked. It is estimated that almost 1 million tonnes of processed and finished goods arrive in Europe from Asia each year. This trend is clear in sectors such as hardware, electrical items and tubes, and is one of the main reasons for excess capacity in the European steel industry.

Starting from the low levels seen in the last quarter of 2011, prices rose slightly early on the year, but the downbeat market sentiment soon returned and prices relapsed before stabilising after the summer.

Added to the lack of visibility and market confidence, are the uncertainties over the merger of Outokumpu (the Finnish stainless steel producer) and Inoxum (the stainless division of Germany's ThyssenKrupp group), announced at the start of the year. After considering various divestment proposals, the European Commission eventually approved the transaction on 7 November, provided the AST Italian factory, along with some of its distribution network, was sold. The turbulence brought about by this situation gave rise to price tensions, undermining our efforts to raise prices during the fourth quarter.

United States

The situation in the US was a very positive one, despite it being an election year and despite the much-feared fiscal cliff, with stronger demand coming from the transport and energy sectors. There was a notable positive impact from energy policies and re-industrialisation in the country. Apparent consumption of flat stainless steel products in the United States grew yet again in the year, by 8.8%, consolidating the strong growth already seen there in 2010 (+32.3%) and 2011 (+28.9%).

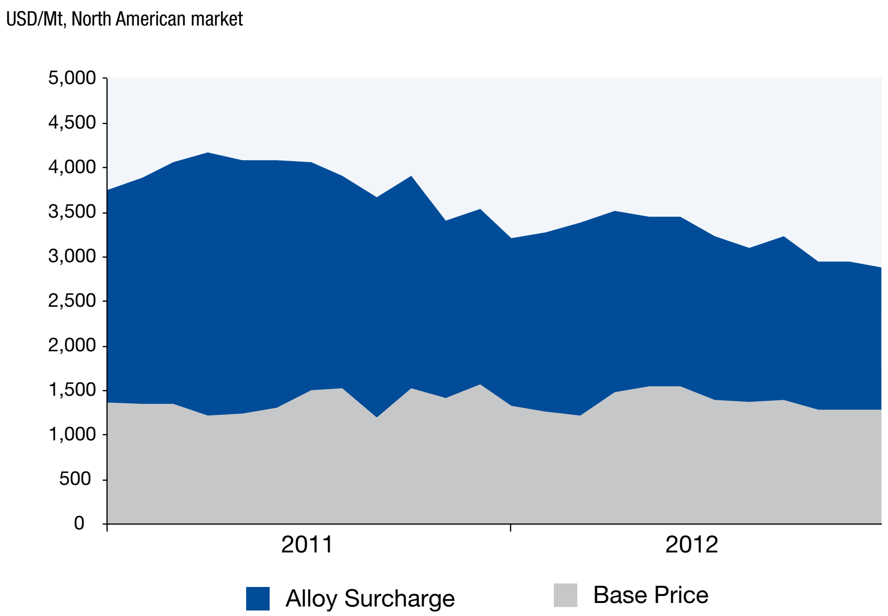
This rise in consumption is attracting imports, which have grown by 15.8% and now account for 31% of a market in which the proportion of imports has traditionally been larger than in the European Union.

Apparent consumption in the American market totalled 2.1 million tonnes.

This year also saw the Alabama steel mill of Inoxum (now Outokumpu) begin operations. We expect this to help bring the volume of imports down to levels similar to those in other markets.

Despite growth in the North American market, prices have remained fairly flat, only slightly above those in the rest of the world, owing to sharp international competition.

Stainless steel sheet prices cold-rolled 2.0mm AISI 304



Source: Metal Bulletin

South Africa

The South African market has continued to show signs of strength, with apparent consumption of stainless steel continuing to increase, reaching 174,400 MT. In 2012 the rise was 8%, meaning that over the past four years cumulative growth was 72%.

We would highlight the growing involvement of Columbus in infrastructure and mining projects in Sub-Saharan Africa.

However, this strong market expansion has also attracted imports, mainly from Taiwan and Sweden. This year, imports rose by 31.7% and now account for 16% of the market.

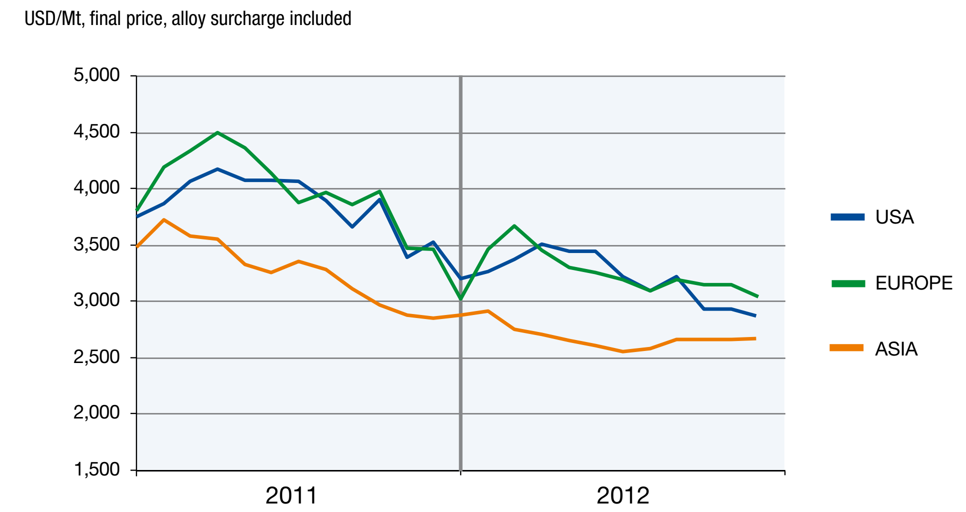
Asia

The region has become the principal player in the stainless steel sector, producing almost 70% of the global total. China, particularly, already represents 46%, while South Korea, India, Japan and Taiwan are also notable contributors. Since this production capacity has been added over very few years, China has gone from being a net importer to having a production surplus of around 1 million tonnes.

Asian apparent consumption has risen by 2.5%, foremost among which are India, with 6.9%, China, with 4.2%, while Japan, Korea and Taiwan have experienced contractions.

In view of the region's high levels of activity -- overall GDP growth was 3.8%, with countries such as China recording 7.5% -- its considerable potential due to its 4,000 million inhabitants, and its still very low per capita consumption of stainless steel, now increasing at 6%, we are optimistic and consider that the production surplus will be taken up very quickly.

Stainless steel sheet prices cold-rolled 2.0mm AISI 304 2011 and 2012



Source:
Metal Bulletin Research
"Stainless Steel Monthly"

Stainless Steel Sheets

4 Acerinox Production

In terms of Group production, 2012 was the foremost year since 2007. Compared to 2011, melt shop production rose 8.3%, hot rolling 7.6% and cold rolling 11.6%. This was primarily due to Acerinox's robust international presence:

(Thousand Mt)	Year 2012					Year 2011
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Accumulated	Jan-Dec
Melting shop	612.2	565.2	522.5	489.2	2,189.1	**2,020.8**
Hot rolling shop	539.0	490.5	457.8	427.6	1,914.9	**1,779.2**
Cold rolling shop	379.2	357.7	350.2	331.0	1,418.1	**1,270.3**
Long product (Hot rolling)	60.2	62.6	50.6	48.1	221.5	**195.1**
Long product (Finished)	53.9	59.1	47.3	47.1	207.3	**191.1**

Stainless Steel Coils

Due to a rise in nickel prices since November 2011, peaking in February 2012, and the general status of inventories at the end of 2011 in all markets. production in the first quarter of 2012 was the largest for the year. Rapid restocking in the first quarter and the continued decline in nickel prices, together with a deteriorating economic and financial climate, led to a steady decline in production from April through to the end of the year.

Melt shop production was 16.7% higher in the first half of the year than in the second, while hot rolling and cold rolling were 16.3% and 8.2% higher, respectively, in the same period.

Production of long products was also higher in the first half of the year, by 24.3% in hot rolling and 19.8% in finished products.

Flat products (Mt)	Acerinox Europe	NAS	Columbus	Bahru	Total	Variation over 2011
Melting shop	676,034	1,008,516	504,531		2,189,081	8.3%
Hot rolling	568,949	853,175	492,786		1,914,910	7.6%
Cold rolling	431,400	664,435	265,775	56,482	1,418,092	11.6%

Long products (Mt)	Roldan	NAS			Total	Variation over 2011
Hot rolling	90,388	131,161			221,549	13.5%
Finished products	84,287	123,043			207,331	8.5%

Melt shop production at the three factories increased on 2011, but for differing reasons. In the case of Acerinox Europe, the 5.7% rise was primarily due to greater billet production for Roldán, which has stepped up its hot rolling production by 41% compared to 2011, when it was affected by the fire that occurred in November 2010.

In the case of NAS, the 7.6% increase in melt shop production was due to both growth in US demand and a larger market share. Lastly, Columbus' melt shop production grew by 13.6% on the back of black coil exports for the Group's new Bahru Stainless factory in Malaysia, which started operating in early 2012.

For the first time, Bahru Stainless contributed its cold-rolling production of 56,482 tonnes to the Group.

For the full year, Acerinox factories' melt shop capacity utilisation was less than 80% of historical levels, making the results a noteworthy achievement, and reflecting the success of the Excellence Plans (2009-2010 and 2011-2012) implemented so far, which have improved the competitiveness of all of the Group's factories.

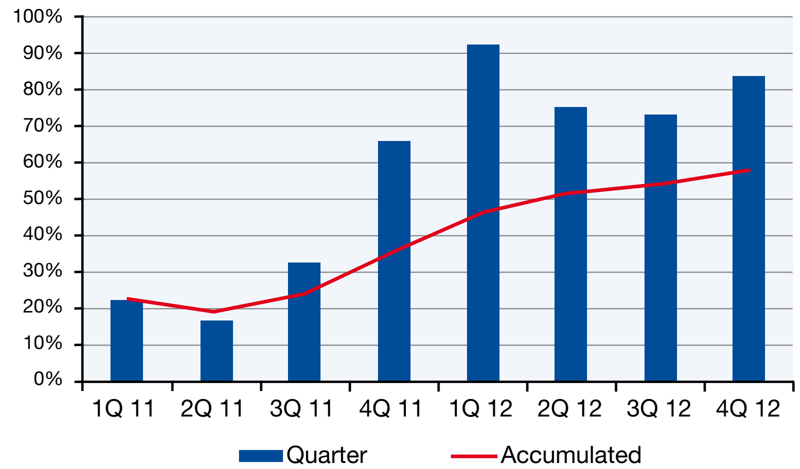
5 2011 - 2012 Excellence Plan

The Excellence Plan II for 2011-2012 was approved in February 2011, in light of the success of the Excellence Plan I for 2009-2010. The plan consists of 15 chapters, including those not completed as part of the first plan, as well as new goals focusing on improving the efficiency of the production process, purchasing management and the supply chain.

The estimated recurring savings upon completion of the plan would be Euros 90 million a year from 2013 onwards.

At 31 December 2012, an average of 59% of the objectives set had been achieved over the two years, equivalent to savings of Euros 53 million a year. While 35% of the target was achieved in the first year covered by the plan (Euros 32 million a year), in the second year 81% was achieved (Euros 73 million a year).

Quarterly results of Excellence Plan II for 2011-2012



Following the success of Plans I and II, on 18 December 2012 the Board of Directors approved Excellence Plan III for 2013-2014.

Like the two prior plans, Excellence Plan III was created based on the results of in-depth internal *benchmarking* programmes, and also because the Excellence Plan has already become part of the Group's working philosophy. The third plan expands the chapters included in the two previous plans and includes new chapters, bringing the total to 16, divided into four groups:

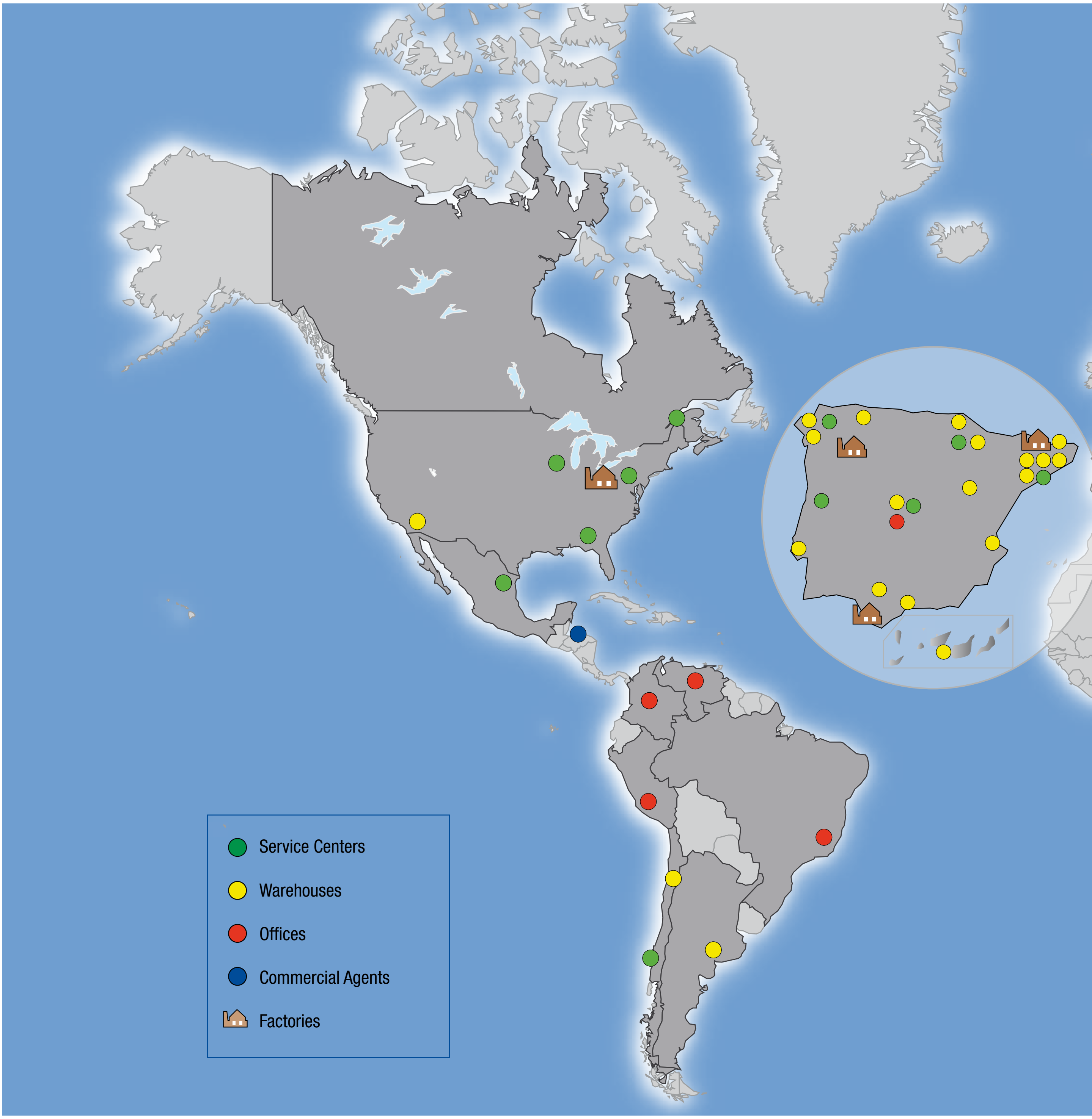
- Excellence in operations.
- Excellence in managing working capital.
- Excellence in the supply chain.
- Excellence in sales.

All of the Group companies have been deeply involved in drafting and developing the Plan, which is the result of initiatives and suggestions put forward by all of the units.

If 100% of the objectives are achieved, an additional recurring saving of Euros 60 million per year will be made.

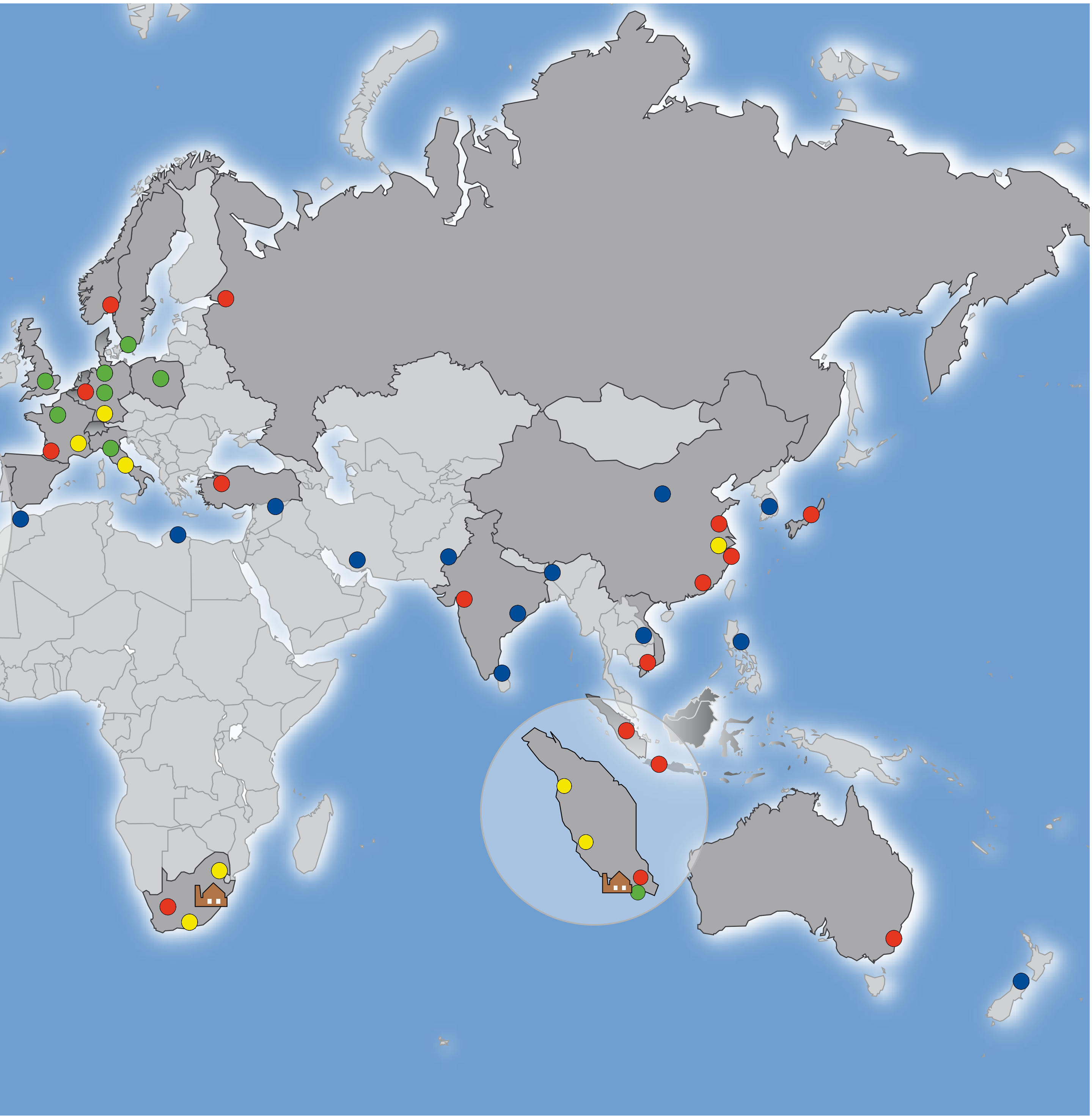
6 Commercial Network

As part of the vigorous international expansion strategy, the roll-out of the commercial network has continued, with new offices opened or in the process of being opened in Thailand, the Philippines and Taiwan.. A new office was also opened in Europe in 2012, in San Petersburg (Russia), while the Istanbul office commenced operations (Turkey).



Unfortunately, as explained in section 8 (Human Resources), the slump in the Spanish market in 2012 made it necessary to restructure the workforce at the Spanish subsidiaries Inoxcenter and Metalinox, entailing staff cuts.

At present, the Group's commercial network consists of 19 service centres, 28 warehouses and 21 commercial offices, as well as numerous sales representatives in the countries where we do not have offices. Through this network we are able to sell to 84 countries.



7 Sales

Consolidated Group turnover was Euros 4,555 million, down 2.5% on the prior year. However, the number of tonnes sold increased by 9.8% on the same period in 2011. This was mainly due to fluctuations in the price of nickel, which trended downward over the year, and the extremely low base prices the Group had to contend with, especially in Europe.

Nonetheless, performance in each market was very different, as was the performance of each company:

1.- **Acerinox Europe** Turnover was 2.3% lower, due to the difficult economic conditions that continue to prevail in the region, accentuated by fierce competition resulting from European market consolidation.

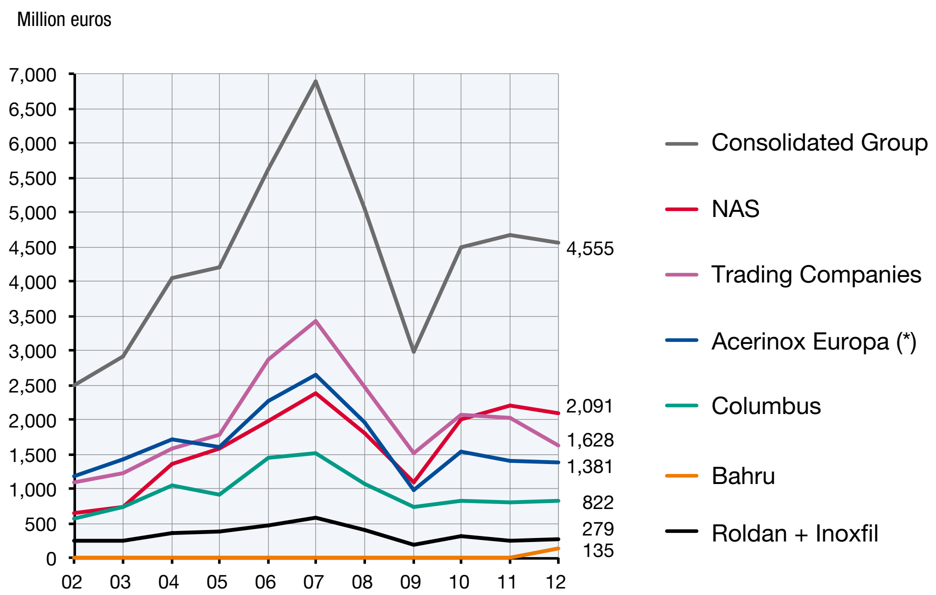
2.- **NAS**, Although sales volume was higher than in the preceding year, sales revenues were down 11.8% on the prior year in USD (4.9% in Euros) due to lower prices.

3.- **Columbus** Sales increased by 2.4%. Conducive conditions in the African market contrasted with the difficulties in Europe.

4.- **Bahru Stainless**, having implemented Phase I, has a turnover of Euros 135 million, supplying material to 188 customers in 15 countries.

5.- **Roldan** has performed very well, with the largest increase in sales within the Group (10%). A fire at the factory in late 2010 affected production in the first half of 2011.

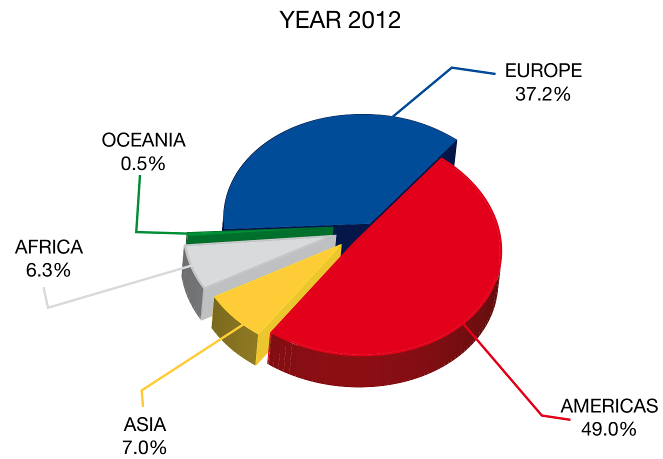
Evolution of Acerinox Group Net Sales Year 2012



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

The Americas have consolidated their position as the Group's main market, representing 49% of total turnover, while the Spanish market represents just 8%.

Geographical Distribution of Acerinox Group Net Sales



Packaged Stainless Steel Sheets

8 Human Resources

At the end of 2012 the Group's workforce comprises 7,252 employees. Despite hirings by Bahru Stainless, this represents a drop on the previous year, largely due to staff cuts at certain trading subsidiaries.

Some 54% of the Group's workers are now employed outside Spain. By regions, Europe still accounts for the highest proportion of the workforce, with 50.8% of the Group's workers, followed by Africa, with 22.0%, the Americas, with 19.5%, and Asia-Pacific, with 7.7%. Naturally, the Asian plant has experienced the largest net increase in headcount, up from 226 to 405 workers.

	2012	2011	2010	2009	2008
Acerinox, S.A.	65	68	2,529	2,576	2,667
Acerinox Europa	2,413	2,417	---	---	---
NAS	1,374	1,372	1,368	1,340	1,377
Columbus	1,592	1,708	1,751	1,736	1,920
Bahru Stainless	405	226	101	24	---
Roldan and Inoxfil	557	578	607	586	626
Spanish Trading Companies	305	388	403	411	461
Overseas Trading Companies	541	601	627	655	459
TOTAL	7,252	7,358	7,386	7,328	7,510

A new collective bargaining agreement with an initial duration of three years was secured for the Campo de Gibraltar factory in Spain. For the first time, under this agreement, salary rises cease to be pegged to cost of living increases, future increases being linked to corporate profits, productivity and efficiency.

In 2012 the governing bodies of the various Group companies decided to freeze their remuneration for as long as current global economic conditions prevail. This decision has been reiterated in 2013.

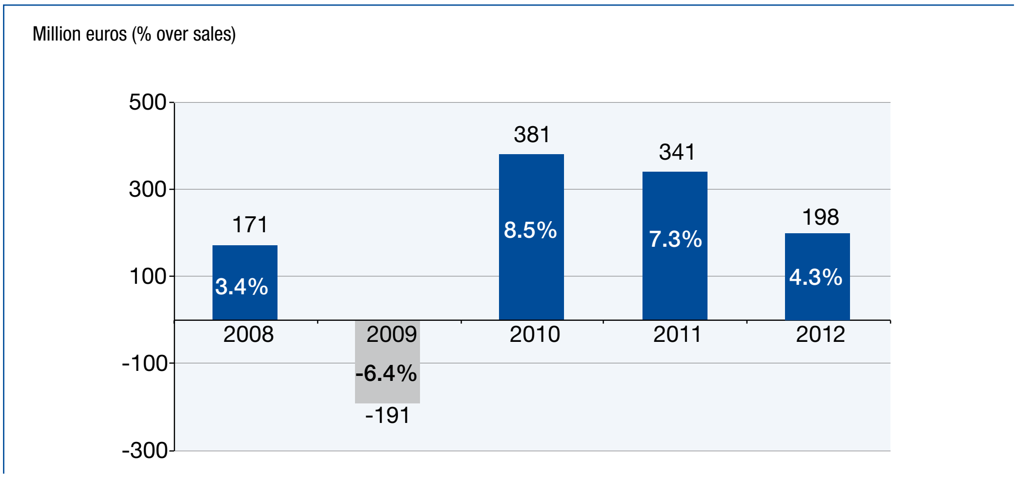
On the negative side, as the domestic market has gradually contracted, it has become necessary to make adjustments to the workforce of Inoxcenter and Metalinox, the Group's trading subsidiaries.

9 Financial Report

The results of the Consolidated Group reflect the downturn in the stainless steel market, particularly in the second half of the year. Tough economic and financial conditions in Europe, where competition is fierce, fiscal and election-related uncertainty in the USA, low prices in Asia and global overcapacity are just some of the factors that have eroded results.

Thanks to geographical diversification of fixed assets and the commercial network to a degree that is unparalleled in the sector, the Group has been able to generate a turnover of Euros 4,555 million, posting EBITDA of Euros 198 million. EBITDA reported by the main Group companies has been positive.

Evolution of the Consolidated Group EBITDA



Ongoing weakness of nickel prices and the ensuing decline in alloy surcharges have made it necessary to write down inventories at year end by Euros 17 million to restate them at their expected net realisable value.

The result after taxes and minority interests is a loss of Euros 18.3 million, the aforementioned adjustment to net realisable value thus proving decisive in determining a loss in what would otherwise have been a result close to breakeven.

Thousand euros

	2012	2011	Variation
Net sales	4,554,688	4,672,244	-2.5%
EBITDA	197,599	340,513	-42.0%
EBIT	47,739	192,435	-75.2%
Result before taxes and minorities	-18,759	132,627	---
Depreciation	147,976	146,785	0.8%
Gross cash flow	129,217	279,412	-53.8%
Result after taxes and minorities	-18,329	73,726	---
Net cash flow	129,647	220,512	-41.2%

The main balance sheet items reflect the Group's efforts in three areas in 2012: to lower working capital, safeguard its medium- and long-term liquidity and maintaining its Strategic Plan in place:

Million euros

ASSETS	2012	2011	Variation
Non current assets	2,308.17	2,251.44	2.5%
Current assets	1,907.46	1,819.78	4.8%
Inventories	870.48	1,119.43	-22.2%
Debtors	428.70	510.54	-16.0%
Trade debtors	386.26	476.98	-19.0%
Other debtors	42.44	33.56	26.5%
Cash and other current assets	608.28	189.82	220.5%
TOTAL ASSETS	4,215.63	4,071.22	3.5%

LIABILITIES	2012	2011	Variation
Equity	1,713.01	1,881.19	-8.9%
Non current liabilities	1,178.12	988.32	19.2%
Interest bearing loans and borrowings	895.40	707.20	26.6%
Other non current liabilities	282.72	281.12	0.6%
Current liabilities	1,324.50	1,201.71	10.2%
Interest bearing loans and borrowings	268.81	344.03	-21.9%
Trade creditors	827.76	636.92	30.0%
Other current liabilities	227.93	220.76	3.2%
TOTAL EQUITY AND LIABILITIES	4,215.63	4,071.22	3.5%

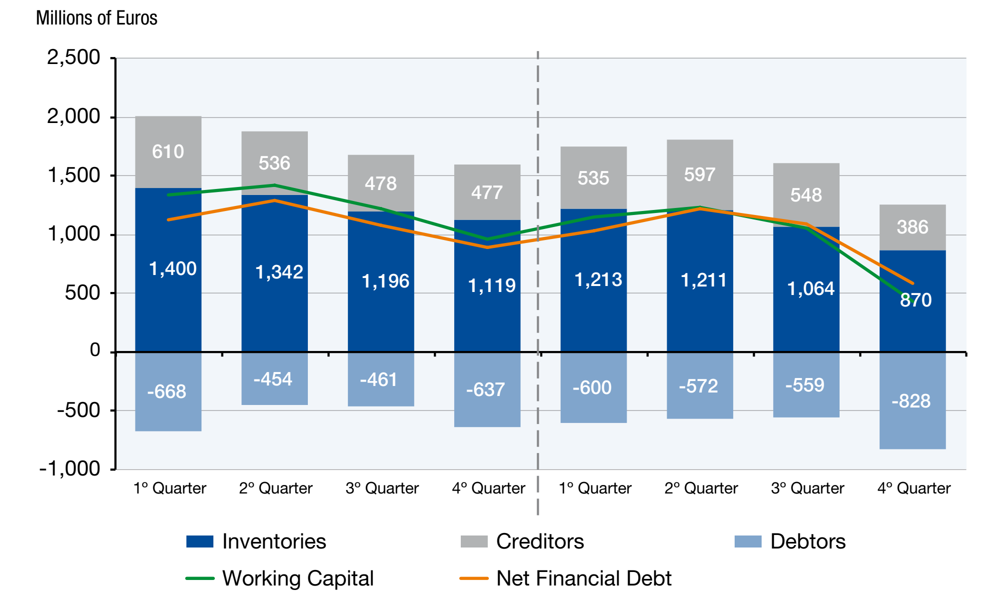
Submission of Acerinox results for the year 2012 at the Madrid Stock Exchange

- The Group's working capital strategy has had a three-pronged approach:

  1. Reducing inventories. In 2012, the Group slashed inventories by 15.8% in terms of physical units. The economic value of the reduction made during the year amounted to Euros 249 million. In the second half of the year alone, inventories were cut by Euros 341 million.

2. Lengthening payment periods for suppliers of raw materials. Raw materials supply contracts have been renegotiated with a view to extending the average payment period. As a result of these negotiations, trade payables have grown 30% (Euros 191 million). Just in the second half of the year, trade payables increased by Euros 255 million.

Quarterly working capital Years 2011 and 2012

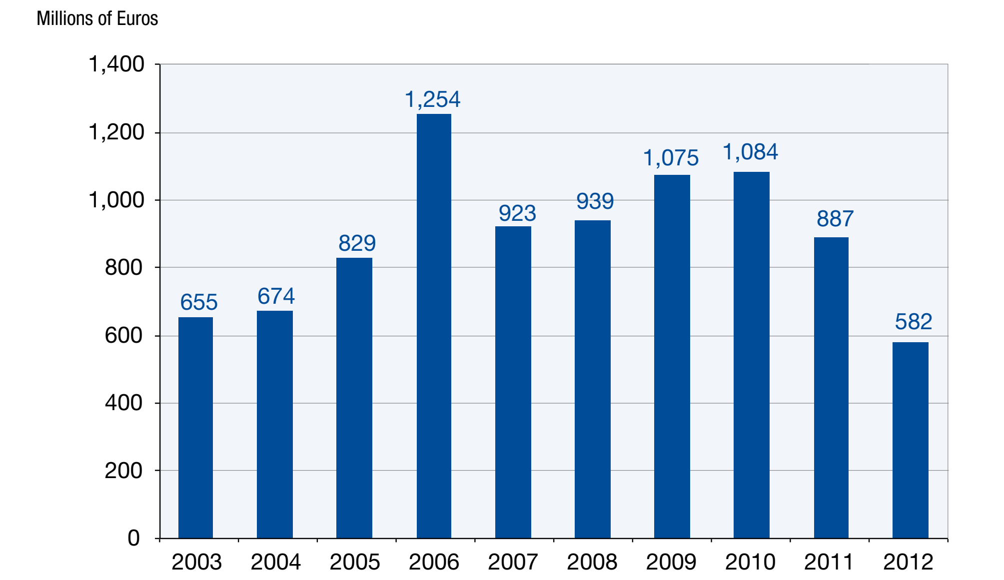


3. Reducing exposure to customer risk. The Group used financial instruments to hedge receivables and shorten the average collection period, including credit insurance, non-recourse factoring of its trade portfolio, confirmation and sale of documentary credits, reduced invoice payment periods, etc. As a result, trade receivables fell by 19% (Euros 91 million). In the second half of the year alone, trade receivables were lowered by Euros 211 million.

As a result of the foregoing, operating working capital was Euros 531 million lower.

Consequently, Acerinox has reduced net financial debt considerably, pushing it down to Euros 582 million, the lowest level in the last ten years.

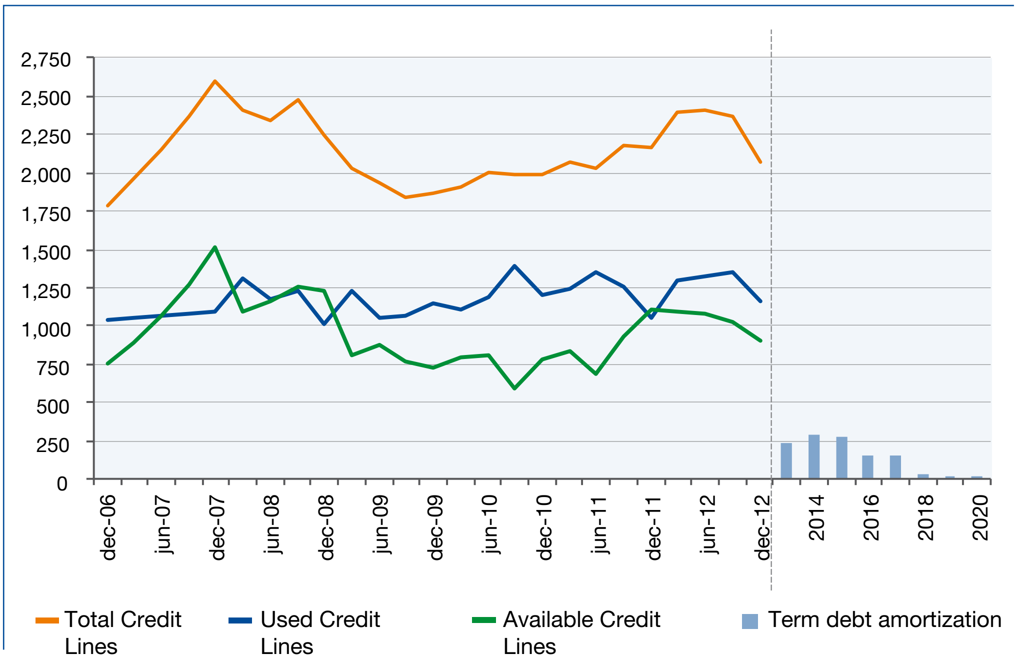
Net Financial Debt of the Consolidated Group



- Liquidity was reinforced in 2012 by the Euros 188 million rise in long-term borrowing, affording us considerable peace of mind regarding our ability to overcome any short-term liquidity tensions that might arise. In January 2012 a USD 482 million (Euros 380 million) syndicated loan was obtained from ten banks in the United States. This operation allowed the Group to lengthen its debt maturities, reduce its average finance cost and lower its exposure to European banks.

  The Group holds credit facilities totalling Euros 2,070 million, of which 44% is available, enabling Acerinox to make annual loan repayments without difficulty.

Credit lines evolution
Future term debt amotization



Net financial debt/EBITDA stands at 2.9x, a lower ratio than the 3.5x stipulated in most of the debt covenants.

Cash flow from operating activities amounts to Euros 565.5 million (Euros 438.1 million in 2011). This largely stems from the aforementioned Euros 531 million drop in operating working capital. Investments undertaken in 2012 amounted to Euros 209 million, while payments thereon during the year totalled Euros 150.5 million.

Overall, total cash flow during the year amounted to Euros 414.7 million, resulting in a net increase in cash of Euros 420 million, as shown in the following abbreviated statement.

Shareholders received remuneration of Euros 112.2 million in 2012, comprising dividends of Euros 87.3 million and share premium reimbursements of Euros 24.9 million

Abbreviated statement of cash flows December 2012

Millions of Euros

	jan - dec 2012	jan - dec 2011
Result before taxes	-18.8	132.6
Adjustments for:	217.6	231.6
Depreciation and amortisation	148.0	146.8
Changes in provisions and impairments	4.2	11.2
Other adjustments in the result	65.5	73.6
Changes in working capital	470.1	205.8
Changes in operating working capital (1)	530.5	267.9
Others	-60.4	-62.0
Other cash-flow from operating activities	-103.5	-132.0
Income tax	-41.4	-76.4
Financial expenses	-62.2	-55.6
NET CASH-FLOW FROM OPERATING ACTIVITIES	565.5	438.1
Payments for investments on fixed assets (*)	-150.5	-176.6
Others	-0.2	-4.7
NET CASH-FLOW FROM INVESTING ACTIVITIES	-150.7	-181.3
NET CASH-FLOW GENERATED	414.7	256.7
Acquisition of treasury shares	0.0	0.0
Dividends payed to shareholders and minorities	-112.2	-112.2
Changes in net debt	116.7	-129.2
Changes in bank debt	113.0	-145.9
Conversion differences	3.7	16.8
Attributable to minority interests	0.0	34.6
Others	0.7	0.6
NET CASH-FLOW FROM FINANCING ACTIVITIES	5.2	-206.1
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	420.0	50.6
Opening cash and cash equivalents	164.6	113.6
Effect of the exchange rate fluctuations on cash held	-1.9	0.4
CLOSING CASH AND CASH EQUIVALENTS	582.7	164.6

(*) Payments made during the year for investments, irrespective of when investments are capitalised.

10 Investments

The Acerinox Group maintains its Strategic Plan for 2008-2020 intact. This plan is aimed not only at industrial and commercial growth in South-East Asia through integration of the Johor Bahru factory, but also at ongoing modernisation and renovation of existing plants.

Investments in 2012 totalled Euros 209.1 million. Construction at the Johor Bahru factory, mostly of Phase II, accounted for 67% (Euros 139.6 million) of total investment and relate to annealing and pickling line no.2, cold-rolling mill ZM2, the CS2 cutting line and electrical and ancillary equipment.

Investments are broken down by company as follows:

Million Euros

	2012	2011
Acerinox, S.A.	0.2	0.4
Acerinox Europa	41.3	22.8
NAS	17.6	17.0
Columbus	7.7	11.5
Bahru Stainless	139.6	104.0
Roldan and Inoxfil	1.3	9.6
Spanish Trading Companies	0.1	0.1
Overseas Trading Companies	1.4	3.9
TOTAL	209.1	169.3

Acerinox Europa’s investments totalled Euros 41.3 million, including a new service centre in Pinto, refurbishment of the main machinery in the hot-rolling mill, due to conclude in 2013, as well as other improvements and renovation in all sections of the Campo de Gibraltar plant, including significant health & safety and environmental enhancements.

Investments of Euros 17.6 million in North American Stainless mainly benefit its long product division.

Bahru Stainless Factory

Cutting Line CS.2 at Bahru Stainless

Annealing and Pickling line nº 2 at Bahru Stainless

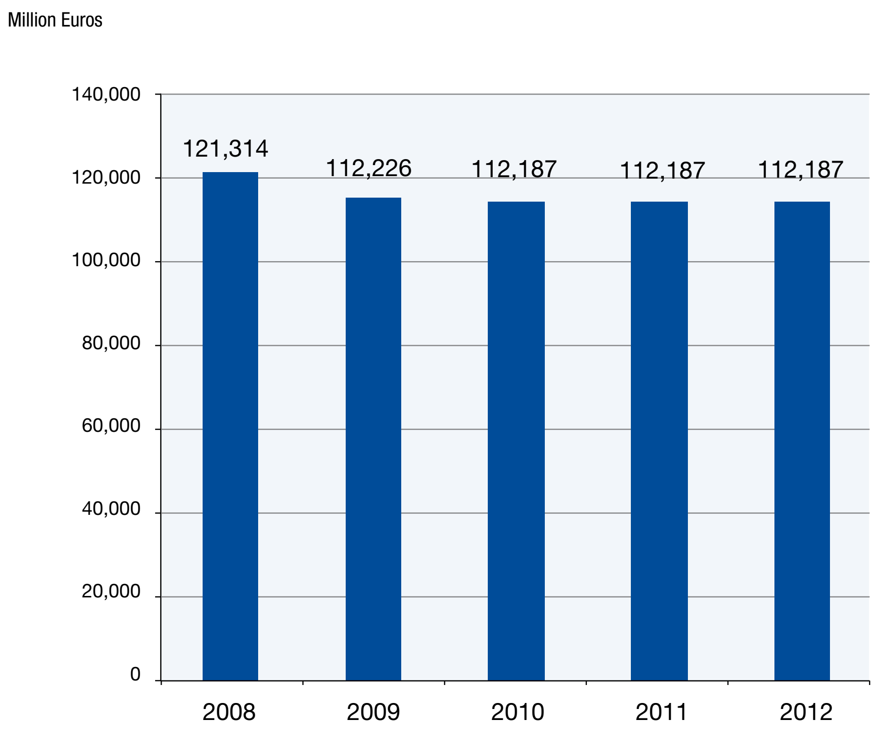
11 Shareholder Remuneration

In 2012, Acerinox awarded its shareholders remuneration of Euros 0.45 per share. This has been the same amount each year since 2007, with the exception of 2008 when remuneration was Euros 0.48 per share as it included an allowance for attending the General Shareholders Meeting so as to achieve the necessary quorum to amend the Articles of Association.

DATE	ITEM	EUROS/SHARE	TOTAL AMOUNT (EUROS)
5-1-12	First interim dividend for 2011	0.10	24,930,454.6
4-4-12	Second interim dividend for 2011	0.10	24,930,454.6
5-7-12	Complementary dividend for 2011	0.15	37,395,681.9
5-10-12	Reimbursement of share premium	0.10	24,930,454.6
TOTAL YEAR 2012		0.45	112,187,045.7

The Euros 0.45 per share paid to shareholders in 2012 is equivalent to a yield of 5.4% of the closing share price for the year, which was Euros 8.35 per share.

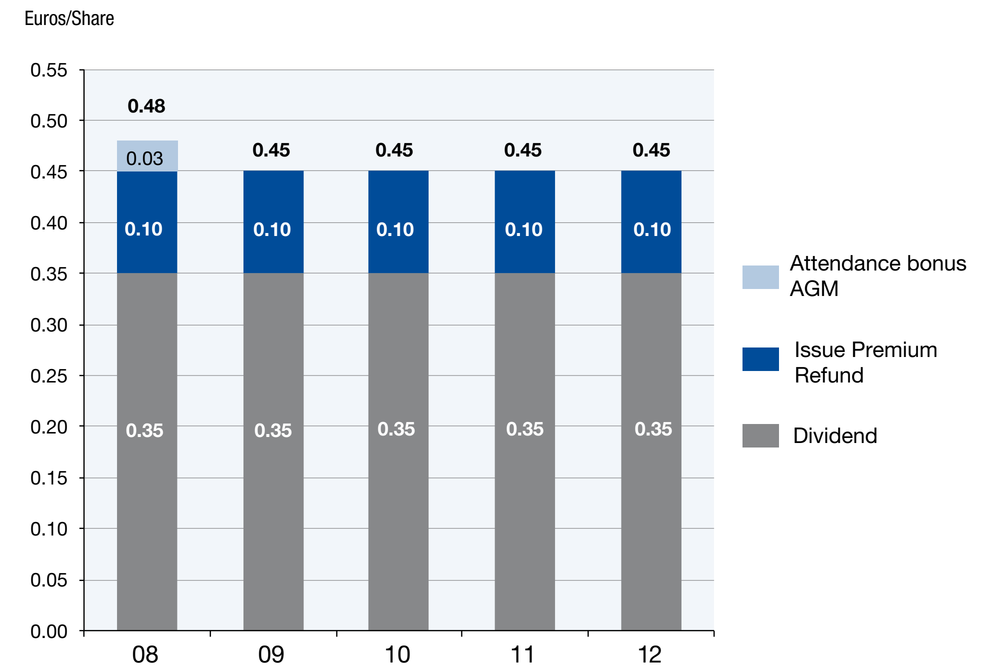
Total remuneration paid to shareholders for calendar year



Annual returns per share

At its meeting held on 18 December 2012, the Board of Directors of Acerinox, S.A. agreed that the decision regarding the dividend for 2012 should be made by the shareholders at their annual general meeting, with no interim dividend being distributed.

Return to shareholders



General Shareholders Meeting

12 Stock Market Report

The IBEX 35 closed 2012 at 8,168 points, down 4.7% on 2011 when the closing figure was 8,566 points.

The difficulties in the Spanish economy, escalating national deficit and uncertainty surrounding the Spanish banking system are some of the driving forces behind this decline.

On 24 July, the IBEX 35 hit a trough for the year at 5,956 points, marking the lowest level since March 2003, before rallying 27.1% to close the year at 8,168 points.

Evolution of the stock exchange market Acerinox, S.A. and Ibex 35

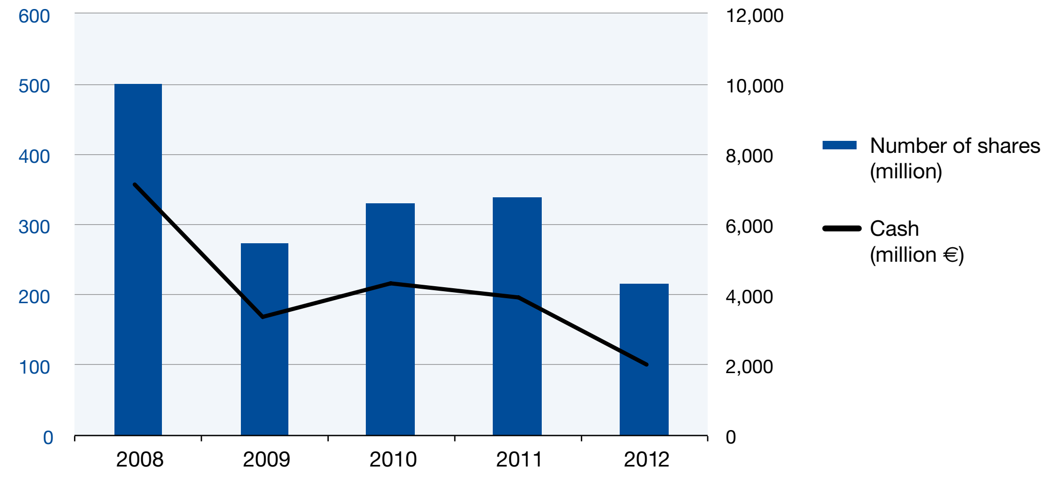
During the first half of the year Acerinox shares outperformed the IBEX 35, although the poor outlook for the stainless steel sector in the second half, a subject we have broached throughout this report, forced share prices down to Euros 8.35 per share by year end, a drop of 15.8%.

In 2012 Acerinox shares were traded on all 256 days that the electronic trading platform was operational. The total number of shares purchased was 212,952,017, equivalent to 85.4% of the shares that make up the Company's share capital (taking into account that 63.1% of the share capital is held by stable shareholders). Shares were purchased at a rate of 831,843 per day on average.

The maximum listing price of Euros 11.39 per share was recorded on 8 February, while the minimum of Euros 7.47 per share was seen on 23 July. The average share price for the year was Euros 9.17 per share.

Cash contracted in 2012 amounted to Euros 1,957 million, with a daily average of Euros 7.6 million.

Contracts of shares and cash



Acerinox has entered the IBEX Top Dividend index, which comprises the 25 highest-yielding securities on the IBEX 35, IBEX Medium Cap and IBEX Small Cap with an ordinary dividend payout track record of at least two years.

The Spanish index was the only European index to end the year with losses. The German DAX index closed its trading year with an upturn of 29.1%, while the French CAC rose 15.2%, the UK's FTSE was up 5.8% and the Eurostoxx 50 climbed 13.8%. In the US, the Dow Jones ascended 7.3% while the Nikkei in Japan surged 23%, closely followed by the Hong Kong stock exchange with a rise of 22.9%.

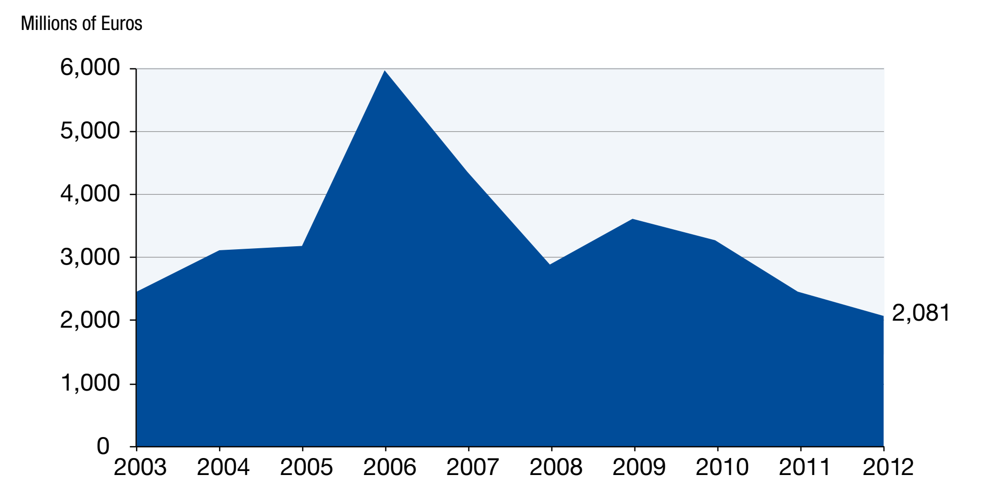
This is the third year running that the Spanish selective index has incurred losses, declining 31.6% over the period, while the listing price of Acerinox shares has plummeted 42.5%.

Evolution of the stock exchange market Acerinox, S.A. and Ibex 35

Capitalisation

At 31 December 2012 Acerinox market capitalisation totalled Euros 2,081 million.

Market capitalization of Acerinox, S.A. 2003 - 2012



Share capital

At the end of 2012, Acerinox share capital amounted to Euros 62,326,136.50 and was represented by 249,304,546 shares with a par value of Euros 0.25 each. Share capital remains unchanged since 2009. All shares are traded through the electronic trading platform on the official markets of the Madrid and Barcelona stock exchanges.

The shareholders present or represented at the General Meeting held in Madrid on 7 June 2012 accounted for 70.1% of the share capital. Shareholders were able to appoint a proxy or cast their vote electronically prior to the meeting.

Analyst and Investor Day

On 3 October an Analyst and Investor Day was held at the Campo de Gibraltar factory.

A total of 50 investors, analysts and other banking sector representatives attended the event, alongside the senior management personnel of Acerinox and directors of the Company's factories. The following presentations were given during the morning:

- Stainless steel growth opportunities in emerging markets
- Acerinox: a sustainable company
- Acerinox Europe: factory performance over time
- Challenges facing North American Stainless in the current circumstances
- Bahru Stainless: stepping forward
- Current status of the stainless steel market

José Luis Masi, Acerinox Europe's factory manager, took attendees on a guided tour of the factory.

This type of event enables the financial community to gain a more in-depth insight into the Company and to enhance its knowledge of production processes and the stainless steel market, as well as the Acerinox strategy and values.

Visit of Analysts and Investors to the Acerinox Europe Factory on October 3, 2012

13 Board Of Directors

At their General Meeting held on 7 June 2012, the shareholders approved the proposal put forward by the board of directors to re-appoint the following directors for a further four-year term, as stipulated in the articles of association:

Mr. Óscar Fanjul Martín, as an external director representing Feynman Capital, S.L. (Omega Group).
Mr. José Ramón Guerediaga Mendiola, as an independent director.
Mr. Braulio Medel Cámara, as an independent director.

At 31 December 2012, the Board of Directors and its committees comprise the following members:

BOARD OF DIRECTORS

Chairman:

Mr. RAFAEL NARANJO OLMEDO

Chief Executive Officer

Mr. BERNARDO VELÁZQUEZ HERREROS

Directors:

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

Secretary to the Board:

Mr. ÁLVARO MUÑOZ LÓPEZ

EXECUTIVE COMMITTEE

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

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

SELECTION AND REMUNERATION COMMITTEE

Mr. MANUEL CONTHE GUTIÉRREZ (Chairman) [1]
Mr. BRAULIO MEDEL CAMARA
Mr. ÓSCAR FANJUL MARTÍN
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ [2]

AUDIT COMMITTEE

Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA (Chairman) [1]
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. RYO HATTORI
Mr. DIEGO PRADO PÉREZ-SEOANE

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

---

[1] Appointed December 18th,2012. [2] Appointed February 27th, 2013

Acerinox Board of Directors

14 Events after the Reporting Date

1.- Change of management at the Campo de Gibraltar factory (Spain). In January 2013, Mr. José Luis Masi Sainz de los Terreros stepped down as director of the Campo de Gibraltar factory upon reaching the statutory retirement age after a successful career spanning almost 40 years. His replacement is Mr. Antonio Moreno Zorrilla, former director of the Technical department with 35 years' service with the Company, who was appointed by the Board of Directors of Acerinox, S.A.

2.- In January 2013, a second cold-rolling mill (ZM2) went into production at the Bahru Stainless factory, increasing output of rolled products accordingly. ZM2 has been especially designed for thinner products and thus complements Bahru Stainless's product range.

3.- The board of directors of Acerinox, S.A. has authorised management to set up new trading companies in Taiwan, Thailand and the Philippines as part of the Group's strategy for the Asian markets.

4.- Uncertainties regarding the future ownership of the Terni factory as a result of the merger between Inoxum and Outukumpu have not yet been resolved. At the time of writing, a consortium of companies headed by Aperam and comprising Marcegaglia SpA and Gruppo Arvedi confirm that they have filed a takeover bid that is pending acceptance by the European Commission.

ZM2 at Bahru Stainless

15 Annual Corporate Governance Report

By the date of publication of the Annual Accounts, the Acerinox Annual Corporate Governance Report for 2012, which is an integral part of the Annual Report, is available on both the Acerinox and the Spanish National Securities Market Commission (CNMV) websites.

2
Sustainability Report

1 Introduction

Statement from the Chief Executive Officer

In 2012, Acerinox obtained its GRI certification for the first time. This certification reflects the management's commitment in making the Group more responsible: concerned about its jobs, its manufacturing and distribution processes and committed to its natural and human environment.

The certification has not required additional training efforts, but rather a compilation and continuance of the normal practices in our companies: the Group is proud, and has been for a long time, for pushing harder and achieving higher standards required by local legislation.

After obtaining the GRI, the company's management gave instructions to improve the certification levels in this and other areas. At the time of writing this, that instruction has been partially fulfilled, given that in the field of carbon emissions, the field audited by the *Carbon Disclosure Project*, Acerinox has improved year on year *its rating* both in level and in scoring. At this moment, it is the company with the highest mark in Europe within this sector.

Boasting certifications or completing a curriculum in this field which today, fortunately, is as necessary as being able to speak English, is not the primary aim of these efforts. An accreditation should be the catalyst of a holistic effort that leads us to review how things are, to decide whether we like them, how they could be better and shift to social responsibility and care for the environment with the same excellence the group displays in the manufacturing and distribution processes.

Acerinox applies European standards of environmental quality (the strictest) and social responsibility in all its new factories. This is the technology and culture we are familiar with: we do not know how to manufacture steel in a non-environmentally friendly way, we do not know how to manage resources irresponsibly, nor do we know how to distrust the human capital.

Therefore, our ratios in this area improve year after year. Overall, we can say that fewer tonnes of CO_2 are emitted into the atmosphere to manufacture our steel each year, we consume less water than tonne produced each year, we recycle more each year and there are less accidents each year. However, zero accidents is still not within reach, but it is a goal that we will not give up.

We are going to continue improving our ratios in terms of emissions, discharges, recycling and continue working with our suppliers, contractors and hauliers to achieve the highest standards in energy and environmental excellence. That is why the General Contract Conditions of the group's companies include accreditation of environment and quality certifications and a commitment to human rights as preferential merits.

We will discuss Acerinox's remaining commitments to shareholders, suppliers, clients, employees and society in the following pages. We will explain amongst other things why Acerinox joined the United Nations Global Compact, what we are doing with the disabled and why we believe so much in stainless steel. We hope you enjoy reading and the wonderful photos that, for the most part, have been taken by Acerinox employees.

2 Corporate Governance

1. THE GENERAL MEETING

Held on 7 June 2012, the General Meeting approved the company's management as well as remunerations to shareholders with a cumulative value, between dividends and share premium refund, of 0.45 euros per share, a figure that has been common in recent years.

This permanence of remuneration has meant that Acerinox ranks among the leading companies in the Ibex-35 Top Dividend Index, as explained in the management report.

Prior to the General Meeting, the e-Forum was activated for those shareholders that wish to communicate with the company's management and where appropriate request additions to the agenda, although this opportunity was not taken.

The Articles of Association require ownership of at least 1,000 shares to be able to attend the meeting, but do not set any limitation to the number of votes to be cast by any shareholder, so that the number of votes to be cast is equal to the shares held.

Given that 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. 249,304,546 shares.

The items on the agenda were approved without exception, by majorities ranging from 88.07% and 99.99% of the capital present at the General Meeting.

Quality is a commitment of all

2. MAIN GOVERNING BODIES: THE BOARD OF DIRECTORS AND OTHER EXECUTIVE BODIES

2.a The Board of Directors

The Board of Directors has a total of 15 members, which is the maximum allowed by the Statutes. The Secretary to the Board doesn't 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 just one –specifically the Chief Executive Officer – and has five independent members, although one of them, the Chairman, was once chief executive of the company and is now retired.

The rest are proprietary and independent members and their number and groupings are proportionate to the various reference shareholders.

The Council members have extensive professional experience in the business world, and in many cases a wealth of academic experience too. Several of them belong to the elite corps of the Spanish Administration.

In the year 2010, the company, following the best good governance recommendations, decided to separate, on the one hand, the positions of Chairman of the Board and Chairman of the Meeting, and on the other hand, the responsibilities of the Chief Executive Officer and the highest executive in the organisation.

Under Spanish law, the remunerations collected by the directors and the remuneration policy were the subject of a consultative vote – a vote that was successful, with the endorsement of the remuneration policy by 88.07% of the share capital with voting rights that attended the General Meeting.

Acerinox is the leader in the American market, where Chicago is the largest consumer center

Continuing this policy of transparency, remunerations for attendance to the Board of Directors and its delegate committees in 2012 were as follows:

REMUNERATIONS BOARD OF DIRECTORS ACERINOX SA - 2012

DIRECTORS	FIXED REMUNERATION	VARIABLE REMUNERATION	TOTAL 2012
BERNARDO VELAZQUEZ HERREROS	Acerinox 60,614.26	Acerinox 27,833.25	88,447.51
		Other bodies 43,227.96	43,227.96
All Executive Directors	60,614.26	71,061.21	131,675.47
YUKIO NARIYOSHI	60,614.26	7,422.20	68,036.46
DIEGO PRADO PEREZ-SOANE	60,614.26	27,833.25	88,447.51
MVULENI GEOFREY QHENA	60,614.26	5,566.65	66,180.91
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	60,614.26	27,833.25	88,447.51
LUIS LOBON GAYOSO	60,614.26	18,555.50	79,169.76
OSCAR FANJUL MARTIN	60,614.26	25,977.70	86,591.96
CLEMENTE CEBRIAN ARA	60,614.26	27,833.25	88,447.51
RYO HATTORI	60,614.26	35,255.45	95,869.71
PEDRO BALLESTEROS QUINTANA	60,614.26	27,833.25	88,447.51
All Proprietary External Directors	545,528.34	204,110.50	749,638.84
JOSE RAMON GUEREDIAGA MENDIOLA	60,614.26	27,833.25	88,447.51
BRAULIO MEDEL CAMARA	60,614.26	9,277.75	69,892.01
BELEN ROMANA GARCIA	60,614.26	24,122.15	84,736.41
MANUEL CONTHE GUTIERREZ	60,614.26	9,277.75	69,892.01
All Independent External Directors	242,457.04	70,510.90	312,967.94
RAFAEL NARANJO OLMEDO	121,228.52	38,966.55	160,195.07
All Other External Directors	121,228.52	38,966.55	160,195.07
ALL DIRECTORS	969,828.16	384,649.16	1,354,477.32

In regards to the changes made to the Board in 2012, it should be noted that there were none, given that the General Board re-elected, in its entirety, the members whose mandates had run out, which applied to Mr Guerediaga-Mendiola, Mr Fanjul Martín and Mr Medel Cámara.

In total, the Board of Directors held six meetings in 2012.

2.b The Executive Committee

This Board, called upon to monitor and manage businesses on a more regular basis than the Board of Directors, held five meetings in 2012.

The chair and the secretariat of the executive committee chair the Chairman and the Secretary to the Board of Directors, respectively.

2.c The Audit Committee

It has once again been the most active Board in 2012 in terms of the number of meetings, a total of nine.

At the end of the year, its Chairwoman, Mrs Romana García resigned as member of the Committee, having been called to head the Asset Management Company from the Bank Restructuring - SAREB – commonly known as the “bad bank”.

The resignation of Mrs Romana – who continues as a director of Acerinox SA – means that Mr Sr. Guerediaga Mendiola will replace her as a member of the audit committee and Chairman.

The Secretary to the Board of Directors acts as secretary to the Audit Committee.

2.d The Appointments and Remunerations Committee

It held five meetings in 2012. In the first one it proposed to the Board of Directors, to the consideration of the General Meeting, to maintain, without updating, the remunerations of the Board Members. The measure came ahead of the IPC redundancies that the group’s companies have been carrying out where negotiating collective agreements has allowed it. It also intervened in holding to account senior management remunerations and the appointment of some of them. At the end of the year, the Chair of this board appointed Mr Manuel Conthe as their replacement. It also replaced the Secretary with Mr Álvaro Muñoz, secretary to the Board and to the rest of the delegated committees.

2.e Other executive bodies

Acerinox’s Management and Strategy Committee is composed of six people and, following the retirement of the director of the plant in Campo de Gibraltar in January 2013, there are now five: the Chief Executive Officer, the Managing Director, the Finance Director, the Director-General and the Secretary General.

The remunerations of these people are determined by the Appointments and Remunerations Committee. Fixed perceptions of this group have remain unchanged in 2012. The quantities received by this group as a whole has been 2,281,000 euros.

3. THE RULES GOVERNING THE GROUP

In 2012 and unlike 2011, there hasn't been any significant change in the statutes of Acerinox SA, nor in the regulatory standards.

The only modifications in the statutes have been imposed by regulatory changes which has triggered its statutory reflection and particularly concerns articles 12: Notice and 13: Constitution of the General Meeting of Shareholders. The statutes and other internal standards are available at www.acerinox.com.

4. OUR SHAREHOLDERS

As we like to remember, one of the most remarkable characteristics of Acerinox SA is the permanence and continuity of its reference shareholders. This loyalty can be traced back, in some cases, to the company foundation 40 years ago.

There hasn't been any significant change in the shareholder structure in 2012 (this being understood, any mandatory disclosure should be sent to CNMV).

5. OTHER RELEVANT FACTS

The company has communicated to regulatory authorities (CNMV) a total of 23 relevant facts in 2012, on the following dates: 12 January, 28 February (four), 13 March, 27 April, 3 May, 7 June (four), 19 June, 22 June, 27 June, 25 July, (two) 13 September, 2 October, 4 October, 25 October and 19 December.

Nissan 2012 Fair in Japan with representatives from the four plants of Acerinox invited by Nisshin Steel.

3 Human Rights

Since 2010, the companies of the Acerinox group have a common Code of Conduct, which acts as a shared constitution. You can download the contents of this code at www.acerinox.com

At a local level, the standards of each industrial company develop, always within this common acquis, the respective matters combining the basic non-negotiable principles with the necessary local characteristics, where relevant.

1. United Nations Global Compact

The Chief Executive Officer of Acerinox SA recently informed the United Nations Secretary General, Mr Ban Ki Moon, of the company's adherence to the United Nations Global Compact, as a way to externalise and formalise, at the highest level, the commitments of the company in this field.

This adherence not only involves admitting the existence of universal and basic principles previously stated in our Code of Good Practice, but also publically committing to a vigilant and demanding attitude to respect and protection.

In particular, we will ensure to eradicate any possibility that our suppliers and companies, which Acerinox may contract in the most remote places in the world, use forced labour and do not respect minimum ages for employment. We will also ensure that those who are associated, whether active or passive, with the companies of the Acerinox group maintain labour standards acceptable by the International Labour Organisation.

2. Prevention of harassment in the workplace

Our Code of Conduct contains essential declarations on prohibition and prevention of harassment in the workplace without worrying about the source of the harassment.

As prohibition is more effective if accompanied by measures, a reporting system is implemented in the group's companies. As well as reporting, the employee has the possibility to request the adoption of precautionary measures. These measures are implemented automatically while the investigation takes place and although no decision has been made.

3. Universality of the protection of human rights

Acerinox's commitment to Human Rights is not limited to the Code of Conduct or adherence to the global compact. On the contrary, the group's companies care because our conduct and zeal in such important matters are shared and benefit the companies associated with us and their employees.

More than 3,000 people from different companies interact daily with Acerinox: the subcontractors and those working for them. At Acerinox, we make sure that the standards we want for ourselves also benefit others. Universality means that our general conditions oblige the service providers to observe the best labour practices with their respective staff and, especially if the services are to be rendered on the premises of the group's companies. In this case, there is no other standard than ours and the contractors must commit to it.

In 2012, the Group has made efforts to improve the average business quality of our contractors, promoting the improvement of working and recruitment conditions in which these companies operate. The result is that those who were not capable of adopting our standards have transferred their activity – and in particular their staff- to other companies in better conditions.

Universality also means that the group's companies cannot supply goods or sell products to companies with a doubtful human rights policy. We therefore demand that these companies prove they have codes of conduct or ethical codes similar to ours or comparable with European standards.

Our general conditions prevent –and our contractors must accept- payments being made for services if the contractor owes amounts for salaries or contributions to compulsory social security schemes. In this regard, the corresponding collateral is also responsible for minimising the risk to Acerinox.

4 Preventing Corruption

1. Prevention of dishonest practices

The companies of the Acerinox Group can only operate in ways that ensure complete traceability of payments made and collections received. Payments or collections in cash and bearer shares are not allowed.

Our Code of Conduct clearly states the restrictions on accepting or offering gifts or hospitality by our managers and employees.

2. Action on tax havens

Acerinox SA's adherence to the Good Tax Practices Code sponsored by the Spanish Ministry of Fiscal Affairs (and developed by a working group in which Acerinox was represented) obliges Acerinox SA and its companies to not do business with companies whose main purpose is to reduce the amount of tax due to the tax authority of its parent company.

Acerinox Group does not have any financial and dummy corporations operating in territories classified as tax havens, with the intention to reduce taxation in Spain.

The Swiss subsidiary Newtect, which was carrying out financing operations from its other Group subsidiaries, is currently in liquidation. Acerinox Scheweiz, a company that sells stainless steel to local clients, remains in the Swiss territory. In any case, the Swiss Confederation is not considered a tax haven for these purposes.

The subsidiary Acerinox South East Asia (Singapore) aims to sell stainless steel in the city-state of Singapore. It is to be noted, in any case, that Singapore has a double taxation agreement with Spain and said agreement includes a clause for the exchange of information. For that reason, Singapore is not technically a tax haven, but it was in its day.

Also in Asia, specifically in Hong Kong, Acerinox Pacific engages in the commercialisation of stainless steel. Although the territory itself is considered a tax haven, the activity carried out there is purely commercial, and without any financial or tax connotation. The turnover of this subsidiary is 0.16% of the group turnover.

The subsidiary Inox Re, located in Luxembourg, aims to carry out the business of insurance on behalf of the group. Luxembourg does not have tax haven status for the purposes of Spanish law. The turnover of Inox Re is 0.10% of the group turnover.

3. No Funding

The companies of the Acerinox Group have not directly or indirectly funded any political party, political association, or foundation directly or indirectly linked or related to a political party in 2012 in any country or territory where they operate.

They also have not funded or subsidised companies, initiatives or events that could knowingly be a direct or indirect benefit to a party, association, foundation or individual linked to a political party.

4. Internal reporting channel

The Code of Conduct created this channel not only to prevent and tackle any hint of harassment and internal abuse, as explained in the corresponding section, but also to report any case where the informant considers a practice to be contrary to the interest of the company, its shareholders and employees. At the time of writing this, 12 reports have led to the adoption of appropriate measures.

The relatively low use of the system can be interpreted as an effect of its novelty, absence of culture in exercising the reporting channels – and a more optimistic scenario – bad practices are scarce. A critical follow-up of the system will take place in 2013, just in case.

5 Absence of tax and Customs Privileges

The tax and customs obligations of the group's companies are fulfilled by the generality rule used by the countries in which they are established, without benefiting from advantages or privileges established on an ad hoc basis and in its favour.

We must also mention Malaysia as a special case, where Bahru Stainless has a tax regime that generates tax credits and certain exemptions on importing equipment, subject to making certain investments. This regime, as a result of the special concession from the local authorities, is regulated by the respective tax laws and can therefore be requested and obtained by other companies with the same concessions and similar investments. It does not, therefore, constitute a privilege.

Hot rolling

6 Acerinox's contributions to families, municipalities, states, social protection systems, shareholders and other companies, in the places in which it is established

In 2012, the Group's companies have contributed the following amounts to general well-being, with the exception of its charitable activities.

It has paid 285,000,000 euros in salaries that have been received by our employees and their families.

It has paid 51,000,000 euros in contributions to various social security schemes, health care and old age pensions for the benefit of our employees and their families.

It has paid 112,000,000 euros in dividends to our shareholders.

It has paid taxes of 58,000,000 euros to various public administrations.

The sum of all this (506,000,000 euros) and its multiplied effect on the economy is the greatest added value that companies of the Acerinox Group have returned to society.

Lab at Acerinox Europa

7 Environment, recycling and climate change

1. Introduction

The company's environmental policy is a reflection of its commitment to sustainability, and therefore, to continuous assessment and reduction of the environmental impacts created by its activity. To this end, significant economic and organisational resources are available to maintain a balance between the production needs, the needs of the organisation's personnel and environmental protection.

Acerinox's senior management is assessing the risks and opportunities regarding matters of the environment, such as legislative, technical or physical changes associated with climate change. This analysis and assessment leads to an overview of the organisation within the surrounding environment.

2. CDP, GRI, LCI, EMS KYEXEL

The Group participated in the following projects in 2012:

- **Carbon Disclosure Project (CDP)**

In 2011, Acerinox asked to participate in the CDP INVESTOR 2011 report, considering the reports produced by CDP as the most credible by experts in this field.

The report assesses each company through two grades: *Carbon Disclosure* and *Carbon Performance*, and corporate transparency in managing issues relating to climate change is one of the most important aspects.

Acerinox obtained the 83/B classification in 2012, one of the best scores in its sector worldwide. This result reflects the investments and improvements in processes carried out by Acerinox, as well as unwavering commitment in management to achieve major objectives. The report confirms that Acerinox, on top of productivity and quality of its products, is one of the world's most efficient steel makers in terms of the environment.

Acerinox's policy has resulted in a progressive and substantial reduction in CO_2 emissions. Emissions have been reduced by 15% per tonne of steel produced since 2005, which means, for the current year, 28,000 fewer tonnes of CO_2 is emitted into the atmosphere.

- **Global Reporting Initiative (GRI)**

The 2011 annual report was drawn up following the GRI's (*Global Reporting Initiative*) G3 guidelines for preparing sustainability reports. The documentation was submitted to GRI's audit bodies and Acerinox received the impressive "application level B" classification. This publication of the first 2011 Sustainability Report was a first step in sharing Acerinox's results, challenges and commitments in this field to account for our environmental, social and economic performance before each of our stakeholders.

Consequently, taking into account the success of 2011 and Acerinox's intention to do better year after year, various verification processes and GRI's internal and external audits are included in the 2012 report.

- Life Cycle Inventory (LCI)

Aware of the need to assess the environmental implications of the entire life cycle of stainless steel, from the manufacturing process to the end of its useful life, Acerinox is participating in the study of the complete life cycle of the product Life Cycle Inventory (LCI) promoted by EUROFER. The life cycle of stainless steel is positively assessed because of the amount of recycled material used and the ability to recover and re-enter used stainless steel products in the manufacturing process.

- Environmental Management System (EMS)

Acerinox promotes the implementation of Environmental Management Systems (SGA) based on the standard ISO 14001. This analysis and assessment leads to an overview of the organisation within the environment and allows for significant improvements.

Given the activity carried out by Acerinox, one of the most important factors in the SGA is the effective use of materials and various resources. The SGA annually implements environmental management programmes focused on actions that lead to investments such as efficiency improvement in AOD converters or improvements in cold rolling pickling lines and acid recovery, to name only two relevant examples. In 2012, energy efficiency actions has enabled savings in fuel and electricity, which results in a decrease of 2,800 tonnes in CO_2 emissions.

On the other hand, **NAS** has once again been awarded the KY EXCEL certificate (*Kentucky Excellence in Environmental Leadership*) which rigorously assesses the environmental involvement of companies. NAS was awarded the highest level of the programme this year, which involved implementing and developing a continuous plan with a minimum of 5 consistent environmental investment projects and strict compliance with the rules on the environment over the last 3 years.

The Group collaborates with UNESID (*Union of Iron and Steel Companies*) in Spain, compiling the inventory of CO_2 emissions for the Spanish Ministry of Environment and developing the Environmental Responsibility Law “Project MIRAT”. It also collaborates with the Association *World Steel*, which monitors compliance with environmental regulations, encouraging best practice and developing new technologies to prevent emissions at source. This association has awarded Acerinox a certificate in recognition of actions taken in the fight against climate change.

3. Actions, expenses and investments in Acerinox Europa, NAS, Columbus and Bahru

- Environmental expenses and investments

Environmental expenses in 2012 at the **Acerinox Europa**, SAU plant were €16,856,124 which is an increase of 1.3 million euros compared with 2011. These amounts were mainly accrued in the following areas:

- Partitioning of waste collection tanks to prevent unwanted mixtures.
- Extension of the control zone for automatic measuring equipment.
- Renovation and improvement of the steam and air networks to eliminate losses and leaks.
- Optimisation of the steam boiler in the hot-rolling process.
- Acquisition of fireproof oil recycling equipment in lines AP2, AP3 and P4.

Furthermore, an additional €1,931,595 has been invested in environmental care. Specifically in:

- Efficiency improvements in AOD converters.
- New pumping equipment for emergency spillages.
- Improvements in the cold rolling pickling lines.
- Improvements in the acid recovery plants.

More than $4,218,573 has been invested in this concept at **NAS** in 2012. The major improvements, among others, have been the installation of new water treatment plants to collect and treat the slag, decalcification and dust produced in the AP hot line and in the dust handling system in EAF2, which will be completed in 2013. Furthermore, fire-fighting equipment has been installed using moisture dust enclosures.

In 2012, **NAS's** total spending on environmental objectives, more supplies and other miscellaneous expenses has been $72,247,358, a figure higher than that of 2011.

Furthermore, the budget of $1,239,157 to replace the lining of one of the waste storage dams was approved at **Columbus** in 2012. This plan to improve waste storage will be implemented in 2013, achieving better control and greater safety in treating waste. Columbus was again awarded ISO 14001 certification in June 2012.

Finally, the following additional means were implemented at **Bahru Stainless** in 2012:

- Neutralisation plant for performance improvements.
- Acid regeneration plant.
- Neolit recuperation plant.
- Heat recovery boiler for the AP-1 line.
- Collections systems for rolling oils.
- Sediment and erosion control by actions carried out on the ground.

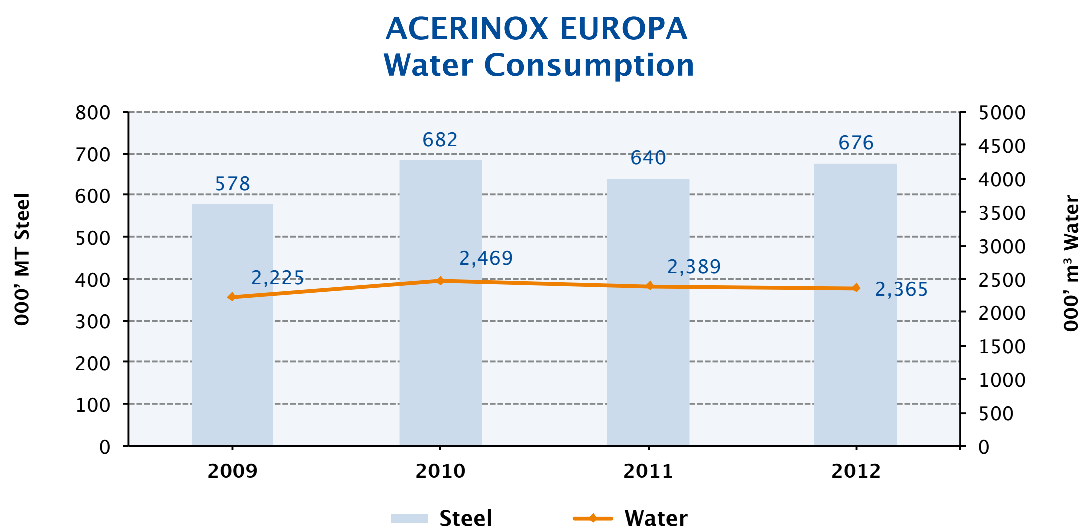
Furthermore, Bahru Stainless has invested in a centralised waste storage system and collection point in the production area, in an oil-water separator for degreasing AP1 and AP2 lines, in an oil-water separator for the ZM1 and ZM2 rolling mills and in a water tank system for harnessing rainwater.

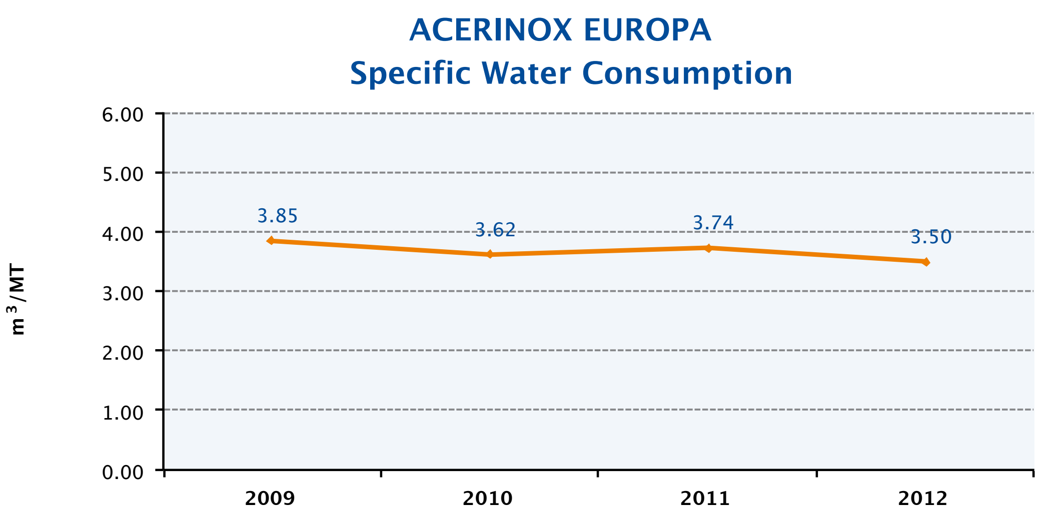
4. Water

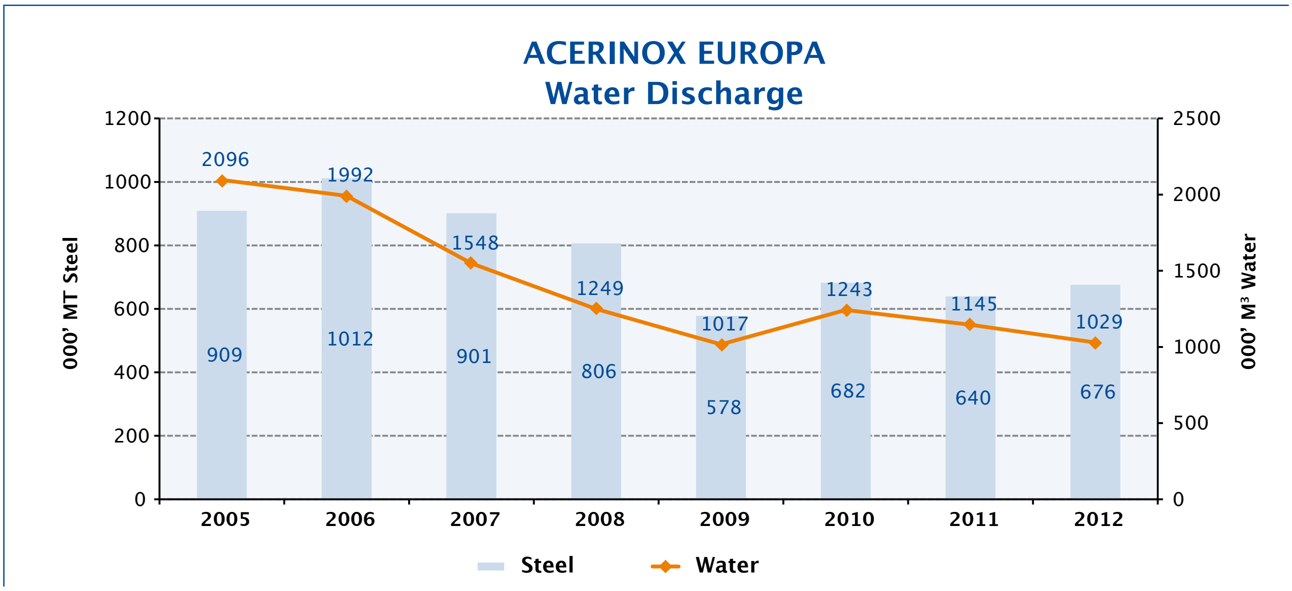
Water is consumed in the process lines, cooling systems and in auxiliary plants. The water is subjected to various water treatments that restore the water's quality and ensure its subsequent reuse. There are several installations that enable the recovery of used acids and their reinsertion in the stainless steel pickling process. Oily water is treated in the oil recovery plants, obtaining an oil free water, which is sent to the Neutralisation Plant, and an oil which is removed by authorised agents. Waters with organic content are treated in Wastewater Treatment Plants.

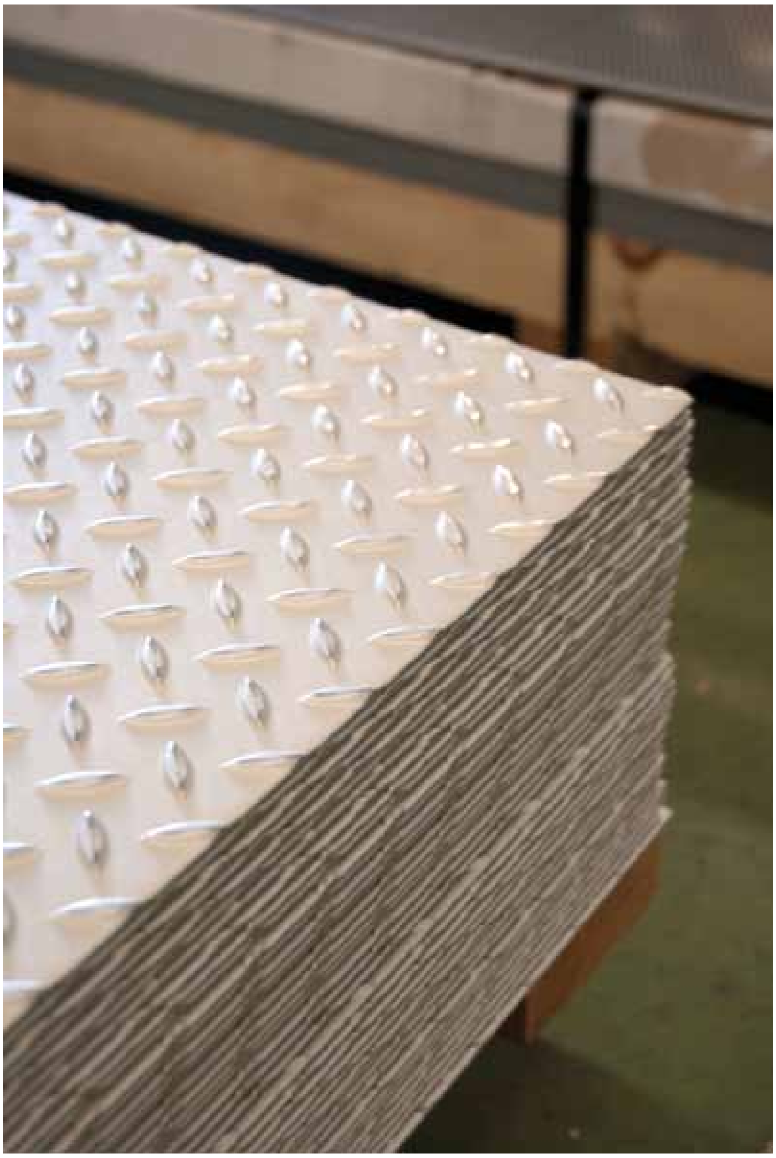
With these treatments, the water discharged complies with the legal limits established in the Integrated Environmental Association (IIPC) for Acerinox Europa and with the authorisations of each subsidiary.

At Acerinox Europa, any pollution load on the environment is prevented thanks to the transmarine pipeline installation which cost more than 3 million euros. Its great effectiveness is confirmed not only because the water quality is monitored in real time by prevention, but also because the water quality at Bahía has officially been monitored, achieving very positive results.





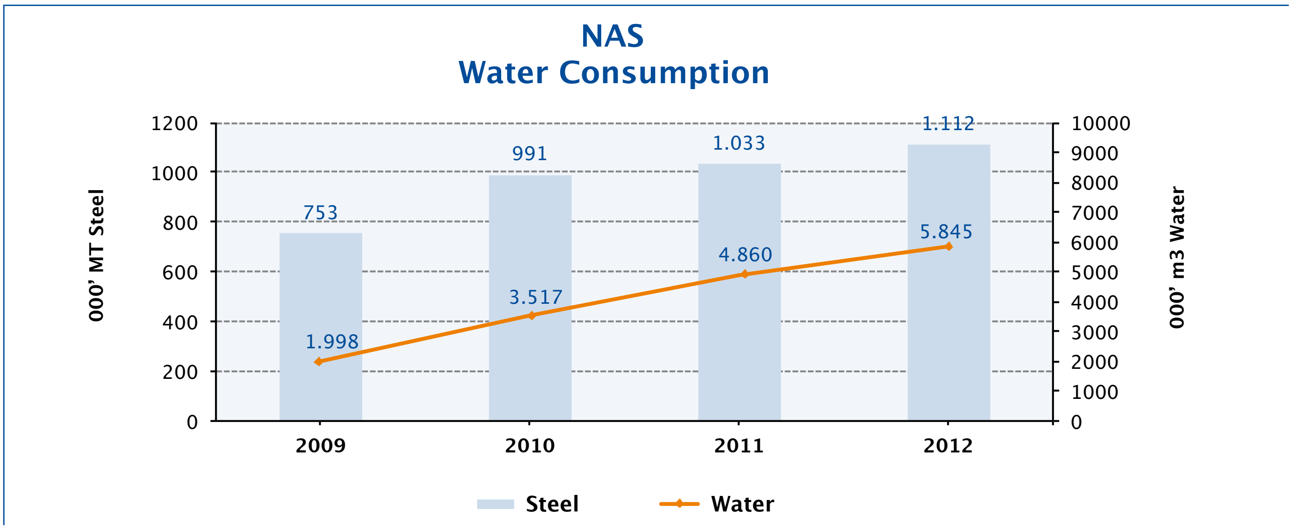


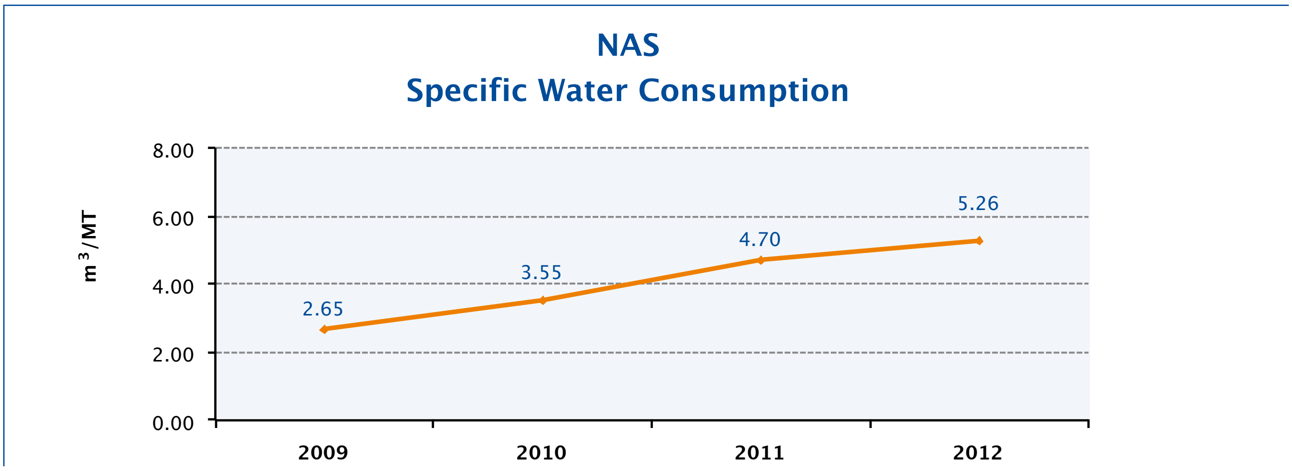


Embossed Sheet

At **NAS**, water is collected from the Ohio River and treated for use. This year, the average water collection was 3.32 million cubic metres and it has been passed through a diffusor system to reduce any hypothetical environmental impact.

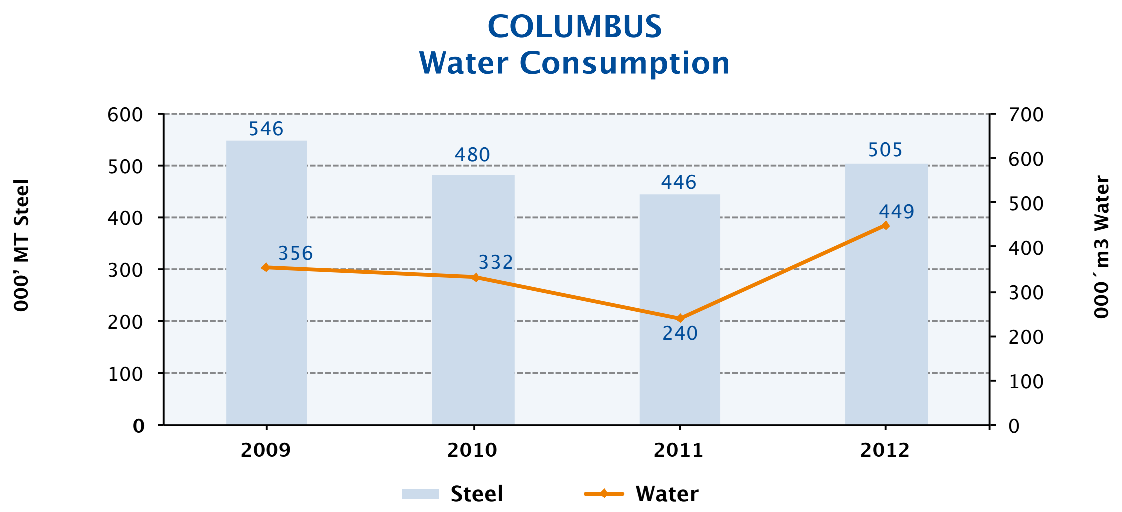
The company continues to sponsor the clean-up of the River Ohio. For additional safety, NAS monitors in real time the emissions in the river to assure water quality and its temperature, as is done in Palmones.

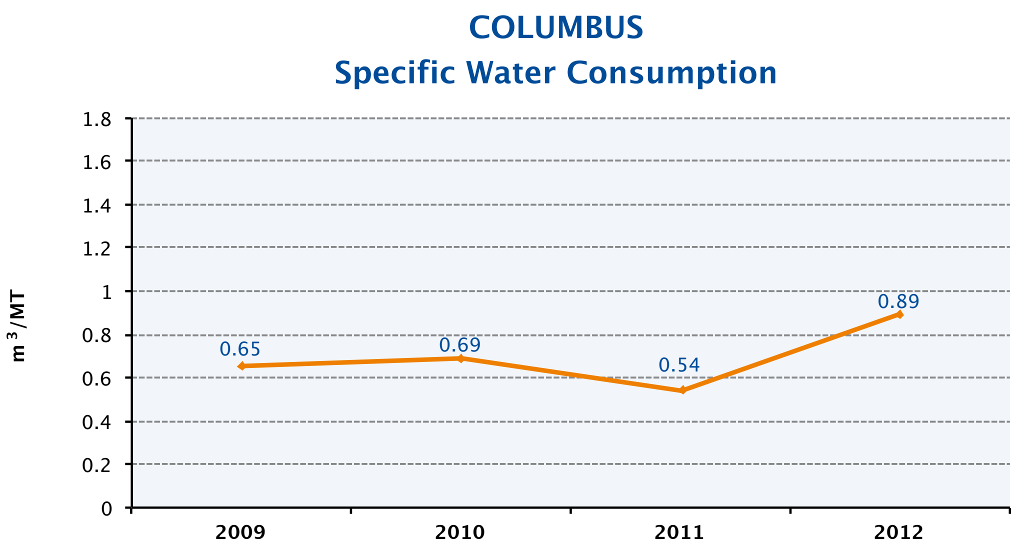




Rebar at Roldan's Factory in Ponferrada,(España)

Given the dry climate and low rainfull at **Columbus**, large ponds have been created to collect rainwater and it is therefore not wasted.





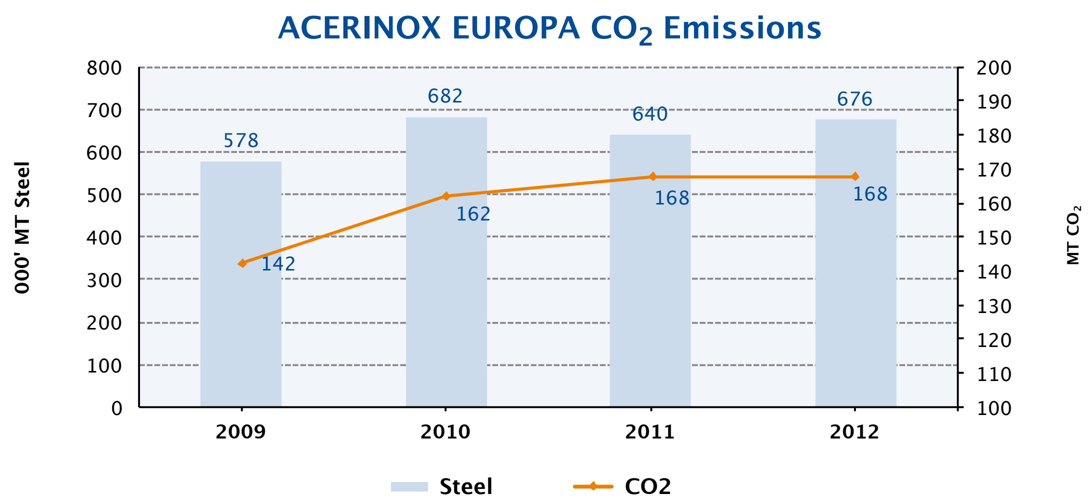
Scheldued water consumption at **Bahru** is higher than other factories due to higher temperatures throughout the year. For this reason, an agreement has been reached with the Johor Government that permits water to be collected from a nearby artificial water reservoir that primarily holds rainwater.

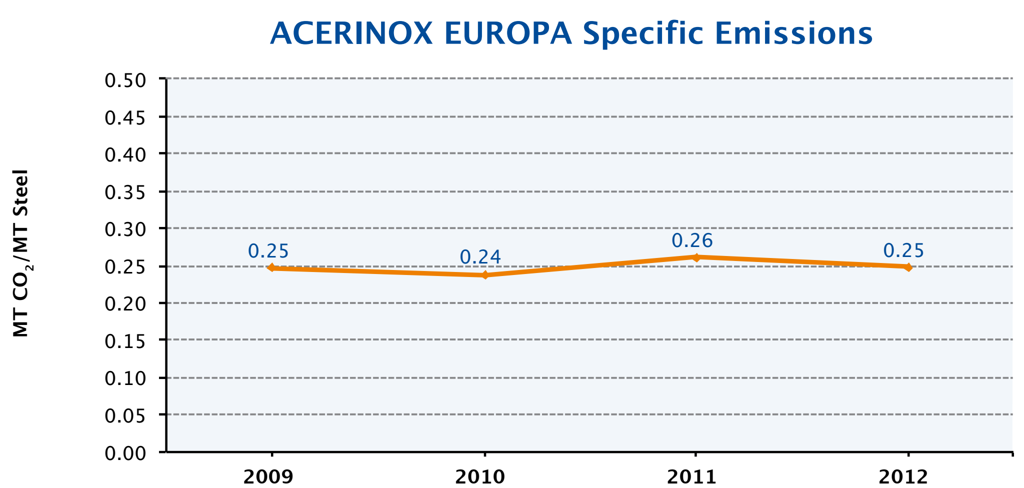
5. Air

In order to minimise emissions and achieve greater control, Acerinox continuously monitors the main emission sources in its factories, obtaining emission measures on an ongoing basis.

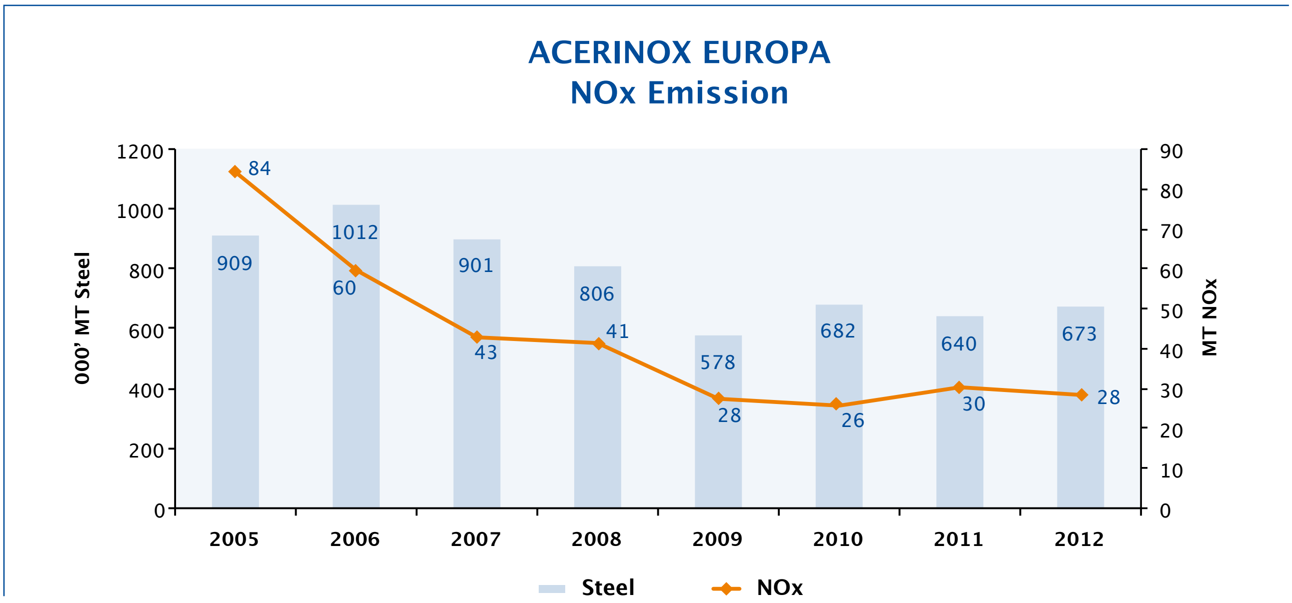
All steel mills have particle filters to capture and recover valuable metallic materials, which is a clear environmental and economic advantage. There is continuous quality and flow data for each source, allowing comprehensive monitoring of these parameters.

One of the most important environmental objectives for the Steelworks is, of course, a reduction in CO_2 emissions. To achieve this, Acerinox Europa has made considerable investments in recent years, including the installation of natural gas regenerative burners and improvements in the hot-rolling mills and heat recovery burners, becoming one of the most efficient companies in reducing emissions. According to official data from the ISSF (*International Stainless Steel Forum*), Acerinox's direct emission intensity (MT CO_2/MT steel) is 31% lower than the average for stainless steel manufacturers worldwide. If we consider than a tonne of steel coming from the Far East generates an emission – for transportation – of 20% of the amount emitted in its manufacture, the advantage of Acerinox's steel over the Eastern competitor is abysmal: a saving of 51% of CO_2 emissions.





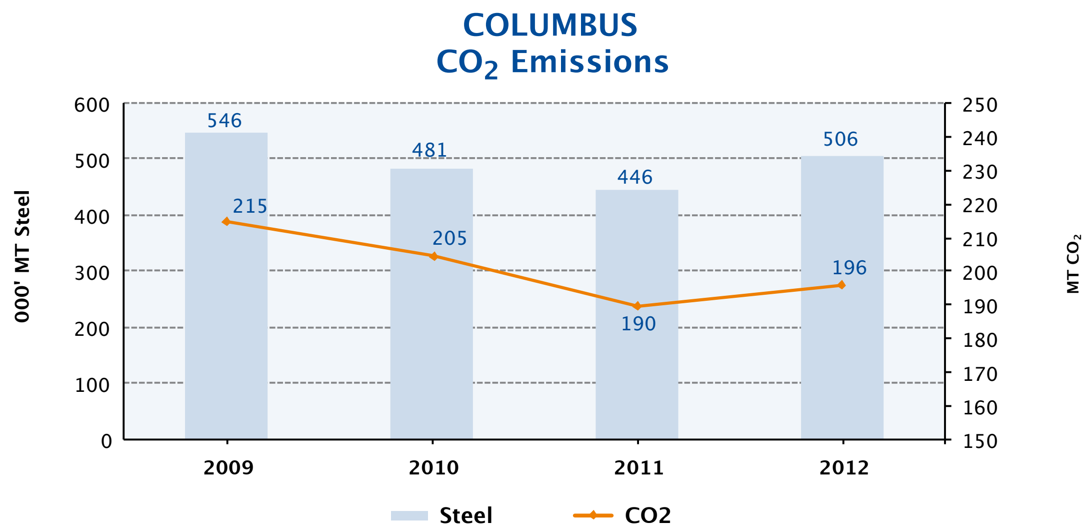
To eliminate NOX emissions, Acerinox's factories, not only in Europe, have catalytic towers, where NOx vapours are converted into molecular nitrogen, so that the NOx emissions are well below the strict legal limits.

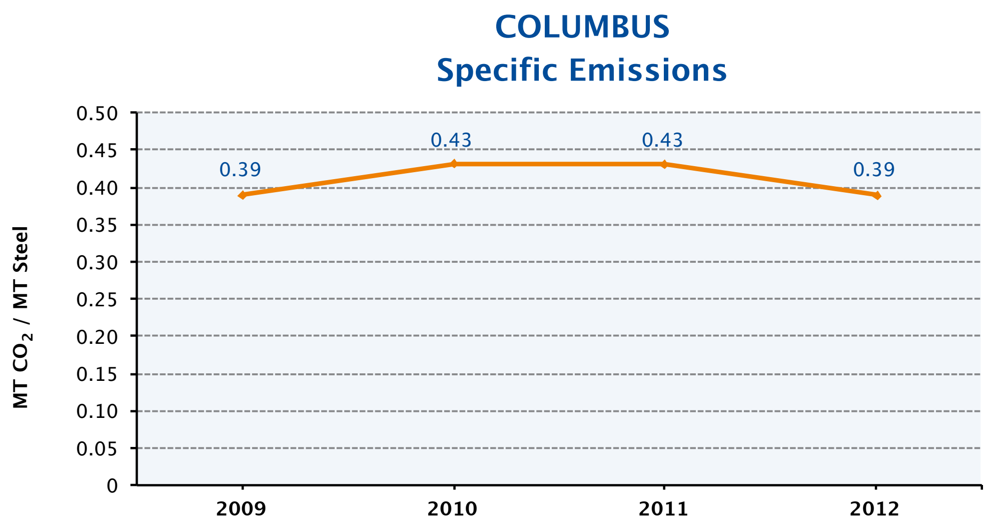


Finished coil at the Acerinox Europa factory

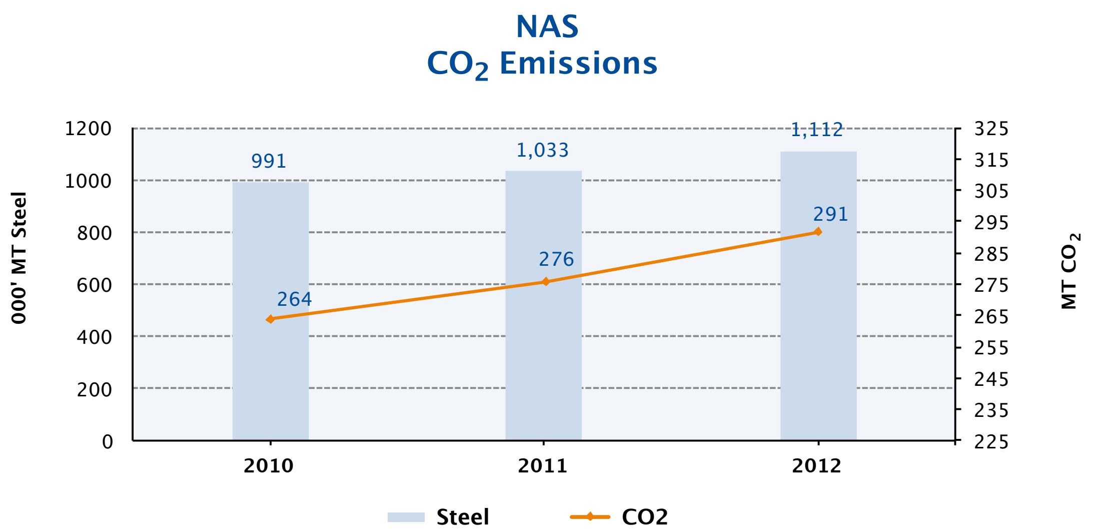
It must be noted that the Group's factories strictly comply with the levels required by international standards. It not only calculates direct emissions but also indirect ones, as a result of electricity consumption and the supply chain, and these emissions are checked by the accredited body according to ISO 14064-1:2006.

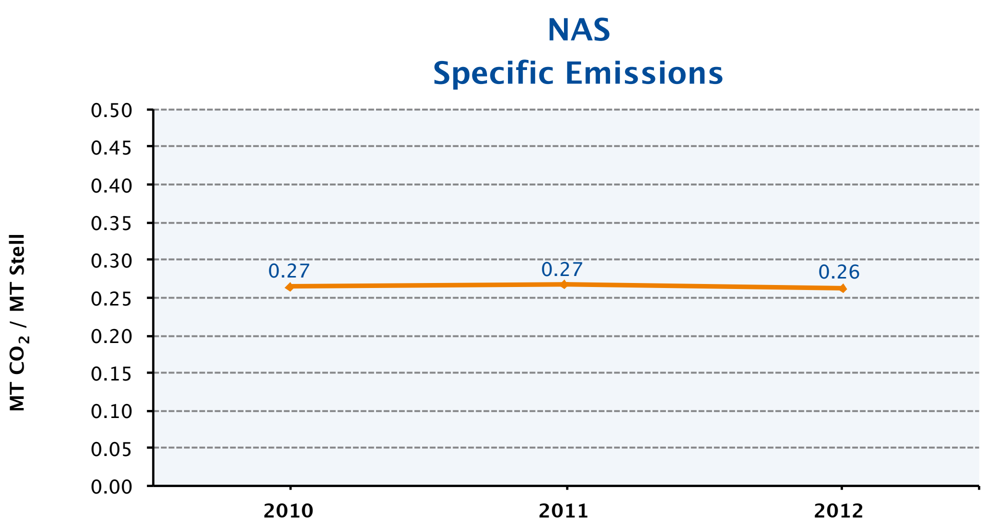
CO_2 emissions at **Columbus** have been calculated according to the ISSF methodology and this year they are slightly higher than last year due to increased steel production. Nevertheless, they are still much lower than in 2009 and 2010 and are well below the limit imposed by local legislation.

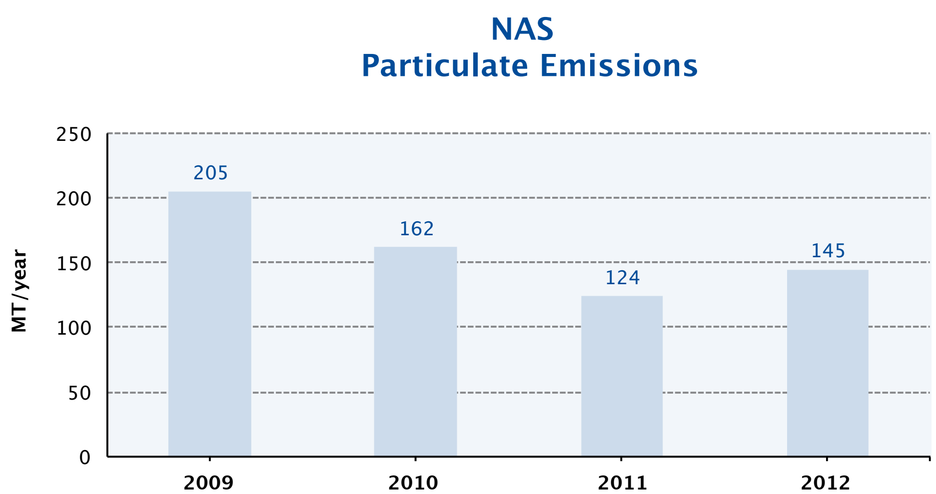




CO_2 emissions at **NAS** have slightly increased in 2012, but this is due to increased production as the ratio of tonnes of CO_2 to tonnes of steel has significantly decreased compared with last year. Work continues to reduce the emission of slag powder by passing it through a filter system and subsequently using it for beneficial uses.







6. Waste

Stainless steel is considered as one of the products that contributes most to environmental sustainability. Both in its manufacturing process and useful life, stainless steel offers a considerable saving in natural resources.

The Acerinox Group has developed its technology to use a high percentage of recycled material in its steel manufacturing process, well above the industry average according to data from the most prestigious environmental organisations such as the *International Stainless Steel Forum* (ISSF). This recycled material substitutes consumption of other raw materials, which achieves a two-fold environmental objective; on the one hand reducing the consumption of natural resources, and on the other hand, preventing the release of pollutants into the environment, that would have been produced in the manufacturing process of ferro-alloys (for example, CO_2).

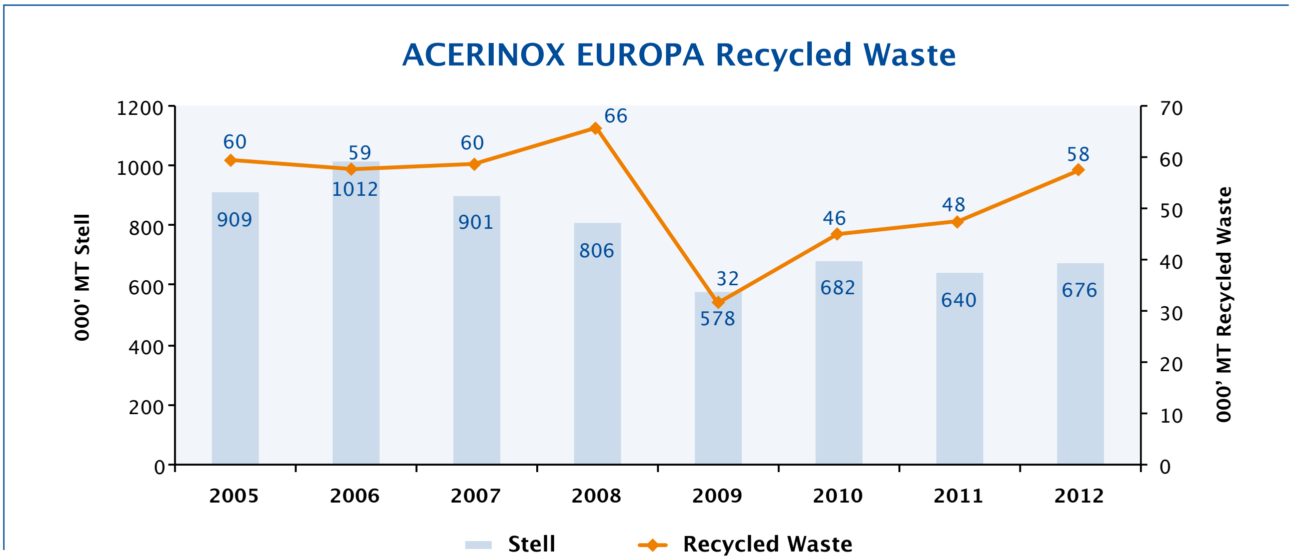
Many of the stainless steel applications occur in areas that are clearly associated with respect for the environment. In this regard, it is worth noting the renewable energy equipment such as solar, the construction of energy-optimised sustainable buildings, water treatment plants, gas desulphurisation plants etc…

As far as waste treatment and recovery is concerned, the metal content is recovered in the slag treatment plant. A high value material can be obtained and reused such as metal with alloying elements. 35,629 tonnes of metal were recovered in 2012, which were sent back for melting.

The resulting slag is considered non-hazardous waste, which offers an advantage in its later use. Acerinox is participating in several projects, at national and international level, to develop uses for this waste in construction and agricultural applications.

Austenitic smoke powder collected in the steel mill filters and part of the scale and powder from the acid recovery plant is sent to a specialised and environmentally certified installation where metal recovery is carried out. A metallic product is obtained which is used again in the melting process of stainless steel. As shown in the graph, Acerinox Europa maintains constant levels of waste recovery. The lowest recycling figures is due to, as you can see, lower steel production in recent years. However, the ratio of waste recycled to tonne produced is trending upwards.

In addition, a process has been developed in 2012 to obtain briquettes that ensure all the scale generated in the factory is collected.



As well as the scale and powder in the steel and cold rolling mills, the Group's factories recycle the following waste:

- Regenerated acid
- Recovered oil
- Filter aids
- Used oil from the decanting plant
- Oiled paper

7. Natural habitats

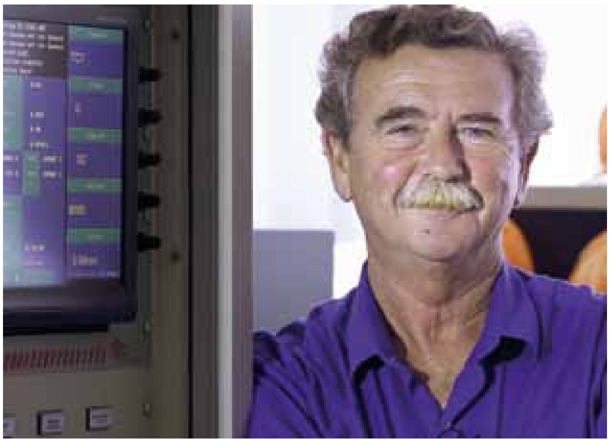
The Palmones beach adjacent to the factory, is a bit hit with swimmers and fisherman in the area, and is intensively controlled by the administrative authorities which monitor, along with our techniques, the water and air in real time with sophisticated electronic systems.

Acerinox Europa participates in and follows environmental initiatives through its membership to the Environment and Sustainability Council of Los Barrios City Council and to the Environmental Committee of the Association of Large Industries of Campo de Gibraltar (AGI). This allows the Organisation to be in contact with other key sectors in Algeciras Bay and share actions to protect the environment.

Many territorial birds, in particular ostriches, live in the surrounding grounds at **Columbus**. This year, a thorough study was carried out to determine the present state of the wetlands in the area and whether to rehabilitate them.

The landscape and its conservation is very important in Malaysia. Strict Malaysian environmental legislation makes it essential to replant trees in areas that are not occupied to prevent soil erosion. At **Bahru Stainless**, replanting work was carried out in 2012 and will continue in 2013 until the entire unoccupied area is covered. This year it has invested in planting on lands that control erosion and sediment, re-routing of effluents or reorganisation of previously displaced lands and replanting on unprotected areas with palm trees and other native species. This great concern for the environment, especially water, has meant investing in permeable pavements. In the event of heavy rain, the water is returned to the land and the sewerage network isn't overloaded, avoiding the possibility of flooding in the installation. All these actions have earned us the second prize in Landscaping and Preservation of the environment, awarded by the State of Johor.

NAS, meanwhile, continues with the preservation work of adjacent lands. They have established a protected area for birds of prey thanks to the RAPTOR initiative. The woods surrounding the factory are favourable terrain for mammals and are used by the local school as an example of preserved nature.



8 Safety and Industrial Hygiene

Acerinox Europa has set up its own prevention service, which aims to achieve the highest possible health and safety standards for its employees, integrating safety criteria in all its decision making processes and complying with the current legislation applicable to each work centre.

Several actions are carried out, based on the following principles:

- Welfare and health of the workforce.
- Elimination or minimisation of risks that workers are exposed to, which can limit the number of accidents as well as the consequences of these.
- Integration of occupational risk prevention at all hierarchical levels of the company.
- Sensitivity and awareness among staff in regards to occupational risk prevention, considering it an inherent aspect of their jobs.

Occupational risk prevention is a multidisciplinary science, which involves performing a variety of tasks, such as: training, development and updating of documentation (risk assessment, internal rules, work instructions, etc.), statistical reports, coordination meetings, safety meetings, safety inspections, investigation of incidents, measurement of physical and chemical pollutants, technical advice at all levels and maintenance of fire protection systems etc.

In addition, the number of members serving on the Health and Safety Committees are:

- There are 22 people that serve on the Health and Safety Committee at ACERINOX.
- There are 9 people that serve on the Health and Safety Committee at NAS.
- There are 8 people that serve on the Health and Safety Committee at BAHRU.
- There are 70 people that serve on the Health and Safety Committee at COLUMBUS.

The Management System for Health and Safety at work meets the requirements of the OHSAS 18001:2007 standard. At the end of 2012, after the certification of the system had been granted by SWISS TS (TÜV SÜD), it passed the first monitoring audit with excellent results.

Safety and Environment Awards

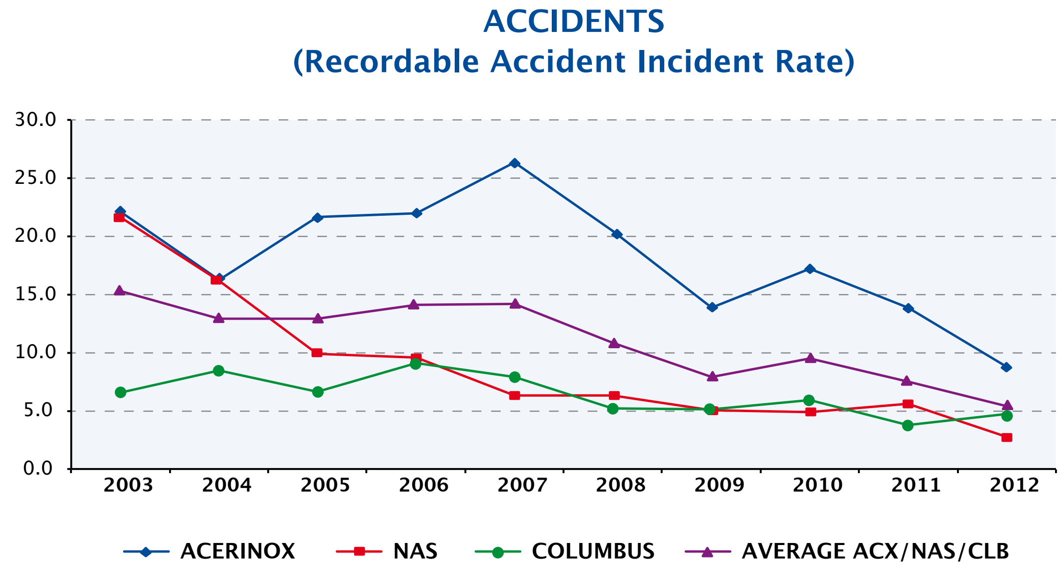
Acerinox Europa has set up a proposal system to improve safety conditions in the Factory at Campo Gibraltar, which awards the best recommendation made by the employees. It will be awarded by a Commission, chaired by the Director of the Polytechnic School of Algeciras and made up of production managers, the head of the Safety and Environment Department and the Chairman of the Works Council. In granting this award, several aspects are judged such as the technical and economic feasibility of implementing the proposal.

In the graph that shows the evolution of accidents (Fig. 1), you can see the general index in accordance with the OSHA Form 300 and an index amended with accidents that are not significant; skeletal muscle type accidents, which are not directly associated with working conditions, are not considered in said index.

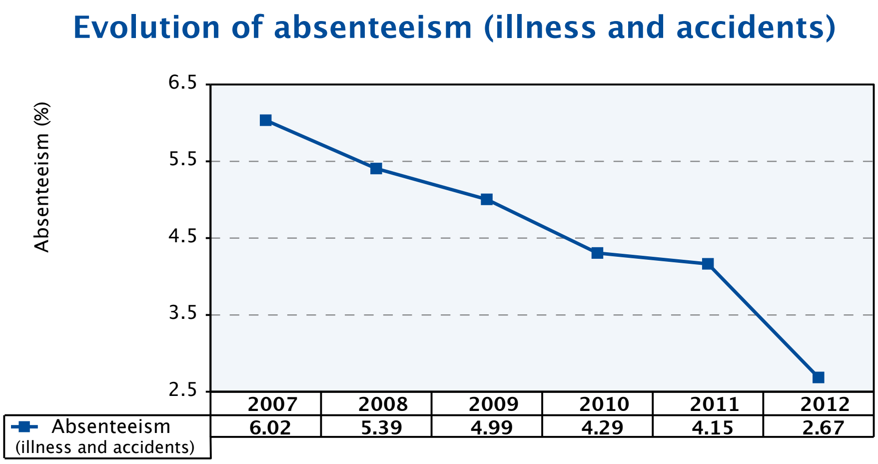
The continued Health and Safety policy adopted by **Acerinox Europa** has led to the results shown in the graphs above (see Fig. 1 and 2). The data for 2012 show a decrease in the number of incidents per hour worked, which decreased by 66.88% in the last five years, as well as in the absenteeism rate, which decreased by 55.65% in the same period, standing at 2.5%. These results demonstrate the continuous improvement in the management of occupational risk prevention. One must take into account that the measures taken in the accident graph Fig.1. are different to those in the absenteeism graph Fig. 2. The graph Fig.1., in accordance with the provisions in OSHA Form 300, relates the number of accidents that have taken place to the number of employees and time. The second graph Fig. 2. shows the evolution of staff absenteeism, caused by illness or injury, in each of the three plants.

Statistical data

- Accidents according to OSHA Form 300 (fig.1)



- Absenteeism as a result of illness or accident (fig.2)



9 R + I + D

1. A 100% recyclable product

Stainless steel is an extraordinary product: it's good, nice, hygienic and safe; it also has high mechanical properties and corrosion resistance. It's not just a product that can be recycled, its manufacture and price oblige it to be recycled.

It is no wonder that, over its 100 years of history, it has maintained steady growth of 6% a year on average and continues to find new applications.

The unique properties of this material are acknowledged by its essential use or high recommendations in no less than 70 (seventy) provisions of the Kingdom of Spain. The use of steel has played, and continues to play, an important role in the prevention of diseases through food and topical means, as well as in the safety of the pharmaceutical, chemical, petrochemical, biotechnology and nuclear energy sectors, whose role in the world economy should grow this century.

The use of stainless steel accurately reflects the living standards of a society, by establishing a direct relationship: the higher the income per capita, the higher the consumption of stainless steel. The most developed societies also lead the way in using stainless steel for its remaining properties. Societies with high living standards give primary importance to aesthetic conditions, low maintenance and long life cycle. They are also the most conscious societies and should lead by example – at the discretion of each individual – in sustainability and recycling, to prevent the overexploitation of natural resources. For one reason or another, these societies reach the amount of stainless steel consumption.

Roll of wire rod from NAS

2. Research, Development and Innovation

The current period of oversupply and insufficient liability cannot be an excuse for neglecting our efforts in this field. Acerinox is backing new and innovative projects, to meet the expectations of a market hungry for this beautiful material.

Part of the company's competitive strategy is simply to protect the good reputation gained after many years of effort and improvement, by maintaining the necessary technology needed to meet new demands that arise in the stainless steel industry. It has been Acerinox's ongoing commitment for more than four decades and will remain so.

In the Group's various factories, specific and multidisciplinary working teams have been consolidated with the participation of different technical and research departments, under the strong influence of the commercial department which constantly seeks to improve the qualities, properties and appearance of the product.

The R+I+D team consists of personnel with prior experience in the production departments. In the case of the Factory at Campo de Gibraltar, 14 full-time professionals coordinate the tasks of the projects underway at all the Group's factories.

Being aware of the role played by academic and research worlds, Acerinox and its subsidiaries have entered into agreements with universities near to the factories and professional colleges, with the two-fold objective of entrusting these schools with important support tasks in pure and applied research, as well as encouraging the best university students to complete their training and develop an interest in stainless steel.

Agreements have been signed – or been renewed- with the Universities of Cádiz (Chair Acerinox), Malaga and Seville and in other countries with the University of Pretoria and the Engineering School of Louisville (USA).

In 2012, collaboration with various universities has not only delivered outstanding individual academic achievements, but also has maintained cooperation and synergies between the company and University, channelling (and catalysing) the implementation of various Engineering end-of-degree projects to mutual advantage.

Development and innovation direct the research department's activity, with a focus on the following issues:

- Optimisation of the production processes and the final properties of steel.
- Exploration of new manufacturing technologies.
- Support and technical advice to clients.
- Study of new applications for stainless steel.
- Training and dissemination of the features and main applications of our wide range of products in collaboration with the Association for Research and Development of Stainless Steel (CEDINOX).
- Monitoring and participation in updating European standards on stainless steel.
- Technological surveillance.

Acerinox Europa also participates in research projects of high interest to our industry sector, in cooperation with other companies and technological centres at national and European level. These projects are part of the RFCS (European) and INNPRONTA (national) strategic action programmes designed with the Administrations. The most important projects in which we have collaborated this year are listed below:

- **SAFSS** (*Structural applications of ferritic stainless steels*), a European programmed aimed at studying the behaviour of ferritic stainless steels in structural applications.

- **FLEXPROMUS** (*Flexible production by multisensor process control of pickling lines*), a European programmed aimed at analysing the stainless steel pickling lines "on line".

- **STEELTAC** (*Steel Sheet Surfaces with Enhanced Tactile Feel*), a European Project aimed at developing new finishing technologies to improve the surface properties of stainless steel.

– **IISIS** (*Integrated research on sustainable islands*), a national programme in which Acerinox participates in the construction area, researching the performance of stainless steels and duplex stainless steels in constructive hostile environments.
– **STT** (*Steel Tailor Tubes*) a European programme aimed at studying a manufacturing method combining forming techniques for steel tubular components, to be used in car exhaust systems and suspension.
– **BIOGASS** (*Innovative and competitive solutions using SS and adhesive bonding in Biogas production*) a European programmed aimed at using stainless steel for the construction of biodigesters in Biogas production.

In addition to the above, there are two projects under the Andalusian Energy Agency's Incentive Programme for Sustainable Energy Development in Andalusia.

At the end of 2011, the first Board of Directors of the newly established Acerinox Europa created an award for the employee or group of employees who contributes ideas that deliver improvements in the quality or qualities of the product or in its manufacturing process, which may be put into practice. The intended purpose was multiple: firstly, to encourage the spirit of achievement among the group which is not an integral part of the research department and secondly, convey the idea that the innovation processes can also be the result of a *bottom up* process, as nobody knows their work progresses with an attitude of constructive criticism. To this end, an evaluation committee or jury was set up consisting of technical personnel from the factory and professors and lecturers from the Engineering Schools.

The success of the initiative exceeded all expectations. The innovation and research activity among staff is so impressive that the Jury had to extend the assessment period of the 16 projects submitted and its verdict had to be weighed up with rigour.

The laurels and the significant economic prize went to our colleague José María Bianchi Pérez, who presented the original project called "Changing the position of intermediate rolling mill rolls in the Steckel train". The Project is notable for its originality and feasibility having implemented it in the group's factories without delay.

The second prize went to workers at the Manuel Gabino Castillo and Francisco Tejado Campos factories, with the presentation of an original project called "Surface quality optimisation of 2B finish. Removal of burnt oil stains".

The quality of the rest of the projects was extraordinary and can only be explained by the professionalism, experience and self-esteem that characterises our factories. Unsurprisingly, a new edition of the awards has been organised for 2013.

10 Social Action

The social action of the Group's companies does not stop at the salaries, taxes and dividends paid, nor the payments made to providers and suppliers, nor the companies whose jobs are heavily dependent on Acerinox paying well and on time, the details of which are contained in the 2012 annual report.

There is quantifiable work but it must be measured in terms of effort and solidarity, which is how the generic name "social action" came about. It is highlighted in the following paragraphs.

Personnel with disabilities

Acerinox Europa is making an extraordinary effort – a leader among the group's companies- to offer a job to people who have reduced capacity due to accidents or illness.

At the Campo de Gibraltar Factory, 50 people with reduced mobility and disability recognised by the health authorities provide services. An additional 64 people, without having obtained an official declaration (or without obtaining yet), have been recognised by the company's medical services or by recommendation of the Labour Inspectorate as having difficulty doing their everyday job.

It must be taken into account that many jobs in the steel industry are particularly hard work, but the experience of these factory workers make them good collaborators in analysing, inspecting and detecting defects.

When the occasion requires, a worker with reduced mobility is offered the possibility of part time work, if it will mitigate the consequences of their condition.

The company's flexibility not only fulfils the job prospects of this group but also results in an actual decrease in absenteeism, as discussed elsewhere in this report. It also achieves another important objective; it means that experience and knowledge built up over years isn't wasted due to circumstances that occur in life.

In total, Algeciras Factory provides work to 104 people with reduced mobility or an officially declared disability, high above the minimum standards imposed by Spanish regulations.

Furthermore, Columbus provides work to 17 people with an officially declared disability.

Social action at Campo de Gibraltar

Acerinox Europa collaborates with the Company Group, co-financing a good part of its activities. These include summer camps, contributions to the sports club and a host of cultural activities. Last year, Acerinox Europa helped repair the roof of the local church and financed the relocation of the Unión Deportiva Los Barrios, the local football club that brings so much joy to its supporters.

In addition, in an effort to preserve local traditions and crafts, regular bobbin lace workshops have been organised, helping this art in decline get through to the present generation.

Working meeting at the Madrid headquarters (Spain)

Volunteering at NAS

The Carrolton High School and other educational institutions – with a total of 70,000 USD – and the police and fire departments of Condado have benefited most from NAS's social action. Associations related to wildlife conservation and the American Red Cross are the next to benefit.

More than 200 workers at NAS are involved in various voluntary work, including firefighters and other civil protection tasks in their respective locality. These colleagues, with their sense of duty, remind us that the best way to make the world a better place is to *make* it a better place.

Columbus: schools and prevention

Under the umbrella of the "Chairman`s Fund", Columbus supports several local charities provided they meet various requirements:

- They must benefit people from disadvantages communities.
- The charity must be recognised by South African authorities.
- It must not be linked to political parties or religious organisations.
- The activity must result in, directly or indirectly, improving education or its infrastructure.

A total of 880,000 Rands has been spent in 2012 under the "Chairman`s fund".

As usual, Columbus has devoted part of its efforts and enthusiasm to improving schooling conditions for coloured children in the area, contributing money and hours of work to the construction of new classrooms in the local school.

Once again, we have to talk about the company's efforts in preventing HIV. Efforts have been successful given the infection rates are the lowest in the area.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **ACERINOX** has presented its report "Acerinox Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 8 May 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

3

Consolidated Annual Accounts

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

Auditors' Report on the Consolidated Annual Accounts

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

To the shareholders of
Acerinox, S.A.

We have audited the consolidated annual accounts of Acerinox, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As specified in note 2 to the accompanying consolidated annual accounts, the Company's directors are responsible for the preparation of the consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Acerinox, S.A. and subsidiaries at 31 December 2012 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the applicable financial information reporting framework.

The accompanying consolidated directors' report for 2012 contains such explanations as the Directors of Acerinox, S.A. consider relevant to the situation of the Group, the evolution of its business 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 2012. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Acerinox, S.A. and subsidiaries.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Borja Guinea López

28 February 2013

Rolls of Wire rod at Roldan

ACERINOX, S.A.
and Subsidiaries

Annual Accounts of the Consolidated Group
31 December 2012

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

01 CONSOLIDATED BALANCE SHEETS

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

(In thousands of Euros at 31 December 2012 and 2011)

ASSETS	Note	2012	2011
Non-current assets			
Goodwill	7	69,124	69,124
Other intangible assets	7	6,965	7,205
Property, plant and equipment	8	2,019,609	1,985,720
Equity-accounted investees	10	0	60
Available-for-sale financial assets	9	7,455	12,387
Deferred tax assets	18	202,880	164,562
Other non-current financial assets		2,137	12,380
TOTAL NON-CURRENT ASSETS		2,308,170	2,251,438
Current assets			
Inventories	11	870,483	1,119,428
Trade and other receivables	9	429,540	510,167
Other current financial assets	9	16,607	17,253
Current tax assets	18	8,163	8,305
Cash and cash equivalents	12	582,671	164,631
TOTAL CURRENT ASSETS		1,907,464	1,819,784
TOTAL ASSETS		4,215,634	4,071,222

(In thousands of Euros at 31 December 2012 and 2011)

EQUITY AND LIABILITIES	Note	2012	2011
Equity			
Subscribed capital	13	62,326	62,326
Share premium	13	81,403	106,334
Reserves	13	1,532,425	1,558,792
Profit/loss for the year	13	-18,329	73,726
Translation differences	13	-89,337	-55,256
Interim dividend		0	-24,930
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		1,568,488	1,720,992
Non-controlling interests	13	144,525	160,200
TOTAL EQUITY		1,713,013	1,881,192
Non-current liabilities			
Deferred income	14	5,908	5,490
Loans and borrowings	9	895,400	707,197
Non-current provisions	15	13,616	13,991
Deferred tax liabilities	18	225,545	241,529
Other non-current financial liabilities	9	37,648	20,111
TOTAL NON-CURRENT LIABILITIES		1,178,117	988,318
Current liabilities			
Loans and borrowings	9	268,807	344,030
Trade and other payables	9	1,005,756	843,660
Current tax liabilities	18	12,282	2,637
Other current financial liabilities	9	37,659	11,385
TOTAL CURRENT LIABILITIES		1,324,504	1,201,712
TOTAL EQUITY AND LIABILITIES		4,215,634	4,071,222

02 CONSOLIDATED INCOME STATEMENTS

Expressed in thousands of Euros)

	Note	2012	2011
Revenues	**16**	**4,554,688**	**4,672,244**
Other operating income	16	11,607	37,283
Self-constructed non-current assets	16	23,297	17,456
Changes in inventories of finished goods and work in progress		-186,346	-129,411
Supplies		-3,253,743	-3,373,459
Personnel expenses	16	-371,792	-356,208
Amortisation and depreciation	7.8	-147,976	-146,785
Other operating expenses	16	-581,996	-528,685
RESULTS FROM OPERATING ACTIVITIES		47,739	192,435
Finance income	17	4,140	8,198
Finance costs	17	-68,860	-63,630
Exchange gains/losses	17	33,483	-13,782
Revaluation of financial instruments at fair value	17	-35,197	10,799
Share of loss of equity-accounted investees	10	-64	-28
Impairment of financial instruments	9	0	-1,366
PROFIT/LOSS FROM ORDINARY ACTIVITIES		-18,759	132,626
Income tax	18	-13,206	-55,282
Other taxes	18	-159	-11,151
PROFIT/LOSS FOR THE YEAR		-32,124	66,193
Attributable to:			
NON-CONTROLLING INTERESTS		**-13,795**	**-7,533**
NET PROFIT/LOSS ATTRIBUTABLE TO THE GROUP		-18.329	73.726
Basic earnings/loss per share (in Euros)		-0.07	0.30
Diluted earnings/loss per share (in Euros)		-0.07	0.30

03 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Expressed in thousands of Euros)

	Note	2012	2011
A) PROFIT/LOSS FOR THE YEAR		-32,124	66,193
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	9.2.5	-4,932	-5,156
2. Other income/expense			
II. Cash flow hedges	9.2.6	-38,534	-13,212
III. Translation differences		-36,583	-10,565
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		13,081	5,992
B) TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-66,968	-22,941
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
I. Measurement of assets and liabilities			
1. Measurement of financial instruments	9.2.5		1,366
2. Other income/expense			
II. Cash flow hedges	9.2.6	23,626	372
III. Translation differences			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		-6,541	-950
C) TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		17,085	788
TOTAL COMPREHENSIVE INCOME		-82,007	44,040
a) Attributable to the Parent		-66,332	64,109
b) Attributable to non-controlling interests		-15,675	-20,069

04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in thousands of Euros)

		Equity attributable to shareholders of the Parent										
	Notes	Subscribed capital	Share premium	Retained earnings (including profit/loss for the year)	Property, plant and equipment revaluation reserve	Cash flow hedge reserve	Adjustment of available-for-sale assets to fair value	Translation differences	Interim dividend	TOTAL	Non-controlling interests	EQUITY TOTAL
Equity at 31/12/2010		62,326	131,264	1,670,531	5,242	-3,930	-5,208	-57,258	-24,930	1,778,037	145,701	1,923,738
Profit for 2011				73,726						73,726	-7,533	66,193
Measurement of available-for-sale assets (net of tax)	9.2.5						-2,653			-2,653		-2,653
Cash flow hedges (net of tax)	9.2.6					-8,966				-8,966	31	-8,935
Translation differences	13.3							2,002		2,002	-12,567	-10,565
Income and expenses recognised in equity		0	0	0	0	-8,966	-2,653	2,002	0	-9,617	-12,536	-22,153
Total comprehensive income		0	0	73,726	0	-8,966	-2,653	2,002	0	64,109	-20,069	44,040
Distribution of dividends	13.5			-87,257					24,930	-62,327		-62,327
2011 interim dividend	13.5								-24,930	-24,930		-24,930
Distribution of share premium	13.1		-24,930							-24,930		-24,930
Transactions with shareholders		0	-24,930	-87,257	0	0	0	0	0	-112,187	0	-112,187
Acquisition from non-controlling shareholders	5.2									0	-52	-52
Contribution from non-controlling shareholders	5.3									0	34,620	34,620
Other movements				-8,967						-8,967		-8,967
Equity at 31/12/2011		62,326	106,334	1,648,033	5,242	-12,896	-7,861	-55,256	-24,930	1,720,992	160,200	1,881,192
Loss for 2012				-18,329						-18,329	-13,795	-32,124
Measurement of available-for-sale assets (net of tax)	9.2.5						-3,452			-3,452		-3,452
Cash flow hedges (net of tax)	9.2.6					-10,470				-10,470	622	-9,848
Translation differences	13.3							-34,081		-34,081	-2,502	-36,583
Income and expenses recognised in equity		0	0	0	0	-10,470	-3,452	-34,081	0	-48,003	-1,880	-49,883
Total comprehensive income		0	0	-18,329	0	-10,470	-3,452	-34,081	0	-66,332	-15,675	-82,007
Distribution of dividends	13.5			-87,256					49,860	-37,396		-37,396
2011 interim dividend	13.5								-24,930	-24,930		-24,930
Distribution of share premium	13.1		-24,931							-24,931		-24,931
Transactions with shareholders		0	-24,931	-87,256	0	0	0	0	24,930	-87,257	0	-87,257
Other movements				1,085						1,085		1,085
Equity at 31/12/2012		62,326	81,403	1,543,533	5,242	-23,366	-11,313	-89,337	0	1,568,488	144,525	1,713,013

05 CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of Euros)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss before income tax	-18,759	132,626
Adjustments for:		
Amortisation and depreciation	147,976	146,785
Impairment	2,162	7,041
Change in provisions	2,038	4,176
Grants recognised in the income statement	-2,098	-6,388
Gains/losses on disposal of property, plant and equipment and intangible assets	-863	3,290
Change in fair value of financial instruments	1,858	2,871
Finance income	-4,140	-8,198
Finance costs	68,860	63,765
Share of profits of associates	64	28
Other income and expenses	1,777	18,272
Changes in working capital:		
Increase/decrease in trade and other receivables	79,022	-14,980
Increase/decrease in inventories	230,330	189,582
Increase/decrease in trade and other payables	160,776	31,215
Other cash flows from operating activities		
Interest paid	-65,946	-58,949
Interest received	3,771	3,314
Income tax paid	-41,369	-76,370
NET CASH FROM OPERATING ACTIVITIES	565,459	438,080
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-152,504	-177,439
Acquisition of intangible assets	-313	-3,761
Acquisition of subsidiary, net of cash acquired		-64
Acquisition of other financial assets	-449	-1,248
Proceeds from sale of property, plant and equipment	2,020	833
Proceeds from sale of intangible assets	12	
Proceeds from sale of other financial assets	362	166
Dividends received	160	180
Other amounts received/paid for investments		
NET CASH FROM INVESTING ACTIVITIES	-150,712	-181,333
CASH FLOWS FROM FINANCING ACTIVITIES		
External financing received	469,546	202,192
Repayment of interest-bearing liabilities	-352,132	-330,774
Dividends paid	-87,256	-87,257
Distribution of share premium	-24,931	-24,930
Contribution from non-controlling shareholders		34,647
NET CASH FROM FINANCING ACTIVITIES	5,227	-206,122
NET INCREASE IN CASH AND CASH EQUIVALENTS	419,974	50,625
Cash and cash equivalents at beginning of year	164,631	113,569
Effect of exchange rate fluctuations	-1,934	437
CASH AND CASH EQUIVALENTS AT YEAR END	582,671	164,631

CONTENTS NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

06 NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

NOTE 1 GENERAL INFORMATION

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

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

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

Statutory and principal activity: the Company's statutory activity, as described in its articles of association, is the manufacture and sale of stainless steel products and other similar or derivative products, either directly, or indirectly through shareholdings in companies with the same or similar statutory activities. Its principal activity is that of a holding company, as parent of the Acerinox Group. The Company also renders legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group. The Group's principal activity, conducted through its subsidiaries, is the manufacture, transformation and marketing of stainless steel products. The Acerinox Group has six stainless steel factories: two manufacturing flat products in Spain and South Africa; one producing flat and long steel in the United States; a further two making long steel products in Spain; and another in Malaysia, where the initial cold rolling activity has come into service and a second is currently under construction. 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 27 February 2013.

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 EU-IFRS) and other applicable provisions in the financial reporting framework.

The annual accounts for 2012 have been prepared using the same accounting principles as for 2011, except for the standards and amendments adopted by the European Union and issued interpretations of mandatory application from 1 January 2012 onwards, details of which are as follows:

- Amendments to IFRS 7 – Disclosures of transfers of financial assets: effective for annual periods beginning on or after 1 July 2011. This is a modification to the asset transfer disclosure requirements set out in IFRS 7, requiring no comparative information for periods prior to 2012. The impact on the Group is not relevant as annual information on factored trade receivables is disclosed in the notes to the consolidated annual accounts.

There is no significant impact on the consolidated financial statements. The new disclosures have been included in the notes to the financial statements in the annual accounts.

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

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

- IFRS 10 – Consolidated Financial Statements: effective for annual periods beginning on or after 1 January 2013. IFRS 10 introduces a single control model to determine whether a company should be consolidated. The application of this standard is not expected to have a relevant impact. The Group is currently evaluating the additional disclosure requirements affecting its subsidiaries, in comparison with existing requirements.

- IFRS 13 - Fair Value Measurement: Effective for annual periods beginning on or after 1 January 2013. This standard provides a single framework for measuring fair value and replaces the guidelines currently in force through different standards. The Group is in the process of reviewing its methods for determining fair value, although no significant impact is foreseen.

- IFRS 9 - Financial Instruments: Effective for annual periods beginning on or after 1 January 2015. Pending adoption by the EU. This standard reduces the number of financial instrument categories to two: amortised cost and fair value. All financial instruments must therefore be classified into one of these categories. The Group will need to adapt the classification of its financial instruments. Changes in value of available-for-sale financial assets are to be recognised as changes in equity. 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. The Group is currently analysing the impacts and defining the risk model to determine which of its instruments could qualify as hedges.

- Amendments to IAS 1 – Presentation of items of other comprehensive income: Effective for years beginning after 1 July 2012. The amendments require the entity to present those items of other recognised income and expense that could subsequently be transferred from equity to the income statement separately from items that will never be transferred.

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

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 2012, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the year 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 EU-IFRS requires the Parent's management to make judgements, estimates and assumptions that affect the application of accounting policies and, as such, the amounts reported in the consolidated balance sheet and the consolidated income statement. The 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 EU-IFRS 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 2011 were approved by the shareholders at their annual general meeting held on 7 June 2012. The Group's consolidated annual accounts for 2012 are currently pending approval by the shareholders. The directors of the Company consider that these consolidated annual accounts will be approved with no changes by the shareholders at their annual general meeting.

2.3 Going concern assumption and accruals basis

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

2.4 Consolidation principles

a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control financial and operating policies. This is generally where the Group holds more than 50% of the voting rights.

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

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

The Acerinox Group's consolidated subsidiaries at 31 December 2012 and 2011 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 is disclosed separately in the consolidated income statement and the consolidated statement of comprehensive income.

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

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

c) Business combinations

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

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

The Group applies the acquisition method for business combinations.

No business combinations took place in 2012 or 2011.

d) Associates

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

The financial statements of associates are included in the consolidated annual accounts using the equity method. The Group's share of the profit or loss of an associate from the date of acquisition is recognised with a credit or debit to share of profit/loss 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) of this note.

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

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

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

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

e) Balances and transactions eliminated on consolidation

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

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

2.5 Translation differences

i) Functional and presentation currency

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

ii) Foreign currency transactions, balances and cash flows

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

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

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

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

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

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 are recorded as a part of the gain or loss on the fair value of the item.

iii) Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to cumulative translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. As permitted by IFRS 1, the Group has not applied 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. After that date, the financial statements of Group companies that are stated in a currency other than the presentation currency are translated to Euros as follows: assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the foreign operations, are translated at the closing rate prevailing at the reporting date; income and expenses are translated at the average exchange rate for the period; and translation differences are recognised separately in equity under translation differences.

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

The functional currencies of the Acerinox Group companies that operate in currencies other than the Euro are the same as the presentation currencies used to prepare their individual financial statements.

No Group companies operate in hyperinflationary economies.

2.6 Intangible assets

a) Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill 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 EU-IFRS, 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 the costs associated with the development stage of the intangible assets are recognised in consolidated profit or loss.

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

CO2 emission allowances are recognised as intangible assets and measured at cost of acquisition. Allowances acquired free of charge under the National Allocation Plan by virtue of Law 1/2007 of 9 March 2007 are initially measured at sale value, which is generally the market price of the allowances on receipt. At the same time, a grant is recognised for the same amount under deferred income.

Emission allowances are not amortised, but rather are expensed when used. Valuation adjustments are made as appropriate to reflect any reduction in market value at the end of each year provided that the carrying amount is not considered to be recoverable through the generation of sufficient future income to cover all of the costs incurred or they are expected to be realised through the cancellation of the provision for greenhouse gas emissions described below. Provisions are released when the factors leading to the valuation adjustment have ceased to exist.

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

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

Detailed information on emission allowances received and consumed in 2012 and 2011 is included in note 7 Intangible assets.

e) Amortisation

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

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

Estimated useful lives are as follows:

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

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

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

2.7 Property, plant and equipment

a) Owned assets

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. The deemed cost of property, plant and equipment at the transition date included the cost of purchase and revaluations carried out under local accounting principles applied up to 1 January 2004. Historical cost includes all expenses directly attributable to the acquisition of the items. At 1 January 2004 the Group applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to fair value or revaluation as deemed cost.

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

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

The cost of property, plant and equipment includes major repair costs, which are capitalised and depreciated over the estimated period remaining until the following major repair. These costs also include exchange gains or losses on effective cash flow hedges of acquisitions of property, plant and equipment in foreign currency.

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

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

b) Leased assets

Leases in which the Group assumes the majority of any risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases. Assets acquired under finance leases are measured at the lower of fair value and the present value of the minimum lease payments at the contract start date, less accumulated depreciation and impairment, and are classified based on the nature of the leased asset. Operating lease payments are expensed on a straight-line basis over the lease term.

The payment obligation deriving from the lease, net of finance costs, is recognised under non-current liabilities.

The Group assesses the economic substance of contracts to identify any implicit leases.

c) Investment property

Investment property comprises Group-owned buildings which are held to earn rentals or for capital appreciation and are 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.

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

d) Depreciation

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

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

Land is not depreciated.

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

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

2.8 Impairment of non-financial assets

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

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

Provisions for impairment are recognised whenever the carrying amount of the asset, or its corresponding cash-generating unit, exceeds its recoverable amount. Provisions for asset impairment 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.

Except in the case of goodwill, provisions for 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 for the financial assets held by the Group in 2012 and 2011 are detailed below.

a) Financial assets at fair value through profit or loss

Derivative financial instruments, except those designated as hedges and which 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 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 EU-IFRS. 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.

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

2.9.3 Financial liabilities

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

a) Debts and payables

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

The Group has arranged confirming (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, 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.

They are recognised at fair value and any changes in fair value are recognised in profit or loss.

2.9.4 Transfers between categories of financial instruments

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

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

2.9.5 Hedge accounting

Derivative financial instruments are initially recognised at cost of acquisition, which is equivalent to the fair value, and subsequently at fair value.

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

The Group only contracts 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 discontinues prospectively 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 incurred as a result of lower-than-usual levels of production at the Group's factories has not been included in the value of finished goods and work in progress in 2012 or 2011.

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

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

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

2.11 Cash and cash equivalents

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

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

2.12 Deferred income

Deferred income includes capital grants, which are recognised 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 Group has only received grants to fund the acquisition of intangible assets and property, plant and equipment. 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, so as to comply with either local legislation in certain countries, specific contracts or the collective labour agreements applicable to 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.

c) Share-based payments

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

2.14 Provisions

The Group recognises provisions when:

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

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

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

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

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

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

2.16 Income taxes

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

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

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

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

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

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

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. By virtue of the agreement adopted by the shareholders at their annual general meeting 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.U., which file individual tax returns. At 31 December 2012 and 2011 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) Sale of goods and rendering of services

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

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

b) Lease income

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

c) Dividend income

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

2.18 Environmental issues

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

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

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

NOTE 3 FINANCIAL RISK MANAGEMENT

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

The Group does not acquire financial instruments for speculative purposes.

3.1 Market risk

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

3.1.1 Currency risk

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

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

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

Not all of the exchange rate insurance contracts entered into by the Group qualify for cash flow hedge accounting as established in **note 2.9.5**. Those contracts which 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 each country's functional currency. 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 transactions into account when evaluating its total exposure for the purpose of hedging financing transactions.

Note 9.2.6 includes details of financial instruments contracted by the Group to hedge this type of risk at 31 December 2012 and 2011.

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, the South African Rand and the Malaysian Ringgit. Sensitivity to changes in the value of these currencies against the Euro, with other variables remaining constant, is as follows:

(Expressed in thousands of Euros)

	Profit and loss		Equity	
	10% appreciation	10% depreciation	10% appreciation	10% depreciation
31 December 2012				
USD	11,356	-9,291	110,115	-90,093
ZAR	-2,040	1,669	30,967	-25,336
MYR	-3,744	3,063	47,106	-38,541
31 December 2011				
USD	16,395	-13,414	113,738	-93,059
ZAR	-2,012	1,646	33,332	-27,272
MYR	-1,723	1,410	40,877	-33,445

In 2013 the Group company Bahru Stainless will adopt the US Dollar as its functional currency because, with the completion of the first stage of investments, the Company will increase the volume of tonnes invoiced in US Dollars. This is therefore the currency in which most commercial transactions will be denominated and settled. Purchases of raw materials for the manufacturing process will also be made in US Dollars. The Group's exposure to the Malaysian Ringgit will be greatly reduced as a result of this change in the functional currency.

3.1.2 Interest rate risk

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

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

The Group hedged the interest rate risk on the majority of its loans in 2012 and 2011. **Note 9.2.6** includes details of financial instruments contracted by the Group to hedge this type of risk at 31 December 2012 and 2011.

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

Doubts as to the recovery of certain European economies caused short-term Euro interest rates to drop sharply throughout 2012, even beating the lows seen in the first half of 2010.

Had interest rates been 100 basis points higher, with all other variables remaining constant, the Group's consolidated loss after tax would have been Euros 2.86 million higher due to a higher finance cost on variable-rate debt (in 2011, profit would have been reduced by Euros 6.06 million). The effect on the Group's equity of higher interest rates across the entire curve would have been a net increase of Euros 20.95 million (Euros 11.19 million in 2011), 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 quoted 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** contains 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 annual growth rate mentioned previously is therefore expected to prevail in the medium term. The stainless steel market grew by 5.4% in 2012 (8.1% in 2011). Stainless steel is required for all industrial applications and used in all sectors, which guarantees that this growth will be sustained in the coming years. With end consumption stable, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption (in line with fluctuations in the price of nickel on the London Metal Exchange).

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

Maintaining sufficient inventory levels in warehouses entails the risk that these inventories might be recognised above their market price. The Group alleviates this risk by endeavouring to maintain control over inventory levels. The Group reduced its inventory tonnage by 15.8% in 2012.

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

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

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

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

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

3.2 Credit risk

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

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

The Group hedges its commercial and political risks either through credit insurance companies, or through letters of credit and bank guarantees extended by banks of recognised solvency located in countries with low financial risk. Credit insurance covers between 80% and 90% of commercial risks, depending on the country in which the customer is located and the insurance company, and 90% of political risks. The Group's main credit insurer has an A3 credit rating from Standard & Poor's.

In 2012 indemnities of Euros 2,868 thousand have been collected in relation to the credit insurance policy (Euros 2,420 thousand in 2011).

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 that do not meet the necessary credit conditions.

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

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

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

The Group makes valuation adjustments to trade receivables where necessary to mitigate the risk of bad debts or provide for past-due balances, or when circumstances indicate that collection is doubtful.

At 31 December 2012, consolidated trade receivables amount to Euros 386,259 thousand (Euros 476,981 thousand in 2011). Revenues for 2012 total Euros 4,554,688 thousand (Euros 4,672,244 thousand in 2011). Credit risk insurance has been contracted for 48% of consolidated net sales (42% in 2011) and 4% have been billed in cash (3% in 2011). Confirmed letters of credit are used to hedge credit risk in 3% of consolidated net sales (4% in 2011). 40% of consolidated net sales (38% in 2011) are domestic sales by North American Stainless Inc. with a collection period of under 30 days.

An analysis of the ageing of receivables is as follows: less than 30 days: Euros 46,224 thousand (Euros 69,792 thousand in 2011); from 30 to 60 days: Euros 12,360 thousand (Euros 13,936 thousand in 2011); from 60 to 90 days: Euros 3,962 thousand (Euros 6,661 thousand in 2011); more than 90 days: Euros 16,744 thousand (Euros 3,515 thousand in 2011). The Group has made provisions for Euros 7,650 thousand (Euros 6,898 thousand in 2011). Most of the Group's past-due receivables are insured and generally reflect customary delays in trading activity. Over 76% of the above past-due debt has been collected at the date of authorising the consolidated annual accounts for issue (69% in 2011).

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 amounts are provided in **note 9**.

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

3.3 Liquidity risk

In an economic climate as complex as today's, with liquidity scarce and increasingly expensive, the Group ensures its solvency and flexibility through long-term loans and financing facilities for amounts exceeding the quantities required at any time.

The Group's cash is centrally managed to optimise resources, making use of cash-pooling systems. Furthermore the Group's net debt is primarily concentrated within the Parent (more than 90% of total net debt 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 2012 and 2011 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 2,070 million and facilities for factoring without recourse for Euros 475 million. Euros 1,164 million has been drawn at 31 December 2012. In 2011, the Group had current and non-current financing facilities of Euros 2,142 million and facilities for factoring without recourse of Euros 320 million, of which Euros 1,051 million were drawn down. At 31 December 2012 cash and cash equivalents amount to Euros 583 million (Euros 165 million in 2011).

As a result of the Group's strategy of securing its long-term liquidity through borrowings, the significant reduction in working capital achieved during the year has led to a Euros 420 million increase in the cash balance.

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

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

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

An analysis of the Group's payment obligations at the 2012 close is as follows:

(Expressed in thousands of Euros)

	2012						
	Amount at 31/12/2012	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	895,400	-945,572	-9,801	-8,205	-325,038	-566,495	-36,033
Current payables	268,807	-275,393	-164,577	-110,816			
Suppliers and other payables	1,005,756	-1,005,756	-1,005,756				
FINANCIAL DERIVATIVES							
Hedged using interest rate swaps	-48,013	-47,938	-7,975	-7,396	-13,229	-18,760	-578
Export exchange rate insurance	-4,001	485,976	485,976				
Import exchange rate insurance	23,380	-953,409	-953,409				
TOTAL	2,141,329	-2,742,092	-1,655,542	-126,417	-338,267	-585,255	-36,611

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

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

3.4 Capital management

The aims of the capital management policy are:

- To safeguard the Company's capacity for sustained growth
- To provide appropriate returns to shareholders
- To maintain an optimum capital structure

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

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

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

Net financial debt is 2.9 times EBITDA, 13% up on the 2011 ratio (2.6x) but still far below the limit of 3.5 stipulated in the covenants governing the majority of the Group's borrowings.

The Group's gearing ratio is 33.9%, which is significantly lower than the 47.1% reported in 2011. Both the gearing ratio and the net financial debt balance are at a ten-year low.

Despite the financial crisis and its effects on the global iron and steel sector, the volume of investment remained in line with the strategic plan and total remuneration paid out to shareholders (Euros 0.45 per share in 2012, as in 2011) was maintained. Major efforts made by the Acerinox Group to reduce working capital financing requirements have led to a sizeable reduction in net financial debt, which, at Euros 581.5 million, is 34.4% down on the prior year (Euros 886.6 million).

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

3.5 Insurance

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

Sufficient coverage has been contracted for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 39.69% of the Acerinox Group's insurance expenditure. In 2012 the completed assets of the Group company Bahru Stainless were added to the material damage policy. Assets under construction are covered by both the insurance policies taken out by the respective suppliers and a global building and assembly policy.

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

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

NOTE 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Impairment of goodwill and other non-financial assets

The Group tests goodwill, property, plant and equipment and other intangible assets annually for impairment, in accordance with the accounting policy described in **note 2.8**. For goodwill and property, plant and equipment, recoverable amounts of cash-generating units have been determined based on calculations of value in use. These calculations are made using reasonable assumptions based on past returns and future production and market development expectations. **Notes 7.2 and 8.1** include details of the analyses carried out by the Group in 2012 and 2011.

b) Useful lives of plant and equipment

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

c) Fair value of derivatives or other financial instruments

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

d) Provisions

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

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

e) Net realisable value

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

f) Recoverability of available tax loss carryforwards and deductions

The Group regularly evaluates its available tax credits through five-year projections of profit and loss approved by management, to conclude as to whether they will be recoverable in the future. Details of the basis on which the Group assesses the recoverability of tax credits are provided in **note 18.2**.

The judgements and accounting estimates used by the Group in 2012 and 2011 are the same as in prior years.

NOTE 5 CONSOLIDATED GROUP

5.1 Subsidiaries and associates

At 31 December 2012, in addition to Acerinox, S.A., the Acerinox consolidated group includes 40 fully consolidated subsidiaries and one equity-accounted associate. In 2011 the Group included 38 fully consolidated subsidiaries and one equity-accounted associate.

Investments in subsidiaries and associates in 2012 are as follows:

FULLY CONSOLIDATED COMPANIES	2012				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	326	100%	ACERINOX S.A	KPMG
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A	Chinen, Morbelli y asociados
		13	10%	INOXIDABLES EUSKADI, S.A.	
ACERINOX AUSTRALASIA PTY. LTD.	Sydney - Australia	385	100%	ACERINOX S.A	KPMG
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	100%	ACERINOX S.A	KPMG
ACERINOX DO BRASIL, LTDA	Sao Paulo - Brazil	373	100%	ACERINOX S.A	
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Madrid - Spain	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX S.A	KPMG
		0	0.02%	INOXIDABLES EUSKADI	
ACERINOX INDIA PTE LTD	Mumbai - India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan - Italy	99,954	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor - Malaysia	4,752	100%	ACERINOX S.A	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu /Beyoglu - Turkey	150	99.73%	ACERINOX S.A	
		0	0.27%	INOXIDABLES EUSKADI	
ACERINOX NORWAY A.S	Oslo - Norway	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai - Hong Kong	10,876	100%	ACERINOX S.A	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	58	100%	ACERINOX S.A	
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES EUSKADI	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	98	95.00%	ACERINOX S.A	
		5	5.00%	ACERINOX SCANDINAVIA AB	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX S.A	KPMG
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	557	100%	ACERINOX S.A	KPMG
ACERINOX SHANGHAI CO., LTD.	Shanghai - China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX SOUTH EAST ASIA PTE.LTD.	Singapore - Singapore	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,444	100%	ACERINOX S.A	KPMG
ACEROL LTDA.	Maia - Portugal	13,930	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	171,769	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	279,615	76%	ACERINOX S.A	KPMG
D.A. ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A	KPMG
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A	KPMG
INOXCENTER CANARIAS, S.A.	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona - Spain	8,609	97.5%	ACERINOX S.A	KPMG

FULLY CONSOLIDATED COMPANIES	2012				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	KPMG
INOXPLATE, LTDA.	Maia - Portugal	14,843	100%	ACEROL PORTUGAL	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya) - Spain	2,986	97.5%	ACERINOX S.A	KPMG
NEWTECINVEST AG	Zug - Switzerland	4,455	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky - U.S.A.	545,072	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	28,800	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca (N.L.) - Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - U.S.A.	15	100%	ACERINOX S.A	KPMG
ROLDÁN, S.A.	Ponferrada - Spain	17,391	99.74%	ACERINOX S.A	KPMG

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

The activities of the Group companies are as follows:

- Acerinox, S.A.: the holding company of the Acerinox Group since the 2011 spin-off of its industrial and commercial lines of business described in **note 5.2**. The Company also renders legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless steel products.
- North American Stainless, Inc.: manufacture and sale of flat and long stainless steel products.
- Columbus Stainless (PTY), Ltd.: manufacture and sale of flat stainless steel products.
- Bahru Stainless, Sdn, Bhd: manufacture and sale of flat stainless steel products.
- Roldán, S.A.: manufacture and sale of long stainless steel products.
- Inoxfil, S.A.: manufacture and sale of stainless steel wire.
- Inox Re, S.A: captive reinsurance company.
- North American Stainless Financial Investment, Inc.: rendering of foreign trade advisory services.
- Remaining companies: sale of stainless steel products.

Investments in subsidiaries and associates in 2011 are as follows:

FULLY CONSOLIDATED COMPANIES	2011				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	326	100%	ACERINOX S.A	KPMG
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A	Chinen, Morbelli y asociados
		13	10%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sydney - Australia	385	100%	ACERINOX S.A	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	100%	ACERINOX S.A	KPMG
ACERINOX DO BRASIL, LTDA	Sao Paulo - Brazil	373	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Madrid - Spain	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX S.A	KPMG
			0.02%	INOXIDABLES EUSKADI	
ACERINOX INDIA PTE LTD	Mumbai - India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan - Italy	99,954	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor - Malaysia	4,752	100%	ACERINOX S.A	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu /Beyoglu - Turkey	150	99.73%	ACERINOX S.A	
			0.27%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX NORWAY A.S	Oslo - Norway	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai - Hong Kong	10,876	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.9800%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX S.A	KPMG
ACERINOX SHANGHAI CO., LTD.	Shanghai - China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX SOUTH EAST ASIA PTE.LTD.	Singapore - Singapore	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,444	100%	ACERINOX S.A	KPMG
ACEROL LTDA.	Maia - Portugal	15,828	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	171,651	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	279,615	76%	ACERINOX S.A	KPMG
D.A. ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A	KPMG
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A	BDO Auditores
INOXCENTER CANARIAS, S.A.	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona - Spain	15,878	97.5%	ACERINOX S.A	KPMG
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	
INOXPLATE, LTDA.	Maia - Portugal	16,343	100%	ACEROL PORTUGAL	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya) - Spain	2,986	97.5%	ACERINOX S.A	KPMG
METALINOX COLOMBIA S.A.S	Bogotá D.C - Colombia	68	100%	ACERINOX S.A	
NEWTECINVEST AG	Zug - Switzerland	4,455	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky - U.S.A.	545,072	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	29,367	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca (N.L.) - Mexico	19,321	100%	NORTH AMERICAN STAINLESS INC.	KPMG

FULLY CONSOLIDATED COMPANIES	2011				
	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT	AUDITORS
		COST (in thousands of Euros)	% OWNERSHIP		
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - U.S.A.	15	100%	ACERINOX S.A	
ROLDAN S.A.	Ponferrada - Spain	17,391	99.74%	ACERINOX S.A	KPMG
YICK HOE METAL INDUSTRIES SDN BHD	Johor - Malaysia	557	100%	ACERINOX S.A	KPMG

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

The Group companies presented in the 2011 table as Metalinox Colombia, S.A.S and Yick Hoe Metals Sdn. Bhd changed their names in 2012 to Acerinox Colombia, S.A.S and Acerinox S.C. Malaysia Sdn. Bhd, respectively.

5.2 Changes in the consolidated group

Changes in the consolidated group during 2012 are as follows:

Corporación Acerinox Perú, S.A.C.

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

Acerinox Russia, L.L.C.

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

Changes in the consolidated group during 2011 were as follows:

Acerinox Europa, S.A.U

At their extraordinary general meeting held on 29 September 2011, the shareholders approved the spin-off of Acerinox, S.A. through the contribution of its industrial activity to a newly incorporated company (Acerinox Europa, S.A.U.), a solely owned subsidiary of Acerinox, S.A. The spun-off industrial activity comprised the production, distribution and logistics units for products manufactured in the flat and long stainless steel product manufacturing plant in Campo de Gibraltar and the service centres located throughout Spain, including the investment in Inoxidables de Euskadi, S.A.U.

For the spin-off project, the balance sheet of Acerinox, S.A. at 31 December 2010 was considered as the spin-off balance sheet, while 1 January 2011 was set as the date from which the operations of the spun-off business were considered, for accounting purposes, to have been carried out by the beneficiary company (Acerinox Europa, S.A.U.).

The newly incorporated Acerinox Europa, S.A.U. was filed at the Mercantile Registry on 1 December 2011.

The carrying amount of the assets transferred at 1 January 2011 (Euros 934 million) was taken into account when determining the value of the new company's net assets. Liabilities amounted to Euros 593 million and the new company's net assets therefore totalled Euros 341 million. This valuation was approved by the independent expert (Deloitte, S.L.) appointed by the mercantile registrar.

Acerinox Europa, S.A.U. was incorporated with share capital of Euros 62 million and a share premium of Euros 279 million.

Acerinox Metal Sanayii Ve Tikaret L.S.

Acerinox Metal Sanayii Ve Tikaret, L.S. was incorporated on 2 August 2011 with headquarters in Turkey. Its statutory activity is the marketing of stainless steel products manufactured by any of the Group's six plants. This company was incorporated with share capital of Euros 150 thousand, of which 99.73% was contributed by Acerinox, S.A. and the remaining 0.27% by the Group company Inoxidables de Euskadi, S.A.U.

Acerinox Colombia, S.A.S

Metalinox Colombia, S.A.S. was incorporated on 30 August 2011 with headquarters in Colombia. Its statutory activity is the marketing of stainless steel products manufactured by any of the Group's six plants. This company was incorporated with share capital equivalent to Euros 68 thousand, 100% of which was paid in by Acerinox, S.A. Following the incorporation of this subsidiary, Acerinox, S.A. has liquidated its previous subsidiary in this country.

Roldán, S.A.

In 2011 Acerinox, S.A. acquired 1,476 shares from non-controlling shareholders of Roldán, S.A., thereby increasing its interest by 0.08%. Non-controlling interests accounted for 0.26% of this company's capital at 31 December 2011 and 0.34% in 2010. These shares were purchased for Euros 64 thousand. The difference compared with the carrying amount (Euros 18 thousand) was recognised in consolidated reserves.

5.3 Share capital increases

No share capital increases or reductions were carried out in any Group companies in 2012.

Acerinox, S.A. has extended a five-year participating loan to the Group company Inoxcenter, S.L. Pursuant to article 20 of Royal Decree-Law 7/1996 of 7 June 1996, this loan is considered as equity for the purposes of a share capital reduction and for liquidation of companies provided for under commercial law. The loan should be repaid in full upon maturity. However, the borrower may make full or partial early repayment at any time during the term of the loan. Each early repayment will increase equity by the same amount.

The following capital increases and decreases were carried out in 2011:

COMPANY	Number of shares	Capital increase/decrease (in thousands of Euros)
Bahru Stainless, Sdn. Bhd.	450,000	104,989
Acerinox do Brasil, Ltda.	325,260 cuotas	182
Acerinox France, S.A.S.	-1,225,000	-18,375
Acerinox France, S.A.S.	26,500	265
TOTAL		87,061

The capital increase in Bahru Stainless was to finance new investments at the factory in Malaysia. 67% of the capital was contributed by Acerinox, S.A. and the remainder by non-controlling shareholders.

Capital was increased in Brazil to comply with local legal requirements.

The simultaneous capital reduction and increase in Acerinox France were part of a mandatory operation to redress equity in accordance with local legislation.

5.4 Impairment of investments

At 31 December 2012 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 investments in Acerol Portugal and Inoxcenter exceeds their recoverable amount. The Parent has recognised impairment of Euros 1.9 million for Acerol Portugal and Euros 7.3 million for Inoxcenter. This impairment has not had an impact on consolidated results as these companies are fully consolidated.

NOTE 6 SEGMENT REPORTING

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

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

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

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

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

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

A segment's performance is measured based on its net profit or loss before tax. 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 2012 are as follows:

(Expressed in thousands of Euros)

	2012					
	Flat product	Long product	Other	Unallocated	Adjustments	Total
Income statement						
Revenues	4,131,239	653,561	13,387	6,516	-215,111	4,589,592
Inter-segment sales	-196,878	-18,233	0	0	215,111	0
Total revenues	3,934,361	635,328	13,387	6,516	0	4,589,592
Gross operating profit/loss	160,020	44,158	897	-9,361	0	195,714
Amortisation and depreciation	-132,965	-14,347	-218	-446	0	-147,976
Impairment losses	0	0	0	0	0	0
Share of loss of equity-accounted investees	0	0	0	-64	0	-64
Finance income	2,469	577	88	1,007	0	4,141
Finance costs	-45,785	-904	1,141	-23,312	0	-68,860
Exchange gains/losses	-1,684	70	0	-100	0	-1,714
Impairment of financial instruments	0	0	0	0	0	0
Profit/loss before income tax	-17,945	29,554	1,908	-32,276	0	-18,759
Income tax	-14,101	-9,845	-558	11,139	0	-13,365
Consolidated profit/loss for the year	-32,046	19,709	1,350	-21,137	0	-32,124
Non-controlling interests	-13,602	-14	-179	0	0	-13,795
Net profit/loss attributable to the Group	-18,444	19,723	1,529	-21,137	0	-18,329
Balance sheet						
Segment assets	3,554,786	334,065	21,030	305,711	0	4,215,592
Equity-accounted investees	0	0	0	42	0	42
Unallocated assets	0	0	0	0	0	0
Total consolidated assets	3,554,786	334,065	21,030	305,753	0	4,215,634
Segment liabilities	1,339,221	40,070	20,869	1,102,460	0	2,502,620
Unallocated liabilities	0	0	0	0	0	0
Total consolidated liabilities (excluding equity)	1,339,221	40,070	20,869	1,102,460	0	2,502,620
Property, plant and equipment	1,850,526	157,891	0	11,192	0	2,019,609
Investments in property, plant and equipment and intangible assets	197,273	11,664	0	210	0	209,147

2011 figures are as follows:

(Expressed in thousands of Euros)

	2011					
	Flat product	Long product	Other	Unallocated	Adjustments	Total
Income statement						
Revenues	4,162,193	716,917	10,534	5,442	-168,103	4,726,983
Inter-segment sales	-146,572	-21,531	0		168,103	0
Total revenues	4,015,621	695,386	10,534	5,442	0	4,726,983
Gross operating profit/loss	268,028	78,929	2,219	-9,956	0	339,220
Amortisation and depreciation	-132,907	-13,084	-226	-568	0	-146,785
Impairment losses	0	0	0	0	0	0
Share of loss of equity-accounted investees	0	0	0	-28	0	-28
Finance income	1,717	443	139	5,899	0	8,198
Finance costs	-41,809	-947	-443	-20,431	0	-63,630
Exchange gains/losses	-3,129	105	-3	44	0	-2,983
Negative goodwill	0	0	0	-1,366	0	-1,366
Profit/loss before income tax	91,900	65,446	1,686	-26,406	0	132,626
Income tax	-32,569	-23,590	-436	-9,838	0	-66,433
Consolidated profit/loss for the year	59,331	41,856	1,250	-36,244	0	66,193
Non-controlling interests	-7,391	16	-158	0	0	-7,533
Net profit/loss attributable to the Group	66,722	41,840	1,408	-36,244	0	73,726
Balance sheet						
Segment assets	3,781,846	161,191	22,855	105,269	0	4,071,161
Equity-accounted investees	0	0	0	60	0	60
Unallocated assets	0	0	0	0	0	0
Total consolidated assets	3,781,846	161,191	22,855	105,329	0	4,071,221
Segment liabilities	1,137,781	69,760	22,693	959,795	0	2,190,029
Unallocated liabilities	0	0	0		0	0
Total consolidated liabilities (excluding equity)	1,137,781	69,760	22,693	959,795	0	2,190,029
Property, plant and equipment	1,934,104	40,075	0	11,541	0	1,985,720
Investments in property, plant and equipment and intangible assets	156,869	11,999	0	397	0	169,265

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 based on where customers are located. Segment assets are determined by geographical location.

Data relating to geographical segments in 2012 is presented below:

(Expressed in thousands of Euros)

	2012						
	Spain	Rest of Europe	Americas	Africa	Asia	Other	Total
Revenue by destination of goods	366,193	1,328,533	2,229,367	290,592	319,590	20,413	**4,554,688**
Segment assets by origin	994,584	392,483	1,515,872	601,615	710,721	359	**4,215,634**
Property, plant and equipment at origin	286,507	89,260	864,451	765,200	14,136	55	**2,019,609**
Investments in property, plant and equipment and intangible assets at origin	42,854	750	17,622	7,721	140,157	44	**209,148**

2011 figures are as follows:

(Expressed in thousands of Euros)

	2011						
	Spain	Rest of Europe	Americas	Africa	Asia	Other	Total
Revenue by destination of goods	431,465	1,334,066	2,180,306	293,408	410,337	22,662	**4,672,244**
Segment assets by origin	937,477	466,188	1,487,030	554,513	625,857	157	**4,071,222**
Property, plant and equipment at origin	286,461	92,962	934,362	656,370	15,538	27	**1,985,720**
Investments in property, plant and equipment and intangible assets at origin	32,898	3,333	17,441	11,508	104,076	9	**169,265**

The Group sells its products in various countries throughout five continents. The following countries accounted for more than 5% of total consolidated sales in 2012 or 2011: the United States, 40.75% (39.05% in 2011); Spain, 8.04% (8.76% in 2011); Germany, 6.99% (6.78% in 2011); South Africa, 6.34% (6.12% in 2011); and Italy, 4.44% (5.34% in 2011).

No single transaction with an external customer exceeds 10% of the Group's consolidated revenues for 2012 or 2011.

NOTE 7 INTANGIBLE ASSETS

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

(Expressed in thousands of Euros)

COST	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 31 December 2010	7,002	24,312	22,631	53,945	69,124
Acquisitions	3,874	0	644	4,518	
Transfers	0	0	138	138	
Disposals	-2,330	0	-30	-2,360	
Translation differences	0	0	-704	-704	
Balance at 31 December 2011	8,546	24,312	22,679	55,537	69,124
Acquisitions	1,742	0	376	2,118	
Transfers	0	0	44	44	
Disposals	-2,380	0	-244	-2,624	
Translation differences	0	0	-246	-246	
Balance at 31 December 2012	7,908	24,312	22,609	54,829	69,124

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 31 December 2010	140	23,532	20,726	44,398	0
Charge	0	743	739	1,482	
Impairment	3,117	0	0	3,117	
Transfers	0	0	-25	-25	
Disposals	0	0	-30	-30	
Translation differences	0	0	-610	-610	
Balance at 31 December 2011	3,257	24,275	20,800	48,332	0
Charge	0	33	652	685	
Reversals of impairment	-696	0	0	-696	
Disposals	0	0	-237	-237	
Translation differences	0	0	-220	-220	
Balance at 31 December 2012	2,561	24,308	20,995	47,864	0

CARRYING AMOUNT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Cost at 31 December 2010	7,002	24,312	22,631	53,945	69,124
Accumulated amortisation and impairment losses	-140	-23,532	-20,726	-44,398	
Carrying amount at 31 December 2010	6,862	780	1,905	9,547	69,124
Cost at 31 December 2011	8,546	24,312	22,679	55,537	69,124
Accumulated amortisation and impairment losses	-3,257	-24,275	-20,800	-48,332	
Carrying amount at 31 December 2011	5,289	37	1,879	7,205	69,124
Cost at 31 December 2012	7,908	24,312	22,609	54,829	69,124
Accumulated amortisation and impairment losses	-2,561	-24,308	-20,995	-47,864	
Carrying amount at 31 December 2012	5,347	4	1,614	6,965	69,124

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

Research and development costs directly recognised as expenses for the year and taken to the income statement amount to Euros 1,609 thousand (Euros 2,395 thousand in 2011).

At 31 December 2012 the Group has entered into contracts to acquire intangible assets for Euros 32 thousand (no such contracts were in place at 31 December 2011).

7.1 Emission allowances

According to the National Allocation Plan approved by Law 1/2005 of 9 March 2005, Acerinox, S.A. was allocated 1,393,490 emission allowances free of charge, representing 278,698 allowances for each year of the 2008/2012 five-year plan. In 2012, C02 emissions were made requiring 167,936 allowances, which will be surrendered in 2013 (167,975 in 2011, surrendered in 2012). Therefore, as in 2011, it has not been necessary to acquire more allowances on the market. The Group has not sold the surplus allowances.

The number of free-of-charge emission allowances requested by Acerinox for the 2013-2020 period, estimated based on historical activity data in accordance with the European Commission Decision of 27 April 2011, is 264,062 tonnes. This request has been granted preliminary approval.

The Company is currently awaiting renewed authorisation of CO2 emissions, which will take into account a change in the emission calculation method. The inclusion of new energy sources not previously required under European guidelines (emissions due to diesel consumption by emergency generators and emissions associated with oxidation of ferro-alloys containing carbon) is expected to increase emissions by approximately 40,000 tonnes.

This increase in emissions was already taken into account when calculating allowances to be requested for the 2013-2020 period. The preliminary amount awarded therefore meets the Company's needs (at current production levels, emissions would amount to around 200,000 tonnes).

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

Movement in emission allowances in 2012 and 2011 is as follows:

	Number of allowances	Value (in thousands of Euros)
Balance at 31/12/2010	486,451	7,002
Allocation for the year	278,698	3,874
Disposals	-161,855	-2,330
Balance at 31/12/2011	603,294	8,546
Allocation for the year	278,698	1,742
Disposals	-167,502	-2,380
Balance at 31/12/2012	714,490	7,908

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 2012 the emission allowances held have a fair value of Euros 5,347 thousand (Euros 5,289 thousand at 31 December 2011). In 2012 the Group reversed impairment of emission allowances, recognising the difference between the cost and the listed price of allowances not used at the reporting date - a gain of Euros 696 thousand - under other operating income in the income statement (an impairment loss of Euros 3,117 thousand was recognised in 2011).

The expense for the year in respect of CO2 emissions totals Euros 1,875 thousand in 2012 (Euros 2,373 thousand in 2011) 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 2012, 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 five-year financial budgets approved by management. 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 the budgeted gross margin based on past returns and foreseeable market development. 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.

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

	2012	2011
Budgeted EBIT margin (*)	4.2%	5.6%
Weighted average growth rate (**)	2.5%	2.5%
Discount rate applied (***)	10.5%	10.8%

(*) 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 fall 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). Interest rates have dropped from 7.4% in 2011 to the 6.4% applied in the 2012 calculations.

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, 2017, 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%. The stainless steel market worldwide in 2012 continues to consolidate the historical market growth rate of 5.9% (1950-2012) period. In particular, the South African market has beaten consumption records in 2012, with estimated growth of 8% (16% in 2011). This performance has enabled the local manufacturer, Columbus Stainless Ltd, to increase its turnover by 4.8% (14.5% in 2011) in this market.

During 2012 Columbus Stainless has billed the Group’s new Malaysian operation, Bahru Stainless, for over 50,000 tonnes of black coil. Bahru Stainless will continue to receive materials in the years to come, as it develops and starts up new production lines.

The impairment test performed at 31 December 2012 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 107.6 million. The discount rate (WACC), the growth rate (g) and the budgeted EBIT margin are considered key assumptions in the impairment test.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by 25%. Alternatively, the discount rate could be increased by 15% while simultaneously bringing the growth rate (g) down to zero. The EBIT margin would have to fall 31% to 2.9%, with the other two assumptions remaining constant, for impairment to arise.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement in 2012 and 2011 are shown in the following table:

(Expressed in thousands of Euros)

COST	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2010	644,427	2,866,261	103,425	272,082	3,886,195
Additions	3,680	17,367	6,079	137,621	164,747
Transfers	18,732	49,306	20,144	-70,647	17,535
Disposals	-323	-6,754	-3,164	0	-10,241
Translation differences	1,687	-35,369	-577	-2,578	-36,837
Balance at 31 December 2011	668,203	2,890,811	125,907	336,478	4,021,399
Additions	4,829	15,062	7,693	179,446	207,030
Transfers	2,554	23,740	7,800	-28,027	6,067
Disposals	-1,549	-7,370	-10,949	0	-19,868
Translation differences	-3,595	-50,691	-638	4,905	-50,019
Balance at 31 December 2012	670,442	2,871,552	129,813	492,802	4,164,609

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2010	228,877	1,595,221	82,793	0	1,906,891
Charge	14,305	124,575	6,423	0	145,303
Transfers	-22	23	24	0	25
Disposals	-237	-5,822	-2,274	0	-8,333
Translation differences	1,749	-9,768	-188	0	-8,207
Balance at 31 December 2011	244,672	1,704,229	86,778	0	2,035,679
Charge	14,831	124,864	7,596	0	147,291
Transfers	-16	13	3	0	0
Disposals	-261	-6,967	-3,593	0	-10,821
Translation differences	-1,751	-24,916	-482	0	-27,149
Balance at 31 December 2012	257,475	1,797,223	90,302	0	2,145,000

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 2010	644,427	2,866,261	103,425	272,082	3,886,195
Accumulated depreciation and impairment losses	-228,877	-1,595,221	-82,793	0	-1,906,891
Carrying amount at 31 December 2010	415,550	1,271,040	20,632	272,082	1,979,304
Cost at 31 December 2011	668,203	2,890,811	125,907	336,478	4,021,399
Accumulated depreciation and impairment losses	-244,672	-1,704,229	-86,778	0	-2,035,679
Carrying amount at 31 December 2011	423,531	1,186,582	39,129	336,478	1,985,720
Cost at 31 December 2012	670,442	2,871,552	129,813	492,802	4,164,609
Accumulated depreciation and impairment losses	-257,475	-1,797,223	-90,302	0	-2,145,000
Carrying amount at 31 December 2012	412,967	1,074,329	39,511	492,802	2,019,609

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:

(Expressed in thousands of Euros)

	2012	2011
Buildings	101,066	19,817
Technical installations and machinery	388,304	312,456
Other property, plant and equipment	664	1,173
Advances	2,768	3,032
TOTAL	492,802	336,478

Of the total shown in the table, Euros 452 million are assets under construction relating to the investment in the Malaysia plant (Euros 309 million in 2011).

Assets located outside Spain

Details of assets located outside Spain are as follows:

(Expressed in thousands of Euros)

	2012		2011	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	425,509	-110,225	426,910	-100,151
Technical installations and machinery	1,819,461	-876,377	1,849,032	-810,217
Other property, plant and equipment	50,395	-33,388	40,595	-30,160
Property, plant and equipment under construction	457,725	0	323,248	0
TOTAL	2,753,090	-1,019,990	2,639,785	-940,528

Changes in estimates

Estimated useful lives remained unchanged in 2012 and 2011.

Collateral

At 31 December 2012 the Group company Columbus Stainless has pledged assets of Euros 35,560 thousand to secure loans and borrowings (Euros 37,900 thousand in 2011).

Commitments

At 31 December 2012 the Group has entered into contracts to acquire new equipment and installations for Euros 72,483 thousand (Euros 157,226 thousand at 31 December 2011).

Capitalised borrowing costs

Borrowing costs of Euros 7,622 thousand have been capitalised in 2012 (Euros 8,127 thousand in 2011). The capitalisation rate in 2012 was 4.66% (5.54% in 2011).

Asset disposals

A loss of Euros 545 thousand on the sale of property, plant and equipment or removal of assets from service has been recorded under other operating expenses in the 2012 income statement (Euros 3,499 thousand in 2011).

The gain on the sale of property, plant and equipment or the removal of assets from service totals Euros 712 thousand and is recognised under other operating income in the 2012 income statement (Euros 209 thousand in 2011).

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 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012		2011	
Nature and use	Gross value	Accumulated depreciation	Gross value	Accumulated depreciation
Water treatment	58,095	-31,081	64,155	-28,303
Acid neutralisation	16,438	-14,556	25,976	-13,710
Gas emission treatment	20,708	-38,756	49,992	-38,070
Automatic additions systems	3,878	-4,683	7,812	-4,492
Other	92,149	-68,807	138,719	-63,531
Total	191,268	-157,883	286,654	-148,106

During 2012 and 2011 the Group received no grants for investment in infrastructure aimed at protecting the environment.

The Group incurred environment-related ordinary expenses of Euros 96,912 thousand in 2012 (Euros 83,978 thousand in 2011), of which Euros 16,856 thousand relate to Acerinox Europa, S.A.U. (Euros 15,519 thousand in 2011).

At 31 December 2012 and 2011 no significant contingencies exist relating to the protection and improvement of the environment and, accordingly, no provision has been made in this respect.

Property, plant and equipment not used in ordinary activities

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

Other information

At 31 December 2012 and 2011 there are no litigation cases, seizures or similar measures that may affect items of property, plant or equipment.

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

In 2011 the Group received an insurance payout of Euros 20,459 thousand in relation to a fire that broke out at the rolling mill at the Roldán plant in Ponferrada. The replacement value of the damaged assets accounted for Euros 9,178 thousand of this compensation and loss of profit covered by the business interruption insurance policy made up the remaining Euros 11,281 thousand. The amount relating to loss of profit was received by Roldán, S.A., Acerinox, S.A., as a supplier of raw materials to Roldán, and Inoxfil, S.A., which uses products manufactured by Roldán to carry out its activity. The Group recognised income of Euros 19,285 thousand in its income statement for 2011. Activity at the Roldán factory was resumed in April 2011.

Investment property

Acerinox, S.A. has leased certain floors of one of its buildings to third parties, thereby obtaining income of Euros 277 thousand (Euros 417 thousand in 2011). The associated operating expenses, including maintenance and repairs, amount to Euros 149 thousand (Euros 139 thousand in 2011).

At 31 December 2012 this investment property has a market value of Euros 4,140 thousand (Euros 5,600 thousand in 2011) and a carrying amount of Euros 3,163 thousand (Euros 3,223 thousand in 2011).

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

8.1 1 Impairment

The Group's assets are mostly located at its plants.

The majority of assets do not generate cash inflows independently, as the whole production process needs to be completed. Impairment is therefore not estimated on an individual basis, but by allocating the assets to cash-generating units. At the Group's plants the smallest cash-generating units that can be considered encompass each plant as a whole, including the distribution network.

The Group determines the recoverable amount of items for which there are indications of impairment (operating losses, poor performance in different geographical markets, etc.).

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

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

1.The financing structure or gearing is not company-specific, but based on market participant assumptions.

2. The cost of debt is obtained using the applicable market risk-free rate plus a spread of 2%.

3. The risk-free rate is that applied to ten-year bonds.

4. The risk premium has been estimated at 5%.

The following were taken into account when estimating future cash flows:

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 projected budgets approved by management, which show production levels approximately equal to the average for the last ten years, reflecting a capacity utilisation rate of around 80%.

c) Projections for years subsequent to the projected period are estimated by extrapolating previous projections, using a growth rate of 2% (2.5% in the case of Columbus Stainless; see note 7.2). The historical growth rate for the global stainless steel market is 5.9% (1950-2012 period).

No charges have been made for the impairment of 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.

The impairment test performed for Acerinox Europa, S.A.U. at 31 December 2012 reveals that its recoverable amount exceeds its carrying amount by Euros 504.8 million. In 2012 Acerinox Europa, S.A.U. has billed the Group's new Malaysian operation, Bahru Stainless, for over 13,000 tonnes. Bahru Stainless will continue to receive materials in the years to come, as it develops and starts up new production lines.

In the case of Roldán, S.A., the impairment test performed at 31 December 2012 reveals that its recoverable amount exceeds its carrying amoun by Euros 21.3 million.

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 financial instruments 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:

(Expressed in thousands of Euros)

Classes	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Categories	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Loans and receivables					2,137	12,380					440,525	510,355
Held-to-maturity investments												
Assets available for sale												
- At fair value	7,441	12,373										
- At cost	14	14										
Assets at fair value through profit or loss												
- Held for trading											5,619	17,039
- Other												
Hedging derivatives											3	26
TOTAL	7,455	12,387	0	0	2,137	12,380	0	0	0	0	446,147	527,420

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

(Expressed in thousands of Euros)

Classes	Non-current financial instruments						Current financial instruments					
	Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other		Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other	
Categories	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Débitos y partidas a pagar	895,400	707,197			2,293	2,250	268,807	344,030			1,005,756	843,660
Pasivos a valor razonable con cambios en pérdidas y ganancias												
- Mantenidos para negociar											24,955	10,627
- Otros												
Derivados de cobertura					35,355	17,861					12,704	758
TOTAL	895,400	707,197	0	0	37,648	20,111	268,807	344,030	0	0	1,043,415	855,045

9.2.1 Determination of fair value

Financial instruments measured at fair value are classified, according to the valuation method, 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 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012			2011		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Available-for-sale financial assets	7,441			12,387		
Derivative financial instruments (assets)		5,622			17,065	
TOTAL	7,441	5,622	0	12,387	17,065	0

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial instruments (liabilities)		73,014			29,246	
TOTAL	0	73,014	0	0	29,246	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 and interest rate spreads.

9.2.2 Trade and other receivables

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2012	2011
Trade receivables	386,259	476,981
Personnel	880	1,106
Public entities	30,988	24,614
Other receivables	10,057	6,429
Prepayments	9,006	7,935
Impairment of bad debts	-7,650	-6,898
TOTAL	429,540	510,167

Impairment of bad debts relates entirely to trade receivables. Movement in this account is as follows:

	2012	2011
Opening balance	6,898	6,401
Charge	1,936	1,393
Application	-573	-247
Reversal	-629	-553
Translation differences	18	-96
Balance at 31 December	7,650	6,898

Impairment of bad debts has been included under other operating expenses in the income statement.

No interest was accrued on impaired financial assets in 2012 or 2011.

No allowances have been made for bad debts with related parties in 2012 or 2011.

Certain Group companies factored receivables of Euros 363,602 thousand through financial institutions during the year ended 31 December 2012 (Euros 267,517 thousand in 2011). These amounts have been derecognised as they meet the conditions specified in IAS 39 regarding the transfer of risks and rewards. In 2011 receivables amounting to Euros 267,517 thousand were factored, and therefore derecognised from the balance sheet.

9.2.3 Trade and other payables

Details of this item in the consolidated balance sheets at 31 December 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012	2011
Trade payables	862,522	712,126
Personnel	14,005	25,704
Suppliers of property, plant and equipment and intangible assets	82,763	15,509
Tax and Social Security	21,484	25,265
Dividend payable	0	24,985
Other payables	14,857	29,130
Current provisions	10,125	10,941
TOTAL	1,005,756	843,660

As a result of extensions in average payment periods agreed in the renegotiation of certain raw material supply contracts in 2012, payables to suppliers are up at the reporting date.

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 which exceed the maximum legal payment term, are as follows:

(Expressed in thousands of Euros)

	Payments made and outstanding at 31/12/2012		Payments made and outstanding at 31/12/2011	
Within maximum legal payment term	414,933	58,70%	269,080	38,37%
Other	291,899	41,30%	432,106	61,63%
TOTAL PAYMENTS FOR THE YEAR	706,832	100,00%	701,186	100,00%
Weighted average late payment days	14		12	
Late payments exceeding the maximum legal payment term at the reporting date	67,304		39,219	

9.2.4 Loans and borrowings

Details at 31 December 2012 are as follows:

(Datos en miles de euros)

	Non-current		Current	
	2012	2011	2012	2011
Bank loans	895,400	707,197	268,807	344,030
Total non-current debt	895,400	707,197	268,807	344,030

Details of the maturity of outstanding debt at 31 December 2012 are as follows:

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

2011 figures are as follows:

(Expressed in thousands of Euros)

	2012	2013	2014	2015	2016 and thereafter	TOTAL
Loans and borrowings	344,030	242,970	170,124	97,031	197,072	1,051,227
Total debt	344,030	242,970	170,124	97,031	197,072	1,051,227

Bank debt by currency is as follows:

(Datos en miles de euros)

	Non-current loans		Current loans	
	2012	2011	2012	2011
EUR	518,175	513,385	164,079	261,658
USD	362,306	144,787	70,276	20,084
ZAR	14,919	49,025	34,069	49,011
GBP			383	78
PLN				3,578
MYR				9,621
TOTAL	895,400	707,197	268,807	344,030

Details of bank debt by interest rate are as follows:

(Expressed in thousands of Euros)

	Non-current loans		Current loans	
	2012	2011	2012	2011
Fixed	102,717	45,000	34,280	30,000
Variable	792,683	662,197	234,527	314,030
TOTAL	895,400	707,197	268,807	344,030

As the majority of bank debt was extended at variable interest rates, its fair value is the same as its amortised cost. The fair value of fixed-rate loans and borrowings is Euros 133,257 thousand at 31 December 2012 (Euros 75,167 thousand at 31 December 2011).

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

The following table details borrowing costs by currency and type at the 2012 year end:

		Amount	Average cost	Average cost 2011
Loans in Euros	EUR	683,971,960	2.42%	3.26%
Loans in US Dollars	USD	554,269,184	1.89%	1.71%
Loans in Rand	ZAR	513,932,132	8.59%	8.64%
Credit facilities in Euros	EUR	1,559,188	3.01%	3.36%
Current financing in US Dollars	USD	12,581,476	1.83%	1.73%
Current financing in Rand	ZAR	34,069,234	5.75%	5.95%

The Group has arranged interest rate swaps that allow it to exchange debt subject to variable interest rates for debt at fixed interest rates, as described in **note 9.2.6**.

At 31 December 2012 accrued interest of Euros 3.8 million is payable (Euros 4.4 million in 2011).

Borrowing costs calculated using the effective interest rate on loans at amortised cost amount to Euros 2,036 thousand (Euros 1,129 thousand in 2011).

At 31 December 2012 the Group has credit facilities with financial institutions with a maximum available limit of Euros 2,070 million, of which Euros 1,164 million has been drawn down. In 2011 the maximum available limit was Euros 2,142 million, of which Euros 1,051 million were drawn down at that date.

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

The Group obtained the following new loans in 2012:

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

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

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

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

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

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

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

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

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

The guarantor of the loan extended to Acerinox, S.A. is North American Stainless, as the co-borrower.

The following loans were repaid during the year:

- Maturity of the three-year loan granted to the Group company Columbus by Nedbank in 2009. The original amount of this loan was ZAR 500 million, repayable in six equal half-yearly instalments.

The following loans were obtained in 2011:

- Banco Popular granted a three-year loan of Euros 35 million to Acerinox, S.A. in October 2011, repayable in full at the due date.

- Banca Cívica granted a two-year loan of Euros 10 million to Acerinox, S.A. in August 2011, repayable in full at the due date.

- Ibercaja granted a two-year loan of Euros 10 million to Acerinox, S.A. in July 2011, repayable in eight equal quarterly instalments.

- Bankinter granted a two-year loan of Euros 10 million to Acerinox, S.A. in June 2011, repayable in full at the due date.

- Banco Santander granted a Euros 76.13 million loan to Acerinox S.A. in February 2011. The guarantor for this loan is OeKB (Oesterreichische Kontrollbank Aktiengesellschaft), Austria's export credit agency, as the loan finances a percentage of the equipment installed at the new Bahru Stainless factory in Malaysia. The loan falls due in June 2020 and is repayable in 17 equal half-yearly instalments.

- Standard Bank granted a ZAR 300 million loan to Columbus in February 2011, repayable in full at the due date.

Non-current debt conditional on compliance with ratios

Debt extended to the Group and conditional on compliance with ratios at 31 December 2012 is as follows:

- Deutsche Bank and JBIC (Japan Bank for International Cooperation) granted a Euros 31.99 million loan to Acerinox S.A. in September 2012. This loan is subject to compliance with three financial ratios: consolidated net debt/consolidated equity less than 1, consolidated net debt/consolidated EBITDA less than 4.5 times and consolidated EBITDA/consolidated net finance costs equal to or less than 4. At the 2012 year end the borrower complied with the first two ratios and has been granted a waiver for the third.

- The syndicated financing obtained in the US is subject to compliance with two financial ratios, calculated based on the accounting statements of our American subsidiary North American Stainless, INC ("NAS"). The first of these ratios refers to NAS's debt-capitalisation ratio, which must be less than 0.5, while the second correlates its cash flow generation with its outstanding debt and interest payable for the next twelve months, which must be equal to or higher than 2 times. At the 2012 year end, both of these covenants had been met.

- Banco Santander: the Euros 76.13 million loan granted in February 2011 is subject to compliance with certain financial ratios: consolidated net debt/consolidated equity less than 1, consolidated net debt/consolidated EBITDA less than 4.5 and consolidated EBITDA/consolidated net finance costs equal to or less than 4. At the 2012 year end the borrower complied with the first two ratios and has obtained a waiver from the lender for the third. In 2011 the Group complied with all ratios.

- Standard Bank granted a ZAR 300 million loan to Columbus in January 2011, repayable in four equal quarterly instalments, the first of which is due at the end of April 2013. This loan is subject to compliance with a ratio that correlates Columbus's current assets with its current liabilities, which must be over 1.2 times. At the 2012 and 2011 year ends, the borrower complied with this ratio.

- IFC (World Bank Group) extended a five-year loan of ZAR 397 million to Columbus in August 2009, repayable in thirteen quarterly payments following a grace period of two years. The loan is subject to compliance with the ratio of current assets to current liabilities, which must be higher than 1.2 times. At 31 December 2012 and 2011 Columbus Stainless complies with this ratio.

- In May 2008 the ICO (Spain's Official Credit Institute) granted a loan of US Dollars 160 million to Acerinox, S.A. to finance the Company's investment plan in Malaysia. In December 2011 a total of USD 45.7 million was repaid in advance, as agreed with the ICO in 2009. This loan has a grace period of three years and was repayable in 17 equal half-yearly instalments, with final maturity in July 2018.

In May 2007 the ICO also granted a loan of Euros 400 million to Acerinox, S.A. to finance the Company's investments, essentially in the US and South Africa. As agreed with the ICO in 2009, Euros 80 million of this loan was repaid in advance in November 2011. The original terms provided for a five-year grace period followed by ten equal half-yearly instalments, with final maturity in May 2017.

The maturity of both ICO loans is dependent on compliance, at each year end, with certain ratios based on the financial debt/EBITDA ratio, which must be less than 3.5 times, and the ratio of net financial debt/equity of the consolidated group, which must be less than 1. The lender can demand early repayment of these loans if these ratios are not met. The borrower complies with all of these ratios at the 2012 and 2011 reporting dates.

9.2.5 Available-for-sale financial assets

Available-for-sale financial assets include the investment held by Acerinox in the Japanese company Nisshin Steel Holding Co. Limited., which is listed on the Tokyo Stock Exchange with a share value of JPY 807 at 31 December 2012. Acerinox holds 1,052,600 shares in this company, representing a percentage ownership of 0.96% (1.06% in 2011). This investee was formed on 26 September 2012 when Nisshin Steel Co. Limited merged with Nippon Metal Industry. In this merger, one share in the new company was received for every ten shares held in Nisshin Steel Co. Limited. Acerinox has not purchased or sold any shares in Nisshin Steel Co. or Nisshin Steel Holding Co. Limited in 2012.

Changes in the fair values of the assets classified in this category, totalling Euros -4,932 thousand, have been taken to comprehensive income for 2012 (Euros -5,156 thousand in 2011).

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 which 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:

(Expressed in thousands of Euros)

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	3	48,059	26	18,619
Derivatives at fair value through profit or loss	5,619	24,955	17,039	10,627
TOTAL	5,622	73,014	17,065	29,246

The Group has arranged a greater number of interest rate and exchange rate hedging derivatives, primarily in light of growth in commercial activity at its Malaysian factory (Bahru Stainless), and also because of increased non-current financing in foreign currency, essentially as a result of obtaining the USD 482 million syndicated loan. Uncertainty in the financial markets has led the Group to insure the interest rate on its non-current borrowings. These financial instruments qualify as cash flow hedges.

A breakdown of the Group's financial derivatives at 31 December 2012 and 2011 by type of hedged risk is as follows:

(Expressed in thousands of Euros)

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Exchange rate insurance	5,622	25,001	17,054	10,569
Interest rate swaps		19,963	11	10,503
Cross-currency swaps		28,050		8,174
TOTAL	5,622	73,014	17,065	29,246

Currency risk

The Group operates in a large number of countries and invoices in various 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 2012 the effect of measuring these derivatives at market value totals Euros 35,197 thousand and has been recognised under revaluation of financial instruments at fair value in the income statement (Euros 10,799 thousand in 2011).

At 31 December 2012 all exchange rate insurance contracts relate to both receivables (assets) and payables (liabilities) and cover both trade and financing transactions. At the reporting date the Group does not hold any derivatives to hedge purchases of property, plant and equipment or intangible assets. At 31 December 2012 the Group has exchange rate insurance cover of Euros -19,379 thousand (Euros 6,485 thousand in 2011), of which Euros 5,622 thousand are recognised under assets and Euros 25,001 thousand under liabilities. Only Euros -43 thousand of this amount qualifies as hedging instruments. In 2012, equity was reduced by Euros 133 thousand to reflect changes in the fair value of this insurance (reduced by Euros 105 thousand in 2011).

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

At 31 December 2012 the Group has entered into contracts for foreign currency operations amounting to Euros 485 million for currency sales and Euros 953 million for currency purchases. The comparative figures at 31 December 2011 were Euros 401 thousand for sales and Euros 513 million for purchases. Details of these contracts by currency are as follows:

(Figures in thousands)

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
USD	546,132	1,168,460	260,884	675,104
EUR	11,611	42,051	13,777	28,046
GBP	10,066		20,325	5
SEK	118,904		272,052	
PLZ	61,936		107,868	
AUD	8,817			
CHF	862		959	
NZD	703			
MYR			472,000	

The increase in US Dollar derivatives used to hedge both assets and liabilities reflects a rise in financing activities in this currency by the holding company.

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

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

Interest rate risk

At 31 December 2012 the Group has entered into the following interest rate swaps to hedge most of its non-current financial liabilities:

	Notional value contracted	Outstanding amount	Maturity
USD variable to EUR fixed rate	USD 385.6 million	USD 347 million	2017
Variable to fixed rate	EUR 10 million	EUR 10 million	2013
Variable to fixed rate	EUR 30 million	EUR 30 million	2015
Variable to fixed rate	EUR 35 million	EUR 35 million	2014
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	EUR 50 million	EUR 50 million	2015
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	ZAR 300 million	ZAR 300 million	2014
Variable to fixed rate	EUR 76.13 million	EUR 67.17 million	2012 - 2020
Variable to fixed rate	EUR 400 million	EUR 288 million	2012 - 2017
USD variable to EUR fixed rate	USD 160 million	USD 97.96 million	2012 - 2018
USD variable to MYR fixed rate	USD 63 million	USD 63 million	2013 - 2017

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

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

The average interest rate applicable to USD-denominated loans for which an interest rate hedge has been arranged is 2.80%. The average rate for Euro-denominated loans with an associated interest rate hedge is 3.77%. The credit margin has been included on both loans.

Details at 31 December 2011 are as follows:

	Notional value contracted	Outstanding amount	Maturity
Variable to fixed rate	EUR 10 million	EUR 10 million	2013
Variable to fixed rate	EUR 30 million	EUR 30 million	2012
Variable to fixed rate	EUR 35 million	EUR 35 million	2014
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	EUR 50 million	EUR 50 million	2012
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	ZAR 430 million	ZAR 93.88 million	2012
Variable to fixed rate	EUR 76.13 million	EUR 76.13 million	2012 - 2020
Variable to fixed rate	EUR 400 million	EUR 320 million	2012 - 2017
USD variable to EUR fixed rate	USD 160 million	USD 114.28 million	2012 - 2018
USD variable to MYR fixed rate	USD 63 million	USD 63 million	2013 - 2017

Based on the market value of equivalent financial instruments at the reporting date, the interest rate swaps have a negative fair value of Euros 48,013 thousand (positive value of Euros 10,492 thousand at 31 December 2011), of which Euros 35,355 thousand have been recorded under other non-current financial liabilities and Euros 12,658 thousand under other current financial liabilities.

At 31 December 2011 and 2012 the derivatives contracted qualify as cash flow hedges and therefore the unrealised loss of Euros 38,535 thousand on their measurement at fair value has been recorded in the consolidated statement of comprehensive income (loss of Euros 13,216 thousand in 2011).

In 2012 an amount of Euros 23,759 thousand has been transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 480 thousand in 2011).

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.

9.2.7 Other information

At 31 December 2012 and 2011:

- 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 15**.

NOTE 10 EQUITY-ACCOUNTED INVESTEES

Movement in 2012 and 2011 is as follows:

(Expressed in thousands of Euros)

	2012	2011
Opening balance	60	102
Share of loss for the year	-64	-28
Exchange gains/losses	4	-14
Balance at 31 December	0	60

NOTE 11 INVENTORIES

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2012	2011
Raw materials and other supplies	244,828	306,805
Work in progress	141,809	206,477
Finished goods	467,500	592,592
By-products, waste and recoverable materials	15,782	13,013
Advances	564	541
TOTAL	870,483	1,119,428

The cost of goods sold is Euros 4,282 million in 2012 (Euros 4,293 million in 2011).

In 2012 the Group has written inventories down to net realisable value where this was lower than cost, with a total adjustment of Euros 16,973 thousand. The adjustment for 2011 amounted to Euros 15,549 thousand.

At 31 December 2012 and 2011 no inventories have been pledged as collateral to guarantee repayment of debts or commitments undertaken with third parties

Commitments

At 31 December 2012 the consolidated Group has commitments to purchase raw materials for Euros 126,807 thousand (Euros 111,328 thousand in 2011). 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 Company does not have any inventories with a cycle exceeding one year and therefore no borrowing costs have been capitalised.

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

NOTE 12 CASH AND CASH EQUIVALENTS

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2012	2011
Cash in hand and at banks	163,991	78,505
Current bank deposits	418,680	86,126
TOTAL	582,671	164,631

The effective interest rate on short-term bank deposits is 0.45% for the US Dollar, 2.45% for the Malaysian Ringgit, 4.95% for the South African Rand and 3.65% for the Euro (0.69% for the US Dollar and 2.06% for the Malaysian Ringgit in 2011). Acerinox (29% of the total) and North American Stainless (58%) account for the majority of deposits placed this year, whereas in 2011 more than 85% of short-term bank deposits were concentrated in the US (North American Stainless, Inc.) and Malaysia (Bahru Stainless, Sdn. Bhd.). Deposits are generally placed for 45-15 days with banks of recognised solvency. In 2011 the Group companies generally invested their cash surpluses in deposits for less than one week.

NOTE 13 EQUITY

13.1 Subscribed capital and share premium

Movement in issued and outstanding shares in 2012 and 2011 is as follows:

(Expressed in thousands of Euros)

	Number of shares (thousand)	Ordinary shares (thousand)	Share capital (thousands of Euros)	Share premium (thousands of Euros)
At 1 January 2011	249,305	249,305	62,326	131,264
Distribution of share premium				-24,930
At 31 December 2011	249,305	249,305	62,326	106,334
Distribution of share premium				-24,931
At 31 December 2012	249,305	249,305	62,326	81,403

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

At 31 December 2012 share capital comprises 249,304,546 ordinary shares (as in 2011) 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 2012 and 2011 the only holders of 10% or more of the share capital of Acerinox, S.A. are Alba Participaciones, S.A. (24.24% in 2012 and 2011), Feynman Capital S.L. (Omega) (11.59% in 2012 and 11.85% in 2011) and Nisshin Steel Co. Ltd. (15.3% in 2012 and 2011).

At the annual general meetings held on 7 June 2012 and 9 June 2011, the shareholders approved the reimbursement of capital contributions for 2012 and 2011 to Company shareholders, with a charge of Euros 0.10 per share to the share premium, for a total amount of Euros 24,930 thousand.

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

13.2 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.

Dividends distributed for 2010 and 2011 were those approved by the shareholders, irrespective of the date of payment, and therefore include the interim dividend paid during the prior year.

Details of reserves by company are included in **note 13.4**.

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 2012 Euros 21,865 thousand of the Group's reserves and retained earnings are subject to restrictions (Euros 21,731 thousand at 31 December 2011).

The legal reserve, which is included under retained earnings in the statement of changes in equity, has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. At 31 December 2012 and 2011 the Company has appropriated Euros 12,465 thousand, an amount equivalent to 20% of its share capital, to this reserve.

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

b) Property, plant and equipment revaluation reserve

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

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

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

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

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.

13.3 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 2012 and 2011 reporting dates are as follows:

(In thousands of Euros at 31 December 2012 and 2011)

GROUP COMPANIES	2012	2011
ACERINOX (SCHWEIZ) A.G.	1,064	1,040
ACERINOX ARGENTINA S.A.	-1,805	-1,427
ACERINOX AUSTRALASIA PTY.LTD.	130	150
ACERINOX DO BRASIL, LTDA	14	93
ACERINOX COLOMBIA S.A.S	7	8
ACERINOX INDIA PTE LTD	-35	-14
ACERINOX MALAYSIA SDN. BHD	-330	-475
ACERINOX METAL SANAYII VE TICARET L.S.	17	6
ACERINOX NORWAY A.S	34	51
ACERINOX PACIFIC LTD.	-2,570	-2,741
ACERINOX POLSKA, SP Z.O.O	-384	-2,445
ACERINOX SCANDINAVIA AB	-475	-1,500
ACERINOX SOUTH EAST ASIA PTE.LTD.	129	115
ACERINOX SHANGHAI CO., LTD.	1,772	1,844
ACERINOX U.K., LTD.	-4,423	-5,003
BAHRU STAINLESS, SDN. BHD	19,121	15,864
COLUMBUS STAINLESS INC.	-84,162	-71,018
D.A. ACERINOX CHILE S.A.	1,012	283
NORTH AMERICAN STAINLESS CANADA, INC	-578	75
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	979	1,393
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD	1	2
NEWTECINVEST AG	2,227	2,196
NORTH AMERICAN STAINLESS INC.	-20,430	6,766
ACERINOX S.C. MALAYSIA SDN. BHD.	-603	-467
SUBTOTAL	-89,288	-55,204

ASSOCIATES	2012	2011
BETINOKS PASLANMAZ ÇELIK A.S.	-49	-52
SUBTOTAL	-49	-52

TOTAL	-89,337	-55,256

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

Details at 31 December 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012			2011		
	Reserves	Profit/loss	Non-controlling interests	Reserves	Profit/loss	Non-controlling interests
ACERINOX, S.A	753,566	-18,318		878,251	-28,506	
ACERINOX (SCHWEIZ) A.G.	3,000	-772		3,733	-740	
ACERINOX ARGENTINA S.A.	4,502	422		4,135	377	
ACERINOX AUSTRALASIA PTY. LTD.	251	-108		216	35	
ACERINOX BENELUX S.A. - N.V.	411	215		227	184	
ACERINOX DO BRASIL, LTDA	-136	253		-41	-95	
ACERINOX COLOMBIA S.A.S	2	27		0	2	
ACERINOX DEUTSCHLAND GMBH	-22,122	490		-23,360	1,237	
ACERINOX EUROPA S.A.U	-30,354	-35,935		-7,313	-19,646	
ACERINOX FRANCE S.A.S.	-11,108	-557		-11,228	120	
ACERINOX ITALIA S.R.L.	-14,330	59		-14,435	105	
ACERINOX INDIA PTE LTD	72	194		147	-74	
ACERINOX MALAYSIA SDN. BHN	-6,046	-11,809		-481	-5,565	
ACERINOX S.C MALAYSIA SDN. BHD	-11,572	-5,966		-4,634	-6,938	
ACERINOX METAL SANAYII VE TICARET L.S.	-69	175		0	-69	
ACERINOX NORWAY A.S	395	200		1,386	1,737	
ACERINOX PACIFIC LTD.	-16,222	304		-16,188	-35	
ACERINOX POLSKA, SP Z.O.O	-997	106		-1,137	141	
ACERINOX SCANDINAVIA AB	-3,290	-2,383		-3,604	314	
ACERINOX SHANGHAI CO., LTD.	1,403	-14		1,070	333	
ACERINOX SOUTH EAST ASIA PTE.LTD.	-4	210		191	-196	
ACERINOX U.K., LTD.	739	-1,092		711	28	
ACEROL LTDA.	-3,228	-136		-3,319	91	
BAHRU STAINLESS, BDN. BHD	-8,889	-15,811	81,828	-6,691	-3,390	87,389
COLUMBUS STAINLESS (PTY) LTD.	88,068	-18,945	62,094	104,136	-16,182	71,998
CORPORACIÓN ACERINOX PERU S.A.C	-28	10				
D.A. ACERINOX CHILE S.A.	-1,043	-887		147	-1,189	
INOX RE, S.A.	16,814	3,218		13,501	3,313	
INOXCENTER CANARIAS S.A.	2,273	-208	60	2,343	-70	65
INOXCENTER S.A.	-14,409	-6,789	-136	-8,261	-6,148	38
INOXFIL S.A.	2,664	-899	19	3,276	-612	22
INOXIDABLES DE EUSKADI S.A.	760	-228		2,576	-1,816	
INOXPLATE, LTDA.	263	306		-25	288	
METALINOX BILBAO S.A.	17,685	-487	522	17,618	67	534
NORTH AMERICAN STAINLESS CANADA, INC	2,076	2,241		-943	2,446	
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	815	-49		-265	700	
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-2	0		-15,813	15,812	
NEWTECINVEST AG	2,234	71		2,321	-87	
NORTH AMERICAN STAINLESS INC.	735,786	100,911		605,517	130,288	
ROLDÁN, S.A.	42,695	-6,284	138	35,201	7,494	154
SUBTOTAL	1,532,625	-18,265	144,525	1,558,965	73,754	160,200
ASSOCIATES						
BETINOKS PASLANMAZ ÇELIK A.S.	-200	-64		-173	-28	
SUBTOTAL	-200	-64	0	-173	-28	0
TOTAL	1,532,425	-18,329	144,525	1,558,792	73,726	160,200

13.5 Distribution of profit/application of loss

At their meeting held on 10 December, the board of directors agreed not to distribute an interim dividend for the year, in light of estimated losses for 2012, and to postpone any decisions regarding shareholder remuneration until the annual general meeting scheduled for 5 June.

With regard to 2011, at their meeting held on 15 December 2011 the board of directors approved a first interim dividend for 2011 of Euros 0.10 gross per share, while at their meeting on 28 February 2012 a further interim dividend of Euros 0.10 gross per share was approved. In addition to these two interim dividends, the shareholders agreed to distribute a complementary dividend of Euros 0.15 gross per share with a charge to 2011, payable on 5 July 2012, and to reimburse contributions for an amount of Euros 0.10 per share with a charge to the share premium. This share premium was distributed on 5 October 2012.

13.6 Earnings per share

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

(Expressed in thousands of Euros)

	2012	2011
Profit/loss attributable to the Group	-18,329	73,726
Weighted average number of ordinary shares outstanding	249,304,546	249,304,546
Earnings/loss per share (in Euros)	**-0.07**	**0.30**

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 14 DEFERRED INCOME

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

(Expressed in thousands of Euros)

	2012	2011
Balance at 1 January	**5,490**	**7,295**
Grants awarded	3,075	5,322
Taken to the income statement	-2,659	-7,126
Translation differences	2	-1
Balance at 31 December	**5,908**	**5,490**

Deferred income primarily reflects subsidies 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, which have not been consumed during the year (**see note 7**).

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

NOTE 15 PROVISIONS AND CONTINGENCIES

Details of non-current provisions included in the balance sheets for 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012	2011
Employee benefits	10,200	10,420
Other provisions	3,416	3,571
TOTAL	13,616	13,991

15.1 Employee benefits

15.1.1 Defined contribution plans

In accordance with legislation in force in their countries of operation, certain Group companies make contributions to pension plans managed by external institutions. An expense of Euros 8,569 thousand has been recognised for the year under personnel expenses in respect of such plans (Euros 7,102 thousand in 2011).

15.1.2 Defined benefit plans

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

(Expressed in thousands of Euros)

	2012	2011
Pension plans	1,339	1,132
Early retirement benefits	356	275
Supplements	766	751
Post-employment commitments	7,739	8,262
TOTAL	10,200	10,420

15.2 Other provisions

Movement during 2012 is as follows:

(Expressed in thousands of Euros)

	Litigation	CO2	Other provisions	Total
At 31 December 2011	1,177	2.394	0	3.571
Charge to provision		1,875	350	2,225
Reversal		-2,380		-2,380
At 31 December 2011	1,177	1,889	350	3,416

CO2

This includes the provisions for CO_2 emissions during the year for which the emission allowances are pending delivery (**see note 7.1**).

Applications for the year mainly include the derecognition of emission allowances for 2012 totalling Euros 2,380 thousand (Euros 2,330 thousand in 2011) (**see note 7.1**).

Litigation

The provision for this item is for additional income taxes raised in the Group subsidiary Acerinox Italia, S.r.l. in relation to 2004. An appeal was lodged against this tax assessment, which was upheld by the magistrates' court. The taxation authorities have filed their own appeal in response and the company has submitted its objections. Adjustments required in light of this tax assessment relate to transfer prices associated with transactions between Acerinox Italy and the Spanish Group company Roldán, S.A. In July 2011 the latter company applied to the Directorate-General for Taxation (under the Spanish Ministry of Economy and Finance) for the elimination of double taxation in connection with the adjustment of profits of associated enterprises, pursuant to Convention 90/436/EEC of 23 July 1990.

15.3 Guarantees provided

At 31 December 2012 the Group has provided guarantees to third parties, mainly government bodies, totalling Euros 17 million (Euros 13 million in 2011). Group management does not expect any significant liabilities to arise from these guarantees.

NOTA 16 INCOME AND EXPENSES

16.1 Income and revenue

Details of income and revenue in 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012	2011
Sale of goods	4,549,304	4,699,108
Rendering of services	5,384	3,136
Self-constructed assets	23,297	17,456
Operating lease income	519	689
Gains on disposal of property, plant and equipment and intangible assets	712	209
Reversal of impairment of intangible assets	696	0
Income from grants and subsidies	764	1,635
Income from emission allowances	1,895	5,491
Other income	7,021	29,259
TOTAL	4,589,592	4,756,983

The increase in self-constructed assets essentially reflects capitalised expenses relating to the construction of the factory in Malaysia.

16.2 Personnel expenses

Details of personnel expenses in 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012	2011
Salaries and wages	284,891	277,798
Social Security	50,991	49,381
Contributions to employee benefit plans	8,569	7,102
Termination benefits	6,123	423
Change in the provision for employee benefits	-131	2,209
Other personnel expenses	21,349	19,295
TOTAL	371,792	356,208

The average headcount in 2012 and 2011, distributed by category, is as follows.

	2012	2011
Graduates	797	837
Administrative staff	1,204	1,326
Manual workers	5,287	5,268
TOTAL	7,288	7,431

The most significant amendments to personnel policy in 2012 are as follows:

Acerinox, S.A.

At their general meeting held on 7 June, the shareholders backed the board of directors' decision to freeze the remuneration of board members, senior management and all Company personnel.

Acerinox Europe

On 21 June the workforce of the Campo de Gibraltar factory approved a new collective bargaining agreement for the coming three years. The new agreement was signed on 5 July.

The agreement dissociates salary increases from the cost of living and as a result salary adjustments are pegged to workforce productivity and efficiency.

Roldán, S.A.

On 22 June 2012 Roldán, S.A. submitted a temporary workforce reduction plan (ERE) for the Ponferrada factory, similar to those presented in prior years. This plan allows for the flexibility necessary to adjust production to demand. Application of the ERE is based on orders received and could affect up to 86% of the workforce for a maximum period of 15 days per month. The ERE has a duration of eight months, from July 2012 until February 2013.

Commercial network

In April the workforce of the commercial network in Spain was adjusted to market circumstances. This measure affected 73 workers and a total of Euros 2,782 thousand was paid out in termination benefits.

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

		2012	2011
Board members	Male	14	14
	Female	1	1
Senior management personnel	Male	5	5
	Female	0	0
Graduates	Male	611	625
	Female	192	184
Administrative staff	Male	728	750
	Female	484	537
Manual workers	Male	5,129	5,165
	Female	102	91
TOTAL		7,266	7,372

At 31 December 2012 the number of employees in Spain with a disability of at least 33% is 66 (65 male and 1 female).

16.3 Other operating expenses

Details are as follows:

(Expressed in thousands of Euros)

	2012	2011
Rentals	10,125	10,116
Trading costs	169,621	148,455
Utilities	178,067	148,656
Maintenance	68,903	63,931
External services	28,430	31,378
Insurance	16,326	14,505
Other operating expenses	93,232	91,701
Taxes other than income tax	16,599	15,792
Losses on sale of property, plant and equipment and intangible assets	545	381
Impairment of intangible assets		3,117
Other expenses	148	653
TOTAL	581,996	528,685

Other operating expenses include Euros 2,957 thousand in bank commissions and securities depository fees (Euros 2,603 thousand in 2011).

NOTE 17 NET FINANCE COST

Details of the net finance cost are as follows:

(Expressed in thousands of Euros)

	2012	2011
Interest and other finance income	3,980	8,018
Dividend income	160	180
Gain on revaluation of financial instruments at fair value (exchange rate insurance)	3,170	25,845
Exchange gains/losses	33,483	-13,782
TOTAL FINANCE INCOME	40,793	20,261
Interest expense and other finance costs	-68,860	-63,630
Loss on revaluation of financial instruments at fair value (exchange rate insurance)	-38,367	-15,046
Impairment of investments	0	-1,366
TOTAL FINANCE COSTS	-107,227	-80,042
NET FINANCE COST	-66,434	-59,781

NOTE 18 TAXATION

At 31 December 2012 and 2011 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.

The Spanish taxation authorities have been duly notified of the integration into the consolidated tax group of Acerinox Europa, S.A.U., a solely owned subsidiary of Acerinox, S.A. formed on 1 December 2011 as a result of the spin-off of its parent's industrial activity.

On 3 February 2012 the tax group informed the Spanish taxation authorities of its intention to apply the special tax neutrality regime to the spin-off of the industrial business.

This transaction entailed the non-monetary contribution of a line of business, and as such it falls within the scope of article 83.3 and subsequent articles of title VII, chapter VIII of the Revised Income Tax Law, approved by Royal Decree-Law 4/2004 of 5 March 2004.

18.1 Income tax expense

Details of the income tax expense are as follows:

(Expressed in thousands of Euros)

	2012	2011
Current tax	55,705	68,263
Deferred tax	-42,499	-12,981
Total income tax	**13,206**	**55,282**

In 2011 the Parent received dividends from some of its foreign subsidiaries amounting to Euros 111.2 million. In accordance with the corresponding double taxation conventions, these dividends were subject to withholdings at source amounting to Euros 11.2 million, recognised under other taxes in the income statement. In 2012 this caption reflects taxes paid overseas in relation to activities conducted by Acerinox, S.A. and Acerinox Europa, S.A.U.'s permanent foreign operations.

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

(Expressed in thousands of Euros)

	2012		2011	
Profit/loss for the year		**-18.329**		**73.726**
Non-controlling interests		-13,795		-7,533
Income tax		13,206		55,282
Other taxes		159		11,151
Profit/loss before income tax		**-18,759**		**132,626**
Income tax at the local tax rate	30.00%	-5,628	30.00%	39,788
Effects on tax payable:				
Effect of tax rates of foreign operations		10,395		6,875
Non-deductible expenses		3,780		3,434
Tax incentives		-945		-10,963
Non-taxable income		-4,975		6,157
Prior year adjustments		-849		247
Adjustment of tax rates, deferred taxes		1,374		3,439
Unrecognised tax credits		6,995		1,674
Other		3,059		4,631
Total income tax		**13,206**		**55,282**

In 2012 the tax rates applicable to certain Group companies have been amended in line with local legislation:

- Canada: the tax rate has been reduced from 26.5% in 2011 to 25% from 2013 onwards.
- UK: the income tax rate has been reduced from 26% in 2012 to 24% for 2013 and thereafter.
- Switzerland: the income tax rate has been reduced from 26.3% in 2012 to 22% for 2013 onwards.

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

18.2 Deferred tax

Movement in deferred tax assets and liabilities is as follows:

(Expressed in thousands of Euros)

	2012		2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at 1 January	164.562	241.529	148.620	236.783
Expense/income for the period	37,384	-5,114	14,216	1,235
Taxes recognised directly in equity	6,540		3,866	4,281
Exchange rate fluctuations	355	-4,857	-93	1,441
Transfers	-6,026	-6,026	-2,166	-2,166
Other changes	64	13	119	-45
Balance at 31 December	202,879	225,545	164,562	241,529

Deferred tax assets and liabilities originated as follows:

(Expressed in thousands of Euros)

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Goodwill	2,819	3,167	-11,245	-11,466	-8,426	-8,299
Tangible assets	1,153	978	-277,784	-291,323	-276,631	-290,345
Financial assets			-30,576	-23,733	-30,576	-23,733
Inventories	575	1,755	-30	7	545	1,762
Other assets			-231	-272	-231	-272
Provisions	7,255	7,221	-9,716	-8,726	-2,461	-1,505
Employee benefit plans	4,341	4,091	418	352	4,759	4,443
Financial liabilities	10,759	4,016	-2	-3	10,757	4,013
Other liabilities			-572	-513	-572	-513
Non-deductible finance costs	12,986				12,986	
Other tax deductions	34,837	33,056			34,837	33,056
Unused tax losses	232,348	204,426			232,348	204,426
Deferred tax assets/(liabilities)	307,073	258,710	-329,738	-335,677	-22,665	-76,967
Offsetting of deferred tax assets and liabilities	-104,193	-94,148	104,193	94,148	0	0
Deferred tax assets/(liabilities)	202,880	164,562	-225,545	-241,529	-22,665	-76,967

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

Royal Decree 12/2012 of 30 March 2012 introduced several income tax amendments affecting Spanish companies in the consolidated tax group, which are applicable from 2012 onwards. The measures adopted include the limitation on the deductibility of finance costs. The Royal Decree stipulates that net finance costs in excess of 30% of operating profit for the year will not be deductible, with a minimum limit of Euros 1 million. Net finance costs not deducted can be deducted in the tax periods ending in the 18 immediately subsequent years. The Group has therefore recognised a deferred tax asset of Euros 12,986 thousand in this respect.

The Royal Decree also introduces a number of temporary measures for 2012 and 2013, including the reduction of the limit on deductions that may be applied during a particular year and the extension of the associated offset period from 10 to 15 years, and from 15 to 18 years for deductions related with research and development and technological innovation.

In accordance with Spanish tax legislation and the amendment introduced by Royal Decree-Law 9/2011, tax losses declared may be carried forward to be offset against profits of subsequent accounting periods, the amount being distributed as considered appropriate. For the 2011, 2012 and 2013 tax years, companies of the Spanish consolidated tax group may only offset losses against 50% of the profits generated in those periods. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' powers of inspection. Moreover, Royal Decree 20/2012 of 13 July 2012 has capped offsets at 25% of taxable income for 2012 and 2013 for entities whose revenues for the twelve months prior to the beginning of each of these tax years exceed Euros 60 million. Spanish entities subject to the Navarre and Basque Country tax regimes can offset up to 70% of taxable income in both years.

Amendments have also been introduced in other countries in relation to the deductibility of tax losses:

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

At 31 December 2012 and 2011, the Group has tax credits available as follows:

(Expressed in thousands of Euros)

Availability limit	2012	2011
1 to 5 years	2,543	2,275
6 to 10 years	305	235
10 to 15 years	100,919	39,811
16 to 20 years	35,032	73,729
No prescription date	93,549	88,376
TOTAL	232,348	204,426

The Group also has tax credits in respect of prior years' loss carryforwards of Euros 13,308 thousand which have not been capitalised following prudent criteria.

The Group prepares five-year projections of profit and loss on an individual basis for all companies with available tax credits to determine whether the credits will be recoverable within the timeframe specified under the applicable legislation, and never in a period exceeding that specified in the budget. The Group also assesses the existence of deferred taxes 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 with future taxable income, in a reasonable period not exceeding that permitted by the corresponding local authorities in each country.

With respect to future periods, on 27 December 2012 Law 16/2012 enacting various tax measures aimed at consolidating public finances and boosting economic activity, and Law 17/2012 on general state budgets, were approved. Measures that could have an impact on income tax and which affect the Spanish Group companies include the limitation on tax deductible amortisation/depreciation for the 2013 and 2014 tax periods to 70% of the amount that would have been tax deductible had that percentage not been applied. Amortisation/depreciation not deducted can be deducted on a straight-line basis over a period of 10 years or over the useful life of the item from 2015 onwards.

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

18.3 Current tax

At 31 December 2012 the Group has a current tax asset of Euros 8,163 thousand (Euros 8,305 thousand in 2011) and a current tax liability of Euros 12,282 thousand (Euros 2,637 thousand in 2011).

Various legislative amendments have been introduced in Spain affecting the calculation of tax instalments. The Group has considered all these amendments for tax consolidation purposes. However, as the Group has tax losses, there has been no impact on payments on account for the current year.

18.4 Tax inspections and years open to inspection

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

At 31 December 2012 Acerinox, S.A. and the companies in the consolidated tax group have open to inspection by the taxation authorities all the main applicable taxes since 2008. The other Group companies have open to inspection all taxes for the years stipulated by their respective local legislation. The directors of the Company and subsidiaries do not expect that any significant additional liabilities would arise in the event of an inspection.

On 13 February 2012 the Group received notification that the taxation authorities would be undertaking 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 has been paid, whereas a guarantee was deposited for the amount reflecting anti-dumping and import duties. Claims have been lodged with the administrative court in relation to the settlement agreements. The company expects the objections submitted to be upheld, either by the administrative court or in subsequent hearings.

During the year inspections of taxes for 2009 and 2010 have been carried out at the Group subsidiary Acerinox France, S.A.S. No significant adjustments were required as a result of the inspections.

Inspections of taxes for 2007, 2008, 2009 and 2010 initiated in 2011 at the Group subsidiary Acerinox Deutschland, GmbH are still underway. No assessments or reports have been issued to date that could imply the need for adjustments.

In 2011 the subsidiary Acerinox Italia S.r.l. underwent an inspection of taxes for 2007, 2008 and 2009. On completion of the inspection the inspectors issued their report, which is expected to prompt the taxation authorities to impose an adjustment in relation to transfer prices applied in transactions between Acerinox Italy and the Group's manufacturing companies. On 27 December 2012 the assessment with the tax settlement for 2007 was received, indicating an adjustment to taxable income of Euros 37.6 million, essentially reflecting transfer pricing adjustments for sales and purchases between the company and the Group's factories. The settlement does not impose any penalties. The amount payable in Italy as a result of this assessment is Euros 8.4 million plus Euros 1.3 million in late payment interest. The company will submit its objections before the statutory deadline. Simultaneously, the Spanish companies affected by the adjustment will apply to the Spanish authorities for the elimination of double taxation pursuant to Convention 90/436/EEC of 23 July 1990. As most of these transactions are with the 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 ensures 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 contrary adjustment in the other member state. Although the financial effect due to the time elapsed until completion of the procedure is not specifically covered by the Convention, when Spain records an adjustment in favour of the tax payer, this includes accrued interest, or else another method is used to ensure that the financial effect does not entail a charge for the tax payer.

The assessments for 2008 and 2009 have not yet been received. However, in view of the conclusions of the assessment received for 2007, the Company does not expect any penalties to be imposed.

In 2011 a tax inspection of 2008 and 2009 also took place in the Group company Acerol Ltda. in Portugal. This inspection gave rise to a transfer pricing adjustment for sale and purchase transactions between Acerol, Ltda and the Group's plants, primarily Acerinox, S.A. and Roldán, S.A. The adjustment to taxable income amounted to Euros 10 million. However, as the subsidiary had tax losses of Euros 6.7 million pending offset, the amount paid totals Euros 708 thousand, including interest of Euros 32 thousand. As above, this included no penalties. As most of these transactions were with the companies resident in Spain (Acerinox S.A. and Roldán, S.A.), the adjustment relating to transfer prices is protected by Convention 90/436/EEC on the elimination of double taxation in connection with the adjustment of profits of associated enterprises. Pursuant to this Convention, on 31 July 2012 the affected Group companies applied to the Spanish taxation authorities for the elimination of double taxation related to the adjustment of profits between associated enterprises.

On 6 June 2011 Acerinox, S.A. accepted the assessments, thereby finalising the inspections and closing the inspected years (2004 to 2007). The impact on profit/loss for the year of the adjustments applied as a result of the inspection amounts to Euros 340 thousand (Euros 400 thousand interest accounted for under finance costs and Euros 60 thousand income, reflecting the difference in income tax payable, recognised under income tax). A payment of Euros 958 thousand was made. The difference reflected temporary differences on amortisation and depreciation and environmental deductions.

NOTE 19 RELATED PARTY BALANCES AND TRANSACTIONS

19.1 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.

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

19.2 Related party balances and transactions

a) Associates

No transactions were carried out with associates in 2011 or 2012.

b) Directors and key management personnel

Remuneration received by the five members of senior management who do not hold positions on the board of directors of Acerinox, S.A. amounts to Euros 2,281 thousand in 2012, of which Euros 1,322 thousand reflect salaries, Euros 112 thousand are allowances and Euros 847 thousand are other forms of remuneration. In 2011, this remuneration totalled Euros 2,310 thousand, of which Euros 1,316 thousand reflected salaries, Euros 71 thousand were allowances and Euros 923 thousand were other forms of remuneration.

In 2012 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 2,169 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 1,356 thousand reflect salaries and fixed board member remuneration, Euros 384 thousand are allowances and Euros 429 thousand are other remuneration. In 2011, the remuneration received totalled Euros 2,277 thousand, of which Euros 1,283 thousand reflected salaries and fixed remuneration, Euros 319 thousand were allowances and Euros 675 thousand were other forms of remuneration.

Commitments with all senior management, totalling Euros 1,357 thousand in 2012, have been accounted for correctly and are adequately covered through insurance contracts (Euros 1,244 thousand in 2011). No commitments have been contracted with directors representing shareholders or independent directors of Acerinox, S.A. At 31 December 2012 no loans or advances have been extended to members of the board or senior management.

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

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

The other directors have declared that during the year ended 31 December 2012 they have not held any interests or positions or performed any duties, either on their own behalf or on behalf of third parties, in companies with statutory activities that are identical, similar or complementary to that of Acerinox, S.A. and subsidiaries, with the exception of Mr. Martínez Conde, who has disclosed his 1,000 shares in Arcelor Mittal and 50 in Aperam.

All transactions carried out between members of the board of directors and the Company or Group companies in 2012 have been ordinary transactions under market conditions.

c) Significant shareholders

The Group has contracted 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 16 million, from which no drawdowns have been made at 31 December 2012.

- Guarantees up to a limit of Euros 0.39 million, of which Euros 0.39 million have been drawn down.

- Factoring of receivables for Euros 2 million, with no drawdowns at 31 December 2012.

- Confirming (reverse factoring) facilities for Euros 3 million, of which Euros 2.69 million have been drawn down.

- Non-current loan of Euros 30 million, fully drawn down.

In 2011 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 22.4 million, of which Euros 6 million had been drawn down.

- Exchange rate insurance up to a limit of Euros 15 million, of which Euros 0.45 million had been drawn down.

- Guarantees up to a limit of Euros 13 million, of which Euros 0.49 million have been drawn down.

- Factoring of receivables for Euros 4 million, of which Euros 2.23 million had been drawn down.

- Confirming (reverse factoring) facilities for Euros 5 million, of which Euros 0.25 million have been drawn down. Non-current loan of Euros 30 million, fully drawn down.

Details of the Group's transactions with Banca March in 2012 and 2011 are as follows:

(Expressed in thousands of Euros)

	2012	2011
Borrowing costs	1,654	1,244
Fee and commission expenses	61	
TOTAL	1,715	1,244

Details of the terms and conditions of outstanding balances reflected in the annual accounts for 2012 and 2011 are as follows:

1. Non-current loans

	2012	2011
Contract date	**27/06/2012**	**17/12/2009**
Amount	Euros 30 million	Euros 30 million
Term	3 years	3 years
Interest rate	3-month Euribor + 3.25%	3-month Euribor + 1.75%

In June 2012 an interest rate swap was arranged with Banca March to hedge the Euros 30 million loan. The swap has a fixed rate of 4.23% and expires on 27 June 2015. The interest rate swap in force in 2011 fixed the rate on the Euros 30 million loan at 3%.

2. Credit facilities in Euros

	2012	2011
Renewal date	06/07/2012	30/06/2011
Amount available	Euros 20 million	Euros 20 million
Term	1 year	1 year
Interest rate	3-month Euribor + 2.5%	3-month Euribor + 2.1%

3. At 31 December 2011 the Group held a multi-currency credit facility, which has not been renegotiated for 2012. The terms of this facility were as follows:

	2011
Renewal date	11/07/2011
Amount available	Euros 2.4 million
Term	1 year
Interest rate	3-month Libor + 2.1%

Insurance premiums and other transactions totalling Euros 12,841 thousand 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 Metal One, Nisshin or other Group companies:

(Expressed in thousands of Euros)

	2012	2011
Purchases of goods	8,487	0
Sales of goods	14,242	12,072
Rendering of services	1,809	47

Trade receivables from these entities amount to Euros 2,852 thousand at 31 December 2012 and Euros 913 thousand at 31 December 2011. Trade balances payable to these companies total Euros 2,218 thousand (nil in 2011).

Acerinox, S.A. has received dividends from Nisshin Steel amounting to Euros 158 thousand (Euros 178 thousand in 2011).

NOTE 20 AUDIT FEES

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

(Expressed in thousands of Euros)

2012	KPMG Auditores, S.L.	KPMG Europe, LLP	KPMG International	TOTAL
Audit services	324	87	355	766
Tax advisory services		19	335	354
Other services	63	44	32	139
TOTAL	387	150	722	1,259

2011	KPMG Auditores, S.L.	KPMG Europe, LLP	KPMG International	TOTAL
Audit services	332	61	332	725
Tax advisory services		5	285	290
Other services	11	20	87	118
TOTAL	343	86	704	1,133

The amounts detailed in the above table include the total fees for services rendered in 2012 and 2011, irrespective of the date of invoice.

Other audit firms invoiced the Group fees and expenses for audit services amounting to Euros 103 thousand in 2012 (Euros 39 thousand for audit services in 2011).

NOTE 21 EVENTS AFTER THE REPORTING DATE

New branches

The board of directors of Acerinox, S.A. has authorised management to set up new companies in Taiwan, Thailand and the Philippines as part of the Group's strategy for Asia.

Bahru Stainless, Sdn. Bhd.

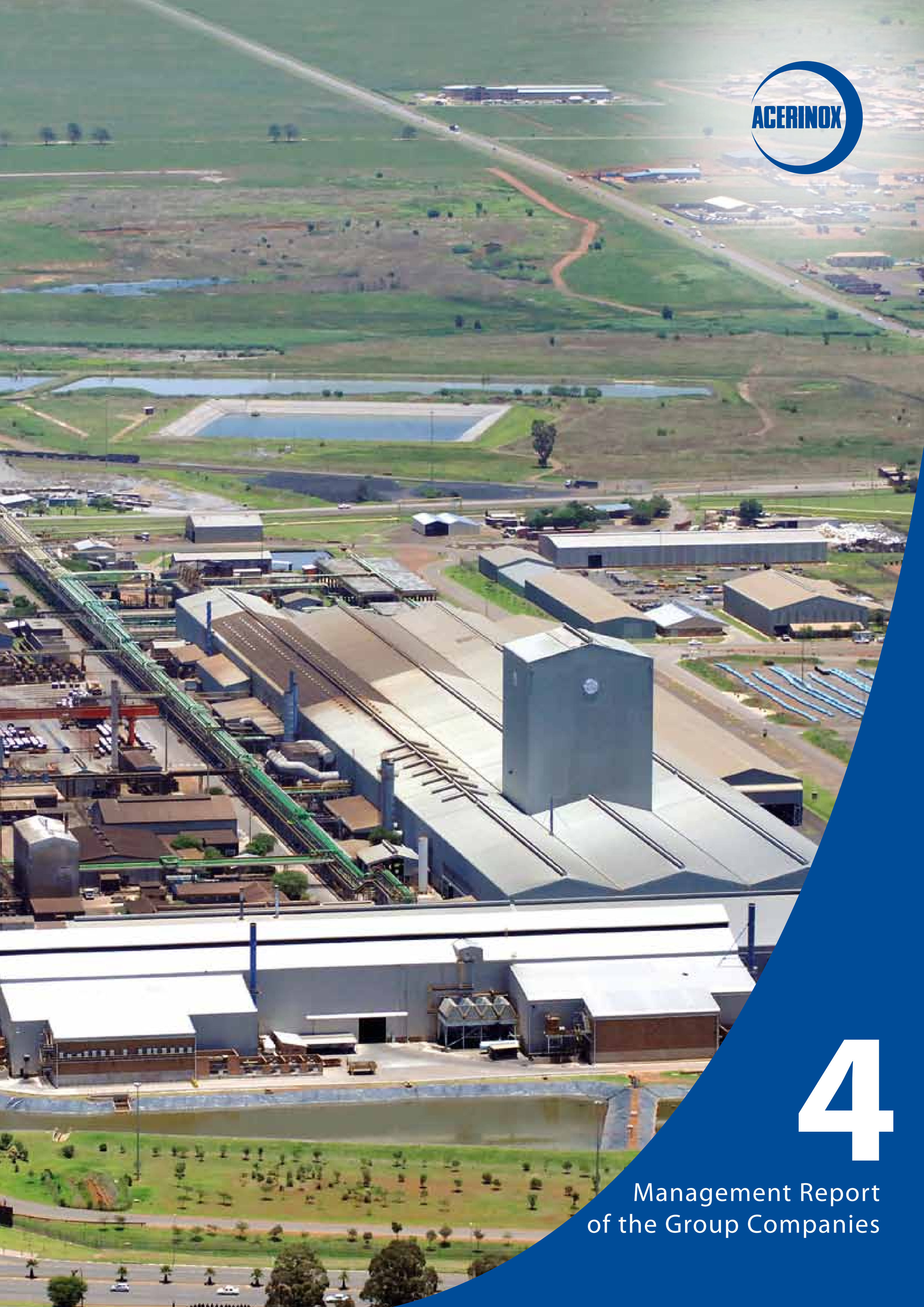
In February 2013 the second cold rolling mill (ZM2) came into service at the Bahru Stainless factory, bringing with it an increase in rolling capacity. The ZM2 is especially designed for thinner materials and complements the range offered by Bahru Stainless.

Newtecinvest, A.G.

The Group has approved the liquidation of Acerinox, S.A.'s solely owned Swiss subsidiary Newtecinvest, A.G. At the date of authorisation of these annual accounts for issue, the liquidation plan has been filed with the Zug Mercantile Registry and winding-up procedures will commence once legally permitted. Acerinox, S.A.'s investment in this company has a value of Euros 4,455 thousand and Newtecinvest's equity totals Euros 8,981 thousand at 31 December 2012.

Acerinox Malaysia, Sdn. Bhd.

The board of directors of Acerinox, S.A. has 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.). All of Acerinox Malaysia Sdn. Bhd.'s assets and liabilities will be assumed by Acerinox S.C. Malaysia in 2013. The board also agreed to inject capital into the new company by increasing its capital by an amount (in Malaysian Ringgit) equivalent to Euros 40 million.



4

Management Report of the Group Companies

1 Acerinox, S. A.

Share Capital

At 31 December 2012, Acerinox, S.A.'s share capital stands at Euros 62,326,136.50 and is represented by 249,304,546 ordinary shares with a par value of Euros 0.25 each. All the shares that comprise the share capital of the Company are traded through the electronic trading platform on the official markets of the Madrid and Barcelona stock exchanges.

Shares represented by the board of directors at the end of 2012 amount to 59.4% of share capital.

Attendance in person or by representation at the Annual General Meeting held on 7 June 2012 comprised 70.1% of share capital. Companies with seats on the Board of Directors accounted for 84.6% of the aforementioned percentage in attendance.

(Millions of Euros)

	2012	2011	% Change
Net turnover	41.1	153.7	-73.3%
Profit/loss before tax	-32.5	101.1	---
Depreciation/amortisation	0.4	0.6	-21.5%
Profit/loss after tax	-24.1	92.6	---
Net cash flow	-23.7	93.2	---

Risk Management

Acerinox, S.A. has implemented a risk management model under the aegis of the Board of Directors and senior management. It is designed to identify, classify and evaluate potential events that might affect any of the significant units and functions within the organisation, in order to manage risk and provide reasonable assurance regarding achievement of the model's objectives, whether strategic, operational, or related to compliance or reporting.

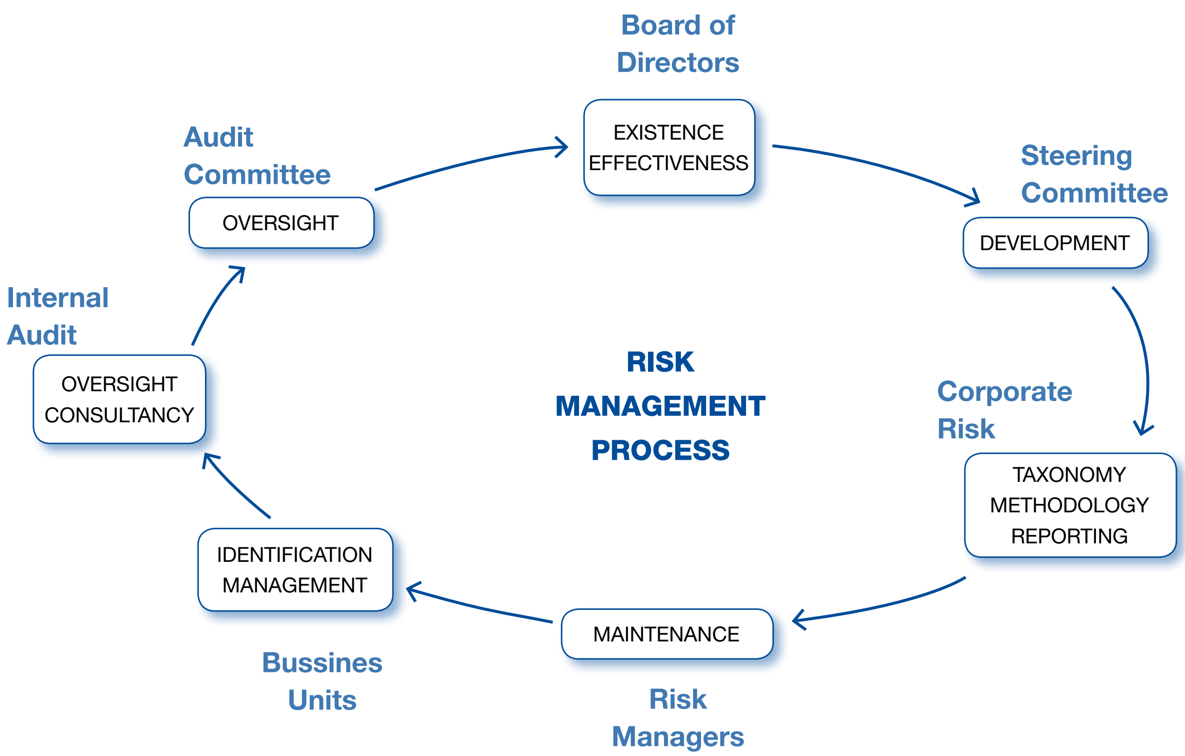
Process

Acerinox, S.A. recognises exposure to several types of risk, both internal and those inherent to the industrial sector in which it operates, which is characterised by high volatility of the principal indices and stocks and affects both financial and non-financial results.

To increase confidence and ensure achievement of the established objectives and sustainability of the business, Company management has implemented the risk management process throughout the organisation as part of its normal management activities.

This process is based on the following principles:

1. **Efficiency.** The Board of Directors is responsible for ensuring that Acerinox implements effective risk management procedures.
2. **Commitment.** All personnel in charge of any activity must undertake to minimise risks affecting that activity.
3. **Leadership.** Necessary and essential in order to constantly improve the entire process.
4. **Compliance and transparency.** Strict, rigorous compliance with prevailing laws and standards wherever the Company is present and with the organisation's internal codes and rules.
5. **Supervision.** Tracking and monitoring of the entire process by the appropriate bodies.



Organisational Model

The competencies and responsibilities of the various participants in our risk management model are as follows:

Board of Directors:

The Board of Directors is responsible for ensuring that there is an adequate risk management process in place. This body is also ultimately responsible for supervising the effectiveness of the process by using one of its deputy bodies: the Audit Committee.

Audit Committee:

The Audit Committee is responsible for monitoring the internal control and risk management systems, as delegated by the Board of Directors.

Chief Executive Officer and Steering Committee:

The Chief Executive Officer and the Steering Committee are responsible for designing and implementing an effective risk management model.

Corporate Risks:

The corporate risk department, the head of which reports directly to the Chief Executive Officer, is responsible for designing proposals for risk management model procedures and information and reporting channels for the model.

Business Units:

The persons ultimately in charge of the business units are responsible for ensuring the existence, effectiveness and maintenance of the risk management model within the scope of their respective areas, identifying and managing the associated risks.

Internal Audit:

The Group's internal audit unit provides independent, objective assurance and consulting services to evaluate the effectiveness of the internal control, risk management and governance processes and report to the Audit Committee and the Chief Executive Officer.

ACERINOX RISK MANAGEMENT

Main risks and uncertainties:			
Key risk	**Description**	**How do we respond?**	
Surplus capacity	Oversupply due to excess installed capacity in the markets, which pushes prices down.	• Excellence Plan • Product mix • Quality	• Reliability • Customer loyalty programme • Price / Costs
Raw material price volatility	Changes in prices of main raw materials	• Excellence Plan • Integrated supply chain management • Natural hedging	• Alloy surcharge • Low stocks
Economic cycles	Supply and demand / Economic crises	• Excellence Plan • Integrated supply chain management	• Market diversification • Low stocks
Competition	Competitors' commercial policies, and price reductions to increase or maintain market shares	• Commercial network optimisation • Excellence Plan • Product mix • Quality	• Reliability • Research & development • Price / Costs
Financial: Liquidity - Interest rates	Low liquidity, limited access to sources of finance, higher finance costs. Interest rate volatility	• Robust financial structure • Alternative source of financing - institutional and geographical • Decrease in working capital	• Balance between long- and short-term • Hedges • Central integrated management: cash pooling
Financial: exchange rates	Currency risk associated with commercial transactions. Translation of individual financial statements	• Hedges • Derivatives: cross currency swap, interest rate swap (IRS)	• Central integrated management: cash pooling

2 Acerinox Europa, S.A.U.

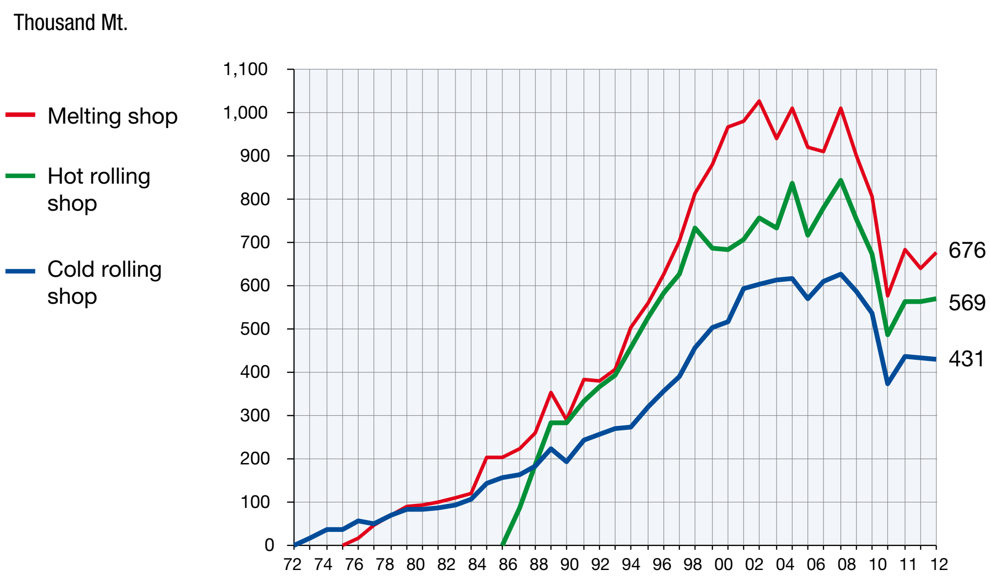
Following the spin-off of Acerinox Europa S.A.U. at the end of 2011, the factory has continued to operate normally, in terms of both production and management.

The Director and CEO of the factory, Mr. José Luis Masi, left the company at the end of January 2013, having reached retirement age. However, he will stay on as a non-executive Board member.

The Campo de Gibraltar factory's output has at all times been adjusted to the order book and stock reduction strategy.

Melt shop production was 676,034 MT. This 5.7% year-on-year rise was primarily due to a return to normal billet production levels, which were markedly affected in the prior year by the fire at Roldán in late 2010, the impact of which was felt through 2011.

Production evolution at campo de Gibraltar Factory



The hot rolling mill has processed 568,949 MT, slightly more than in 2011 (+0.9%).

Cold rolled output, at 431,400 MT, was flat on the prior year (-0.4%).

At 31 December 2012, Acerinox Europa had 2,413 employees, of which 283 were on part-time early retirement contracts.

In 2012 the early retirement policy established by the collective labour agreement was maintained, giving preference to workers previously connected with Acerinox in some way when considering possible hand-over personnel.

Acerinox Europe Factory, Campo de Gibraltar (Spain)

The Health and Safety policy implemented by Acerinox Europa has resulted in a 57.4% reduction in the number of incidents per hour worked. In the same period, absenteeism due to illness or accidents decreased by 50.5% to 2.5%.

Environmental investments made in 2012 amounted to Euros 2.4 million, including:

- Improving the efficiency of the AOD converters in the melt shop.
- New emergency reservoir effluent pumps.
- Improvements to the cold rolling pickling line.
- Improvements to the acid recovery plants.

During 2012, environmental expenses at the Campo de Gibraltar factory amounted to Euros 16,856,124.

In 2012 the Quality, Safety and Environment Awards were created, to reward ideas and projects that improve quality in any of these areas. These accolades may be awarded to any staff at the factory, either individually or as a group. The aim of this initiative is to foster workers' commitment to product quality, safety and the environment. The results have been extraordinary, as explained in the R&D&i section.

3 North American Stainless (NAS)

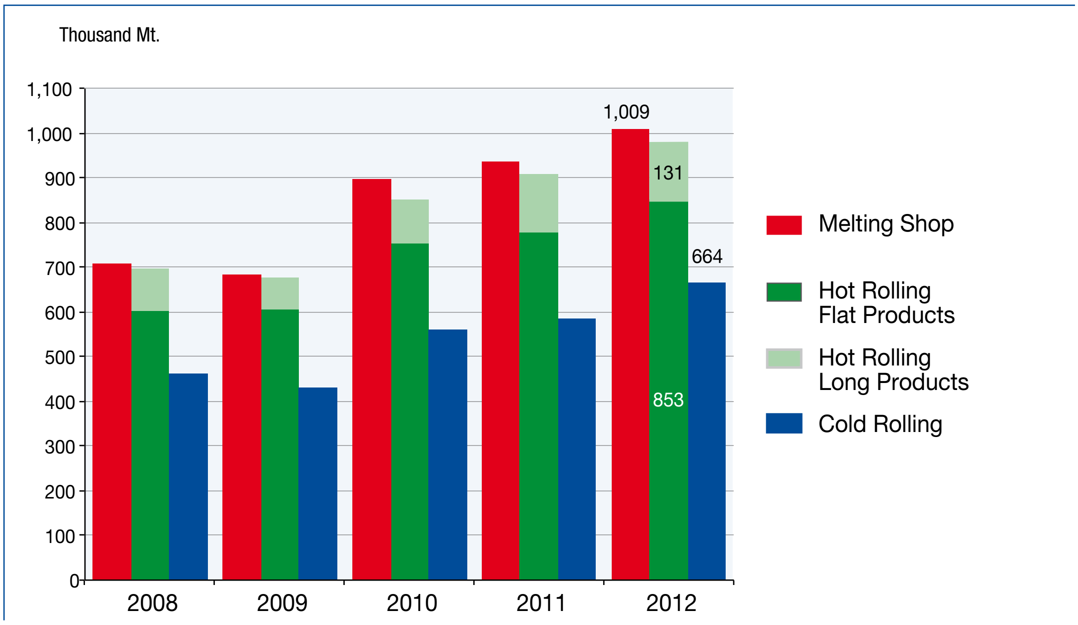
In 2012 North American Stainless (NAS) retained its position not only as the Group's most profitable company but quite probably as the most profitable company in the sector worldwide. NAS also led the US market in terms of production and turnover during the year.

North America was the best performing market in 2012. This, coupled with the efficiency and competitiveness of the ultramodern factory in Ghent (Kentucky), and the commitment and professionalism of its personnel, enabled NAS to achieve record production levels.

Total melt shop production was 1,008,516 MT, compared to 937,087 MT in the prior year, an increase of 7.6%.

The hot rolling mill processed 853,175 MT, up 9.4% on the 779,623 MT recorded in 2011, while the cold rolling mill processed 664,435 MT, up 13.3% on the 586,623 MT reported the prior year.

Evolution of Production In NAS



Production of hot-rolled long products amounted to 131,161 MT, a minimal 0.1% increase on the prior year's figures.

NAS also headed the rankings in the implementation and execution of the Excellence Plan II. It is also remarkable the reception, of the KY EXCEL award, having obtained the best ratings in this category for three consecutive years.

NAS has also contributed significant technical assistance to the new factory in Malaysia. NAS personnel have been transferred to Malaysia for different periods to oversee the implementation of the IT systems and ensure the smooth start-up of the factory.

NAS maintained its innovation policy during 2012, allocating over Euros 17.6 million to improvements in productivity and competitiveness, primarily in the long product factory.

At 31 December NAS had 1,374 employees, with 1,295 working at the Kentucky factory and the remaining personnel distributed among the different service centres in the USA, Canada and Mexico.

Absenteeism and accident rates have fallen 49% and the year-end figures reflect a ratio of 2.8% for these two items.

At the end of the year, the US and Spanish governments finalised a new agreement to avoid double taxation which, once ratified, will facilitate flows of capital between the two companies.

North American Stainless Factory, Ghent (U.S.A.)

4 Columbus Stainless, PTY. LTD.

As mentioned in other sections of this report, 2012 was characterised by persistent uncertainty in global stainless steel markets, the economic crisis in Europe, protectionist measures in BRIC countries (Brasil, Rusia, India and China), very low prices and surplus supply from Asia. These factors offset the improved efficiency at Columbus.

Nonetheless, significant achievements were made during the year:

- Record sales in South Africa, which is already the Group's second largest market in terms of tonnes sold.
- Development of new markets, including projects and infrastructure in sub-Saharan Africa
- Continual improvements in costs, quality and services.

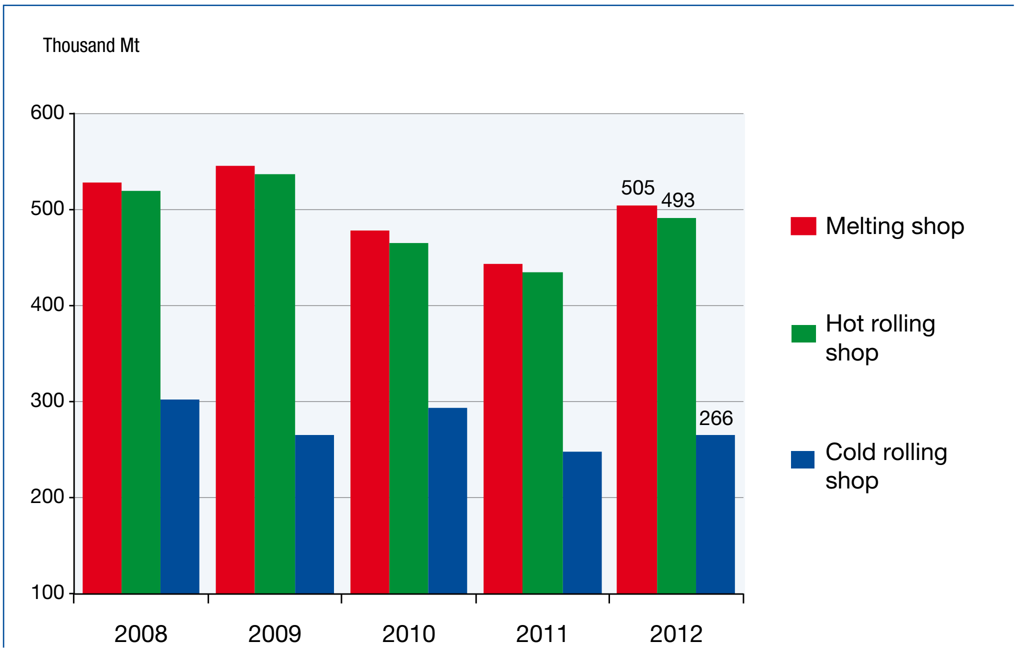
Energy costs (electricity and gas) have, unfortunately, continued to rise above the rate of inflation. Columbus has offset this to some degree by maximising the use of liquid ferrochrome.

Columbus Stainless Factory, Middelburg (South Africa)

The successful launch of Bahru Stainless involved sending more than 50,000 MT of black coil from Columbus, with excellent results in terms of quality.

Total melt shop production was 504.531 MT, 13.6% more than in 2011. Hot rolling production was 492,786 MT (+13.1%) and cold rolling 265,775 MT (+7%).

Evolution of Production in Columbus



Columbus has achieved new production records in special products such as DUPLEX steel products and 3CR12, developed by the Middelburg factory in 1980.

At 31 December 2012 Columbus had 1,592 employees, down 6.8% on December 2011.

Thanks to steadfast support from our employees and unions, total payroll costs remained below 2011 levels, with salaries no longer pegged to inflation as they are in the Group's other factories.

The progress made in terms of health and safety, with a notable reduction in incidents, was regrettably overshadowed by an unfortunate fatality halfway through the year.

With respect to human resources, during 2012 Columbus improved its level of compliance with the BBBEE (*Broad Based Black Economic Empowerment*) policy aimed at promoting the social and occupational advancement of South Africa's black majority.

5 Bahru Stainless, SDN. BHD.

The workforce, facilities and production of the Johor Bahru factory (Malaysia) have continued to grow.

In December the second ZM rolling mill was delivered and the second annealing and pickling line is almost finished.

These tasks will complete Phase II, which is already operational. Bahru Stainless is no longer a project, but has become a reality. Thanks to Bahru Stainless, Malaysia is now a producer and above all an exporter of stainless steel (78.2% of production has been exported), and manufacturing and commercial work is now as important as construction, if not more so.

In 2012, 83,048 MT of materials produced in the factory were sold. Bahru Stainless supplied 188 customers in 15 countries, including mainland China, during the year.

In line with the increase in production, the company has continued to hire new staff and the workforce has grown from 226 in December 2011 to 418 in 2012, of whom 13 are expatriates. A substantial portion of the new employees were given special training at the Group's factories in South Africa and Spain, and the remainder are being trained in our technology by technicians and engineers from all of our factories, including the first generation of Bahru Stainless employees.

Company management's commitment to safety and the strict measures applied have kept the accident rate low. Despite all of the activity carried out, Bahru Stainless has reported almost no noteworthy incidents and not one serious accident during 2012.

Since Bahru Stainless does not yet have a melt shop or a hot rolling mill, it is supplied with black coil by the Group's other factories, primarily Columbus and Acerinox Europe, which helps to optimise these factories' production.

Offices of Bahru Stainess with the Factory in Johor Bahru in the background (Malaysia)

At present, all of Phase I is fully operational:

- – Annealing and pickling line 1 (AP1)
- – Cold-rolling mill 1 (ZM1)
- – Combined slitting line CS1.
- – Lengthwise slitting line SL1.
- – CB line 1
- – Skin pass 1
- – Acid regeneration plant
- – Neutralisation plant
- – Compressors 1 and 2
- – Water treatment plant

The following components of Phase II are now operational:

- – Cold-rolling mill 2 (ZM2)
- – Slitting line CS2.
- – Various laboratories, electrical equipment and buildings, including the main offices.

The following components of Phase II are pending start-up:

- – Annealing and pickling line 2 (AP2).
- – Polishing line.
- – SL2.

A substantial proportion of raw materials received and products dispatched have been handled by the port adjacent to the factory, which was built in record time by the local authorities.

The initial difficulties encountered with the industrial water supply were circumvented through the construction of an aqueduct drawing from a nearby reservoir. This project was financed by Bahru Stainless using repayable grants guaranteed by the State of Johor.

The new building providing office space for company personnel and integrating the commercial, accounting, legal and IT departments with the production facilities was inaugurated mid-2012.

Few plants reflect the multinational character of the Group as clearly as Bahru Stainless. While the majority of personnel are Malaysian, the headcount also includes South African, Spanish, Japanese, North American and Finnish workers. Five members of local staff report directly to the Managing Director of the company, in line with Group objectives to promote local personnel.

We cannot conclude this section without highlighting the importance of the centralised role played by Acerinox Group, through Bahru Stainless, in Malaysia with respect to Spanish companies.

Since it began building on its recently acquired land, a total of 10 Spanish companies have followed Acerinox. Most of them will remain in Malaysia, whether working in association with our factory or on independent projects or a combination of both.

The collaboration of the Malaysian authorities, and in particular of the Malaysian Investment Development Authority, which provides advice and guidance to foreign investors, has been highly efficient and serves as an exemplary model for other countries.

Acerinox Board Members at Bahru facilities

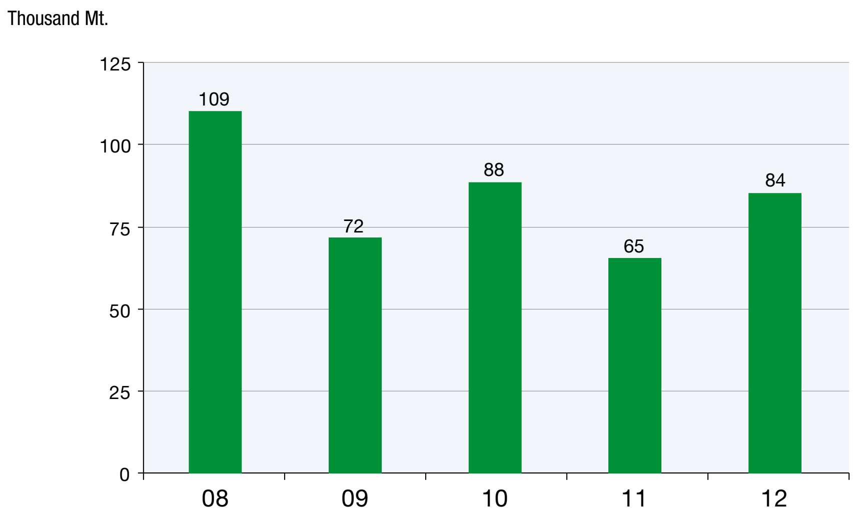
Acerinox Board of Directors in Bahru Stainless

Bahru Stainless Factory

6 Roldán, S.A. and Inoxfil, S.A.

Production of finishes in the first half of the year was 50,453 MT, but the market slowdown in the second half resulted in a total for the year of 84,287 MT.

Annual Production of finished products in Roldan



Production of finishes is 28.8% higher than the prior year. Hot-rolled output was 91,195 MT, 53% more than in 2011.

Roldan Factory at Ponferrada (Spain)

At Inoxfil, the situation in 2012, with a pervasive economic recession in Europe — the only market in which Inoxfil operates — and high volumes of Asian imports, led to a decline in turnover on 2011, due to lower sales and average prices and the ensuing reduction in operating margins.

Applying the strategy devised in prior years, Inoxfil is substantially reducing fixed costs while focusing its sales on niches, which are protected from imports and put technology before volume.

Inoxfil Factory at Igualada (Spain)

7 Trading Companies

Acerinox's commercial network has made a significant effort to adapt to the difficult market conditions, especially in Europe. The most noticeable result has been a substantial reduction in inventories down to all-time lows.

Domestic trading companies

In the domestic market, cumulative sales of domestic trading companies were down 8% on 2011. This drop was less than the average for the Spanish market (8.3%), marking a recovery in local market share.

The Spanish market's contribution to Group sales has declined compared to the prior year, currently representing 8% of total Group sales.

Overseas trading companies

Consolidated sales of the Group's other trading companies, a dropped by 9% compared to 2011. The Group is making a substantial effort to boost direct sales from factories, which would reduce costs.

As mentioned in other sections, the Group continued to develop its policy of expansion in emerging markets in 2012. A new trading company has been opened in San Petersburg (Russia) and at the time of writing offices have been opened or are in the process of being opened in Thailand, the Philippines, and Taiwan.

NAS Service Center in Toronto (Canada)


BAHRU STAINLESS

5

Board of Directors, Committees and Senior Management

BOARD OF DIRECTORS

Chairman:
Mr. RAFAEL NARANJO OLMEDO

Chief Executive Officer:
Mr. BERNARDO VELÁZQUEZ HERREROS

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

Secretary to the board:
Mr. ÁLVARO MUÑOZ LÓPEZ

EXECUTIVE COMMITTEE

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

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

SELECTION AND REMUNERATION COMMITTEE

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

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ [1]

AUDIT COMMITTEE

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

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

STEERING COMMITTEE

Mr. BERNARDO VELÁZQUEZ HERREROS
Chief Executive Officer

Mr. ANTONIO FERNÁNDEZ-PACHECO MARTÍNEZ
Managing Director

Mr. OSWALD WOLFE GÓMEZ
Commercial Director

Mr. MIGUEL FERRANDIS TORRES
Financial Director

Mr. LUIS GIMENO VALLEDOR
General Counsel

(1) Appointed February 27th, 2013

CHIEF EXECUTIVES OF THE INDUSTRIAL COMPANIES

Acerinox Europa, S.A.U.:
Mr. ANTONIO MORENO ZORRILLA

North American Stainless (NAS):
Mr. CRISTÓBAL FUENTES TOVAR

Columbus Stainless Pty. Ltd.:
Mr. DAVE MARTIN

Bahru Stainless Sdn. Bhd.:
Mr. LUCIEN MATTHEWS

Roldan, S.A.:
Mr. JORGE RODRÍGUEZ ROVIRA (Factory Director)

Inoxfil, S.A.:
Mr. ANGEL BRUÑÉN CEA

CHIEF EXECUTIVES OF THE TRADING COMPANIES

1. SPAIN

Grupinox:
Mr. DOMINGO NIEVES DIAZ

Inoxidables de Euskadi, S.A.:
Mr. JOSÉ CRUZ DE VICIOLA GARCÍA

2. EUROPE

Acerinox Deutschland Gmbh:
Mr. JOACHIM MAAS

Acerinox Benelux SA-NV:
Mr. LUIS PABLO GONZÁLEZ ROBLES

Acerinox France SAS.:
Mr. PHILIPPE AUDEON

Acerinox Italia Srl.:
Mr. GIOVANNI DI CARLI

Acerol Portugal:
Mr. FERNANDO MONTEIRO

Acerinox Polska, SP. Z.O.O.:
Ms. PILAR SENISE GARCIA

Acerinox Scandinavia, AB.:
Mr. BENGT LAGERGREN

Acerinox Norway, A.S.:
Mr. JAN GJERLAUG

Acerinox Schweiz AG:
Ms. HILDEGARD POITZ

Acerinox UK, Ltd.:
Mr. PABLO CANTLE CORNEJO

Acerinox Rusia LLC
Mr. BUTYRIN ROMAN

3. AMERICAS

Acerinox Argentina, S.A.:
Mr. JOSE CARLOS RODRÍGUEZ ARANDA

Acerinox Brasil, Ltd.:
Mr. DANIEL SILLERO GÜNTHER

Acerinox Chile:
Mr. HERNÁN ORTEGA AVENDAÑO

Acerinox Colombia S.A.S.:
Mr. GONZALO DEL CAMPO BARCÓN

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

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

North American Stainless (NAS) Mexico:
Ms. BÁRBARA THIRION

North American Stainless (NAS) Canada:
Mr. ROGER MANSFIELD

4. ASIA

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

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

Acerinox India Private, Ltd.:
Mr. PRATIK KACHCHHI

Acerinox Shanghai, Co. Ltd.:
Mr. JORGE VALVERDE NAVAS

Acerinox SC Malaysia SDN BHD
Mr. BARRY FOO

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

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

Acerinox Indonesia, Liaison Office:
Mr. IGNACIO GUTIERREZ NARVARTE

Acerinox Metal Sanayii ve Tic. Ltd. Stl. (Turkey):
Mr. JAAN ROXAN ARROYO

Acerinox Pte. Ltd. (Vietnam), Liaison Office:
Mr. JAIME DEL DIEGO SANZ

5. AUSTRALIA

Acerinox Australasia, Pty. Ltd.:
Mr. GEOFFREY HALE

Published by
ACERINOX S.A.

Designed by
Diálogo Digital, S.L.

SHAREHOLDERS OFFICE
Santiago de Compostela, 100. 28035 Madrid
Tel.: +34 91 398 52 85 / 51 74 Fax: +34 91 398 51 95
www.acerinox.com