

Laminados del Principado, S.A.

Consolidated Annual Accounts
31 December 2012

Directors' Report
Year 2012

(With Auditors' Report Thereon)

Auditors' Report on the Consolidated Annual Accounts

To the Shareholders of
Laminados del Principado, S.A.

We have audited the consolidated annual accounts of Laminados del Principado, S.A. (the Company) and subsidiaries (the Group), which comprise the consolidated statement of financial position 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 mentioned in note 2 to the accompanying consolidated annual accounts, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of financial reporting legislation applicable to the Group, preparation of the Group's annual accounts is the responsibility of the Company's directors. 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 the Company 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 applicable legislation governing financial reporting.

The accompanying consolidated directors' report for 2012 contains such explanations as the Directors of the Company 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 the Company and subsidiaries.

KPMG Auditores, S.L.

Original Spanish audit report has been signed

Juan José Llorente
22 February 2013

Laminados del Principado, S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2012

Directors' Report
2012

(With Auditors' Report Thereon)

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

LAMINADOS DEL PRINCIPADO, S.A.
AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2012 and 2011

(Expressed in Euros)

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

<u>Assets</u>	<u>Note</u>	<u>2012</u>	<u>2011</u>
Non-current assets			
Other intangible assets	Note 6	1,073,369	796,375
Property, plant and equipment	Note 7	52,397,900	47,799,756
Equity-accounted investees	Note 9	2,303	2,445
Deferred tax assets	Note 16	3,180,839	1,401,238
Other non-current financial assets	Note 10	240,187	710,811
Total non-current assets		56,894,598	50,710,625
Current assets			
Inventories	Note 11	3,983,464	2,424,625
Trade and other receivables	Note 12	8,685,496	9,219,242
Other current financial assets	Note 10	458,825	130,692
Current tax assets		9,256	836
Cash and cash equivalents		4,903,578	3,649,438
Total current assets		18,040,619	15,424,833
Total assets		74,935,217	66,135,458

Notes 1 to 21 to the consolidated annual accounts form an integral part of the consolidated balance sheet at 31 December 2012.

LAMINADOS DEL PRINCIPADO, S.A.
AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2012 and 2011

(Expressed in Euros)

<u>Equity and Liabilities</u>	<u>Note</u>	<u>2012</u>	<u>2011</u>
Equity	Note 13		
Subscribed capital		6,589,100	6,529,100
Own shares		(336,168)	(336,168)
Retained earnings		(5,282,035)	(5,178,578)
Other comprehensive income		5,666,997	5,122,472
Profit/(loss) for the year		<u>2,995,756</u>	<u>(124,202)</u>
Equity attributable to shareholders of the Parent		9,633,650	6,012,624
Non-controlling interests		<u>1,630</u>	<u>1,413</u>
Total equity		<u>9,635,280</u>	<u>6,014,037</u>
Non-current liabilities			
Deferred income	Note 14	14,369,379	14,483,886
Loans and borrowings	Note 15	7,721,631	10,504,893
Non-current provisions	Note 18 (f)	1,724,193	1,727,442
Deferred tax liabilities	Note 16	3,699,318	2,195,566
Other non-current financial liabilities	Note 15	<u>15,919,380</u>	<u>16,044,342</u>
Total non-current liabilities		<u>43,433,901</u>	<u>44,956,129</u>
Current liabilities			
Loans and borrowings	Note 15	8,150,076	5,750,938
Current provisions	Note 18 (f)	295,000	300,000
Trade and other payables		8,483,968	7,348,948
Other current financial liabilities	Note 15	<u>4,936,992</u>	<u>1,765,406</u>
Total current liabilities		<u>21,866,036</u>	<u>15,165,292</u>
Total equity and liabilities		<u>74,935,217</u>	<u>66,135,458</u>

Notes 1 to 21 to the consolidated annual accounts form an integral part of the consolidated balance sheet at 31 December 2012.

LAMINADOS DEL PRINCIPADO, S.A.
AND SUBSIDIARIES

Consolidated Income Statements for the years ended
31 December 2012 and 2011

(Expressed in Euros)

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

	Note	2012	2011
Revenue	Note 18 (a)	37,249,466	32,659,470
Other income	Note 18	839,433	3,163,618
Changes in inventories of finished goods and work in progress		1,365,871	(225,870)
Self-constructed non-current assets	Notes 6 and 7	477,472	382,575
Merchandise, raw materials and consumables used	Note 18 (b)	(29,674,220)	(26,113,867)
Employee benefits expense	Note 18 (c)	(2,994,736)	(2,359,229)
Amortisation and depreciation	Notes 6 and 7	(1,164,950)	(491,245)
Other expenses	Note 18 (f)	(4,415,458)	(5,679,158)
Finance income	Note 18 (g)	2,323,464	103,017
Finance costs	Note 18 (g)	(1,529,050)	(1,567,215)
Share of loss for the year of equity-accounted investees	Note 9	(142)	(235)
Profit/(loss) from continuing operations, before income tax		2,477,150	(128,139)
Income tax income	Note 16	518,768	3,949
Profit/(loss) for the year from continuing operations		2,995,918	(124,190)
Post-tax profit/(loss) of discontinued operations		-	-
Profit/(loss) for the year		2,995,918	(124,190)
Profit/(loss) for the year attributable to equity holders of the Parent		2,995,756	(124,202)
Continuing operations		2,995,756	(124,202)
Profit/(loss) for the year attributable to non-controlling interests		162	12
Continuing operations		162	12
Discontinued operations		-	-
Basic earnings/(loss) per share (expressed in Euros)		4.80	(0.20)

Notes 1 to 21 to the consolidated annual accounts form an integral part of the consolidated income statement for the year ended 31 December 2012.

LAMINADOS DEL PRINCIPADO, S.A.
AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income for the years ended
31 December 2012 and 2011

(Expressed in Euros)

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

	2012	2011
Profit/(loss) for the year	2,995,918	(124,190)
Other comprehensive income		
Revaluation of property, plant and equipment	805,198	764,391
Tax effect	(241,559)	(229,317)
Other comprehensive income for the year, net of tax	563,639	535,074
Total comprehensive income for the year	3,559,557	480,884
Total comprehensive income attributable to:		
Equity holders of the Parent	3,559,338	480,818
Non-controlling interests	218	67

Notes 1 to 21 to the consolidated annual accounts form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2012.

LAMINADOS DEL PRINCIPADO, S.A.
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years ended
31 December 2012 and 2011

(Expressed in Euros)

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

	Subscribed capital	Retained earnings	Property, plant and equipment revaluation reserve	Own shares	Total	Non-controlling interests	Total equity
Equity at 1 January 2011	6,315,000	(5,180,789)	4,590,629	-	5,724,840	1,347	5,726,187
Loss for 2011	-	(124,202)	-	-	(124,202)	12	(124,190)
Revaluation of property, plant and equipment, net of tax	-	-	531,843	-	531,843	55	531,898
Reclassification of revaluations	-	3,176	-	-	3,176	-	3,176
Total comprehensive income for the year	-	(121,026)	531,843	-	410,817	67	410,884
Capital increases	214,100	-	-	-	214,100	-	214,100
Acquisition of own shares	-	(486)	-	(336,168)	(336,654)	-	(336,654)
Other movements	-	(479)	-	-	(479)	-	(479)
Equity at 31 December 2011	6,529,100	(5,302,780)	5,122,472	(336,168)	6,012,624	1,413	6,014,037
Profit for 2012	-	2,995,756	-	-	2,995,756	162	2,995,918
Revaluation of property, plant and equipment, net of tax	-	-	544,525	-	544,525	56	544,581
Reclassification of revaluations	-	19,058	-	-	19,058	-	19,058
Total comprehensive income for the year	-	3,014,814	544,525	-	3,559,339	218	3,559,557
Capital increases	60,000	-	-	-	60,000	-	60,000
Acquisition of own shares	-	-	-	-	-	-	-
Other movements	-	1,687	-	-	1,687	(2)	1,685
Equity at 31 December 2012	6,589,100	(2,286,279)	5,666,997	(336,168)	9,633,650	1,630	9,635,280

Notes 1 to 21 to the consolidated annual accounts form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2012.

LAMINADOS DEL PRINCIPADO, S.A.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the years ended
31 December 2012 and 2011
(Expressed in Euros)

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

	Notes	2012	2011
<u>Cash flows from operating activities</u>			
Profit/loss for the year before tax		2,477,150	(128,139)
Adjustments for:		(184,639)	3,906,698
Amortisation and depreciation (+)	6 and 7	1,164,950	491,245
Impairment and changes in provisions (+/-)	18 (f)	(95,000)	2,204,884
Grants recognised in the income statement (-)	14	(434,745)	(253,629)
Finance income (-)	18 (g)	(2,323,464)	(103,017)
Finance costs (+)	18 (g)	1,529,050	1,567,215
Change in fair value of financial instruments (+/-)	18 (g)	(25,430)	-
Changes in operating assets and liabilities		(1,451,014)	1,032,109
Inventories (+/-)		(1,558,840)	(93,931)
Trade and other receivables (+/-)		(875,925)	701,017
Other current assets (+/-)		(128,263)	41,207
Trade and other payables (+/-)		1,112,014	407,144
Other non-current assets and liabilities (+/-)		-	(23,328)
Other cash flows from operating activities		(9,256)	-
Income tax paid		(9,256)	
Cash flows from operating activities		832,241	4,810,668
<u>Cash flows from investing activities</u>			
Payments for investments (-)		(4,945,217)	(7,025,800)
Intangible assets	6	(410,558)	(407,119)
Property, plant and equipment		(4,360,190)	(6,126,831)
Other financial assets	9	(199,499)	(496,750)
Interest received (+)	18 (g)	25,030	4,900
Proceeds from sale of investments (+)	9	495,706	-
Cash flows used in investing activities		(4,449,511)	(7,025,800)
<u>Cash flows from financing activities</u>			
Proceeds from and payments for equity instruments		1,775,153	3,663,859
Cash proceeds from issuing capital	13	60,000	214,100
Grants, donations and bequests received		1,732,447	3,466,568
Payments to redeem own shares		(17,294)	(16,809)
Proceeds from and payments for financial liability instruments		3,096,257	1,250,224
Issue			
Loans and borrowings (+)		515,142	1,488,084
Payables of a special nature (+)		4,600,480	1,426,270
Other payables (+)		294,597	0
Redemption and repayment of			
Loans and borrowings (-)		(617,400)	(435,119)
Other payables (-)		(737,035)	(252,057)
Interest paid (-)		959,527	(976,954)
Cash flows from financing activities		4,871,410	4,914,083
<u>Net increase in cash and cash equivalents</u>		1,254,140	2,698,951
<u>Cash and cash equivalents at beginning of year</u>		3,649,438	950,487
<u>Cash and cash equivalents at year end</u>		4,903,578	3,649,438

Notes 1 to 21 to the consolidated annual accounts form an integral part of the consolidated statement of cash flows for the year ended 31 December 2012.

LAMINADOS DEL PRINCIPADO, S.A.

AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2012

(1) General Information and Group Activities

The parent company of the Laminados del Principado Group, Laminados del Principado, S.A. (hereinafter the Parent), was incorporated in Oviedo on 8 May 2006 before the notary public Manuel Rodríguez de la Paz Guijarro. It is listed as the first entry on page M-405568 of sheet 171 of volume 22,674 of the Madrid Mercantile Registry and has registered offices at c/Numancia, 21 – bajo, 28039 Madrid.

According to the Parent's articles of association, its statutory activity is the management and administration of investments in companies located both in Spain and abroad through the acquisition, holding, use, administration, pledging or disposal of shares, securities or equity holdings, stocks, joint ownerships and any kind of transferable securities or rights, as well as the promotion, organisation, administration, representation, financing and management of all kinds of businesses, companies and operations, including trading, industrial and commercial enterprises but excluding those activities restricted to collective investment undertakings by the Spanish Securities Market Law and those restricted or prohibited by any other legal provision.

The Group's principal activity, which is channelled through its subsidiary, Asturiana de Laminados, S.A. (hereinafter ASLA or Asturiana de Laminados, S.A.), is the transformation of zinc from ingots to coils and sheets tailored to the size and thickness specified by its customers.

(a) Zinc rolling project

As a result of a major investment drive in recent years, the Group, through Asturiana de Laminados, S.A., now has the world's most advanced zinc rolling plant. Its state-of-the-art machinery lends considerable flexibility to the production process, which, coupled with the high quality of its products and quick production turnover, has allowed ASLA to become the world's third leading manufacturer.

This growth requires the Group to continue with the ongoing investment process. Machinery orders placed in 2012 will increase casting and cutting capacity, releasing the bottlenecks currently affecting the production process, which threaten to hinder continued growth at the present rate.

Extensions have also had to be built on the production facilities as a result of these new investments in the production process, and the facilities now have almost twice the surface area that was available on completion of the initial investment plan.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

All of these factors have placed the Parent in the privileged position of being able to expand its product portfolio, offer the latest new products to the market and develop new products (the Rainbow range).

(2) Statement of Compliance(a) 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 Group has now surpassed the thresholds above which there is a requirement to prepare consolidated annual accounts, and 2012 is therefore the first year for which consolidated annual accounts have been drawn up. The annual accounts for 2012 have been prepared using the same accounting principles as for the comparative figures presented for 2011, except for the following standards and amendments adopted by the European Union and interpretations issued and of mandatory application from 1 January 2012:

- Amendments to IFRS 7 set out in Disclosures – Transfers of Financial Assets. Effective for annual periods beginning on or after 1 July 2011. It is not necessary to present disclosures for annual periods beginning before this date.

There is no significant impact on the consolidated annual accounts.

At the date of authorisation of these accounts for issue, the following IFRS have come into force and been adopted by the EU, and will therefore be applied to the consolidated annual accounts for 2013 and subsequent years (depending on the effective date of each standard):

- IAS 19 Employee Benefits. Effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 1 set out in Presentation of Items of Other Comprehensive Income. Effective for annual periods beginning on or after 1 July 2012.
- IFRS 13 Fair Value Measurement. Effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 7 Financial Instruments: Disclosures set out in Disclosures – Offsetting Financial Assets and Financial Liabilities. These amendments apply to annual periods beginning on or after 1 January 2013.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- Amendments to IAS 12 set out in Deferred Tax: Recovery of Underlying Assets. Effective for annual periods beginning on or after 1 January 2013 (IFRS: on or after 1 January 2012).
- IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2014 (IFRS: on or after 1 January 2013).
- IFRS 11 Joint Arrangements. Effective for annual periods beginning on or after 1 January 2014 (IFRS: on or after 1 January 2013).
- IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014 (IFRS: on or after 1 January 2013).
- IAS 27 Separate Financial Statements. Effective for annual periods beginning on or after 1 January 2014 (IFRS: on or after 1 January 2013).
- IAS 28 Investments in Associates and Joint Ventures. Effective for annual periods beginning on or after 1 January 2014 (IFRS: on or after 1 January 2013).
- Amendments to IAS 32 Financial Instruments: Presentation set out in Offsetting Financial Assets and Financial Liabilities. These amendments apply to annual periods beginning on or after 1 January 2014.

At the date of authorisation of these consolidated annual accounts for issue, Group management is assessing the effect that the application of these standards and amendments will have on the Group's financial statements. In principle, the impact is not expected to be significant.

The following standards have not yet been adopted by the EU:

- IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2015. Pending adoption by the EU.
- Annual Improvements 2009–2011 Cycle. Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU.
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance. Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU.
- Investment Entities. Effective for annual periods beginning on or after 1 January 2014. Pending adoption by the EU.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- Amendments to IFRS 1 set out in Government Loans. Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU.

At the date of authorisation of these consolidated annual accounts for issue, the effect of the application of these standards and amendments on the Group's consolidated annual accounts cannot be determined, but is not expected to be significant.

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

(b) 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 Group has now surpassed the thresholds above which there is a statutory requirement to prepare consolidated annual accounts, and 2012 is therefore the first year for which consolidated annual accounts have been drawn up. The Group has chosen to prepare these accounts under EU-IFRS voluntarily, considering 1 January 2011 as the date of first-time adoption, and applying IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

The accounting policies specified in this note have been applied to prepare both the consolidated annual accounts at 31 December 2012 and the comparative information for the year ended 31 December 2011, except with regard to application of the new standards that came into force on 1 January 2012. The date of transition to EU-IFRS by the Laminados del Principado Group was 1 January 2011.

The Group has applied all mandatory exceptions and certain optional exemptions from the retrospective application of IFRS established in IFRS 1, which governs first-time adoption of IFRS.

The Group has opted to avail of the following exemptions from the retrospective application of IFRS:

- Business combinations

As no business combinations have been established since the Group was formed, this exemption does not apply.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- Fair value as deemed cost

The Group has opted to measure land and buildings at fair value. No other property, plant and equipment have been measured at fair value.

- Employee benefits

This exemption is not applicable because the Group has no provisions for employee benefits.

- Cumulative translation differences

The Group's accounts do not include any translation differences so this exemption does not apply.

- Compound financial instruments

The Group has not issued any compound financial instruments and, therefore, this exemption is not applicable.

- Assets and liabilities of subsidiaries, associates and jointly controlled entities

The exemption does not apply.

- Designation of financial assets or financial liabilities

The Group has classified these instruments following IFRS criteria, which do not represent a departure of any kind from the classification and measurement criteria employed under local accounting legislation.

- Share-based payment transactions

The Group does not have share-based payment obligations and this exemption therefore does not apply.

- Insurance contracts

This exemption does not apply to the Group.

- Decommissioning liabilities included in the cost of property, plant and equipment

As the Group has no decommissioning liabilities, this exemption is not applicable.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- Fair value measurement of financial assets or financial liabilities at initial recognition

This exemption does not apply to the Group.

- Arrangements containing a lease

This exemption is not applicable as the Group has no such arrangements.

- Service concession arrangements

This exemption is not applicable as the Group has no such arrangements.

- Borrowing costs

The Group has opted not to avail of this exemption.

- Transfers of assets from customers

This exemption is not applicable as the Group has no such arrangements.

These consolidated annual accounts are expressed in Euros and have been prepared following the criteria described above.

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 that 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 Parent and the subsidiaries forming the Laminados del Principado 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 Parent.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

The Group's consolidated annual accounts for 2012 are currently pending approval by the shareholders at their annual general meeting. The Parent's directors expect these consolidated annual accounts to be approved with no changes.

(c) Consolidation principles(i) 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 the Group takes control, until the date that control ceases.

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

The Laminados del Principado Group's consolidated subsidiaries at 31 December 2012 and 2011 are listed in note 5.

(ii) 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 (consolidated statement of comprehensive income).

Non-controlling interests are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets.

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.

(iii) Business combinations

No business combinations have been established since the Group was formed.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(iv) 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 for the year of equity-accounted investees in the consolidated income statement.

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

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

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment.

(v) 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.

(vi) Put options extended to holders of non-controlling interests

The Group recognises put options extended to holders of non-controlling interests using the advance purchase model from the date the option is established, recognising a financial liability at the present value of the best estimate of the payable, irrespective of the estimated likelihood of the option being exercised.

In the years following initial recognition any variation in the liability due to the effect of the discount is recognised as a finance cost in the consolidated income statement, while the effect of changes in the estimated payable is recognised as finance income or a finance cost in the consolidated income statement. If the options are ultimately not exercised, the transaction is recognised as a sale of interests to holders of non-controlling interests.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(vii) Deferred purchase contracts on non-controlling interests

The Group recognises deferred purchase contracts on non-controlling interests using the advance purchase model from the date on which the contract is signed, recognising a financial liability at the present value of the best estimate of the payable.

In the years following initial recognition any variation in the liability due to the effect of the discount is recognised as a finance cost in the consolidated income statement, while the effect of changes in the estimated payable is recognised as finance income or a finance cost in the consolidated income statement.

*(d) Intangible assets**(i) Internally generated intangible assets*

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. Capitalised expenses comprise materials, direct labour costs and directly attributable overheads.

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.

(ii) Patents, licences and trademarks (industrial property)

This caption reflects amounts paid for ownership or the right to use different kinds of industrial property, as well as expenses incurred to register any industrial property developed by the Group.

(iii) Computer software

Costs incurred to acquire and develop computer software, including website development costs, are recognised in this account. Computer software maintenance costs are expensed as incurred.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(iv) 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.

Estimated useful lives are as follows:

- Development: 5 years
- Computer software: 6.66 years
- Industrial property: 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.

*(e) Property, plant and equipment**(i) 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 includes the cost of acquisition and revaluations carried out under EU-IFRS at 1 January 2011. Historical cost includes all expenses directly attributable to the acquisition of the items. At 1 January 2011 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, to all property, plant and equipment except for land and buildings, which have been measured at fair value.

After initial recognition, land and buildings are carried at fair value less accumulated depreciation on buildings and any accumulated impairment losses on land and buildings.

Fair value is calculated based on independent expert appraisals, with sufficient frequency to ensure that the amount disclosed in the consolidated annual accounts does not differ significantly from the fair value of the assets at year end.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Increases in the carrying amount of each item of property, plant and equipment as a result of revaluation are accounted for in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset. The revaluation decreases of each item of property plant and equipment are recognised in other comprehensive income up to the amount of any revaluation previously recognised for each asset. Any excess is recognised in profit or loss.

Revaluations accounted for in other comprehensive income are transferred to reserves upon sale or disposal of each asset.

Repair and maintenance costs of property, plant and equipment are recognised in the income statement when incurred, whereas amounts invested in improvements that increase capacity or efficiency or extend the useful lives of the assets are recognised as an increase in the cost of those assets. Replacements or renewals of property, plant and equipment are capitalised and the items replaced or renewed are derecognised.

Self-constructed assets are recorded at the accumulated cost, determined as external costs plus internal costs calculated on the basis of own consumption of materials, direct labour costs and manufacturing overheads calculated using absorption rates similar to those used to measure inventories. Capitalised costs are recognised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement.

Borrowing costs accrued, which have been charged by suppliers or relate to loans or other types of specific and general external financing directly attributable to the acquisition, manufacture or construction of property, plant and equipment that need more than six months to be brought into working condition, are included in the capitalised cost of the asset.

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(ii) Depreciation

The Group depreciates property, plant and equipment on a straight-line basis by applying annual depreciation rates calculated based on the estimated useful lives of the assets. Details are as follows:

Type of asset	Estimated years of useful life
	2012 and 2011
Buildings	68
Pressing equipment and accessories	18
Machinery	18
Equipment	8
Other installations	18
Furniture	20
Information technology equipment	8
Other property, plant and equipment	20

In 2012 the Group changed the depreciation criteria for certain production facilities (the roller and pre-weathering line) based on a technical report drawn up by an independent expert, which establishes the tonnes that each facility can be expected to produce in its lifetime, considering an ordinary level of annual maintenance work.

As a result of this change in criteria, the depreciation charge has been reduced by Euros 699,301 in 2012, while the amount taken to income in relation to the grants received to finance these facilities is Euros 227,012 lower than the amount that would have been recognised using the depreciation criteria employed up to 2011.

The estimated useful lives of items of property, plant and equipment are reviewed on a regular basis to detect any significant changes. Any changes identified would be adjusted by correcting the depreciation charge taken to the income statement in future years based on the new useful life.

Compensation from third parties is recognised at the agreed amount (the amount accepted or settled by the third party) or when it is practically certain. If there is any uncertainty as to the compensation eventually agreed, the amount is recognised when the receivable falls due.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(f) 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.

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 example: present effective market interest rate). 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 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.

(g) Leases

Leases which transfer to third parties substantially all the risks and rewards incidental to ownership of the asset are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in sections (a) and (b). However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

(ii) Operating leases

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(h) Exchanges of assets

Exchanges of assets are understood to be the acquisition of property, plant and equipment or intangible assets in exchange for non-monetary assets or a combination of non-monetary and monetary assets.

As a general rule, in exchange transactions with commercial substance, the asset received is measured at the fair value of the asset given up plus any monetary consideration given in exchange. Any measurement differences arising on derecognition of the item given in exchange are taken to the income statement.

An exchange is considered to have commercial substance when the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred or the present value of the post-tax cash flows from the activities of the companies involved in the exchange changes as a result of the transaction.

In exchange transactions with no commercial substance, the asset received is measured at the carrying amount of the asset given up plus any monetary consideration given in exchange, up to the limit of the fair value of the asset received, if this is lower.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(i) Financial instruments(i) Classification

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

(ii) Financial assets

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

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

The measurement criteria applied to the financial assets held by the Group in 2012 and 2011 are detailed below.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those classified as held for trading or which have been designated as such on initial recognition because they were acquired to be sold in the near term.

Changes in the fair value of these assets are recognised in profit or loss.

- Loans and receivables

Loans and receivables are 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 fair value, 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.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

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.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those classified in other categories. The measurement criteria applicable to financial instruments classified in this category are the same as those applicable to loans and receivables.

(iii) Financial liabilities

For measurement purposes, financial liabilities are classified in one of the following categories:

- Debts and payables

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

The Group derecognises financial liabilities when the associated obligations are extinguished.

(j) Inventories

Inventories are measured at the lowest out of: purchase price, cost of production or net realisable value. Trade discounts, rebates and other similar items, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction in the purchase price.

The cost of production includes the direct cost of materials and, where applicable, direct labour costs and other manufacturing overheads.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Net realisable value comprises the estimated selling price less the total estimated cost of completing production and future marketing, sales and distribution costs.

The Group measures its inventories on a weighted average cost basis.

Valuation allowances are expensed in the consolidated income statement when the net realisable value of inventories falls below their purchase price (or cost of production).

The Group takes out insurance policies to cover the possible risks to its inventories.

(k) 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 cash flows from interest received and paid as investing and financing activities, respectively.

(l) 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 only grants received by the Group relate to acquisitions of property, plant and equipment and intangible assets.

These are included in non-current liabilities and taken to the income statement on a straight-line basis over the useful lives of the assets for which they were granted.

While they are refundable, they are recognised as a liability. Grants are considered non-refundable when they have been awarded through an individual agreement, the conditions have been met and their receipt is reasonably assured.

As receipt of interest-free loans is conditional upon compliance with certain investment requirements, the difference between the sum received and the fair value of the repayable interest-free loan (present net value at market interest rates) is recognised as a capital grant. These financial liabilities are recognised initially at fair value and subsequently at amortised cost, and any accrued interest is taken to the income statement applying the effective interest method.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

In any of the above cases, if an amount is received before the Group meets the prerequisites established in the terms of the grant or interest-free loan, the full grant amount is recognised under other financial liabilities or trade and other payables in the consolidated balance sheet until the Group fulfils the necessary conditions.

Grants received are recognised definitively when the Group is considered to have met the conditions for the specific grant and/or expects to meet them in the future.

(m) Provisions

The Group recognises a provision when:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- A reliable estimate has been 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.

(n) 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.

(o) Income taxes

The income tax expense/income comprises current tax and deferred tax.

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

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

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

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

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

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

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

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

Following a decision taken by Laminados del Principado, S.A. as the Parent and ASLA as its subsidiary, as provided for in article 70 of the Spanish Income Tax Law and article 48 of the Income Tax Regulation, in 2012 the Group applied for permission to file consolidated tax returns (Income Tax Law, article 64 onwards) for tax periods commencing from 1 January 2013.

(p) Revenue from the sale of goods

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.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(q) Environmental issues

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 and, where applicable, reimbursement rights by applying the general criteria described in section (m) (provisions).

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 its activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section (c) (property, plant and equipment).

(r) Related party transactions

All of the Group's related party transactions (whether financial, trading or of any other kind) are carried out at transfer prices set following OECD principles governing transactions with group companies and associates.

Moreover, as the Group meets the transfer pricing documentation requirements established by Royal Decree 1793/2008 of 3 November 2008, which came into force on 19 February 2009, the directors do not consider this issue to present any major risk that could give rise to significant liabilities in the future.

(s) Parent own shares

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised.

(3) Risk Management Policy(a) Qualitative disclosures

The board of directors and top-level management of the Parent manage the Group's financial risks centrally. The main financial risks affecting the Group are as follows:

(i) Credit risk:

The Group takes out insurance policies to mitigate the credit risk derived from sales to third parties.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(ii) Liquidity risk:

The cash presented on the consolidated balance sheet, the financing facilities disclosed in these notes (see note 15), new grants that will be received once the corresponding investment and job creation requirements have been fulfilled (see note 14) and an increase in cash flows from ordinary activities expected to occur once production reaches optimum levels are all factors that ensure the Group's liquidity and capacity to meet all payment commitments derived from both its activities and the major ongoing investment project (see notes 1 and 7).

Although it has negative working capital of Euros 3,825,416 at 31 December 2012, the Group expects the financing facilities expiring in the short term to be renewed and considers that its cash flows from ordinary operations will allow it to meet short-term payment obligations. The Parent has arranged a contract to postpone settlement of the majority – Euros 2,675,000 – of the obligation derived from the put option granted to holders of non-controlling interests, which has been exercised before contractually due. This financing has been recognised under other current liabilities (see notes 15 and 21).

(iii) Market risk (including currency risk, interest rate risk and other price risk):

Both cash and borrowings are exposed to interest rate risk, which could have an adverse effect on finance income/costs and cash flows.

With regard to currency risk, the Group has not made any purchases or sales in foreign currency in 2012 or 2011.

*(b) Quantitative disclosures**(i) Credit risk:*

The Group takes out insurance policies to mitigate the credit risk derived from sales to third parties. At 31 December 2012 and 2011, 95% and 84%, respectively, of total receivables from third parties are secured by credit insurance, although the policies taken out cover 90% and 75%, respectively, of the balance with each insured customer. The amount of outstanding past-due balances for which no provision has been recognised is not material and the risk is, in any case, mitigated by this insurance policy.

(ii) Interest rate risk:

The Group has not arranged any interest rate hedges at 31 December 2012 or 2011.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Its borrowings bear interest at variable rates. A ten-basis-point fluctuation in tax rates would either increase or decrease pre-tax profit for the year by Euros 102,748.

(iii) Currency risk:

The Group does not hold any currency risk hedges and has not carried out any such transactions in 2012 or 2011.

(c) Capital management

The Group's capital management objective is to safeguard its capacity to continue operating as a going concern, complete its business plan and maintain an optimum capital structure to reduce the cost of capital.

The Group financing structure is managed on a gearing ratio basis. This ratio is calculated by dividing net financial debt, which is the sum of financial debt less cash and cash equivalents, by total equity and net debt. The Group's gearing ratio for 2012 is 76.76%, an improvement on the 2011 figure of 83.49%.

The capital management process aims to secure financing for the Group's investments and move the business closer to achieving financial stability, with the ultimate objective of remunerating the Parent's shareholders once permitted by the business plan.

(4) Critical Issues regarding the Measurement and Estimation of Uncertainties

The information included in the annual accounts is the responsibility of the Parent's directors..

Estimates made by the Parent's directors have been used to measure certain assets, liabilities, income, expenses and commitments in the preparation of these consolidated annual accounts. These estimates were mainly used to:

- Measure and assess the likelihood of recovering certain financial instruments and deferred tax assets.
- Assess possible impairment losses on certain assets.
- Calculate the useful lives of property, plant and equipment and intangible assets.
- Calculate valuation adjustments to inventories based on their expected realisable values.
- Calculate provisions.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- Measure certain financial assets and liabilities at fair value.

Although estimates are calculated based on the best information available at the 2012 reporting date, future events may require changes to these estimates (increases or decreases) in subsequent years. As required by the applicable accounting standards, any such changes would be recognised prospectively and the effects of the change in accounting estimate would be taken to the income statement for the period in question.

(5) Consolidated Group

As well as Laminados del Principado, S.A., the following companies are consolidated into the Laminados del Principado Group at 31 December 2012 and 2011:

- Asturiana de Laminados, S.A. At 31 December 2011 the Parent held a 56.66% interest in this company, which has since risen to 79.99% as a result of purchasing 23.33% from Sociedad para el Desarrollo de las Comarcas Mineras, S.A. (Sodeco) in 2012. However, as it has entered into deferred purchase agreements with SRP and Sodeco for their respective 5% and 23.33% stakes and a put option has been granted to Invergestión, Sociedad de Inversiones y Gestión, S.A. (Caja España Group) for its 20% interest, the Parent consolidated 99.99% of Asturiana de Laminados, S.A. in both 2011 and 2012.

The main features of these agreements are as follows:

- SRP: on 23 December 2008, SRP subscribed to 600,000 Asturiana de Laminados, S.A. shares for Euros 600,000. On the same date, the Parent signed a commitment to purchase this shareholding for a variable consideration based on Asturiana de Laminados, S.A.'s equity, with a floor calculated using the initial nominal amount of the contract plus interest pegged to the Euribor plus a spread.
- Sodeco: on 14 November 2006, Sodeco subscribed to 2,800,000 Asturiana de Laminados, S.A. shares for Euros 2,800,000. On the same date, the Parent signed a commitment to purchase this shareholding for a variable consideration based on Asturiana de Laminados, S.A.'s equity with a cap and floor calculated using the initial nominal amount plus interest pegged to the Euribor plus a spread.
- Invergestión: Invergestión subscribed to 2,000,000 Asturiana de Laminados, S.A. shares on 27 October 2006 and a further 400,000 shares on 23 December 2008 for a total consideration of Euros 2,400,000. In October 2006, Invergestión and the Group signed a contract entitling the former to sell, and binding the latter to purchase, this shareholding in Asturiana de Laminados, S.A. between 27 October 2009 and 27 October 2013 at a market price determined by an independent expert (see note 15).

These transactions have been recognised using the accounting policies detailed in note 2 (c) (vi and vii).

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

The Parent purchased SRP's 5% interest on 4 August 2011, before it was contractually obliged to do so under the terms of the repurchase agreement signed between the two companies when SRP became a shareholder of Asturiana de Laminados, S.A. (see note 15).

The Parent purchased Sodeco's 23.33% interest on 14 January 2012, before it was contractually obliged to do so under the terms of the repurchase agreement signed between the two companies when Sodeco became a shareholder of Asturiana de Laminados, S.A. (see note 15).

Asturiana de Laminados, S.A.'s registered offices are located in plot C-1 of the Olloniego-Tudela industrial estate, 33660 Oviedo, Asturias. Its principal activity is described in note 1 and its individual annual accounts for both 2011 and 2012 are audited by KPMG Auditores, S.L.

- Lufeol Investment, S.L. The Parent is the sole owner of this company at 31 December 2012 and 2011. Its registered offices are located in plot C-1 of the Olloniego-Tudela industrial estate, 33660 Oviedo, Asturias. This subsidiary is currently dormant and exempt from mandatory audit.
- Asturiana de Eólica, S.A. At 31 December 2011 and 2012, Asturiana de Laminados, S.A. holds a 19.99% stake in this company, which has registered offices in plot C-1 of the Olloniego-Tudela industrial estate, 33660 Oviedo (Asturias). Its statutory activity is the promotion and holding of licences, permits and official authorisation of any other kind required for the construction and operation of renewable energy projects in the Autonomous Region of Asturias. It may also acquire properties of any nature as required for these activities. It is exempt from mandatory audit.
- Metazinc France, S.A.S. At 31 December 2011 and 2012, Asturiana de Laminados, S.A. owns 83.33% of this French company, which has registered offices in Zone Artisanale, Saint-Romain-de-Popey, France. Its statutory activity is the distribution of products manufactured by Asturiana de Laminados, S.A. or any other company related to the Metazinc Group, as well as the transformation of tin-finished products for channelling rainwater. It may also conduct commercial, industrial, financial or civil operations of any kind and carry out transactions involving movable goods or property provided that these are directly or indirectly related to, and facilitate the performance of, the above activities.

Metazinc France, S.A.S.'s activities ceased in 2010, when it went into liquidation. Full provision had been made for both the investment in and outstanding receivables from this company. The legal process of winding up Metazinc France, S.A.S. was completed in 2012 and Asturiana de Laminados, S.A. has written off the corresponding investment and receivables. This company has not, therefore, been consolidated into the Group's annual accounts.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Prior to these events, Asturiana de Laminados, S.A. had provided Metazinc France, S.A.S. with a bank guarantee to secure outstanding payables of Euros 621,850 to the French taxation authorities. As this guarantee was expected to be enforced in 2010, following prudent criteria Asturiana de Laminados, S.A. recognised 50% of the amount as an expense for that year. However, as the guarantee has yet to be enforced at 31 December 2012, this amount continues to appear as a non-current provision in the consolidated balance sheet.

(6) Other Intangible Assets

Details of other intangible assets and movement during 2012 and 2011 are as follows:

	Euros		
	2012		
	Opening balance	Additions or charges	Closing balance
Cost			
Development	992,364	393,573	1,385,937
Industrial property	60,907	13,635	74,542
Computer software	88,497	2,345	90,842
Advances	-	1,005	1,005
	<u>1,141,768</u>	<u>410,558</u>	<u>1,552,326</u>
Amortisation			
Development	(259,334)	(109,300)	(368,634)
Industrial property	(34,087)	(11,171)	(45,258)
Computer software	(51,972)	(13,093)	(65,065)
	<u>(345,393)</u>	<u>(133,564)</u>	<u>(478,957)</u>
Net	<u>796,375</u>		<u>1,073,369</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

	Euros		
	2011		
	Opening balance	Additions or charges	Closing balance
Cost			
Development	588,633	403,731	992,364
Industrial property	57,519	3,388	60,907
Computer software	88,497	-	88,497
	<u>734,649</u>	<u>407,119</u>	<u>1,141,768</u>
Amortisation			
Development	(150,034)	(109,300)	(259,334)
Industrial property	(22,674)	(11,413)	(34,087)
Computer software	(38,865)	(13,107)	(51,972)
	<u>(211,573)</u>	<u>(133,820)</u>	<u>(345,393)</u>
Net	<u>523,076</u>		<u>796,375</u>

In 2012 work has continued on an R&D project entitled “Development of a new range of rolled zinc products characterised by a groundbreaking weathering treatment”, which commenced in 2009. This project has been funded through two grants, one awarded by the Asturias regional government Education and Science Department (CEC) on 21 November 2008 and the other by Spain’s Centre for Technological and Industrial Development (CDTI) on 23 September 2009 (see note 14). Work on this project at ASLA’s production facilities in Villallana has reached a successful conclusion, and the introduction of the new product into the existing product range allows ASLA to offer an alternative to the world leader, the only company in the market to do so.

Assets recognised with a credit to self-constructed non-current assets in the income statement account for Euros 373,732 of total additions in 2012 (Euros 323,731 in 2011).

Fully amortised intangible assets total Euros 18,021 at 31 December 2012 (industrial property amounting to Euros 17,383 and computer software totalling Euros 638), whereas at 31 December 2011 the Group had no fully amortised intangible assets.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(7) Property, plant and equipment

Details of property, plant and equipment and movement during 2012 and 2011 are as follows:

	Euros				
	2012				
	Opening balance	Additions or charges	Disposals	Transfers (note 5)	Closing balance
Cost					
Land and natural resources	4,749,994	-	-	-	4,749,994
Buildings	9,539,598	14,396	-	-	9,553,994
Technical installations	1,094,539	10,000	-	-	1,104,539
Machinery	26,432,831	141,924	-	-	26,574,755
Other installations, equipment and furniture	599,402	38,268	-	-	637,670
Other property, plant and equipment	89,034	35,805	(1,000)	-	123,839
Advances for property, plant and equipment and work in progress	6,112,412	5,384,812	-	-	11,497,224
	48,617,810	5,625,205	(1,000)	-	54,242,015
Depreciation					
Buildings	(18,602)	(140,138)	-	-	(158,740)
Technical installations	(21,683)	(60,638)	-	-	(82,321)
Machinery	(589,722)	(778,255)	-	-	(1,367,977)
Other installations, equipment and furniture	(160,203)	(44,311)	-	-	(204,514)
Other property, plant and equipment	(27,844)	(8,044)	788	-	(35,100)
	(818,054)	(1,031,386)	788	-	(1,849,440)
Net	47,799,756				52,397,900

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

	Euros				
	2011				
	Opening balance	Additions or charges	Disposals	Transfers (note 5)	Closing balance
Cost					
Land and natural resources	4,749,994	-	-	-	4,749,994
Buildings	-	37,643	-	9,501,955	9,539,598
Technical installations	82,171	-	-	1,012,368	1,094,539
Machinery	2,007,914	125,787	(2,370)	24,301,500	26,432,831
Other installations, equipment and furniture	848,624	18,497	-	(267,719)	599,402
Other property, plant and equipment	41,378	47,656	-	-	89,034
Advances for property, plant and equipment and work in progress	35,517,973	8,896,252	(3,753,709)	(34,548,104)	6,112,412
	<u>43,248,053</u>	<u>9,125,835</u>	<u>(3,756,079)</u>	<u>-</u>	<u>48,617,810</u>
Depreciation					
Buildings	-	(18,602)	-	-	(18,602)
Technical installations	(10,361)	(11,322)	-	-	(21,683)
Machinery	(312,603)	(277,119)	-	-	(589,722)
Other installations, equipment and furniture	(115,891)	(44,312)	-	-	(160,203)
Other property, plant and equipment	(21,774)	(6,070)	-	-	(27,844)
	<u>(460,629)</u>	<u>(357,425)</u>	<u>-</u>	<u>-</u>	<u>(818,054)</u>
Net	<u>42,787,424</u>				<u>47,799,756</u>

(a) Main investments

Additions in 2012 relate to the ongoing investment project to increase production capacity in the casting and cutting lines, as mentioned earlier.

Assets recognised with a credit to self-constructed non-current assets in the consolidated income statement account for Euros 103,740 of total additions in 2012 and Euros 58,844 in 2011, in both cases relating to the aforementioned investment project.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Since commencing this investment project, which is divided into several different stages, the Group has capitalised both expenditure under the contract signed with Siemens and self-constructed assets following the accounting policy described in note 2 (e). At the 2012 reporting date, costs of Euros 7,666,439 (Euros 3,086,826 at 31 December 2011) have been recognised under work in progress as a result of construction work to extend the facilities in the Villallana industrial estate, of which self-constructed assets account for Euros 103,741 (Euros 58,844 in 2011). As the initial investment was completed satisfactorily and the corresponding facilities came into service in November 2011, depreciation has been charged on the assets since that date.

In 2012 the Group has capitalised borrowing costs of Euros 95,678 (Euros 98,117 in 2011) under advances for property, plant and equipment and work in progress.

(b) Assets acquired from related companies

In 2011 the related company Metazinc Obrar y Construcciones, S.A. provided land preparation and construction services at the Group's premises on the Villallana industrial estate. The corresponding cost of Euros 22,603 was recognised as work in progress at 31 December 2011 (see note 19). No related companies have performed any work for or sold any assets to the Group companies in 2012.

(c) Grants

At both 31 December 2012 and 31 December 2011, the Group holds a Euros 6,720,000 grant, awarded by the Ministry of Industry, Tourism and Trade to fund the construction of zinc rolling facilities in the Villallana industrial estate. As the Group has not met the requirements for receipt of this grant at the reporting date, this amount has not been recognised under grants and has instead been booked under deferred income (see note 14).

(d) Collateral

The land and building housing the rolling plant (industrial premises), recognised under property, plant and equipment with a cost of Euros 9,879,508, as well as ongoing construction work recognised under work in progress for Euros 3,800,700 and machinery booked in property, plant and equipment for Euros 25,206,778, have been pledged to secure a syndicated loan falling due on 31 December 2015 with a limit of Euros 6,174,000, from which Euros 4,321,800 has been drawn at 31 December 2012 (Euros 6,183,093 at 31 December 2011) (see note 15 (a)). This mortgage was taken out in 2012.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(e) Fully depreciated assets

At 31 December 2012, as in 2011, the Group does not have any fully depreciated property, plant and equipment.

(f) Insurance

The Group takes out insurance policies to cover the possible risks to its property, plant and equipment. At 31 December 2012 and 2011 the Group considers that its existing insurance policies are sufficient to cover the risks inherent to its activities.

(g) Revalued assets

On 1 January 2011, as well as during 2011 and 2012, the Group has revalued land and buildings based on appraisals performed by independent experts following customary criteria for valuations of this nature.

The carrying and revalued amounts of each type of revalued asset are as follows:

	Euros					
	01.01.2010		31.12.2011		31.12.2012	
	Cost	Revalued amount	Cost	Revalued amount	Cost	Revalued amount
Land	2,303,802	4,749,994	2,303,802	4,749,994	2,303,802	4,749,994
Buildings	9,931,724	14,044,229	10,676,049	15,548,409	11,376,236	17,026,569
	<u>12,235,526</u>	<u>18,794,223</u>	<u>12,979,851</u>	<u>20,298,402</u>	<u>13,680,038</u>	<u>21,776,562</u>

The following movements were recognised in revaluation reserves in 2012 and 2011:

	Euros						
	Balance at 01.01.2010	Additions 2011	Disposals 2011	Balance at 31.12.2011	Additions 2012	Disposals 2012	Balance at 31.12.2012
Revaluation reserve	4,591,088	535,074	(3,176)	5,122,986	563,638	(19,058)	5,667,567

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(8) Operating leases

The main operating lease held by the Group in 2012 and 2011 is for the offices in the Olloniego-Tudela industrial estate at which its administration activities are carried out, which are leased indefinitely from Medina Metal, S.A.

This lease accounts for Euros 29,467 of other expenses recognised in the consolidated income statement for 2012 and Euros 28,776 in 2011 (see note 18).

Furthermore, at 31 December 2012 the Group has committed minimum lease payments to lessors in relation to fixed-term contracts expiring in June 2015. Details of these minimum payments, not considering any shared costs that may be passed on by the lessors, future adjustments for inflation or renegotiations of the prices agreed in these contracts, are as follows:

Minimum instalments	Euros	
	Nominal amount	
	2012	2011
Less than one year	30,321	29,467
One to five years	45,482	73,665

(9) Equity-Accounted Investees

The only movements in equity-accounted investees in 2012 and 2011 reflect the Group's share of the losses incurred by Asturiana de Eólica, S.A., totalling Euros 142 and Euros 235, respectively. According to its individual annual accounts, this investee has total assets of Euros 12,022 at 31 December 2012 (Euros 13,074 at 31 December 2011) and equity of Euros 11,523 (Euros 12,233 at 31 December 2011).

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(10) Other Current and Non-Current Financial Assets

Movement in the different accounts included under current and non-current financial assets in 2012 and 2011 is as follows:

Euros			
2012			
	Opening balances	Additions and charges	Closing balances
Non-current financial assets			
Fixed-term deposits	698,067	(471,797)	226,270
Non-current deposits and guarantees	12,744	1,173	13,917
	<u>710,811</u>	<u>(470,624)</u>	<u>240,187</u>
Current financial assets			
Fixed-term deposits	70,480	(70,225)	255
Current deposits and guarantees	-	45,143	45,143
Other	60,212	353,215	413,697
	<u>130,692</u>	<u>328,133</u>	<u>458,825</u>

Euros			
2011			
	Opening balances	Additions and charges	Closing balances
Non-current financial assets			
Fixed-term deposits	271,797	426,270	698,067
Non-current deposits and guarantees	12,744	-	12,744
	<u>284,541</u>	<u>426,270</u>	<u>710,811</u>
Current financial assets			
Fixed-term deposits	-	70,480	70,480
Other	101,418	(41,206)	60,212
	<u>101,418</u>	<u>(20,274)</u>	<u>130,692</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Deposits and guarantees and fixed-term deposits, under both current and non-current, comprise held-to-maturity investments. The carrying amounts of these investments do not differ significantly from their fair values.

The “other” category reflects financial assets at fair value through profit or loss.

At the 2012 reporting date a deposit held in a financial institution and recognised under fixed-term deposits has been pledged to secure a bank guarantee contracted with the same institution to enable the receipt of certain grants in advance (see note 14). The availability of these funds is limited and the deposit earns interest at an average annual rate of 1.5%. Disposals in this category reflect two deposits held at the 2011 close.

In 2011 fixed-term deposits included three such deposits held in financial institutions with limits on the availability of the funds. One of these deposits was placed prior to 2010 and was pledged to secure a bank guarantee contracted with the same institution to enable the receipt of certain grants in advance (see note 14). The other two were placed in 2011: the first to secure a bank guarantee extended to an electricity supplier by the same financial institution, and the second to secure a bank guarantee extended to the CDTI in relation to a loan granted by this body to fund a research project. The deposit placed prior to 2010 earned interest at an average rate of 0.25% throughout 2011, whereas the respective interest rates on the two deposits placed in 2011 were 2.75% and 1.7%.

The Group has recognised finance income of Euros 25,030 in 2012 and Euros 4,900 in 2011, mainly earned on its fixed-term deposits.

At 31 December 2012 the “other” category primarily reflects assets held for trading. Finance income of Euros 25,453 earned on these assets has been recognised in the consolidated income statement for the year.

Financial instruments at fair value are classified depending on the inputs used to measure fair value, based on the following hierarchy: (i) Level 1 – quoted prices in active markets; (ii) Level 2 – inputs other than quoted prices from Level 1 that are observable in the market; and (iii) Level 3 – unobservable inputs.

The only asset measured at fair value is the asset held for trading, which is a Level 1 instrument.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(11) Inventories

Details of inventories at 31 December 2012 and 2011 are as follows:

	Euros	
	2012	2011
Raw materials and other supplies	880,936	687,967
Work in progress	1,194,331	893,438
Finished goods	1,908,197	843,220
	<u>3,983,464</u>	<u>2,424,625</u>

The Group does not consider the cost of its inventories to be subject to possible impairment due to obsolete, defective or slow-moving goods at either 31 December 2012 or 31 December 2011.

The Group has taken out insurance policies to cover the risks to its inventories. The coverage of these policies with respect to the carrying amounts of inventories is considered sufficient.

(12) Trade and other receivables

A breakdown of trade and other receivables recognised in the consolidated balance sheet at 31 December 2012 and 2011 is as follows:

	Euros	
	2012	2011
Current trade receivables		
Trade receivables	2,824,068	2,716,933
Trade receivables from related companies (note 19)	86,751	3,038
Trade receivables, trade bills receivable	533,769	350,970
Doubtful trade receivables	48,570	43,301
Doubtful trade receivables from related companies (note 19)	393,964	480,708
Impairment of trade receivables from third parties and related companies (note 19)	(442,533)	(524,009)
Public entities (note 16)	5,240,908	6,148,300
	<u>8,685,496</u>	<u>9,219,242</u>
	<u>8,685,496</u>	<u>9,219,242</u>

Trade and other receivables are categorised as loans and receivables. The carrying amounts shown above do not differ significantly from the fair values of these assets.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

At the 2012 reporting date, receivables of Euros 442,533 are past due by more than six months, mainly balances with a related company in a delicate financial position (Medina Metal, S.A.).

In 2011 Asturiana de Laminados, S.A. received promissory notes from Medina Metal, S.A. for the entire outstanding amount. Asturiana de Laminados, S.A. endorsed Euros 1,416,516 of these promissory notes to its main asset supplier and derecognised the same amount from the receivable from Medina Metal, S.A.

In light of Medina Metal, S.A.'s delicate financial circumstances, at the 2012 and 2011 reporting dates the Group has assessed the probability that these receivables will be recovered, and that guarantees will be enforced where necessary, concluding that the likelihood of the outstanding receivable being recovered is highly remote. Consequently, in 2011 it provided for the entire balance receivable from Medina Metal, S.A. and the entire amount of the promissory notes endorsed to its supplier (see note 18(f)).

The Group has arranged a credit insurance contract to guarantee the recovery of 90% of individual trade receivables within the risk limits previously approved by the insurance company for each customer.

(13) Equity(a) Subscribed capital

At 31 December 2010 the share capital of the Parent was represented by 631,500 registered shares of Euros 10.00 par value each, all of the same class and subscribed and fully paid.

On 22 July 2011 the Parent acquired 31,575 own shares – 16,350 from Talleres Asipo, S.L. and the remaining 15,225 from Mecánica de Castrillón, S.A. – for Euros 336,167.69.

At a general meeting held on 28 October 2011, the shareholders of the Parent resolved to increase capital by Euros 214,100 by issuing 21,410 new shares of Euros 10.00 par value each. This capital increase was subscribed and fully paid up on 28 October 2011.

At 31 December 2011 the share capital of the Parent was represented by 652,910 registered shares of Euros 10.00 par value each, all of the same class and subscribed and fully paid.

At a general meeting held on 13 July 2012, the shareholders of the Parent resolved to increase capital by Euros 60,000 by issuing 6,000 new shares of Euros 10.00 par value each. This capital increase was subscribed and fully paid up.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

As a result, at 31 December 2012 the share capital of the Parent is represented by 658,910 shares of Euros 10.00 par value each.

At 31 December 2012 and 2011 the Parent's capital is held as follows:

	%
Titanzinc, S.A.	60.13%
Grupo Hedisa Cor, S.L.	19.17%
Desarrollo de Actividades Mecánicas, S.L.	15.03%
International Metal Business XXI, S.L.	0.88%
Own shares	4.79%
	<u>100.00%</u>

A further share capital increase was carried out during 2012 by issuing 29,000 shares of Euros 10 par value each. As this capital increase has not yet been notarised, at 31 December 2012 the total paid-in amount of Euros 290,000 has been recognised under other current liabilities in the consolidated balance sheet (see note 15).

The Asturiana de Laminados, S.A. shares owned by Laminados del Principado, S.A. have been pledged to secure the syndicated loans and bank guarantees described in note 15.

(b) Retained earnings

Retained earnings include consolidated profit or loss for the year, reserves in equity-accounted investees and other reserves of the Parent.

As both the Parent and the Group companies have accumulated losses, retained earnings are negative and there are no distributable reserves.

Pursuant to Royal Decree-Law 1/2010 of 2 July 2010, which approved the Revised Spanish Companies Act, companies must transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to at least 20% of share capital.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

This reserve may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the share capital following the increase.

Except for this purpose, until the reserve exceeds 20% of share capital it may only be used to offset losses if no other reserves are available.

(c) Revaluation reserve

This reserve reflects the revaluation of property, plant and equipment, net of the tax effect (see note 7).

(d) Application of losses of the Parent

The Parent has recorded a loss of Euros 110,158.62 for the year. The board of directors will propose to the shareholders that this amount be carried forward as prior years' losses.

(14) Deferred Income

Information on the grants received by the Group and the corresponding transfers to the consolidated income statement are as follows:

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

		Euros			
		2012			
Year awarded		Amount awarded	Balance at 31 December 2011	Additions	Transfers to the income statement in 2012
					Balance at 31 December 2012
Reindus 2007		720,994	748,870	-	17,328
Reindus 2008		595,508	573,993	-	18,553
Reindus 2009		551,470	490,729	-	8,499
Asturias regional government (R&D)		60,200	25,083	-	12,040
Asturias regional government (R&D)		99,389	60,046	-	19,878
Reindus 2010		671,063	671,063	-	-
Reindus 2011		404,650	-	404,740	-
SUBV MINER stage I		6,900,000	6,856,519	-	236,875
SUBV IDEPA stage I		2,952,862	2,935,513	-	94,797
SUBV LIR stage I		2,056,327	2,038,566	-	26,775
CDTI-EUREKA milestone I		194,872	84,503	-	-
		15,207,335	14,484,886	-	434,745
					14,369,379

		Euros			
		2011			
Year awarded		Amount awarded	Balance at 31 December 2010	Additions	Transfers to the income statement in 2011
					Balance at 31 December 2011
REINDUS 2007		720,994	758,399	-	9,529
REINDUS 2008		595,508	583,901	-	9,908
REINDUS 2009		551,470	504,421	-	13,692
Asturias regional government (R&D)		60,200	37,123	-	12,040
Asturias regional government (R&D)		99,389	79,923	-	19,878
Reindus 2010		671,063	-	671,063	-
SUBV MINER stage I		6,900,000	-	6,900,000	43,481
SUBV IDEPA stage I		2,952,862	-	2,952,862	17,349
SUBV LIR stage I		2,056,327	-	2,055,859	17,293
CDTI-EUREKA milestone I		194,872	-	194,962	110,459
		14,802,685	1,963,768	12,774,746	253,629
					14,484,886

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

(a) Grants recognised as non-refundable

The Group has been awarded the following capital grants:

(i) REINDUS 2007

Ministry of Industry, Tourism and Trade (MITC): on 2 October 2007, the Ministry announced its final decision to award the Group a Euros 2,000,000 interest-free reindustrialisation loan, repayable in ten instalments of Euros 200,000 between 2012 and 2021. In order to qualify for the receipt of this loan, ASLA was required to make investments of Euros 15,044,529 during 2007, create 15 jobs from 1 January 2007 and maintain these jobs for five years. These deadlines were subsequently extended by six months. ASLA has recognised Euros 720,994 under capital grants, reflecting the difference between the amount received and the fair value of the loan (the present value of the amount repayable discounted at a market rate of interest) and its nominal amount. At 31 December 2012 and 2011 ASLA has fulfilled and certified the award conditions. Euros 731,542 is pending transfer to the income statement at 31 December 2012 (Euros 748,870 at 31 December 2011).

(ii) REINDUS 2008

Ministry of Industry, Tourism and Trade (MITC): on 12 November 2008, the Ministry announced its final decision to award the Group a Euros 1,800,000 interest-free reindustrialisation loan, repayable in ten instalments of Euros 180,000 between 2013 and 2022. In order to qualify for the receipt of this loan, ASLA was required to make investments of Euros 9,708,719 during 2008, create 20 jobs from 1 January 2008 and maintain these jobs for five years. These deadlines were subsequently extended by six months. ASLA has recognised Euros 595,508 under capital grants, reflecting the difference between the amount received and the fair value of the loan (the present value of the amount repayable discounted at a market interest rate) and its nominal amount. At 31 December 2012 and 2011 ASLA has fulfilled and certified the award conditions. Euros 555,440 is pending transfer to the income statement at 31 December 2012 (Euros 573,993 at 31 December 2011).

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(iii) REINDUS 2009

Ministry of Industry, Tourism and Trade (MITC): on 21 July 2009, the Ministry announced its final decision to award the Group a Euros 1,500,000 interest-free reindustrialisation loan, repayable in ten instalments of Euros 150,000 between 2014 and 2023. In order to qualify for the receipt of this loan, ASLA was required to make investments of Euros 8,450,694 during 2009, create 32 jobs from 1 January 2009 and maintain these jobs for five years. These deadlines were subsequently extended by six months. ASLA has recognised Euros 551,470 under capital grants, reflecting the difference between the amount received and the fair value of the loan (the present value of the amount repayable discounted at a market interest rate) and its nominal amount. At 31 December 2012 and 2011 ASLA has fulfilled and certified the award conditions. Euros 482,230 is pending transfer to the income statement at 31 December 2012 (Euros 490,729 at 31 December 2011).

(iv) REINDUS 2010

On 2 October 2010, the Ministry announced its final decision to award the Group a Euros 1,800,000 interest-free reindustrialisation loan, repayable in ten instalments of Euros 180,000 between 2015 and 2024. In order to qualify for the receipt of this loan, ASLA was required to make investments of Euros 8,138,000 during 2010, create 37 jobs from 1 January 2011 and maintain these jobs for five years. These deadlines were subsequently extended by six months. ASLA has recognised Euros 671,073 under capital grants, reflecting the difference between the amount received and the fair value of the loan (the present value of the amount repayable discounted at a market interest rate) and its nominal amount. At 31 December 2012 and 2011 ASLA has fulfilled and certified the award conditions. Euros 671,063 is pending transfer to the income statement at 31 December 2012 (Euros 671,063 at 31 December 2011).

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(v) REINDUS 2011

On 4 August 2011, the Ministry announced its final decision to award the Group a Euros 1,000,000 interest-free reindustrialisation loan, repayable in ten instalments of Euros 100,000 between 2016 and 2025. In order to qualify for the receipt of this loan, ASLA was required to make investments of Euros 5,025,000 during 2011, create 27 jobs from 1 January 2010 and maintain these jobs for five years. These deadlines were subsequently extended to 30 June 2012. As the requirements for receipt of this grant had not yet been fulfilled at 31 December 2011, no grant was recognised at that date. The amount payable was recorded under other current financial liabilities in the consolidated balance sheet with an initial value of Euros 404,650, reflecting the fair value (present net value) of the repayments. In 2012 ASLA met the requirements to classify this grant as non-refundable, and it has therefore been included in deferred income. At 31 December 2012, Euros 404,470 is pending transfer to the income statement.

(vi) Asturias regional government (R&D)

In 2009 ASLA received the first of two payments of a Euros 215,950 grant awarded by the Asturias regional government Education and Science Department (CEC) on 21 November 2008. In order to qualify for receipt of this grant, ASLA was required to make investments of Euros 617,000 by 31 December 2009. Euros 210,696 were invested in 2008 and certified in February 2009, leading to receipt of Euros 60,200 of the grant on 7 March 2009. Investments for 2009 totalled Euros 283,968.72 and were certified in March 2010. The corresponding payment was received on 6 March 2010. This grant qualifies for classification as non-refundable, and has therefore been booked under deferred income. The amounts pending transfer to the income statement at 31 December 2012 are Euros 13,043 of the 2008 payment and Euros 40,168 of the 2009 payment (Euros 25,083 of the 2008 payment and Euros 60,046 of the 2009 payment at 31 December 2011).

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(vii) Ministry of Industry, Tourism and Trade (MITC)

On 25 June 2007 the MITC approved a capital grant of Euros 6,900,000. In order to qualify for the receipt of this grant, ASLA was required to make investments of Euros 29,772,040 by 30 June 2009, create 69 jobs by 31 August 2009 and maintain these jobs for three years. On 15 January 2008 ASLA received Euros 5,865,000 of this grant. This balance has been recognised as a payable to public entities under trade and other payables on the consolidated balance sheet. As the requirements for this grant had not yet been met at 30 June 2009 due to delays in starting up the production facilities and in the development of the Villallana industrial estate by Pola de Lena town council, on 5 July 2009 ASLA applied for a one-year extension to the initial deadlines. This extension was granted on 16 October 2009. On 21 June 2011 the MITC agreed to further postpone the deadline to 31 December 2011. In 2011 ASLA met the requirements to classify this grant as non-refundable, and it has therefore been included in deferred income. At 31 December 2012, Euros 6,619,644 is pending transfer to the income statement (Euros 6,856,519 at 31 December 2011).

(viii) Ministry of Economy and Finance (MEH)

On 15 March 2007 the MEH approved a capital grant of Euros 2,056,327. In order to qualify for the receipt of this grant, ASLA was required to make investments of Euros 29,376,095 and to create 69 jobs by 26 March 2010, as well as demonstrating a level of self-funding (determined as capital and reserves less assets recognised for unpaid share capital) in relation to this investment of at least Euros 8,812,829, which must be maintained for the entire time the grant is in force. For the same reasons stated above, in late May 2010 ASLA requested that the investment certification deadline be put back to 31 December 2011. In 2011 ASLA met the requirements to classify this grant as non-refundable, and it has therefore been included in deferred income. At 31 December 2012, Euros 2,011,791 is pending transfer to the income statement (Euros 2,038,566 at 31 December 2011).

(ix) Asturias regional government Institute for Economic Development (IDEPA)

On 22 December 2008 IDEPA approved a capital grant of Euros 2,952,862. In order to qualify for the receipt of this grant, ASLA was required to make investments of Euros 29,706,859 by 30 November 2010. For the same reasons stated above, in October 2010 ASLA requested that the investment certification deadline be put back to 31 December 2011. In During 2011 ASLA met the requirements to classify this grant as non-refundable, and it has therefore been included under deferred income. At 31 December 2012 Euros 2,840,716 is pending transfer to the income statement (Euros 2,935,513 at 31 December 2011).

All of the receivables relating to these two grants have been pledged to secure the syndicated loans and bank guarantees described in note 15.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(b) Grants pending recognition

ASLA has already been awarded certain grants even though at 31 December 2012 it has not met the requirements upon which receipt is conditional. The Group has not, therefore, recognised these amounts as grants but rather as deferred income:

(i) Ministry of Industry, Tourism and Trade (MITC)

On 6 September 2010 the MITC approved a capital grant of Euros 6,720,000. In order to qualify for the receipt of this grant, ASLA was required to make investments of Euros 17,993,856 by 30 June 2012 (later postponed to 31 December 2013), create 60 jobs by 31 August 2012 (later postponed to 31 December 2013) and maintain these jobs for three years. It also had to contribute at least 25% of the financing from its own funds or external borrowings not in any way linked to public aid. The grant terms and conditions stipulate that part of the amount (Euros 1,008,000) will only be received once all of these conditions it have been met. The entire grant amount was receivable at 31 December 2011. Euros 3,360,000 has been received in 2012 (see note 16). As the requirements for receipt of this grant have not yet been fulfilled at 31 December 2012, no capital grant or receivable has been recognised. The amount received has been booked as a payable to public entities within trade and other payables in the consolidated balance sheet.

(ii) CDTI CEIT grant

On 28 October 2010 the Spanish Centre for Technological and Industrial Development (CDTI) agreed to grant Asturiana de Laminados, S.A. an interest-free loan in favourable terms for the research and development project entitled "Research into thermomechanical processing and microstructural changes for the introduction of controlled rolling of zinc alloys" for a maximum amount of Euros 543,240. ASLA will recognise a capital grant for the difference between the amount it receives and the fair value (present value of the repayments to be made discounted at a market rate of interest). At 31 December 2012 and 2011 ASLA has not yet received this loan and the associated grant has not, therefore, been recognised in its accounts.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(15) Loans and Borrowings and Other Financial Liabilities

A breakdown of loans and borrowings and other financial liabilities at 31 December 2012 and 2011 is as follows:

		Euros			
		2012			
		Limit	Total drawdowns	Non-current maturity	Current maturity
Loans and borrowings					
Syndicated loan – senior		6,174,000	4,006,992	2,771,631	1,235,361
Syndicated loan – grant advances		5,000,000	4,950,000	4,950,000	-
Syndicated loan – commercial		7,000,000	6,698,235	-	6,698,235
Export loan		250,000	194,210	-	194,210
Commercial loan		250,000	-	-	-
Accrued interest		-	-	-	22,270
			15,849,437	7,721,631	8,150,076
Other payables					
Participating loan 2007		2,200,000	1,760,000	1,100,000	660,000
reindustrialisation loan 2008		1,435,018	1,435,018	1,235,018	200,000
reindustrialisation loan 2009		1,435,667	1,435,667	1,255,667	180,000
reindustrialisation loan 2010		1,114,627	1,114,627	1,114,627	-
reindustrialisation loan 2011		1,262,512	1,262,512	1,262,512	-
reindustrialisation loan 2012		638,066	638,066	638,066	-
CDTI Eureka loan		4,417,500	4,417,500	4,417,500	-
Other Trade bills payable		704,936	554,607	460,615	93,992
Finance lease		6,765,423	6,765,423	3,638,363	3,127,060
		-	-	182,980	-
		-	-	11,469	4,715

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Suppliers of fixed assets	-	-	602,563	612,737
		19,027,350	15,919,380	4,936,992
		<u>34,876,787</u>	<u>23,641,011</u>	<u>13,087,068</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

		Euros		
		2011		
		Limit	Total drawdowns	Non-current maturity
				Current maturity
Loans and borrowings				
Syndicated loan				
– senior		4,939,200	4,939,200	4,321,800
– grant				617,400
advances		5,000,000	5,000,000	-
Syndicated loan				5,000,000
– commercial		7,000,000	6,183,093	6,183,093
Export loan		250,000	111,147	-
Commercial loan		250,000	-	111,147
Accrued interest			-	-
			-	22,391
			16,233,440	10,504,893
				5,750,938
Other payables				
Participating loan		2,200,000	1,760,000	1,540,000
2007				220,000
reindustrialisation				
loan		1,559,152	1,559,152	1,359,152
2008				200,000
reindustrialisation				
loan		1,374,015	1,374,015	1,374,015
2009				-
reindustrialisation				
loan		1,061,955	1,061,955	1,061,955
2010				-
reindustrialisation				
loan		1,201,242	1,201,242	1,201,242
2011				-
reindustrialisation				
loan		603,658	603,658	603,658
CDTI Eureka				-
loan		307,704	235,290	235,290
Other		9,013,668	9,013,668	8,652,806
Finance lease			20,634	16,224
Capital grants				4,410
not yet				
certified				-
Suppliers of				404,650
fixed assets				-
				575,484
			16,829,615	16,044,342
			33,063,055	26,549,235
				7,516,345

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

The Group's financial liabilities fall within the category of debts and payables measured at amortised cost. The fair values of these financial liabilities do not differ significantly from their carrying amounts.

Financial instruments at fair value are classified depending on the inputs used to measure fair value, based on the following hierarchy: (i) Level 1 – quoted prices in active markets; (ii) Level 2 – inputs other than quoted prices from Level 1 that are observable in the market; and (iii) Level 3 – unobservable inputs.

The only liability measured at fair value is that derived from the put option extended to Invergestión (see notes 5 and 14 (e)), which is a Level 3 instrument.

The interest rate applied to loans and borrowings in 2012 was the six-month Euribor plus an annual spread of 3.5% (Euribor plus an annual spread of 3.2% in 2011).

The entire finance cost for both 2012 and 2011, amounting to Euros 1,383,108 and Euros 1,263,482, respectively, was accrued on financial debt at amortised cost.

Details of non-current payables by maturity at the end of 2012 and 2011 are as follows:

	2012
2014	2,938,992
2015	9,249,828
2016	2,814,399
2017	2,332,552
2018	2,345,828
2019 and subsequent years	3,959,412
	<u>23,641,011</u>
	2011
2013	13,491,772
2014	2,748,384
2015	3,408,098
2016	1,898,948
2017	1,678,948
2018	1,678,948
2019 and subsequent years	1,644,138
	<u>26,549,235</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

As these amounts do not include interest payable, to determine the impact on the Group's liquidity, they should be increased for interest using the effective rates detailed in the following sections.

(a) Syndicated financing and bank guarantee facilities

On 2 August 2007 ASLA arranged a comprehensive financing facility with a banking syndicate formed by Caja España de Inversiones, Caja de Ahorros y Monte de Piedad (Caja España), Caja de Ahorros de Asturias, Banco de Sabadell, S.A., Caja de Ahorros de Galicia and Banco Pastor, S.A. This agreement was amended on 19 March 2008, 22 January 2010, 5 February 2010, 30 June 2010, 1 July 2011 and 13 August 2012. At 31 December 2012 it includes the following facilities:

- Senior loan: credit of up to Euros 6,174,000, with repayments initially due at six-monthly intervals between 2010 and 2015. The interest rate was pegged to the Euribor plus a variable spread depending on the debt service coverage ratio, requiring the audit of this ratio once ASLA completed its first year of operations. In July 2011 this contract was superseded and a new repayment schedule set for the amount outstanding at the amendment date (80% of the initial principal). Repayments became due at six-monthly intervals between 2012 and 2015 and the spread on the Euribor was fixed at 3.5%. As ASLA has fully drawn down this credit facility at 31 December 2012, and 30% was repaid in 2010, 2011 and 2012, the outstanding balance totals Euros 4,006,992 (Euros 4,939,200 at 31 December 2011).
- Grant advance loan: credit of up to Euros 5,000,000 that was initially to fall due on 30 June 2012 and had a fixed interest rate of 5.25%. Through an amendment signed in August 2012, this facility now falls due on 31 December 2015 and bears interest at the six-month Euribor plus 4.75%, floored at 5%. At 31 December 2012 and 2011, ASLA has drawn the full amount from this facility.
- Syndicated commercial loan: credit of up to Euros 7,000,000 that falls due on 30 June 2013 and bears interest at the three-month Euribor plus a spread of 2.5%. At 31 December 2011, ASLA has drawn Euros 6,698,235 from this facility (Euros 6,183,093 at the 2012 reporting date).

The Group also has other financing facilities:

- Export loan: credit of up to Euros 250,000 arranged with Banco Popular to finance coil and sheet exports, which bears interest at a rate of 7.25% and matures on 27 November 2013. Euros 194,210 has been drawn from this facility at 31 December 2012 (Euros 111,647 at 31 December 2011).
- Commercial loan: credit of up to Euros 250,000 arranged with Banco Popular to

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

finance commercial activities, which accrues interest at a rate of 9.25% and matures on 18 April 2013. ASLA has not made any drawdowns from this facility at 31 December 2012 or 31 December 2011.

Finally, as mentioned in note 17, ASLA has arranged a bank guarantee facility with the same syndicate of lenders described earlier, to secure payment of raw material purchases. This Euros 4,500,000 facility (Euros 2,400,000 in 2011), has been fully drawn down at 31 December 2012 and 2011. Furthermore, ASLA has bank guarantee facilities for up to Euros 4,030,170, also drawn down in full at 31 December 2012 (limit of Euros 11,071,797 and fully drawn down at 31 December 2011). These guarantees have been deposited with a number of different public entities as part of the Group's application to receive grants in advance (see note 14 and 17).

(b) Participating loan

On 5 June 2007 ASLA signed a Euros 2,200,000 participating loan with Sadim Inversiones, S.A. (under the terms of Royal Decree-Law 7/1996 of 7 June 1996, which introduced urgent tax measures and initiatives aimed at boosting and deregulating the economy, and Law 10/1996 of 18 December 1996, which passed urgent tax measures).

Following an amendment signed on 26 September 2011, this loan now falls due on 30 June 2016. It bears annual interest pegged to the Euribor plus a spread depending on the cash flow for each year.

At 31 December 2012 and 2011 this loan has been recognised under other current and non-current liabilities in the consolidated balance sheet.

(c) Reindustrialisation loans(i) REINDUS 2007, 2008, 2009, 2010 and 2011

As mentioned in note 14(a) (i, ii, iii, iv and v), ASLA has been awarded five interest-free loans for reindustrialisation purposes, for respective amounts of Euros 2,000,000, Euros 1,800,000, Euros 1,500,000 Euros 1,800,000 and Euros 1,000,000. All of these amounts have been received at 31 December 2012 (the first three were received in 2010 and the fourth in 2011).

At the 2012 reporting date, ASLA has recognised respective payables of Euros 1,435,018, Euros 1,435,667, Euros 1,114,627, Euros 1,262,512 and Euros 638,066, (Euros 1,559,152, Euros 1,374,015, Euros 1,061.955 and Euros 1,201,242 for the first four loans at the 2011 close), reflecting the fair value (present net value) of the loan repayments. The difference between the amount granted and the fair value of these loans has been recognised as a capital grant (see note 14).

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(ii) REINDUS 2012

On 10 December 2012, the Ministry announced its final decision to award the Group a Euros 4,417,500 reindustrialisation loan with an interest rate of 3.95%, repayable in seven instalments of Euros 631,071.43 between 2016 and 2022. In order to qualify for the receipt of this loan, ASLA was required to make investments of Euros 5,890,000 during 2012, create 26 jobs from the date on which these investments are certified and maintain these jobs for five years. These deadlines were subsequently extended to 30 June 2013. ASLA has initially recognised a payable for the Euros 4,417,500 loan.

(d) CDTI Eureka loan

ASLA received a Euros 1,072,238.59 loan to fund an R&D project entitled “Eureka: Development of a new range of rolled zinc products characterised by a groundbreaking weathering treatment”. Once the project milestones had been duly certified, the principal amount of this loan was reduced to Euros 939,915. On achieving the first milestone, ASLA received an interest-free amount of Euros 319,704 in 2011, plus a further amount of Euros 106,568, equal to the final instalment of the loan that ASLA will not be required to repay, which can be considered as a grant. On achieving the second milestone, ASLA received an interest-free amount of Euros 385,237 in 2012, plus a further amount of Euros 128,411, equal to the final instalment of the loan that ASLA will not be required to repay, which can be considered as a grant.

At the 2012 reporting date, ASLA has recognised a payable of Euros 554,607 (Euros 235,920 at the 2011 close) reflecting the fair value (present net value) of the loan repayments.

The difference between the amount granted and the fair value has been recognised as an operating grant (see note 18 (f)).

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(e) Other

As mentioned in note 5, on 4 August 2011, and before it was contractually obliged to do so, the Group repurchased SRP's entire shareholding in ASLA for Euros 641,137, paying Euros 32,057 of this amount on the acquisition date and agreeing to settle the remainder in instalments up to 30 June 2018. This deferred amount bears interest at the one-year Euribor plus a 2% spread. The outstanding balance totals Euros 586,293 at 31 December 2012 and Euros 621,700 at the 2011 close.

On 14 January 2012, and before it was contractually obliged to do so, the Group repurchased Sodceco's entire shareholding in ASLA for Euros 3,249,790, paying Euros 162,490 of this amount on the acquisition date and agreeing to settle the rest in instalments up to 15 December 2018. This deferred amount bears interest at the one-year Euribor plus a 2% spread. Euros 2,927,861 is payable at 31 December 2012.

Finally, the Group has extended a put option to Invergestión for its stake in ASLA. Until 31 December 2011, this put option was measured at fair value at each closing date using a valuation model that reflects the company's equity calculated under Spanish GAAP, including grants received and the effect of the asset revaluation performed in the consolidated annual accounts (which, as mentioned in note 7, is based on independent expert appraisals). At 31 December 2012 this estimated fair value has been adjusted to the price set on 8 February 2013, when the parties agreed that the Group would purchase Invergestión's stake in ASLA before the contractual date (see note 21 (d)). The effect of this put option on the consolidated income statement is a gain of Euros 2,177,303 in 2012 and a loss of Euros 189,206 in 2011, which have been recognised under finance income and finance costs, respectively. The value of the liability derived from this put option is Euros 2,675,000 at 31 December 2012 (Euros 4,852,303 at 31 December 2011).

At 31 December 2012 the Group has recognised a payable of Euros 302,551 relating to the own share acquisition described in note 13 (Euros 319,359 at 31 December 2011) and a liability of Euros 290,000 in relation to the capital increase mentioned in the same note.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(16) Taxation(a) Current balances with public entities

At 31 December 2012 and 2011 the Group has the following balances payable to and receivable from public entities:

	Euros	
	2012	2011
Tax receivables		
Income tax		
Current income tax	9,256	836
Value added tax	517,748	48,492
Grants receivable	4,530,410	6,044,189
Other	192,750	56,456
	<u>5,250,164</u>	<u>6,149,973</u>
Tax payables		
Withholdings on account of personal income tax	71,696	42,249
Grants received pending certification of prerequisites (note 14 (b))	3,360,000	3,360,000
Other items	66,446	4,735
	<u>3,498,142</u>	<u>3,406,984</u>
Social Security payable	79,569	54,227
	<u>3,577,711</u>	<u>3,461,211</u>

Grants receivable at the 2012 close reflect capital grants awarded by the Asturias regional government Institute for Economic Development (Euros 1,952,862 and Euros 7,576), the Ministry of Economy and Finance (Euros 2,056,327) and the Centre for Technological and Industrial Development (Euros 513,645).

(b) Reconciliation of accounting profit/loss with taxable income/tax loss

The Group companies file individual tax returns pursuant to Spain's Revised Income Tax Law, which was approved by Royal Decree-Law 4/2004 of 5 March 2004.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

As provided for in article 70 of the Spanish Income Tax Law and article 48 of the Income Tax Regulation, in 2012 the Parent applied for permission to file consolidated tax returns (Income Tax Law, article 64 onwards) for the tax periods commencing from 1 January 2013.

Income tax for the year is calculated based on accounting profit/loss obtained under generally accepted accounting principles, which is not necessarily the same as taxable income or the tax loss for income tax purposes. A reconciliation of consolidated accounting profit/loss for 2012 and 2011 with estimated taxable income/tax loss is as follows:

	Euros		
	2012		
	Increase	(Decrease)	Amount
Profit for the year before tax	2,477,150	-	2,477,150
Net permanent differences	-	(1,052,348)	(1,052,348)
Net temporary differences	-	(6,114,218)	(6,114,218)
Gross tax loss	2,477,150	(7,166,566)	(4,689,416)
Tax loss			(4,689,416)
Gross income tax			-
Withholdings and payments on account			9,256
Total receivable			9,256

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

	Euros		
	2011		
	Increase	(Decrease)	Amount
Loss for the year before tax		(128,139)	(128,139)
Net permanent differences	119,500	-	119,500
Net temporary differences	2,086,437	-	2,086,437
Gross taxable income	2,205,937	(128,139)	2,091,587
Gross tax loss			(13,739)
Offset of tax loss carryforwards			(2,091,587)
Tax loss			(13,739)
Gross income tax			-
Withholdings and payments on account			836
Total receivable			836

Permanent and temporary differences between the accounting profit and tax loss for 2012 are due to:

- A negative adjustment of Euros 90,000 as a result of reversing temporary differences associated with the provision for doubtful receivables from the related company Medina Metal, S.A. reflecting the reversal of impairment of part of this provision.
- A negative adjustment of Euros 4,230,000 due to the application of accelerated depreciation under the special regime for small businesses provided for in Royal Decree-Law 4/2004 of 5 March 2004 (article 108 onwards), which approved the Revised Income Tax Law.
- A positive adjustment of Euros 383,086 due to the limited tax-deductibility of the net finance cost for the period as established in article 20 of the Revised Income Tax Law, following the new wording for 2012.
- A positive adjustment of Euros 27,225 relating to the depreciation of revalued property, plant and equipment.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- A negative adjustment of Euros 2,177,303 due to finance income on the put option extended to Invergestión (see note 15).
- A positive permanent difference for non-tax-deductible expenses and taxes of Euros 35,248.
- A negative permanent difference of Euros 1,130,724 due to losses recorded in prior years in relation to Metazincó France, S.A.S. and adjusted as permanent differences in income tax for those years, as the legal process of winding up this company has been completed (see note 5).
- Positive permanent differences of Euros 15,903 due to other consolidation adjustments.

Permanent differences between the accounting loss and the tax loss for 2011 relate to non-tax-deductible penalties and donations and other consolidation adjustments. Temporary differences reflect the impairment of balances receivable from Medina Metal, S.A. (see notes 12 and 18(f)) and finance costs of Euros 189,206 derived from the put option extended to Invergestión.

(c) Breakdown of income tax

Details of income tax for 2012 and 2011 are as follows:

	Euros	
	2012	2011
Current tax:		
Continuing operations	-	627,476
Deferred tax:		
Continuing operations	(518,768)	(631,425)
Total tax expense/(income) recognised in the income statement	(518,768)	(3,949)

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(d) Deferred tax assets and liabilities

Details of the components of deferred tax assets and liabilities and movement in 2012 and 2011 are as follows:

		Euros				
		2012				
	Opening balance	Income statement		Equity		Closing balance
		Additions	Derecognitions	Additions	Derecognitions	
Deferred tax assets						
Provisions and impairment	569,170	-	(27,000)	-	-	542,170
Finance costs	735,691	114,926	(653,191)	-	-	197,426
Tax losses capitalised	96,097	1,367,352	-	-	-	1,463,449
Deductions capitalised	280	977,514	-	-	-	977,794
	<u>1,401,238</u>	<u>2,459,792</u>	<u>(680,191)</u>	<u>-</u>	<u>-</u>	<u>3,180,839</u>
Deferred tax liabilities						
Accelerated depreciation	-	1,269,000	-	-	-	1,269,000
Revaluation of property, plant and equipment	2,195,565	-	(8,168)	242,921	-	2,430,318
	<u>2,195,565</u>	<u>1,269,000</u>	<u>(8,168)</u>	<u>242,921</u>	<u>-</u>	<u>3,699,318</u>

		Euros				
		2011				
	Opening balance	Income statement		Equity		Closing balance
		Additions	Derecognitions	Additions	Derecognitions	
Deferred tax assets						
Provisions and impairment	-	569,170	-	-	-	569,170
Finance costs	678,914	56,777	-	-	-	735,691
Tax losses capitalised	719,455	4,118	(627,476)	-	-	96,097
Deductions capitalised	280	-	-	-	-	280
	<u>1,398,649</u>	<u>630,065</u>	<u>(627,476)</u>	<u>-</u>	<u>-</u>	<u>1,401,238</u>
Deferred tax liabilities						
Revaluation of property, plant and equipment	1,967,609	-	(1,361)	229,317	-	2,195,565
	<u>1,967,609</u>	<u>-</u>	<u>(1,361)</u>	<u>229,317</u>	<u>-</u>	<u>2,195,565</u>

Based on the best estimate of the Group companies' future profits, including certain tax planning initiatives, there is no reasonable doubt as to the recovery of the above deferred tax assets and they have therefore been recognised in the consolidated balance sheet.

At 31 December 2012 tax credits capitalised in respect of tax losses from 2012 and 2010, totalling Euros 4,689,416 and Euros 306,505, respectively, are available for application for 18 months from the respective years of generation.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

At 31 December 2012 the Group has deductions of Euros 977,794 pending offset against possible future taxable income (Euros 378,565 at 31 December 2011). These deductions, except an amount of Euros 280, are due to research and development activities, as established by article 44 of the Revised Income Tax Law. They are available for offset for 18 years immediately following generation.

These deductions for research and development activities have been recognised at the 2012 close as it is now considered probable that they will be offset in the future.

The majority of deferred tax assets and liabilities are expected to reverse in more than 12 months.

(e) Years open to inspection and tax inspections

The Group has open to inspection all the main applicable taxes for 2009 to 2012 (inclusive), as well as 2008 for income tax.

In accordance with legislation in force, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or until the corresponding prescription period has elapsed. Nevertheless, the directors of the Group do not expect that any additional material liabilities would arise in the event of an inspection of the years open.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(17) Third-Party Guarantees

Details of third-party guarantees extended to the Group at 31 December 2012 and 2011 are as follows:

	Euros	
	2012	2011
Raw material purchases (note 15)	4,500,000	2,400,000
Capital grant advances and REINDUS loans (note 15)	3,800,000	11,071,797
Other	430,170	4,205
	<u>8,730,170</u>	<u>13,476,002</u>

The Group has also extended a guarantee on behalf of its investee, Metazinc France, S.A.S. (see note 5).

(18) Income and Expenses(a) Revenue

Revenue for 2012 and 2011, distributed by geographical market and activity, are as follows:

	Euros	
	2012	2011
Geographical market		
Domestic	1,779,522	2,328,620
Exports	35,469,944	30,330,850
	<u>37,249,466</u>	<u>32,659,470</u>
Type of product		
Spherical anodes	492,576	1,069,460
Zinc coils or sheets	35,265,702	29,396,811
Profiled goods	458,715	913,268
Zinc foam and other products	1,032,473	1,279,931
	<u>37,249,466</u>	<u>32,659,470</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(b) Merchandise, raw materials and consumables used

Details of this item in 2012 and 2011 are as follows:

	Euros	
	2012	2011
Raw materials purchased	28,384,287	25,257,130
Merchandise purchased	117,708	11,049
Other supplies purchased	1,130,035	933,996
Carriage	176,327	170,787
Subcontracted work	58,831	60,706
Change in inventories	(192,968)	(319,801)
	<u>29,674,220</u>	<u>26,113,867</u>

Asturiana de Laminados, S.A. has signed a long-term contract with Asturiana de Zinc, S.A. (an Xstrata Group company) to supply this company with all the zinc required for the production process.

(c) Employee benefits expense

Details of this item in 2012 and 2011 are as follows:

	Euros	
	2012	2011
Salaries and wages	2,322,699	1,803,561
Employee benefits expense	634,445	513,277
Termination benefits	37,592	42,391
	<u>2,994,736</u>	<u>2,359,229</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(d) Average headcount

The average headcount of the Group in 2012 and 2011, distributed by professional category, is as follows:

Categories	2012	2011
Senior management personnel	4	3
Technicians	6	5
Administrative staff	12	11
Factory employees	59	51
	<u>81</u>	<u>70</u>

(e) Distribution by gender

At 31 December 2012 and 2011, the distribution by gender of the members of the board of directors and the different employee categories is as follows:

Categories	2012		2011	
	Male	Female	Male	Female
Board members	5	1	7	-
Senior management personnel	5	-	4	-
Technicians	3	3	3	3
Administrative staff	2	12	-	11
Factory employees	54	7	47	4
	<u>69</u>	<u>23</u>	<u>61</u>	<u>18</u>

(f) Other operating income and expenses

In 2012 other income reflects Euros 434,745 transferred from capital grants to the income statement (see note 14), operating grants amounting to Euros 348,815 and other income of Euros 55,873.

In 2011 this balance included Euros 253,629 from the transfer of capital grants to the income statement (see note 14), compensation for damages of Euros 2,780,000 received by Asturiana de Laminados, S.A. from its main asset supplier due to delays in commencing plant operations, and other income of Euros 129,989.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Other expenses recognised in the consolidated income statement for 2012 and 2011 include the following external services:

	Euros	
	2012	2011
Research	-	5,990
Fees and royalties	153,743	145,219
Repairs and maintenance	280,338	176,026
Independent professional services	457,218	337,363
Carriage	1,284,797	1,095,036
Insurance premiums	142,340	207,856
Banking and similar services	186,020	188,109
Advertising, publicity and public relations	90,050	109,070
Utilities	1,380,696	1,017,831
Other services	276,312	168,825
	<u>4,251,514</u>	<u>3,451,327</u>

Other expenses in the 2012 income statement also include other taxes of Euros 83,463, impairment losses and changes in trade provisions of Euros 80,269 and losses of Euros 212 on the disposal of property, plant and equipment.

In 2011 other expenses in the income statement included other taxes of Euros 22,948, impairment losses and changes in trade provisions of Euros 782,366, the Euros 1,416,516 provision for the promissory notes from Medina Metal, S.A. endorsed to ASLA's main asset supplier (see note 12) and other expenses of Euros 6,001.

Other expenses recognised in the consolidated income statement for 2012 and 2011 include the following items under losses and changes in trade provisions:

	Euros	
	2012	2011
Trade provisions	<u>80,269</u>	<u>782,366</u>

In 2011 this balance reflected impairment of Euros 482,366 recognised on receivables from Medina Metal, S.A., the Euros 1,416,516 provision for the promissory notes from Medina Metal, S.A. endorsed to ASLA's main asset supplier (see note 12) and a Euros 300,000 provision for customer claims relating to product quality considered probable at 31 December 2011.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Movements in 2012 reflect a reversal of asset impairment, an adjustment to unrecoverable trade receivables and a charge to the provision for customer claims relating to product quality considered probable at 31 December 2012.

KPMG Auditores, S.L., the auditors of the annual accounts of the Group, and other individuals and companies related to the auditors as defined by Audit Law 19/1988 of 12 July 1988 have invoiced net fees for professional services, consisting of the audit of the individual and consolidated annual accounts, totalling Euros 25,083 during the year ended 31 December 2012 (Euros 16,650 in 2011 for the audit of the individual annual accounts of ASLA). The Group has been billed Euros 3,000 for other services in 2012.

These amounts include the total fees for services rendered in 2012 and 2011.

(g) Finance income and costs

The different items making up finance income and finance costs in the consolidated income statement for 2012 and 2011 are as follows:

	Euros	
	2012	2011
Finance income		
Finance income from held-to-maturity investments	25,030	4,900
Capitalised borrowing costs (note 7)	95,678	98,117
Net profits from fair value adjustments to:		
Liabilities from put options extended to holders of non-controlling interests (note 15 (e))	2,177,303	-
Financial assets at fair value through profit or loss (note 10)	25,453	-
	<u>2,323,464</u>	<u>103,017</u>
Finance costs		
Finance costs on loans and borrowings and other liabilities at amortised cost	(1,513,289)	(1,276,137)
Finance costs on advance purchase liabilities and put options extended to holders of non-controlling interests	(15,761)	(101,822)
Net losses from fair value adjustments to:		
Liabilities from put options extended to holders of non-controlling interests (note 15 (e))	-	(189,256)
	<u>(1,529,050)</u>	<u>(1,567,215)</u>

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(19) Related Party Balances and Transactions

The Group's balances with related companies at 31 December 2012 and 2011 comprise Asturiana de Laminados, S.A.'s receivables from Medina Metal, S.A., which originated in prior years. Medina Metal has issued promissory notes for these amounts. As the provision for this receivable has been taken into account in the tax loss (see note 12), the related party balance totals Euros 86,751 at 31 December 2012, compared to Euros 3,038 at the 2011 close.

Payables to related companies include Euros 959 payable to Medina Metal, S.A. In 2011 this account included a payable of Euros 2,794 to Metazincos Transportes, S.A.

Medina Metal, S.A. represents Euros 255,394 of transactions with related companies in 2012, mainly due to the rental of the Olloniego offices, toll services and certain supplies. Carriage services provided by Metazincos Transportes, S.A. total Euros 55,559.

In 2011 transactions with Medina Metal, S.A. and Metazincos Transportes, S.A. amounted to Euros 82,864 and Euros 511,737. Metazincos Obras y Construcciones, S.A. also provided services for Euros 22,603 in the same year.

All transactions with related companies in 2012 and 2011 have been at arm's length.

Throughout 2012, Asturiana de Laminados, S.A. has sold materials (zinc coils and sheets) with a value of Euros 255,394 to Medina Metal, S.A. These transactions amounted to Euros 87,829 in 2011, when this company also provided services to Metazincos Transportes, S.A. for Euros 965.

(20) Information on the Board of Directors and Senior Management Personnel(a) Information on the Group's directors and senior management personnel

In 2012 and 2011, the directors and senior management of the Group have not received any loans or advances. The Group has no pension or life insurance obligations with its former or current directors or senior management personnel.

The members of the board of directors have not been remunerated for their directorships in 2012 or 2011. In 2012 senior management, which includes certain board members, received total remuneration of Euros 421 thousand (Euros 231 thousand in 2011).

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(b) Details of interests held in similar companies and activities conducted by the directors (either in third-party employment or on a self-employed basis)

In 2012 the directors of the Parent and their related parties held the following interests in the capital of companies with identical, similar or complementary statutory activities to that of the Parent:

Board member	Investee	Activity	Investment	Position
Iván Fernández García	Medina Metal, S.A.	Manufacture, transformation, distribution and marketing of products for channelling rainwater	-	Board member
Macario Fernández Fernández	Metazinco Aislant, S.A.	Design, manufacture, transformation, distribution and marketing of wooden panels and windows	-	Director
Macario Fernández Fernández	Medina Metal, S.A.	Manufacture, transformation, distribution and marketing of roofing and façades and products for channelling rainwater	-	Chairman and CEO
Macario Fernández Fernández	Zinc & Cooper Roof, S.A.	Manufacture, transformation, distribution and marketing of slate roofing	-	Director
Macario Fernández García	Medina Metal, S.A.	Manufacture, transformation, distribution and marketing of roofing and façades and products for channelling rainwater	-	Board member
Guillermo José Fernández Llana	-	-	-	-
Juan José Fernández Orejas	-	-	-	-

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

The directors of the Parent and their related parties hold the following positions in companies with identical, similar or complementary statutory activities to that of the Parent:

Board member	Investee	Activity	Position
Iván Fernández García	Medina Metal, S.A.	Manufacture, transformation, distribution and marketing of products for channelling rainwater	Board member
Macario Fernández Fernández	Metazincos Aislant, S.A.	Design, manufacture, transformation, distribution and marketing of wooden panels and windows	Sole director
Macario Fernández Fernández	Medina Metal, S.A.	Manufacture, transformation, distribution and marketing of roofing and façades and products for channelling rainwater	Chairman and CEO
Macario Fernández Fernández	Zinc & Cooper Roof, S.A.	Manufacture, transformation, distribution and marketing of slate roofing	Sole director
Macario Fernández García	Medina Metal, S.A.	Manufacture, transformation, distribution and marketing of roofing and façades and products for channelling rainwater	Board member

(21) Other Information(a) Environmental information

Asturiana de Laminados, S.A. has a state-of-the-art production process that allows it to be more environmentally friendly, save energy and make the most of raw materials.

Asturiano de Laminados, S.A. was awarded comprehensive environmental certification in 2011.

The Group has not made any investments or incurred any costs for the purpose of preventing or correcting the environmental impact of its activities. No environment-related grants or income have been received.

The directors do not consider there to be any environmental contingencies.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(b) Late payments to suppliers in commercial transactions

Pursuant to the third additional provision of Law 15/2010 of 5 July 2010, which amends Law 3/2004 and contains measures to combat late payments in commercial transactions, companies are required to expressly disclose information on payment periods with suppliers in the notes to the annual accounts. Details of payments to suppliers in 2012 and 2011 (identifying the amounts exceeding the maximum legal payment period), weighted average late payment days and outstanding payables that exceed the legal payment period at year end are as follows:

	Euros	
	2012	
	Amount	%
Within maximum legal payment term	27,527,276	89.51%
Other	3,225,684	10.49%
Total payments for the year	30,752,959	100.00%
Weighted average late payment days	51 days	
Late payments exceeding the maximum legal period at the reporting date	372,050	

	Euros	
	2011	
	Amount	%
Within maximum legal payment term	27,314,079	91.49%
Other	2,541,608	8.51%
Total payments for the year	29,855,687	100.00%
Weighted average late payment days	30 days	
Late payments exceeding the maximum legal period at the reporting date	358,134	

When preparing the information required under the ruling issued by the Spanish Accounting and Auditing Institute on 29 December 2010, regarding the information to be disclosed in the notes to the annual accounts on late payments to suppliers, the Group has used the maximum legal payment periods stipulated in the above-mentioned law: 75 days for 2012 and 85 days for 2011.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(c) Earnings/loss per share

Basic earnings per share are calculated by dividing the 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.

Details of the calculation of basic earnings/loss per share are as follows:

	Euros	
	2012	2011
Profit/(loss) for the year attributable to equity holders of the Parent	2,995,756	(124,190)
Weighted average number of ordinary shares outstanding	624,146	621,240
Basic earnings/(loss) per share	4.80	(0.20)

The weighted average number of ordinary shares outstanding is determined as follows:

	Euros	
	2012	2011
Ordinary shares outstanding at 1 January	621,240	631,500
Effect of own shares	(31,575)	(31,575)
Effect of shares issued in 2012 and 2011	6,000	21,410
Weighted average number of ordinary shares outstanding at 31 December	624,146	621,240

(d) Events after the Reporting Period

On 8 February 2013, and before it was obliged to do so under the terms of the repurchase agreement signed between Laminados del Principado, S.A. and Invergestión when the latter became a shareholder of Asturiana de Laminados, S.A., the Parent repurchased Invergestión's shareholding in this subsidiary, increasing its ownership to 99.99%.

On the same date, the Parent entered into a financing agreement with Banco de Caja España de Inversiones Salamanca y Soria, S.A.U. for the majority of the consideration payable in relation to this put option, Euros 2,675,000. This contract has a grace period up to 8 February 2015. From that date it is repayable in five equal instalments of Euros 535,000 each, with an interest rate of the Euribor plus 4%.

(Continued)

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT

FOR 2012

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

BUSINESS PERFORMANCE

In 2012 the Group consolidated its position as a leading international supplier to the main manufacturers and processors of the European market, due to its high standards of quality and speed of delivery.

In the traditional (mature) markets, France and Germany, the elZinc brand ranks as one of the three leading brands, with growth of over 14% compared with 2011. This means that the Group is one of the main suppliers to the major consumers of zinc in these markets. In recent years the Group has secured global market shares in Germany and France of approximately 11% and 7%, respectively.

Our pre-weathered zinc, which was introduced in the middle of 2011 and is sold under the elZinc Slate brand, has afforded us entry into new expanding markets such as Asia, Australia, North America, Brazil, etc. and enabled us to consolidate and strengthen the Group's position in the mature markets mentioned above, on offering a more complete range of products, which meets the requirements of these customers. Our products have already obtained market shares of 44% in China, 24% in Japan and 78% in Slovakia.

In 2013 elZinc will be consolidated as a leading international brand, due to both the traditional products of the sector, natural and pre-weathered zinc, and the launch of new products with a high degree of innovation and added value (the Rainbow range (coloured, pre-weathered zinc) and Protec+ range), new developments (composite elZinc panels), and products already present in the market such as drawn zinc.



Samples of finishes from the Rainbow range: blue, green, red, gold

These efforts in production and innovation will enable the Group to consolidate its image as a leading brand in the laminated zinc sector and allow it to meet its 24,000-tonne sales target for 2013, which would represent growth of 41% compared with the prior year.

The Group is also undertaking a significant marketing drive (launching a new website, developing technical manuals for our products in collaboration with prestigious technological centres, etc.) in addition to participating in major international trade fairs (BAU in Germany and BATIMAT in France) in 2013 (both fairs are held every two years).

The stand at the BAU trade fair in Munich in January 2013 was a great success, with the new range of products, in particular the Rainbow range, drawing considerable interest. This interest is manifest in the firm orders received daily by our customer service centre.



(Stand at the BAU Munich trade fair, January 2013)

The Company's activity continues to relate primarily to exports, with Spanish sales representing approximately 2% of total sales.

The elZinc brand is already present in over 20 countries ranging from the traditional markets of Germany, France and Central Europe to emerging markets such as Korea, China, Japan, Canada, Australia and Brazil.

In 2013 consultations have been received from customers in new countries such as Turkey, Lebanon, Greece, Iceland, Russia, etc.

RELEVANT EVENTS IN 2012

The Group continued its investment initiatives in 2012, undertaking new production investments to enable it to break the bottlenecks that would have prevented it from obtaining the significant growth in sales forecast for 2013 and subsequent years.

In 2012 the Group signed contracts for the acquisition of machinery that will increase its casting and cutting line production capacities.

The extension to the original industrial bay was also completed in 2012, providing the Group with practically twice the useful area in m² for production purposes.

R&D ACTIVITIES

2012 was a year of intense activity in terms of research and development of new products, as well as international marketing of elZinc brand products and direct contact with customers to identify optimal solutions for their requirements (e.g. elZinc Protec+, elZinc drawn zinc and elZinc Rainbow).

Consequently, in 2013 the Company's range of products will be increased in terms of both the number of products and their added value, with the Group being a market pioneer in the development of new finishes.

OWN SHARES

On 22 July 2011 the Parent (Laminados del Principado, S.A.) acquired 31,575 own shares – 16,350 from Talleres Asipo, S.L. and the remaining 15,225 from Mecánica de Castrillón, S.A. – for Euros 336,167.69.

The Group has recognised a payable of Euros 302,551 at 31 December 2012 in relation to this own share acquisition.

RISK MANAGEMENT POLICY

The board of directors and top-level management manage the Group's financial risks centrally. The main financial risks affecting the Group are as follows:

(i) Credit risk:

The Group takes out insurance policies to mitigate the credit risk derived from sales to third parties.

(ii) Liquidity risk:

The cash presented on the consolidated balance sheet, the financing facilities disclosed in the notes to the consolidated annual accounts, new grants that will be received once the corresponding investment and job creation requirements have been fulfilled and an increase in cash flows from ordinary activities as a result of the current growth in sales are all factors that ensure the Group's liquidity and capacity to meet all payment commitments derived from its activities and major ongoing expansion.

(iii) Market risk:

Although the Group's financial debt is exposed to interest rate risk, which could have an adverse effect on finance income/costs and cash flows, considering existing interest rate curves, no major fluctuations are expected for 2013.

With regard to currency risk, the Group has not made any purchases in foreign currency in 2012.

(iv) Hedging

Given the unique possibility of fixing metal purchases in advance, it has not been necessary to arrange derivatives to hedge exposure to zinc price fluctuations and the Group does not expect to require any such instruments in the future.

SIGNIFICANT EVENTS SINCE THE REPORTING DATE

On 8 February 2013 Laminados del Principado, S.A., the Parent of the Group, acquired the shares held by Invergestión in its subsidiary Asturiana de Laminados. As a result, Laminados del Principado, S.A. now holds 99.99% of Asturiana de Laminados.

LAMINADOS DEL PRINCIPADO, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

On 22 February 2013, the directors of Laminados del Principado, S.A. authorised for issue the consolidated annual accounts and consolidated directors' report for the year ended 31 December 2012.

Signed:

Macario Fernández Fernández
Chairman and CEO

Guillermo Fernández Llanea
Board member

Iván Fernández García
Board member

Juan José Fernández Orejas
Board member

Macario Fernández García
Board member

I hereby declare: that the consolidated annual accounts for 2012, authorised for issue by the directors at the board meeting held on 22 February 2013, are the accompanying documents, signed by the Secretary to the board.

Pablo Álvarez de Linera Granda
Secretary (non-member)

