CIE Automotive, S.A.

Audit Report,
Annual accounts at 31 December 2014
and directors' Report for 2014

"This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."

INDEPENDENT AUDITOR´S REPORT ON ANNUAL ACCOUNTS

To the Shareholders of CIE Automotive, S.A.:

Report on the Annual Accounts

We have audited the accompanying annual accounts of CIE Automotive, S.A., which comprise the balance sheet as at December 31, 2014, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Annual Accounts

The company´s directors are responsible for the preparation of these annual accounts, so that present fairly the equity, financial position and financial performance of CIE Automotive, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, as identified in Note 2.1 to the accompanying annual accounts, and for such internal control as directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of CIE Automotive, S.A. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

PricewaterhouseCoopers Auditores, S.L., Plaza de Euskadi, 5, 48009 Bilbao, España
Tel.: +34 944 288 800 / +34 902 021 111, Fax: +34 944 288 805, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Report on Other Legal and Regulatory Requirements

The accompanying directors' Report for 2014 contains the explanations which the directors consider appropriate regarding the situation of CIE Automotive, S.A., the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the annual accounts for 2014.Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the company´s accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

25 February 2015

CIE AUTOMOTIVE, S.A.

CONTENT OF ANNUAL ACCOUNTS

CIE AUTOMOTIVE, S.A.

CONTENT OF ANNUAL ACCOUNTS

CIE AUTOMOTIVE, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Note	2014	2013
NON-CURRENT ASSETS			
Intangible assets	5	29,284	30,045
Property, plant and equipment	6	965	1,041
Non-current investments in group companies and associates	7-8	1,134,237	741,017
Equity instruments		347,986	326,360
Loans to companies		786,251	414,657
Non-current financial investments	7	79	8,979
Equity instruments		62	62
Other financial assets		17	8,917
Deferred tax assets	18	19,730	18,730
Total non-current assets		1,184,295	799,812
CURRENT ASSETS			
Trade and other receivables	7-9	1,652	4,402
Receivables from group companies and associates		666	3,511
Other receivables		24	40
Current tax assets		962	846
Receivables from public administrations		-	5
Current investments in group companies and associates	7	26,294	26,290
Loans to companies		26,294	26,290
Current financial investments	7	41,098	31,180
Loans to third parties		1,664	1,365
Derivatives	10	180	-
Other financial assets		39,254	29,815
Prepaid expenses		4	-
Cash and cash equivalents	11	13,322	22,256
Total current assets		82,370	84,128
TOTAL ASSETS		1,266,665	883,940

CIE AUTOMOTIVE, S.A.
BALANCE SHEET AS AT 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Note	2014	2013
EQUITY			
Capital and reserves		429,225	313,747
Share capital	12	32,250	29,705
Share premium	12	152,171	61,467
Reserves	13	208,726	196,159
Profit /(loss) for the year	14	48,978	37,110
Interim dividend	14	(12,900)	(10,694)
Valuation adjustments		(2,062)	(410)
Hedging transactions	10	(2,062)	(410)
Grants, donations and bequests received	15	15	65
Total equity		427,178	313,402
NON-CURRENT LIABILITIES			
Non-current provisions	17	5,696	2,717
Long-term employee benefits		5,696	2,717
Long-term payables	7-16	541,965	257,259
Bank borrowings		541,965	257,259
Group companies and associates, non-current	7-16	154,976	134,571
Deferred tax liabilities	18	6	25
Other non-current payables	7-16	20,776	156
Other non-current payables		20,776	156
Total non-current liabilities		723,419	394,728
CURRENT LIABILITIES			
Current provisions	17	967	795
Current borrowings		69,574	131,170
Bank borrowings	7-16	66,124	130,600
Derivatives	7-10-16	3,450	570
Group companies and associates, current	7-16	23,227	25,169
Trade and other payables	7-16	22,300	18,676
Trade payables		2,940	1,192
Other payables		13,302	12,163
Fixed asset suppliers		90	149
Accrued wages and salaries		3,499	2,594
Current tax liabilities		2,469	2,578
Total current liabilities		116,068	175,810
TOTAL EQUITY AND LIABILITIES		1,266,665	883,940

CIE AUTOMOTIVE, S.A.
INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousand euro)

CONTINUING OPERATIONS	Note	2014	2013
Revenue	19	92,064	84,497
Services rendered and other income		92,064	84,497
Other operating income	19	309	3,941
Non-trading and other operating income		309	3,941
Employee benefit expense	19	(10,800)	(8,507)
Wages and salaries		(10,192)	(7,753)
Social security		(608)	(754)
Other operating expenses	19	(7,786)	(5,257)
Taxes		(11)	(12)
Other expenses		(7,775)	(5,245)
Depreciation and amortization	5-6	(1,044)	(1,267)
Non-financial and other capital grants	15	70	101
Impairment and profit/(loss) on fixed asset disposals		-	3
OPERATING PROFIT		72,813	73,511
Finance income	21	48	242
Finance expense	21	(23,514)	(21,305)
Change in fair value of financial instruments	21	(399)	203
Net exchange differences	21	-	60
Changes in fair value of assets and liabilities recognized in earnings	21	-	(16,369)
FINANCIAL RESULTS		(23,865)	(37,169)
PROFIT BEFORE TAX		48,948	36,342
Income tax	20	30	768
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		48,978	37,110
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		48,978	37,110

CIE AUTOMOTIVE, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

A) STATEMENTS OF RECOGNIZED INCOME AND EXPENSE
(Thousand euro)

	Note	2014	2013
Profit for the year	14	48,978	37,110
Amounts transferred to income statement			
Cash flow hedges	10	(2,294)	117
Grants, donations and bequests received	15	(70)	(101)
Tax effect	18	662	(4)
		(1,702)	12
TOTAL RECOGNIZED INCOME AND EXPENSE		47,276	37,122

B) TOTAL STATEMENTS OF CHANGES IN EQUITY
(Thousand euro)

	Share capital (Note 12)	Share premium (Note 12)	Treasury shares (Note 12)	Reserves (Note 13)	Profit for the year (Note 14)	Interim dividend (Note 14)	Valuation adjustments (Note 10)	Grants, donations and bequests received (Note 15)	Total
Closing balance, 2012	**28,500**	**33,752**	**(53,230)**	**165,524**	**41,336**	**(9,345)**	**(495)**	**138**	**206,180**
Total recognized income and expense	-	-	-	-	37,110	-	85	(73)	37,122
Transactions with shareholders and owners:									
- Capital increase (Note 12)	1,205	27,715	-	-	-	-	-	-	28,920
- Distribution of profit	-	-	-	22,714	(41,336)	9,345			(9,277)
- Acquisition of treasury shares (Note 12)	-	-	(6,079)	-	-	-	-	-	(6,079)
- Sale of treasury shares (Note 12)	-	-	59,309	7,981	-	-	-	-	67,290
- Interim dividend (Note 14)	-	-	-	-	-	(10,694)	-	-	(10,694)
- Other changes	-	-	-	(60)	-	-	-	-	(60)
Closing balance, 2013	**29,705**	**61,467**	**-**	**196,159**	**37,110**	**(10,694)**	**(410)**	**65**	**313,402**
Total recognized income and expense	-	-	-	-	48,978	-	(1,652)	(50)	47,276
Transactions with shareholders and owners:									
- Capital increase (Note 12)	2,545	90,704	-	(1,602)	-	-	-	-	91,647
- Distribution of profit	-	-	-	14,806	(37,110)	10,694	-	-	(11,610)
- Interim dividend (Note 14)	-	-	-	-	-	(12,900)	-	-	(12,900)
- Other changes	-	-	-	(637)	-	-	-	-	(637)
Closing balance, 2014	**32,250**	**152,171**	**-**	**208,726**	**48,978**	**(12,900)**	**(2,062)**	**15**	**427,178**

CIE AUTOMOTIVE, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	22		
Profit for the year before tax		48,948	36,342
Adjustments		(32,577)	(18,796)
Changes in working capital		495	(9,960)
Other cash flows from operating activities		35,277	32,383
Cash flows from/(used in) operating activities		52,143	39,969
CASH FLOWS FROM INVESTING ACTIVITIES	23		
Payments for investments		(11,032)	(89,337)
Proceeds from disposals		500	6,522
Cash flows from/ (used in) investing activities		(10,532)	(82,815)
CASH FLOWS FROM FINANCING ACTIVITIES	24		
Proceeds from and payments for equity instruments		91,646	90,131
Proceeds from and payment of financial liabilities		(119,887)	(90,117)
Dividends and payments on other equity instruments		(22,304)	(18,622)
Cash flows from /(used in) financing activities		(50,545)	(18,608)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(8,934)	(61,454)
Cash and cash equivalents at beginning of period		22,256	83,710
Cash and cash equivalents at end of period	11	13,322	22,256

CIE AUTOMOTIVE, S.A.

NOTES TO THE 2014 ANNUAL ACCOUNTS
(Thousand euro)

1. General information

Composition and principal activities of CIE Automotive Group

CIE Automotive, S.A., parent company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive has become a financially solid group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

CIE Automotive Group operates two core business lines:

- Automotive

  The automotive business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, as well as biofuel on the world automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly.

  Its main facilities are located in Europe: Spain (Álava, Barcelona, Cádiz, Guipúzcoa, Orense, Madrid and Vizcaya), Germany, France, UK, Portugal, Czech Republic, Romania, Italy, Morocco, Lithuania, NAFTA (Mexico and the US), South America (Brazil), India, the People's Republic of China, Guatelama and Russia.

- Solutions and Services (Smart Innovation)

  The Group, through a group of companies, leading by the company Global Dominion Access, S.A., and with stable presence in 28 countries and more than 6,000 employees, supported on a business model which combines knowledge and technology, develops its activities offering Solutions and Services that actively contribute to make more efficient the productive processes of its clients. With a global and multisectorial approach, this subgroup operates, among others, in the sectors of Industry, Energy, Bank, Health, Education and Technology, in both private and public fields.

  Its main facilities are located in Europe (Spain, Germany, France, Italy, UK, Poland and Denmark), so on Saudi Arabia, the Gulf States (Oman, Qatar, UAE), USA, Latin America (Chile, Mexico and Argentina) and Asian Southeast and Australia.

On 3 July 2013, the Board of Directors of the parent company resolved to move its registered office within the city of Bilbao to "Calle Alameda Mazarredo 69, 8º piso".

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in CIE Bérriz, S.L., a 26.96% stake in CIE Automotive Nuevos Mercados, S.L. (and indirectly, a 73.04% stake through CIE Bérriz, S.L.), a 100% stake in R.S. Automotive, B.V. (2013: 50%), a 100% stake in Autokomp Ingeniería, S.A.U. and, lastly, a 62.95% stake in Global Dominion Access, S.A. (2013: 94.43%), holding companies to which CIE Automotive Group's productive companies report.

The list of subsidiaries and associates at 31 December 2014, together with the information concerning them, is set out in the Appendix I to these consolidated annual accounts.

Listing on the Brazilian Stock Exchange and public offering of shares in Autometal

One of the Group's subsidiaries, the Brazilian company Autometal S.A., which was 74.76%-owned by the Group, was at 31 December 2013 traded on the Brazilian Stock Exchange (BMF&BOVESPA – Novo Mercado) since 7 February 2011. Appendix I summarizes the subsidiaries of Autometal S.A.

On September 2014, the formalities connected with the takeover bid were successfully completed in order to exclude of negotiation of the above mentioned company in the Brazilian Stock Exchange, acquiring the remaining 25.24% of share capital.

Following the final auction CIE Automotive, S.A. became the owner of 99.75% of the shares of Autometal, S.A. (through its subsidiary CIE Autometal, S.A.). Subsequently, the General Shareholders' Meeting of 6 October 2014 agreed to cancel and redeem the remaining shares to complete 100% of the acquisition.

The maximum price offered to the shareholders of Autometal, S.A. other than CIE Autometal, S.A. amounted to BRL19.50 per share, adjusted for inflation ("Índice de Preços ao Consumidor Amplo (IPCA)"). In addition, the shareholders of Autometal received a final dividend of BRL0.2292 per share paid out of 2013 profits. As a result, the shares acquired in the public offering were acquired ex dividend. The operation amounted to approximately €203 million (approximately BRL617 million).

Autometal, S.A.'s share price on the Brazilian Stock Exchange at 31 December 2013 was BRL17.40.

After the completion of the public offering, the Group has started a restructuring process of CIE Automotive group in Brazil, by (a) the sale of all business units located abroad to CIE Berriz, S.L., ended in 2014, and (b) the merger between Autometal S.A. (transferee) and its parent company CIE Autometal, S.A. (transferor), which will be carried out in the first quarter of 2015.

Strategic alliance with the Mahindra group

On 15 June 2013, CIE Automotive, S.A., through its Brazilian subsidiary Autometal, S.A. and several of the latter company's subsidiaries, entered into a strategic agreement to integrate Mahindra & Mahindra's automobile component manufacturing business with CIE Automotive, S.A.'s forged steel component manufacturing business, which has resulted in the creation of the MAHINDRA CIE Group, parented by the Indian company Mahindra CIE Automotive, Ltd. and listed on the Bombay Stock Exchange.

Mahindra Systech is Mahindra & Mahindra's automobile component business unit; its portfolio includes cast iron parts, forged steel parts, stamped parts, gear assemblies, magnetic products and composites. It has a network of plants and sales offices in India, Germany, United Kingdom and Italy serving customers located in North America, Europe and Asia, comprising the following five subgroups: Mahindra Forgings, Ltd. (listed on the Bombay Stock Exchange, currently named Mahindra CIE Automotive, Ltd.), Mahindra Composites, Ltd. (listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd. (not listed) and Mahindra Gears & Transmission Pvt, Ltd. (not listed).

In June 2013, in a first phase of the operation, Autometal, S.A. integrated (through a purchase and sale transaction between CIE Group companies) CIE Automotive, S.A.'s European forged steel component manufacturing business, which includes the companies CIE Galfor, S.A.U. and CIE Legazpi, S.A.U. (Spanish companies) and UAB CIE LT Forge (Lithuanian company).

On 4 October 2013, after obtaining authorisation from the competition authorities in India, Germany and Brazil, as well as other regulatory approvals, CIE Automotive, S.A. completed this first phase by acquiring a controlling interest in the listed companies Mahindra CIE Automotive, Ltd. and Mahindra Composites, Ltd., through subsidiaries of its Brazilian subsidiary Autometal, S.A., (by means of takeover bids in the Bombay Stock Exchange and direct acquisitions), and a controlling interest in the non-listed company Mahindra Hinoday Industries, Ltd. The total price paid was INR 8,809 million (equivalent to approximately €110 million).

The shareholding acquired by Autometal, S.A. in those companies through its subsidiaries was a 79.16% stake in the case of Mahindra CIE Automotive, Ltd., a 61.74% stake in the case of Mahindra Composites, Ltd. and a 64.96% stake in the case of Mahindra Hinoday Industries, Ltd.

Mahindra & Mahindra's transaction was ratified by the General Meeting of Autometal, S.A. held on 8 July 2013, pursuant to Article 256 of Law 6.404/76, as amended by Law 10.303/01.

As part of the global operation, in an independent transaction of the preceding, in 2013 Mahindra & Mahindra (through Mahindra Overseas Investment Company Mauritius Limited) acquired a 13.5% interest in CIE Automotive, S.A., through the following transactions: (a) acquisition from CIE Automotive, S.A. of a 9.44% interest in share capital (post-increase) which the Company recognized as treasury shares at that date; and (b) subscription in the capital increase of a 4.06% interest (post-increase), at the price of €6 per share in both cases, for a total price of €96,210,557.

During a second stage, Mahindra CIE Automotive, Ltd. (at the time indirectly controlled by CIE Automotive, S.A. (Appendix I) initiated the merger by absorption, culminated on 10 December 2014, of Mahindra Composites, Ltd. (listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd., Mahindra Investments

India Private Limited, Mahindra Gears International Limited and the company holding the European forged component manufacturing business of CIE Automotive, S.A., Participaciones Internacionales Autometal Tres, S.L., integrating all these businesses.

Three of these companies and their subsidiaries, involved in the merger, were acquired on that same date, namely: Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Investments India Private Limited (not listed) and Mahindra Gears International Limited (not listed).

As mentioned above, the final outcome of the process in 2014 was the creation of the MAHINDRA CIE group, parented by the Indian company Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings, Ltd.), listed on the Bombay Stock Exchange, in which CIE Automotive, S.A., indirectly, through its subsidiary CIE Bérriz, S.L. and several subsidiaries, owns a controlling interest (53% of share capital) and in which Mahindra & Mahindra holds around 20% of share capital.

The share price at 31 December 2014 of the company Mahindra CIE Automotive, Ltd (formerly Mahindra Forgings, Ltd.), currently listed on the Bombay Stock Exchange was 212.75 INR.

Settlement of guarantees under the agreement to integrate the Solutions and Services (Smart Innovation) business into CIE Automotive Group

With regard to the Solutions and Services (Smart Innovation) business integrated into CIE Automotive Group in 2011, and in accordance with the agreement concluded on 20 September 2010 between CIE Automotive and INSSEC and the shareholders of the latter (counterparty in the transaction), in addition to the usual guarantees for this type of transactions for the eventual damages as consequence of acts or omissions prior to the effective date of the merger (1 January 2011), in the event that the arithmetic average for the normalized EBITDA (as this ratio is defined) of the Solutions and Services business (Smart Innovation – Dominion Group) that was integrated into CIE Automotive Group, for 2011 and 2012, differed by more than 10% from the figure stated in the Business Plan (€10.28 million), CIE Automotive, S.A. and INSSEC DOS, as successor of INSSEC in the agreement, would pay compensation (based on whether the difference was positive or negative) in an amount calculated by applying a multiple of 5.35 to the difference, plus 8% interest.

In 2013, following the analysis of the business results obtained in 2011 and 2012, the guarantee calculation was performed, resulting in the payment of compensation by CIE Automotive to the counterparty in the amount of €16.4 million; this liability was recognized during the year (Note 21). This amount was settled during the year by offsetting the guarantees included in balance sheet assets (Note 7.6).

Consolidated annual accounts of CIE Automotive Group

Under Spanish Royal Decree 1815/1991 (of 20 December 1991), the Company is obliged to present consolidated annual accounts.

On 25 February 2015, the Company authorized the issuance of the consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31 December 2014, which presented profit for the year attributable to owners of the parent of €81,048 thousand and equity, including profit for the year and non-controlling interests, of €861,632 thousand (2013: €60,125 thousand and €560,484 thousand, respectively).

Those consolidated annual accounts were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). Appendix II, attached, includes the Group's consolidated 2014 and 2013 balance sheets and income statements under IFRS-EU.

The consolidated annual accounts include all CIE Automotive Group companies defined under Article 42 of Spain's Code of Commerce, each of which is consolidated using the appropriate method. The list of CIE Automotive Group companies is attached to these annual accounts as Appendix I.

Regulatory Framework

Certain companies of the automotive segment develop their activity in the production and sale of biofuel, which is a sector with specific regulatory framework (sector of hydrocarbons). Some of the liabilities of this specific regulation we can indicate:

- The maintenance of minimum inventory levels of oil products (Royal Decrees 1716/2004 and 1766/2007), that nowadays are 92 days of sales, of which 50 days must be covered for the operators. Of these quantities, 35 days are kept for the Corporation of

Strategic Reservations of Oil Products, CORES, by means of lease to the operators. The rest of the quantities of stock has remained covered in the exercises 2014 and 2013 for the own stock of the companies of the Group subject to this obligation.

- Annual accreditation to the certification authority (CNE) of the ownership of the minimal quantity of certificates of biofuels that allows fulfill the aims for the biofuels, whose percentage for the exercise 2014 has been fixed in 4.1% of the annual sales.

During 2014, the biofuel production plants of the Group have been granted with the capacity of production to operate in this activity according to the allocation made by the Secretary of State of Energy for the compound of the obligatory aims of biofuels mentioned before.

2. Basis of presentation

2.1 Fair presentation

The accompanying annual accounts were prepared from the Company's accounting records and are presented in accordance with the Spanish General Accounting Plan, enacted by Spanish Royal Decree 1514/2007, as amended by Royal Decree 1159/2010, of 17 September, in order to give a true and fair view of the Company's equity and financial position at the year end and of its financial performance and cash flows for the year then ended. These annual accounts were authorized for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2013 annual accounts were approved at the Annual General Meeting held on 30 April 2014.

2.2 Key sources of estimation uncertainty

The preparation of the annual accounts requires the Company to make certain estimates and judgments concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events considered to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments in Group companies and associates

CIE Automotive Group (Note 1) annually tests if investments in the equity of Group companies and associates have suffered an impairment applying, according to the accounting policy described in Note 3.5.d). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimations. These estimations are made at the level of the cash-generating units (CGUs) defined by CIE Automotive Group, where all plants or individual companies are grouped.

If the revised estimated pre-tax discount rate applied to discounted cash flows were 10% higher than management's estimates, CIE Automotive Group would still not need to reduce the carrying amount of its shareholdings in Group companies.

With respect to the assumptions used to determine the CGUs' EBITDA (operating profit plus depreciation and amortization, used as a starting point to calculate free cash flows) and future growth, the most reasonable scenario has been considered, such that negative distortions of this gross margin are unlikely to arise. Nonetheless simulations applying different growth rates or 10% changes to the EBITDA figures show no risk of impairment in 2014 or 2013.

Using other growth rates or 10% variations in EBITDA, there is no indication of the need for impairment charges in either 2014 or 2013.

As in prior years, the pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the capital asset pricing model (CAPM), which is widely used for discount rate calculation purposes. In certain instances, the discount rate calculation additionally factors in a specific risk premium to reflect the characteristics and the risk profile intrinsic to the cash flow projections of each CGU.

The rates used to discount the cash flow projections classified by CIE Automotive Group segment, were as follows:

(Thousand euro)

CGUs	2014	2013
Automotive segment		
Rest of Automotive (Europe)	7.09% - 15.67%	8.17%-13.17%
Brazil	11.40%	11.02%
NAFTA	7.31% - 9.95%	8.03%-10.53%
Mahindra-CIE	7.07% - 15.62%	8.17%-14.40%
Solutions and Services (Smart Innovation)		
Solutions	9.00% - 11.00%	9.78%-11.99%
IT Services	9.00% - 11.00%	9.78%-11.99%
Industry Services	9.00% - 11.00%	-
Commercial Services	9.00%	-

These discount rates are after-tax and reflect the specific risks relating to the relevant operating segments; they have been used in the analysis of 2014 and 2013.

The main changes in the discount rates used with respect to the previous year derive primarily from fluctuations in risk-free rates.

Budgeted EBITDA (operating profit plus depreciation and amortization) is the figure determined by Company management in their strategic plans, taking into account operations with a similar structure to the current structure and based on prior-year experience. These margins vary by type of business as follows:

	% of revenue	
	2014	2013
Automotive	7.78% - 34.2%	6% - 31%
Solution and Services (Smart Innovation)	7.5% - 11%	7% - 10%

These EBITDA figures are increased by other forecast net cash movements and tax-related flows to arrive at the free cash flow generated each year.

The result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 0% and 3%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve these growth levels.

Fair value of derivatives or other financial instruments

The fair value of unlisted financial instruments (for example, derivatives from outside official market) is determined by using valuation techniques. The Company exercises judgment in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date. The Company uses discounted cash flow analysis to measure financial instruments that are not traded on active markets.

Income tax

The legal status of the tax regulations applicable to the Company mean that estimates are employed and the final quantification of tax is uncertain. Tax is calculated based on Management's best estimates, always taking into account prevailing tax legislation and foreseeable legislative changes (Note 20).

When the final tax result differs from the amounts initially recognized, such differences will have an effect on income tax and on provisions for deferred taxes in the year in which they are identified.

The calculation of income tax expense has not required making significant estimates except with respect to the amount of tax credits recognized in the year. Were the assumptions employed to make this estimate differ by 10%, deferred assets would decrease and income tax would increase, at maximum, in a proportion similar to the difference, if the difference were unfavorable, and increase and decrease, respectively, if the difference were favorable.

Employee benefits

In order to quantify the impact of the profit-sharing and bonus schemes of which its current employees are beneficiaries, the Company makes estimates with respect to the amounts of benefits payable and the number of beneficiaries.

Any change in the number of employees that ultimately benefits from these remuneration schemes or in the assumptions used would have an impact on the carrying amounts of the related provisions and on the income statement.

In addition, the Company makes estimates to measure the benefits payable in respect of employees benefiting from share-based payments or from additional incentives approved based on the value of the shares (Note 26,e).

These estimates are reviewed at the end of each reporting period and the related provisions are adjusted to reflect the best estimates as of the year end (Notes 17 and 19,c).

2.3 Aggregation

For clarity, the items presented in the balance sheet, income statement, statement of changes in equity and cash flow statement are grouped together and, where necessary, a breakdown is included in the relevant notes to the accounts.

2.4 Presentation currency

The annual accounts are expressed in thousand euros, unless otherwise indicated.

3. Accounting policies

The principal accounting policies applied in the preparation of these annual accounts are set out below.

3.1. Intangible assets

Goodwill

Goodwill is the excess at the acquisition date of the cost of a business combination over the fair value of the identifiable net assets acquired in the transaction. As a result, goodwill is only recognized when it is acquired for consideration and represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Separately recognized goodwill is not amortized; it is tested annually for impairment and subsequent to initial recognition is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units (CGUs) for the purpose of impairment testing. It is allocated to the CGUs that are expected to benefit from the business combination in which goodwill arose.

Goodwill impairment losses cannot be reversed in future reporting periods.

Computer applications

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the assets' estimated useful lives of four to six years.

Software maintenance expenses are recognized when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of the relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed 6 years.

3.2. Property, plant and equipment

Property, plant and equipment is recognized at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognized.

Own work capitalized is calculated by summing the acquisition cost of consumable materials and the direct and indirect costs attributable to the production of these assets.

Costs incurred to extend, modernize or improve property, plant and equipment are only recognized as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and always it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

Maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. The estimated useful lives are as follows:

	Estimated useful life years
Buildings	25 to 33
Furniture and other facilities	10
Other fixed assets	4 to 6.6

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying amount and are recognized in the income statement. Derecognitions and disposals are accounted for by eliminating the item's cost and the corresponding accumulated depreciation charge.

3.3. Impairment of non-financial assets

Assets that have indefinite useful lives, as it is the cause of goodwill, are not subject to depreciation/amortization and are tested annually for impairment. Depreciable assets are tested for impairment whenever there is any indication that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, understood this one as the asset's fair value less the higher of costs to sell or value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets, other than goodwill, which are impaired, are reviewed at the balance sheet date for possible reversal of the loss.

3.4. Exchanges of assets

Whenever an item of property, plant and equipment, an intangible asset or an investment property is acquired by means of an exchange having a commercial substance, the asset received is measured at the fair value of the asset given up, plus any monetary consideration awarded, barring better evidence supporting the value of the asset received and up to the limit of the latter. For such purposes, the Company considers that an exchange is commercial in nature when the configuration of the cash flows from the fixed assets received differs from the configuration of the cash flows from the asset given up or when the present value of the cash flows after tax from the activities affected by the exchange is altered. In addition, any of the previous differences must be significant with respect to the fair value of the assets exchanged.

If the exchange is not commercial in nature or the fair value of the assets of the transaction cannot be determined, the asset received is measured at carrying amount plus the monetary consideration delivered, up to the fair value of the asset received if lower and provided that it is available.

3.5. Financial assets

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets except for maturities of more than 12 months from the balance sheet date that are classified as non-current assets. Loans and receivables are included in ‘Loans to companies’, ‘Loans to third parties’ and ‘Trade and other receivables’ in the balance sheet.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortized cost. Accrued interests are recognized at the effective interest rate, which is the discount rate that brings the instrument’s carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At year end at least, the necessary value adjustments are made for impairment losses when there is objective evidence that not all amounts due will be collected.

The amount of impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognized in the income statement.

b) Held-to-maturity investments: Held-to-maturity financial assets are securities representing debt with fixed payments or payments that may be determined and have a fixed maturity date, are traded on an active market and with respect to which Company management has the effective intention and capacity to hold to maturity. If the Company sells an immaterial amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date that are classified as current assets.

The measurement criteria applied to these investments are the same as for loans and receivables.

c) Financial assets held for trading and other financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include all assets held for trading acquired for sale in the short term or as part of a portfolio of identified financial instruments that are managed together with a view to generating short term returns and financial assets designated within this category by management upon initial recognition based on the determination that so doing results in more meaningful disclosures. Derivatives are also classified as held for trading unless they constitute financial guarantee contracts or are designated as hedging instruments (Note 3.6).

These instruments are initially recognized and subsequently measured at fair value and any changes in fair value are recognized in the income statement. Transaction costs that are directly attributable to the acquisition of these assets are expensed currently.

d) Investments in equity of group companies, jointly controlled entities and associates: These assets are measured at cost, less any accumulated impairment losses. However, if the Company held an investment in these entities before they were classified as a group company, jointly controlled entity or associate, cost is deemed the carrying amount of that investment prior to the classification change. Prior measurement adjustments recognized directly in equity are kept in equity until the investments are derecognized.

If there is objective evidence that the carrying amount of these investments may not be recoverable, the Company recognizes the corresponding impairment losses, calculated as the difference between the investment’s carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee’s equity, adjusted for any unrealized capital gains at the measurement date. Impairment losses and any subsequent reversals are recognized in the income statement in the year in which they arise.

e) Available-for-sale financial assets: This category includes debt securities and equity instruments that have not been classified in any of the preceding categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

They are measured at fair value insofar as fair value can be determined reliably and changes in fair value, if any, are recognized directly in equity until the asset is sold or deemed impaired, at which point the accumulated fair value adjustments recognized in equity are reclassified in profit or loss. If fair value cannot be reliably determined, these assets are measured at cost less any impairment losses.

Available-for-sale financial assets are written down if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or the possible inability to recoup the asset's carrying amount in the case of investments in equity instruments. The impairment loss recognized is the difference between the asset's cost/amortized cost, less any impairment loss previously recognized in the income statement, and the fair value on the measurement date. In the case of equity investments measured at cost because their fair value cannot be determined reliably, impairment losses are calculated in the same way as for equity investments in group companies, jointly controlled entities and associates.

Whenever there is objective evidence of impairment, the Company reclassifies any cumulative fair value losses previously recognized in equity to profit or loss. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market observable inputs and relying as little as possible on subjective judgments.

Financial assets are derecognized when substantially all the risks and rewards of ownership of the financial asset have been transferred. Specifically in relation to accounts receivable, this transfer is generally deemed to take place when the risks of insolvency and non-payment have been transferred.

Financial assets designated as hedged items are subject to hedge accounting measurement rules (Note 3.6).

3.6. Derivative financial instruments and accounting hedge

Financial derivatives are measured at fair value upon initial recognition and for subsequent measurement purposes. The method used to recognize the resulting gain or loss depends on whether the derivative has been designated as a hedging instrument, and if so, the nature of the hedge.

The Company designates certain derivatives as either:

a) Fair value hedges Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b) Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized temporarily in equity. These amounts are recycled to profit or loss in the year(s) in which the hedged forecast transaction affects profit or loss, unless the hedge corresponds to a forecast transaction that ultimately results in the recognition of a non-financial asset or liability, in which case the gains or losses previously deferred in equity are included in the initial cost of the asset when it is acquired or liability when it is assumed.

   The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

c) Hedges of net investments in foreign operations: In the case of hedges of net investments in unincorporated joint ventures and foreign branches, changes in the fair value of the derivatives attributable to the risk hedged are recognized temporarily in equity and are recycled to profit or loss in the year(s) in which the net investment in the foreign operation is disposed of.

   Hedges of net investments in foreign operations consisting of subsidiaries, jointly controlled entities or associates are treated as fair value hedges in respect of the foreign currency component of the hedge.

Hedging instruments are measured and recognized by nature to the extent that they are not or cease to be effective hedges.

In the event that derivatives do not qualify for hedge accounting, the related fair value gains and losses are recognized immediately in the income statement.

3.7. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.8. Equity

The Company's share capital is represented by ordinary shares.

Costs of issuing new shares or options are recognized directly in equity as a reduction in reserves.

If the Company purchases treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, is included in equity.

3.9. Financial liabilities

Debts and payables (financial liabilities at amortized cost)

This includes trade and non-trade payables. These payables are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognized at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying amount of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

In the case of convertible bonds, the Company determines the fair value of the liability component using the rate of interest for similar non-convertible bonds. This figure is recorded as a liability on the basis of the amortized cost until it is settled upon conversion or maturity. Other income obtained is allocated to the conversion option and is recognized in equity.

3.10. Grants received

A grant that is repayable is recognized as a liability until the conditions for qualification as a non-repayable grant are met. Non-refundable grants are recognized directly in equity and are taken to profit or loss on a systematic basis over the periods in which the Company recognizes the costs which the grants are intended to compensate as expenses. Non-refundable grants extended by owners are recognized directly in equity.

To this end, a grant is considered non-repayable when there is an individual grant concession agreement, all the conditions attaching to the grant have been met and there is reasonable assurance that the grants will be received.

Monetary grants are measured at the recognition-date fair value of the amount extended, while non-monetary government grants are measured at the recognition-date fair value of the asset received.

Non-refundable grants for the acquisition of items of property, plant and equipment, intangible assets or investment properties are recognized as income systematically, in proportion to the depreciation/amortization of the assets concerned or whenever they are sold, deemed impaired or derecognized. Non-refundable grants related to specific expenses are recognized in the income statement in the same year as the expenses subsidized are incurred. Those granted to offset operating losses are recognized in the year they are granted, unless they are earmarked to offset future operating losses, in which case they are recognized in the years the losses are realized.

3.11. Current and deferred income tax

The Company files is taxe under the consolidated tax system as the parent of a group of companies (Note 20). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Vizcaya provincial tax laws, in 2014 are as follows:

- CIE Bérriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A.U.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Transformación, S.A.U.
- Bionor Berantevilla, S.L.U.
- Vía Operador Petrolífero, S.L.U.
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Nuevos Mercados, S.L.
- Gestión de Aceites Vegetales, S.L.
- Reciclados de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.

The Group's company CIE Legazpi, S.A.U. ceased to meet the requirements to form part of the tax group, with effect in the 2013 tax period. Due to the same situation, the companies of the Solutions and Services segment (Smart Innovation), Global Dominion Access, S.A., Dominion Investigación y Desarrollo, S.L.U., Dominion Instalaciones y Montajes, S.A.U. y ECI Telecom Ibérica, S.A., have ceased to be part of this Fiscal Group in 2014.

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Income tax is calculated on the basis of accounting profit adjusted for any permanent differences between profit for accounting and tax purposes. Tax credits available at the consolidated tax group level, arising mainly from corporate investing activities, are analyzed annually for future utilization and offset and are recognized as a function of current expectations regarding their utilization. This analysis not only encompasses estimable taxable income but also expectations regarding the use of tax credits granted (Note 18).

Both current and deferred tax expense (income) are recognized in the income statement. However, the tax effect of items recognized directly in equity is recognized in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

3.12. Employee benefits

a) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to its shareholders after certain adjustments as well as other ratios of a financial nature. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

b) Termination benefits

Termination benefits are paid to employees as a result of a decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. They include benefits agreed under redundancy plans that terminate employment contracts before the normal retirement age. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy. Benefits not falling due within 12 months of the balance sheet date are discounted to present value.

c) Share-based payments

At 31 December 2014 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra-CIE Automotive Ltd. (formerly Mahindra Forgings Ltd.), listed on Indian stock market (Appendix I).

Under these plans, CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiaries.

The fair value of the employee services received in exchange for the grant of such shares/ options is recognized as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, CIE Automotive Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognized is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives arise to the corresponding change against the Group´s equity.

Likewise the General Meeting of shareholders, held on 30 April 2014, approved a long term incentive based on the increase of CIE Automotive S.A. share value, on behalf of a group of senior executives of the Group. The liquidation of this incentive, which due to Group decision is in cash, will be held in March 2018 (Note 26).

The total estimated cost of this incentive will be recognized as personnel costs in the period when the conditions must be fulfilled.

3.13. Provisions and contingent liabilities

The Company recognizes provisions when it has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expenses.

Provisions due within one year or for which the effect of the time value of money is not material are not discounted.

Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized separately when, and only when, it is virtually certain that reimbursement will be received.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying Notes as warranted.

3.14. Business combinations

Mergers, spin-offs and non-monetary contributions of businesses among entities under common control are recognized following the rules for accounting for related-party transactions (Note 3.19).

Mergers and spin-offs that are not common control transactions and business combinations arising from the acquisition of all of the assets and liabilities of a company or a portion thereof that constitutes one or more businesses are recognized using the acquisition method.

The Company recognizes business combinations arising from the acquisition of shares or equity interests in another company in accordance with the rules for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5).

3.15. Joint operations

Jointly-controlled entities

Investments in jointly-controlled entities are recognized and measured in keeping with the criteria for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5).

3.16. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in exchange for the goods delivered and services rendered in the course of the Company's ordinary activities, less returns, discounts and value added tax.

The Company recognizes revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the specific conditions applicable to each of its activities are met. The amount of revenue cannot be measured reliably until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

According to the interpretation published by the ICAC in its official journal in September 2009 (interpretation no. 79), companies classified as 'industrial holding companies', such as CIE Automotive, S.A., must present dividends, interest income and management fees from their investments in Group companies, jointly controlled entities and associates within revenue in their income statements.

a) Sales of services

The Company invoices CIE Automotive Group companies for the provision of shared commercial services, the use of CIE Automotive trademark (royalties) and for general services such as the use of IT and shared management and administrative services.

Service revenue is recognized in the financial year in which the services are provided with reference to the outcome of the transaction in question and on the basis of the actual level of service performed as a percentage of total services performable (stage of completion method).

Revenue from royalties is recognized on an accruals basis in accordance with the substance of the relevant agreements.

b) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

c) Dividend income

Dividend income is recognized as revenue in the income statement when the right to receive payment is established. Notwithstanding the foregoing, dividend pay-outs from profits generated prior to the acquisition date are not recognized as revenue but are rather deducted from the carrying amount of the investment.

3.17. Operating leases

Leases under which the lessor retains substantially all the risks and rewards inherent to ownership of the asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.18. Foreign currency transactions

a) Functional and presentation currency

The Company's annual accounts are presented in euro, which is both its functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the income statement, unless they are deferred in equity as eligible cash flow hedges and eligible net investment hedges (Note 3.6).

Gains or losses from changes in the fair value of available-for-sale monetary assets denominated in foreign currency are separated into: exchange differences resulting from changes in the amortized cost of the instrument; and other changes in its carrying amount. The foreign exchange gains and losses are recognized in profit or loss and the other changes in carrying amount are recognized in equity.

Foreign exchange gains or losses on non-monetary items such as equity instruments carried at fair value through profit or loss are presented as part of the fair value gain or loss in profit or loss. Foreign exchange gains or losses on non-monetary items such as equity instruments classified as available-for-sale financial assets are included in equity.

3.19. Related-party transactions

As a general rule, intragroup transactions are initially recognized at fair value. If the price agreed differs from fair value, the difference is recognized based on the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

Notwithstanding the foregoing, in mergers, spin-offs and non-monetary business contributions, the assets and liabilities constituting the acquired business are measured at the amount at which they would be recognized in the consolidated annual accounts of the group or subgroup after the transaction.

When the parent of the group or subgroup of the subsidiary does not intervene, the consolidated annual accounts used for this purpose are those of the highest-level Spanish-parented group or subgroup to recognize the assets and liabilities.

In these cases, any difference between the acquiree's net assets and liabilities, adjusted for grants, donations and bequests received, valuation adjustments and any equity (capital or share premium) issued by the acquiring company, is recognized in reserves.

3.20. Dividend distribution

The payment of dividends to shareholders is recognized, to the extent outstanding, as a liability in the annual accounts in the year in which the dividends are approved by the shareholders in General Meeting or declared by the Board of Directors.

4. Financial risk management

4.1. Financial risk factors

CIE Automotive Group's activities are exposed it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk. CIE Automotive Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. CIE Automotive Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of CIE Automotive Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favorable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavorable environment.

a) Market risk

(i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favorable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognized on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

CIE Automotive Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by denominating borrowings (loans) in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by denominating borrowings in these currencies.

In 2013 and 2014 CIE Automotive Group acquired majority shareholdings in companies located in India, so that from this year on, the trend in the Indian Rupee will be monitored in the same manner as other international Group investments denominated in currencies other than the euro.

If at 31 December 2014, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €82,690/€67,656 thousand, respectively (2013: increased/decreased by €56,138/€45,931 thousand) due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average rate of exchange of the euro had been depreciated/appreciated by 10% in 2014 with respect to all functional currencies other than the euro, all other variables being equal, profit after tax for the year would have been €5,453/€4,461 thousand higher/lower, respectively (2013: €3,206/€2,623 thousand higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

(ii) Price risk

CIE Automotive Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total CIE Automotive Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

CIE Automotive Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materializes in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognized in the balance sheet of CIE Automotive Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, CIE Automotive Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

(Thousand euro)

- Interest-rate swaps: Through these derivatives, these CIE Automotive Group segments convert the benchmarked variable interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

At the consolidated CIE Automotive Group level, if during 2014 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables being equal, profit after tax for the year would have been €704 thousand (2013: €930 thousand) lower/higher, largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity for Group consolidation purposes by €556/€874 thousand, respectively (2013: a €61/€363 thousand increase/decrease, respectively) except for the impact deriving from profit for the year. The impact on profit for the year would have been 50/50 (2013: €0 thousand).

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, CIE Automotive Group's strategy, articulated by its Treasury Department, is to maintain, the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, on the basis of its liquidity needs, CIE Automotive Group uses liquidity facilities (non-recourse factoring and sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balance and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors CIE Automotive Group’s forecast liquidity requirements together with the trend in net debt. The liquidity and net debt at 31 December 2014 and 2013 are set out below:

	2014	2013
Cash and cash equivalents	297,699	326,960
Other current financial assets	96,258	85,996
Undrawn lines of credit	116,335	95,481
Liquidity buffer	**510,292**	**508,437**
Bank borrowings	1,104,077	977,490
Other current financial liabilities	10,489	8,051
Cash and cash equivalents	(297,699)	(326,960)
Other current financial assets	(96,258)	(85,996)
Net debt	**720,609**	**572,585**

The movement in the net financial debt in 2014 is largely due to the payment made to the Dutch fund VEP Fund I Holding Coöperatief W.A. (VEP) on the acquisition in February 2014 of the additional 50% stake in RS Automotive, B.V., the completion of the take-over bid described in Note 1 and the rise as a result of consolidation of the debt in the Mahindra group companies merged into the Group company Mahindra CIE Automotive, Ltd. and the inclusion of the Beroa Group, the Bilcan Group and the Global Near Group (Note 8), compensated, these increments, partly, because of the capital increase in the parent company carried out in June 2014 (Note 12).

CIE Automotive Group's Finance Department believes that the on-going initiatives will prevent liquidity shortfalls. It is estimated that cash generated in 2015 will enable to settle payments for the year to be settled with no need to increase the net financial debt.

CIE Automotive Group’s Finance Department monitors forecast the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that CIE Automotive Group does not breach borrowing limits or covenants on any of its borrowing facilities.

(Thousand euro)

In addition, the Group is strategically diversifying the financial markets and financing sources it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to the Brazilian, Mexican and Indian financial markets.

There are no restrictions regarding the use of cash/cash equivalents with the exception of the guarantees described in Note 16 and the commitments described in Note 25.

Amounts payable by CIE Automotive Group to credit institutions in the short term include recurring loans:

- €35.21 million originating from the recurring discounting of commercial paper issued by Group customers (€35.4 million at 31 December 2013).
- €3.0 originating from recurring import financing (€6.3 million at 31 December 2013).

Although both components of bank debt are presented as current liabilities for accounting purposes at the consolidated level, they are stable and are generated in the ordinary course of business and therefore provide financing that is equivalent to long-term funding.

Note the existence at 31 December 2014 of €116.3 million of undrawn credit lines and loans (31 December 2013: €95.5 million) at the consolidated CIE Automotive Group level.

The following table shows a breakdown of working capital in CIE Automotive, S.A.'s balance sheet at 31 December 2014 as compared with 31 December 2013, stating the relative significance of each item:

	2014	2013
Inventories	288,909	222,030
Trade and other receivables	292,653	185,538
Other current assets	7,170	6,490
Current tax assets	58,558	39,661
Current operating assets	**647,290**	**453,719**
Other current financial assets	96,258	85,996
Cash and cash equivalents	297,699	326,960
CURRENT ASSETS	**1,041,247**	**866,675**
Trade and other payables	630,193	433,780
Current tax liabilities	57,200	40,551
Current provisions	11,386	9,214
Other current liabilities	126,822	68,991
Current operating liabilities	**825,601**	**552,536**
Short-term bank borrowings	254,180	331,395
Other financial liabilities	10,489	8,051
CURRENT LIABILITIES	**1,090,270**	**891,982**
NET WORKING CAPITAL	**(49,023)**	**(25,307)**

Although the standalone figure for working capital is not a key parameter for the understanding of the Group's financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of CIE Automotive Group's strategies is to ensure the optimization and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to minimize inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers. Supplier payment periods are also constantly optimized by unifying policies and conditions throughout CIE Automotive Group.

As a consequence of the above, there are no risks affecting the Company's liquidity situation.

(Thousand euro)

The table below analyses the Company's financial liabilities, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances payable within 12 months of the balance sheet date are shown at their carrying amounts, as the effect of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2014				
Bank borrowings (Note 16)	66,124	75,401	466,564	-
Derivatives	3,450	-	-	-
Other borrowings	-	11,870	8,906	-
Trade and other payables	43,058	-	154,976	-
At 31 December 2013				
Bank borrowings (Note 16)	130,600	143,307	132,162	-
Derivatives	570	-	-	-
Trade and other payables	41,267	-	134,571	-

Derivative financial instruments qualified as hedges are settled net; their maturities are detailed in Note 16 for interest rate swaps; the related cash flows are mainly expected to be settled in the short term (Note 10).

c) Credit risk

CIE Automotive Group's credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks CIE Automotive Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognizes impairment provisions as warranted.

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer-specific factors.

In order to minimize credit risk in respect of trade receivables, CIE Automotive Group's strategy is to arrange customer credit insurance policies and set customer credit limits. With respect to customer credit limits, it should be noted that CIE Automotive Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, for the automotive segment, and between 120-180, for Smart Innovation segment, present no credit risk, as they fall within the sector's normal collection cycle. The Group continues considering that the credit quality of these outstanding balances is strong.

4.2. Hedge accounting

Prevailing accounting standards are strict about the need for documenting hedge relationships.

To this end, CIE Automotive Group has established clear and specific guidance for preparing the documentation setting out all the aspects for identifying and tracking hedging relationships under this standard. At the inception of the hedge there is formal designation and documentation of the hedging relationship, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. A hedge is expected to be effective if at the inception of the hedge and in subsequent periods it is expected to offset changes in cash flows attributable to the hedged risk within a range of 80% - 125%.

The treatment and classification of CIE Automotive Group's hedging transactions are described below:

a) Fair value hedges of a recognized asset or liability or a firm commitment

Changes in the fair value of these derivatives are recognized in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognized in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

c) Net investment hedges

The Group, through its Brazilian subsidiary CIE Autometal, S.A., had until October 2014 several investments whose net assets were exposed to foreign exchange translation risk as they were denominated in currencies other than the latter's functional currency (US dollars and euros).

Foreign exchange exposure arising on the net assets of these foreign operations was until October 2014 partly managed by means of loans denominated in US dollars and euros, which are arranged by Autometal, S.A. and CIE Autometal, S.A., as well as by arranging specific derivatives.

Since October 2014 and as a result of the corporate restructuring through which CIE Autometal, S.A. has transferred its interest in the Spanish company Participaciones Internacionales Autometal, S.A. to CIE Bérriz, S.L., the Group has settled its exchange rate derivatives designated as net investment hedges denominated in euros.

At 31 December 2014 the Group maintains investments whose net assets were exposed to foreign currency translation risk, denominated in dollars through CIE Bérriz, S.L. and borrowings denominated in US dollars used as a hedge are formalized by Autometal, S.A. and CIE Autometal S.A.

d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by CIE Automotive Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be entirely offset.

CIE Automotive Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

(Thousand euro)

Based on the underlying asset and the type of hedge, CIE Automotive also uses the variance reduction and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: CIE Automotive Group uses several tools to measure and manage derivative-related risk. The valuation of derivative instruments is carried out internally; these valuations are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialized financial analytics libraries are used for this purpose.

4.3. Valuation method (Fair value estimation)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The listed market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4.4. Capital risk management

CIE Automotive Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, CIE Automotive Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, CIE Automotive Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which are as shown in the consolidated annual accounts. Total capital employed is calculated as 'equity', as shown in the consolidated annual accounts, plus net debt.

During 2014, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.5%. The gearing ratios at 31 December 2014 and 2013 were as follows:

	Data at the consolidated level	
	2014	2013
Borrowings	1,104,077	977,490
Current financial liabilities	10,489	8,051
Less: cash, cash equivalents and current financial assets	(393,957)	(412,956)
Net debt	720,609	572,585
Equity	861,632	560,484
Total capital employed	1,582,241	1,133,069
Gearing ratio	**0.46**	**0.51**

At 31 December 2013 and 2014, CIE Automotive Group has agreements formalized for credit and bank loans that oblige it to comply with certain covenants.

(Thousand euro)

5. Intangible assets

The assets recognized as intangible assets are all items of software.

The analysis of the movement in software during the period is as follows:

	Computer applications	Goodwill	Total
Cost			
Balance at 31 December 2012	15,674	27,718	43,392
Additions	349	-	349
Balance at 31 December 2013	16,023	27,718	43,741
Additions	189	-	189
Balance at 31 December 2014	16,212	27,718	43,930
Accumulated amortization			
Balance at 31 December 2012	(12,522)	-	(12,522)
Additions	(1,174)	-	(1,174)
Balance at 31 December 2013	(13,696)	-	(13,696)
Additions	(950)	-	(950)
Balance at 31 December 2014	(14,646)	-	(14,646)
Carrying amount			
Balance at 31 December 2012	3,152	27,718	30,870
Balance at 31 December 2013	2,327	27,718	30,045
Balance at 31 December 2014	1,566	27,718	29,284

a) Goodwill

The goodwill arises in 2011 as a result of the reverse merger between the Company and its parent INSSEC.

The goodwill is allocated to the Company's cash-generating units (CGUs) by business segment and operating market. Goodwill is allocated to the automotive segment, specifically the Brazilian and European operations, as was the case at INSSEC.

Other than goodwill, none of the Company's intangible assets has an indefinite life.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond this five-year period are extrapolated using estimated growth rates. Note 2.2 details the key assumptions used to calculate the value in use of the various CGUs in a manner that is consistent with the overall situation of CIE Automotive Group's operating markets as well as the businesses' projected performance.

CIE Automotive Group has verified that neither its goodwill nor its investments in Group companies (Note 8) suffered any impairment loss in either 2014 or 2013.

If the revised estimated discount rate applied to discounted cash flows were 10% higher than management's estimates, CIE Automotive Group would still not need to reduce the carrying amount of goodwill or the value of its shareholdings in Group companies.

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortization, the starting point for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Nevertheless, simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment charges in either 2014 or 2013.

b) Fully-amortized intangible assets

At 31 December 2014, there are fully-amortized intangible assets still in use with an original cost of €11,891 thousand (2013: €9,624 thousand).

(Thousand euro)

6. Property, plant and equipment

A breakdown of property, plant and equipment showing movements is set out below:

2013	Balance at 31/12/2012	Additions	Disposals	Transfers	Balance at 31/12/2013
COST					
Buildings	758	-	-	-	758
Other plant and furniture	409	-	(14)	-	395
Other fixed assets	2,992	-	(10)	12	2,994
PPE under construction	6	507	-	(12)	501
	4,165	507	(24)	-	4,648
ACCUMULATED DEPRECIATION					
Buildings	(281)	(23)	-	-	(304)
Other plant and furniture	(340)	(42)	14	-	(368)
Other fixed assets	(2,917)	(28)	10	-	(2,935)
	(3,538)	(93)	24	-	(3,607)
CARRYING AMOUNT	627				1,041

2014	Balance at 31/12/2013	Additions	Transfers	Balance at 31/12/2014
COST				
Buildings	758	-	-	758
Other plant and furniture	395	-	507	902
Other fixed assets	2,994	8	-	3,002
PPE under construction	501	10	(507)	4
	4,648	18	-	4,666
ACCUMULATED DEPRECIATION				
Buildings	(304)	(22)	-	(326)
Other plant and furniture	(368)	(48)	-	(416)
Other fixed assets	(2,935)	(24)	-	(2,959)
	(3,607)	(94)	-	(3,701)
CARRYING AMOUNT	1,041			965

a) Impairment losses

The Company neither recognized new impairment losses nor reversed previously recognized impairment losses on any individual item of property, plant and equipment in either 2014 or 2013.

b) Fully- depreciated assets

At 31 December 2014, there are fully-depreciated items of property, plant and equipment still in use with an original cost of €3.2 million (2013: €2.9 million). These break down as follows:

	2014	2013
Other fixed assets	2,867	2,867
Other plant and furniture	374	7
	3,241	2,874

(Thousand euro)

c) Assets held under operating lease

The 2014 income statement recognizes operating lease expenses related to employee vehicle leases in the amount of €213 thousand (2013: €353 thousand).

d) Grants received

The acquisition of certain assets was financed in part by capital grants awarded by the Basque regional government in an original amount of €1,471 thousand (Note 15).

e) Insurance

The Company has taken out a range of insurance policies to cover the risks to which its property, plant and equipment are exposed. The coverage provided by these policies is considered to be sufficient.

f) Commitments

At 31 December 2014 and 2013, the Company had no material contractual commitments for the acquisition of property, plant and equipment.

7. Analysis of financial instruments

7.1. Analysis by category

The carrying amounts of the Company's financial instruments by each category of financial assets and liabilities (which analysis therefore does not include balances with public administrations) are as follows:

	Equity instruments		Loans		Derivatives and others	
	2014	2013	2014	2013	2014	2013
Financial assets						
Non-current						
- Balances with group companies						
. Investments in group companies (Note 8.a))	347,986	326,360	-	-	-	-
. Loans to group companies (Note 8.b))	-	-	786,251	414,657	-	-
- Other investments (Note 7.4)	62	62	-	-	-	-
- Other financial assets (Note 7.6)	-	-	-	-	17	8,917
	348,048	326,422	786,251	414,657	17	8,917
Current						
- Trade and other receivables (Note 9)	-	-	690	3,551	-	-
- Loans to group companies (Note 8.b)	-	-	26,294	26,290	-	-
- Loans to third parties (Note 7.5)	-	-	1,664	1,365	-	-
- Other financial assets (Note 7.6)	-	-	-	-	39,434	29,815
	-	-	28,648	31,206	39,434	29,815

	Debts and payables		Derivatives and others	
	2014	2013	2014	2013
Financial liabilities				
Non-current				
- Borrowings received (Note 16)	541,965	257,259	-	-
- Borrowings from group companies (Note 16)	154,976	134,571	-	-
- Other debts (Note 16)	20,776	156	-	-
	717,717	391,986	-	-
Current				
- Borrowings received (Note 16)	66,124	130,600	-	-
- Borrowings from group companies (Note 16)	23,227	25,169	-	-
- Other current financial assets (Derivatives) (Note 10)	-	-	3,450	570
- Trade and other payables (Note 16)	19,831	16,098	-	-
	109,182	171,867	3,450	570

(Thousand euro)

7.2. Analysis by maturity

The maturity schedule for financial instruments having fixed or determinable maturities is as follows:

	Financial assets					
	2015	2016	2017	2018	Subsequent years	Total
Investments in group companies and associates:						
- Loans	26,294	-	-	-	(*) 786,251	812,545
Other financial investments:						
Trade and other receivables	690	-	-	-	-	690
Loans	1,664	-	-	-	-	1,664
Derivatives	180	-	-	-	-	180
Other financial assets	39,254	-	-	-	17	39,271
	68,082	-	-	-	786,268	854,350

	Financial liabilities					
	2015	2016	2017	2018	Subsequent years	Total
Borrowings from group companies and associates	23,227	-	-	-	(*) 154,976	178,203
Other financial liabilities:						
Bank borrowings	66,124	32,929	42,472	45,000	421,564	608,089
Derivatives	3,450					3,450
Others	19,831	11,870	2,500	2,500	3,906	40,607
	112,632	44,799	44,972	47,500	580,446	830,349

(*) The loans extended to group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. See Note 8.b).

7.3. Credit quality of financial assets

Financial assets that have not expired are not impaired. Management perceives no risk of impairment whatsoever as the Company's financial assets mainly relate to balances due from CIE Automotive Group companies and associates that present no indications of credit risk.

7.4. Other investments

At 31 December 2013 and 2014, the Company was still an investor in CIE R&D in its capacity as founding trustee, having given an initial (and unchanged) endowment of €60 thousand.

7.5. Loans to third parties

Current and non-current:

	Balance at 31/12/2012	Disposals	Balance at 31/12/2013	Additions	Balance at 31/12/2014
Loans to employees (Note 26)	7,686	(6,522)	1,164	48	1,212
Other	201	-	201	251	452
	7,887	(6,522)	1,365	299	1,664

In 2013, the amount of €6,522 thousand was collected, leaving a balance of €1,212 thousand receivable at the 2014 year end.

7.6. Other non-current and current financial assets

At 31 December 2012, the Company recorded a deposit of €21,093 thousand securing the CIE-INSSEC merger agreements (Note 1), with Instituto Sectorial de Gestión y Promoción de Empresas Dos, S.L. (INSSEC DOS), a company created due to the spin-off of activities performed by INSSEC, prior to the merger, in 2011 with CIE Automotive, S.A. This deposit was released during the year to offset the guarantee relating to the integration of the Solutions and Services business (Note 1).

(Thousand euro)

The Company also records a current account with INSSEC DOS for a renewable six-month term, bearing a market interest rate. At 31 December 2014, the balance in the current account stood at €30,254 thousand (€29,218 thousand at 31 December 2013).

In 2013 the Company subscribed an agreement with INSECC DOS for recognition of €8,400 thousand which came from its previous contractual relations, which maturity was in 2018. The Company at 31 December 2014 has classified this amount into short term by virtue of the new agreement reached between parties by which is expected to be liquidated in the short term.

At 31 December 2013 and 2014, the Company holds a pledge account for certain financial hedges in the amount of €600 thousand classified as short term.

At 31 December 2014 the Company holds a long term pledge account for certain funds in the amount of €500 thousand, which has been cancelled in the year 2014.

8. Investments in and loans to group companies

a) Investments in group companies, jointly-controlled entities and associates

The main group companies owned directly by the Company (none of which is listed) are as follows:

Name and registered office	Legal structure	Activity	% of total voting rights held directly 2014	2013
Group companies and jointly-controlled entities				
2014 & 2013				
CIE Bérriz, S.L. (Vizcaya)	S.L.	Holding company	100%	100%
RS Automotive, B.V. (Netherlands)	B.V.	Holding company	100%	50%
CIE Automotive Nuevos Mercados, S.L. (Vizcaya)	S.L.	Holding company	(*) 26.96%	(*) 26.96%
Global Dominion Access, S.A. (Vizcaya)	S.A.	Holding company/IT and Communication Services	62.95%	94.43%
Autokomp Ingeniería, S.A.U. (Vizcaya)	S.A.U.	Services and installations	100%	100%

(*) Directly and indirectly, through CIE Bérriz, the Company holds a 100% shareholding in 2014 (2013: 75%).

Exercise 2014

The movements during 2014 in direct holdings in the Company have been as follows:

- On February 2014 the parent company completed the acquisition of the 50% interest – owned by the Dutch fund VEP Fund I Holding Coöperatief W.A. ("VEP")- in RS Automotive B.V. for €10,766 thousand, to which, if appropriate, an additional amount will be added linked to the performance of EBITDA in RS Automotive B.V. in 2014 and 2015 and payable in 2016. At the end of 2014 the present value of the debt for the acquisition amounted to €10,620 thousand and is recognized under Other non-current liabilities (Note 16).

  As a result of this acquisition, CIE Automotive owns a 100% stake in RS Automotive B.V.

  RS Automotive B.V. is the parent of a group of companies with production facilities in France, Spain, Romania, China and Mexico, devoted to the manufacture of special automotive comfort systems and operating on the market under the name Grupo ACS-Advanced Comfort Systems.

- In July 2014 Global Dominion Access, S.A. agreed to carry out two capital increases, the first amounting to €253 thousand with a share premium of €1,247 thousand, and the second amounting to €769 thousand, with a share premium of €231 thousand (approximately), both fully subscribed and paid in by shareholders other than CIE Automotive, S.A.

- Global Dominion Access, S.A. signed in 2013 a call option contract reserving the entitle to acquire during 2014 an additionally 50% of the capital of Beroa Thermal Energy, S.L., option that has been exercised in July 2014, being the effective date of taking control. In this respect and as was envisaged, Dominion Group will pay for the percentage acquired an amount of €42 million approximately, in three years, an equivalent amount to EBITDA of the Beroa Group in 2014, 2015 and 2016, multiplied by 7.5x, less the pertinent financial costs, over three years.
- Additionally, Global Dominion Access, S.A. has acquired form non-controlling shareholders the minority interests they had, by the way the company owns the 100% of the share capital in Beroa. As a counterpart, the shareholders have underwritten a capital increase of 7.69% in the capital of Global Dominion Access, S.A. Both operations are carried out at market value in accordance with a report of an independent expert report.
- On December 2014, the General Meeting of Global Dominion Access, S.A., prior approval of the operation by the Board of Directors of CIE Automotive on 17 December 2014, has proceeded to integrate in their group two new areas of business by a non-cash contribution that meant an increase of Global Dominion Access's capital of 3,185 thousand euros by circulation of 264,947 shares with a nominal value of 12.020242 euros and a premium of 144.367306 euros per new share issued. Due to this extension, the Dominion Group receives full ownership of 100% of the share capital of companies Bilcan Global Services, S.L. (company dedicated to the development of commercial services) and 89.246% of the share capital of Global Near, S.L. (company dedicated to developing digital solutions). The administrators have received two reports of independent valuation related to the businesses to justify the value of the transaction, as well as the mandatory report of the independent expert chosen by the Companies Register for the purpose of valuation of non-monetary contribution.

The movements during 2014 in indirect holdings in the Company have been as follows:

- At 2 April 2014, the Group made a capital contribution of USD4,187 thousand, through its Mexican subsidiary CIE Autometal de México, S.A. de C.V., to the Mexican company Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.
- In May 2014, the Russian company CIE Automotive Rus, LLC increased capital by RUB70 million equal to approximately €2,138 thousand. This capital increase was fully subscribed and paid in by CIE Automotive Nuevos Mercados, S.L.
- At 20 May 2014, Global Dominion Access, S.A. subscribed a capital increase in Visual Line, S.L. amounting to €35 thousand, representing 55% of share capital. As a result, there was no change in its ownership interest compared with the previous year.
- Capital increase in July 2014 in Cie Matricon, S.A. amounting to RON8,790 thousand, equal to €2,047 thousand by increasing the par value of the shares.
- On August 2014, CIE Bérriz, S.L. has acquired the shares representing 25% of CIE Automotive Nuevos Mercados, S.L. from Ekarpen SPE, S.A. by approximately €30 million, payable monthly as from the transaction date to January 2016. As a result, CIE Group owns 100% of the Company. This transaction resulted in a decrease of €14 million from the Group's reserves, and a decrease in non-controlling interests amounting to approximately €15 million.
- Capital increase in September 2014 in Forjas de Celaya, S.A. de C.V. amounting to $12,500 thousand equal to €9,672 thousand.
- Capital increase in September 2014 in Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V. amounting to $5,500 thousand, equal to €4,256 thousand.
- On September 2014, following the successful completion of the formalities connected with the public offering of shares in order to discontinue the trading of all shares in Autometal, S.A. (31,775,132 ordinary shares, representing 25.24% of share capital) on the Novo Mercado de BM&FBovespa-Bolsa de Valores, Mercadorias e Futuros and subsequent agreements, CIE Automotive, S.A., through its subsidiary CIE Autometal, S.A., became the owner of a 100% stake in Autometal, S.A.
- In October 2014, the Group completed the corporate restructuring of the Brazilian subsidiary Autometal, S.A., reducing the company's equity by approximately BRL968 million by contributing to the company's sole shareholder, CIE Autometal, S.A. the interest in the Spanish company Participaciones Internacionales Autometal, S.L.U. at consolidation value at 31 October 2014 (approximately BRL968 million, equal to approximately €317 million). At the same date, CIE Autometal, S.A. sold its 100% stake in Participaciones Internacionales Autometal, S.L.U. to CIE Bérriz, S.L. This transaction has had no effect on the Group at consolidation level.

- Likewise, at 30 November 2014, Autometal, S.A. sold its 50% stake in Nanjing Automotive Forging Co. Ltd. to the Group's company CIE Bérriz, S.L. This transaction has had no effect on the Group at consolidation level.
- In December 2014, Global Dominion Participaçoes Ltda increased its share capital by approximately €15,090 thousand, which was fully subscribed by Global Dominion Access, S.A. and Dominion Instalaçoes e Montagens do Brasil Ltda increased its share capital by €15,090 thousand, which was fully subscribed by Dominion Participaçoes Ltda.
- At 6 November 2014 and after the merger carried out without any effect for the Group in June 2014 between Russian companies CIE Avtocom LLC (transferor) and CIE Avtocom Kaluga LLC (transferee), the Group, through its subsidiary CIE Automotive Nuevos Mercados, S.L. proceed to sell its 50% stake in CIE Avtocom Kaluga, LLC for a value of €1 as well as to resign the collection of the hanging credits with the company. This operation has supposed to the Group a loss of €1,359 thousand. With this transaction, the joint venture constituted by CIE Automotive Group and the Russian companies SAM LTD LLC and JSC KZAE is considered extinguished. .
- Finally, in December 2014, as mentioned above, the process of merger and integration of the companies related to the strategic alliance with the Mahindra Group has been completed (Note 1).

Exercise 2013

The movements during 2013 in direct holdings in the Company were as follows:

- In December 2013, previously to the two increases in capital carried out by the Company at 19 December 2013 in Global Dominion Access, S.A., the latter acquired by two purchase operations of 3,731 and 7,587 treasury shares respectively, which, added to the existing 4,188 shares from previous years, total 15,506 shares at the year end and represent 2.077% of the share capital at that date.
- Regarding the double capital increase at December 19, the Company disbursed a total amount of €60 million through the subscription of 373,312 new shares, of which €4,485 thousand corresponded to par value and €55,515 thousand to share premium. After these operations, its ownership percentage increased from 84.95% to 92.47% (94.43% discounting the effect of treasury shares).

The movements during 2013 in indirect holdings in the Company were as follows:

- CIE Hispamoldes Plastiques, S.A.R.L. D'AU, a Moroccan company, was formed on 9 January 2013 with a share capital of 100 thousand dirham (€10 thousand) held entirely by the Group through the company CIE Automotive Hispamoldes, S.A.
- Creation, through the Company's interest in CIE Bérriz, S.L., of a joint venture in the Czech Republic with the Antolin Irausa Group, named "Antolín-CIE Czech Republic, s.r.o.".
- Incorporation of the company Participaciones Internacionales Autometal Dos, S.L., with share capital of €112,330 thousand, wholly-owned by the company Participaciones Internacionales Autometal, S.L.U., which was formed in 2012 and is in turn a subsidiary of the Group's Brazilian subsidiary Autometal, S.A. Subsequently, a capital increase was carried out, subscribed by Participaciones Internacionales Autometal, S.L.U. (€42,070 thousand) and CIE Bérriz, S.L. (€60,000 thousand).
- On 6 May 2013, the Group made a capital contribution of USD302 thousand, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., representing 30% of the share capital of the Mexican company Gescrap Autometal México, S.A. de C.V.
- Incorporation of the company Participaciones Internacionales Autometal Tres, S.L., wholly owned by the Group company Participaciones Internacionales Autometal Dos, S.L., which is in turn owned by CIE Bérriz, S.L. and by Participaciones Internacionales Autometal, S.A.U. Subsequently, on 11 June 2013, capital was increased by €60 million, fully subscribed by Participaciones Internacionales Autometal Dos, S.L.
- The Group company CIE Galfor, S.A.U. acquired the company CIE Legazpi, S.A.U., which was owned by the Company through the subsidiary CIE Bérriz, S.L., and the company UAB CIE LT Forge, wholly owned by CIE Automotive Nuevos Mercados, S.L.
- On 12 June 2013, under the scope of the strategic agreement with the Mahindra Group (Note 1), the Company's subsidiary CIE Bérriz, S.L. signed, together with Participaciones Internacionales Autometal Tres, S.L., a purchase agreement encompassing 100%

(Thousand euro)

of the shares of CIE Galfor S.A.U., a company which in turn owns 100% of the shares of CIE Legazpi S.A.U. and UAB CIE LT Forge. In the wake of this transaction, and by virtue of CIE Automotive Group's effective shareholdings in these companies, subsidiaries of the listed Brazilian subsidiary, Autometal, S.A., which is 74.76% owned by CIE Automotive Group, the latter ended up with an 81.82% shareholding in the Galfor subgroup.

- On 1 July 2013, the Group split off the chroming operating unit then part of Brazilian company Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (SBC1), wholly-owned by the Group subsidiary Autometal, S.A., incorporating a new company, also domiciled in Brazil, called Autocromo Cromação de Plásticos, Ltda. (SBC2), a wholly-owned subsidiary of SBC1.
- Merger of the companies Alcasting Legutiano S.L.U. (transferee) and Tarabusi S.A.U. (transferor), both subsidiaries of CIE Bérriz, S.L.
- Incorporation of the Russian company CIE Automotive RUS, LLC by the subsidiary CIE Automotive Nuevos Mercados, S.L.
- Sale by the subsidiary CIE Automotive Nuevos Mercados, S.L. of all the shares held by the Russian company Doga Avtokom CIE LLC (DAC, LLC).
- In October, Participaciones Internacionales Autometal Dos, S.L., owned by the Company through its shareholding in CIE Bérriz, S.L., acquired 79.16% of Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Limited), 61.74% of Mahindra Composites Limited and 64.96% of Mahindra Hinoday Industries Limited. (Note 1).
- Incorporation of the company Visual Line, S.L. by Global Dominion Access, S.A., directly owned by the Company, with a share capital of €3,100. Additionally, in August 2013, Dominion Instalaciones y Montajes S.A.U. acquired 50% of Dominion Networks, S.L., resulting in a 100% interest in the same.
- With effect as from 1 January 2013, Dominion Instalaciones y Montajes, S.A. (DIMSA), owned by Global Dominion Access, S.A., segregated its telecommunications services area to its wholly- owned subsidiaries Dominion Networks, S.L. and Dominion Centro de Gestión Personalizada, S.L., comprising the deployment of resources for the customers Telefónica and "Vendors", and the centralized monitoring and control of customers' telecommunications networks, respectively.
- On 20 December 2013, Global Dominion Access, S.A. subscribed a capital increase in Beroa Thermal Energy, S.L. in the amount of €10,000 thousand to acquire a 22.72% interest.

The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at 31 December 2013 and 2014, are as follows:

Company	Share capital	Reserves and shares	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 19)
2013:					
CIE Bérriz, S.L. (Vizcaya)	60,101	204,228	77,597	251,874	31,701
CIE Automotive Nuevos Mercados, S.L. (Vizcaya)	45,099	5,154	9,923	12,161	-
RS Automotive, B.V. (Netherlands)	18	5,303	-	2,107	-
Global Dominion Access, S.A. (Vizcaya)	8,971	58,228	6,486	60,000	-
Autokomp Ingeniería, S.A.U. (Vizcaya)	180	36	(3)	218	76
				326,360	31,777
2014:					
CIE Bérriz, S.L. (Vizcaya)	60,101	241,825	27,032	251,874	40,000
CIE Automotive Nuevos Mercados, S.L. (Vizcaya)	45,099	15,077	4,642	12,161	-
RS Automotive, B.V. (Netherlands)	18	5,303	-	23,733	-
Global Dominion Access, S.A. (Vizcaya)	13,177	119,934	3,001	60,000	-
Autokomp Ingeniería, S.A.U. (Vizcaya)	180	33	(30)	218	-
				347,986	40,000

(Thousand euro)

b) Loans to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. They accrue interest at market rates benchmarked to Euribor. Cancellation of the loans must be notified by the parties with one year's notice, which is why €786,251 thousand is recognized as non-current loans at the 2014 year end (2013: €414,657 thousand) (Note 11). Also, under this long-term heading in 2013 an amount of 11.9 million euros with Global Dominion Access, S.A. was included, in respect to the participating loan granted in 2010 with maturity in 2015. At 31 December 2014, the Group classifies this loan under the long-term heading because the Group intends to convert this loan in current account in the same conditions as the current accounts that maintains with the rest of the Group companies.

These receivable balances and those payable (Note 16) arise mainly from the Company's role as a financing center for Group companies.

The opening balance of current loans to group companies includes the interest due on these credit accounts as well as income tax due from CIE Automotive Group companies under the consolidated tax regime in an aggregate amount of €26,294 thousand (2013: €26,290 thousand).

The detail of the non-current credits to other group companies at 31 December 2014 is as follows:

	31.12.14	31.12.13
Alcasting Legutiano, S.L.U.	9,823	-
Biosur Transformación, S.L.U.	2,325	1,847
CIE Bérriz, S.L.	660,931	323,121
CIE Mecauto, S.A.U.	10,395	10,944
CIE Compiegne, S.A.S	2,012	-
Grupo Componentes Vilanova, S.L.	5,504	17,416
Global Domion Access, S.A.	58,594	32,069
Transformaciones Metalúrgicas Norma, S.A.	4,851	-
Vía Operador Petrolífero, S.L.U.	26,761	14,173
Other (less than €10 million balances)	5,055	15,087
	786,251	414,657

c) Movements in investments in CIE Automotive Group companies

The movements in 2013 are summarized below:

	Balance at 31/12/2012	Additions	Balance at 31/12/2013
Investments in group companies and jointly- controlled entities			
CIE Bérriz, S.L.	251,874	-	251,874
RS Automotive, B.V.	2,107	-	2,107
CIE Automotive Nuevos Mercados, S.L.	12,161	-	12,161
Global Dominion Access, S.A.	-	60,000	60,000
Autokomp Ingeniería, S.A.U.	218	-	218
	266,360	60,000	326,360

The movements in 2014 are summarized below:

	Balance at 31/12/2013	Additions	Balance at 31/12/2014
Investments in group companies and jointly-controlled entities			
CIE Bérriz, S.L.	251,874	-	251,874
RS Automotive, B.V.	2,107	21,626	23,733
CIE Automotive Nuevos Mercados, S.L.	12,161	-	12,161
Global Dominion Access, S.A.	60,000	-	60,000
Autokomp Ingeniería, S.A.U.	218	-	218
	326,360	21,626	347,986

(Thousand euro)

The Company does not maintain provisions for the impairments in their investments at December 31, 2014.

9. Loans and receivables

	2014	2013
Current loans and receivables		
- Receivables from group companies	666	3,511
- Other receivables	24	40
	690	3,551

The balances recognized as receivable from CIE Automotive Group companies under Loans and receivables reflect balances due from certain foreign subsidiaries that do not have a credit account with the parent for corporate expense invoicing purposes.

The carrying amounts of loans and receivables approximate their fair value as they are due in the short term.

The credit risk on trade and other accounts receivable is managed by classifying each of the Company's customers by their credit risk.

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at 31 December 2014 and 2013. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

The accounts included in "Loans and receivables" have not been impaired.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Company does not maintain any guarantee as insurance.

10. Derivative financial instruments

	Assets	
	2014	2013
Equity swap:		
- Non cash-flow hedges	180	-
	180	-

	Liabilities	
	2014	2013
Interest rate swaps:		
- Non cash-flow hedges	586	-
- Cash-flow hedges	2,864	570
	3,450	570

The non-effective part, recognized in the income statement originated from cash-flow hedges, is a loss of €406 thousand (Note 21).

Having been tested for effectiveness, all of the Company's hedging derivatives were considered effective at 31 December 2013 and 2014 (Note 21).

(Thousand euro)

At 6 August 2014, the Company has arranged a derivative related to the share market price of CIE Automotive. The underlying of the operation with 1.25 million shares, with a starting value of €11.121 per share. This instrument is classified as non-hedge.

Interest rate swaps (from variable to fixed)

The notional amounts of the outstanding interest rate swap contracts at 31 December 2014 totaled €180 million (2013 year end: €35 million). The part of the balance was designated as a hedging instrument.

In 2014 fixed interest rates vary between 2.06% and 4.48% (2013: 3.12% and 4.48%) and the main reference variable rate is the EURIBOR.

11. Cash and cash equivalents

	2014	2013
Cash	1,555	10,448
Cash equivalents	11,767	11,808
	13,322	22,256

Short-term bank deposits correspond to specifically investments of cash surplus, maturing in less than 3 months or with immediate availability.

These short-term deposits earned interest at rates of between 0% and 1.1% in 2014 (2013: 0.747 % - 2.3 %).

12. Share capital and premium

a) Share capital

In 2013, the General Shareholders' Meeting resolved to increase share capital by €1,205,011.50 by issuing and circulating 4,820,046 ordinary shares with a par value of €0.25 each, with a share premium of €5.75 per share; the capital increase was paid up at 4 October 2013, the date of the public deed, through cash contributions. The pre-emptive subscription right was not applied to this share issue in order to allow Mahindra & Mahindra, Ltd. to become a shareholder of CIE Automotive, S.A. (Note 1).

In 2014, an agreement has been reached to carry out a capital increase through an accelerated private placement operation excluding pre-emptive rights of up to 10,179,954 new shares representing 7.89% of the Company's total share capital after the increase. Once the process of ascertaining demand was completed the total capital increase amounted to €93,248,378.64, of which €2,544,988.50 related to the par value of the shares and €90,703,390.14 related to the share premium. The issue price of the newly issued ordinary shares was €9.16, of which €0.25 relates to the par value and €8.91 to the share premium. On 6 June 2014 the capital increase deed was entered in the Vizcaya Mercantile Register. On 10 June 2014 the governing bodies of the Spanish stock exchanges agreed to their admission the trading and on 11 June 2014 contracting of the new shares has been effective.

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2014 is represented by 129,000,000 fully paid ordinary bearer shares with a par value of €0.25 each, all listed on the Spanish Stock Exchange (2013 year end: 118,820,046 ordinary shares with a unit par value of €0.25). The companies that, after the direct or indirect allocation of shares as a result of the merger, hold an interest exceeding 10% are as follows:

	% interest	
	2014	2013
Corporación Gestamp, S.L.	(*) 22.909%	(*) 24.871%
Mahindra & Mahindra, Ltd	(**) 12.435%	13.500%
Elidoza Promoción de Empresas, S.L.	9.602%	10.424%

(*) 9.808% directly and the remaining 13.101% indirectly through Risteel Corpotation, B.V. (2013: 10.648% directly and the remaining 14.223% indirectly through Risteel Corporation, B.V.)

(**) Indirectly through Mahindra Overseas Investment Company Mauritius Limited.

(Thousand euro)

The share price of CIE Automotive, S.A. listed in the Madrid Stock Exchange was €11.265 at 31 December 2014.

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

At 31 December 2013 and 2014, the parent company has no treasury shares and nor are there any movements on treasury shares in 2014.

The movements in treasury shares in 2013 are summarized below:

	2013	
	Number of shares	Amount
Opening balance	10,164,617	53,230
Acquisitions	1,056,043	6,079
Disposals	(11,220,660)	(59,309)
Closing balance	-	-

Over the year 2013 and up to 4 October, the Company acquired a total of 1,056,043 shares (0.926% of total voting rights existing prior to the capital increase undertaken with effect from 4 October 2013) and sold to the Mahindra Group all the 11,220,660 shares (9.843% of the aforementioned total voting rights) held as treasury stock at the time. As a result, since 4 October 2013 CIE Automotive, S.A. holds no treasury shares.

Similarly, the mandate conferred by the General Shareholders' Meeting of 30 April 2014 is in effect until 30 April 2019, whereby the Company's General Meeting is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A., through any legal means, including acquisition with a change to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with Article 146 et seq. of the Spanish Companies Act 2010.

13. Reserves and retained earnings

a) Reserves

	2014	2013
Legal and statutory reserves:		
- Legal reserve	5,941	5,700
	5,941	5,700
Other reserves:		
- Voluntary reserves	136,482	124,156
- Merger reserve (Notes 1 and 8)	66,303	66,303
	202,785	190,459
	208,726	**196,159**

Legal reserve

According to Spain's Corporate Enterprises Act., the 10% of profits must be endowed to the legal reserve until it reaches at least 20% of the share capital. At 31 December 2013, after the capital increase carried out in 2013, the legal reserve did not reach the minimum limit. The distribution of profit of 2013 included the addition of 10% of profits to reach the minimum of the legal reserve. At 31 December 2014, after the capital increase carried out in 2014, the legal reserve does not reach the limit again.

The legal reserve will be able to increase the share capital on the part that exceeds the 10% of the increased capital.

Except for the aforementioned purpose, and while not exceeding 20% of the share capital, the legal reserve can only be used to offset losses, in the event of no other reserves being available.

(Thousand euro)

Merger reserve

The amount of merger reserve contains the equity effect on CIE Automotive S.A. of the merger agreement between the Company and INSSEC in 2011 and the equity effect of the merger among CIE Bérriz, S.L, CIE Inversiones e Inmuebles, S.L.U. and CIE Automotive Bioenergía, S.L.U. in 2012.

The merger reserve is available for distribution.

14. Profit /(loss) for year

a) Proposed distribution of profit

The proposed distribution of 2014 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 30 April 2014 in respect of 2013 profit is shown below:

	2014	2013
Available for distribution		
Profit for the period	48,978	37,110
	48,978	37,110
Distribution:		
Interim dividend	12,900	10,694
Final dividend	12,900	11,610
Legal reserve	509	241
Voluntary reserves	22,669	14,565
	48,978	37,110

b) Dividends paid

At 17 December 2014, the Board of Directors approved the payment of an interim dividend from 2014 profit of €0.1 per share, implying a total of €12,900 thousand. The payment was made on 5 January 2015.

The amount to distribute did not exceed the profit obtained since the last financial year, deducing tax estimation, according to article 227 of Spain's Corporate Enterprises Act.

The provisional accounting statement of 30 November 2014 which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows:

Provisional cash-flow statement	Amount
Profit forecast:	
- Available net profit of year 2014	44,681
To deduct:	
- Legal reserve	-
Maximum amount to distribute	44,681
Amount distribution proposal	(12,900)
Treasury forecast for one year	89,000
Treasury forecast before dividend payment	56,802
Interim dividend	(12,900)

At 30 April 2014, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2013 profit (individual) as well as the distribution of a final dividend of €0.09 (gross) per share carrying dividend rights, amounting to a total payment of €11,610 thousand. The payment was made on 3 July 2014.

(Thousand euro)

At 16 December 2013, the Board of Directors approved the payment of an interim dividend from 2013 profit of €0.09 per share, carrying dividend rights amounting to a total of €10,694 thousand. The payment was made on 3 January 2014.

These amounts to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to Article 227 of the Spanish Companies Act 2010. Similarly, the provisional accounting statement was prepared in accordance with legal requirements and which evidenced the existence of sufficient liquidity to complete the payout of the aforementioned dividend.

At 30 April 2013, the parent company's shareholders in general meeting approved the motion for the distribution of 2012 profit (individual) as well as the distribution of a final dividend against 2012 profit of €0.09 per share carrying dividend rights, amounting to a total payment of €9,277 thousand. The payment was made on 3 July 2013.

At 19 December 2012, the Board of Directors approved the payment of an interim dividend from 2012 profit of €0.09 per share, amounting to a total of €9,345 thousand. The payment was made on 3 January 2013.

15. Grants, donations and bequests received

a) Analysis by category

Set out below is a breakdown by category of grants, donations and bequests received:

	2014	2013
Pre-tax amount		
Capital grants	21	91
Tax effect	(6)	(26)
After-tax amount	15	65

b) Movements during the year

The reconciliation of the before-tax amounts at the beginning and end of 2014 and 2013 is as follows:

	2014	2013
Opening balance	91	192
Taken to income	(70)	(101)
Closing balance	21	91

c) Capital grants

The breakdown of non-repayable capital grants is as follows:

Awarding body	Total amount of the grant	Purpose	Grant date
Basque regional government	1,471	Investments in fixed assets	2003-2009

These grants have been awarded to fund investments in computer applications. All the conditions attaching to the grants have been met by the Company.

(Thousand euro)

16. Debts and payables

	2014	2013
Non-current debts and payables		
- Bank borrowings (Note 16.a))	525,430	223,815
- Credit account drawdowns (Note 16.a))	16,535	33,444
CIE Automotive Group companies and associates, non-current (Note 16.b))	154,976	134,571
Other non-current payables		
- Other non-current payables	20,776	156
	717,717	391,986
Current debts and payables		
- Bank borrowings (current portion of non-current borrowings) (Note 16.a))	24,812	97,663
- Credit account drawndown(Note 16.a))	41,312	32,937
- Payables to CIE Automotive Group companies (Note 16.b))	23,227	25,169
- Trade payables	2,940	1,192
- Fixed asset	90	149
- Sundry payables	402	1,469
- Accrued wages and salaries	3,499	2,594
- Dividend payable (Note 14)	12,900	10,694
	109,182	171,867

a) Bank loans and credit facilities

The exposure to interest rate changes deriving from long term bank borrowings is as follows:

	Balance at 31 December	At 1 year	At 5 years
At 31 December 2013			
Total borrowings	387,859	257,259	-
Effect of interest rate swaps (Note 10)	(35,000)	(35,000)	-
Exposure	352,859	222,259	-
At 31 December 2014			
Total borrowings	608,089	541,965	-
Effect of interest rate swaps (Note 10)	(180,000)	(180,000)	-
Exposure	428,089	361,965	-

Non-current borrowings mature as follows:

	2014	2013
Between 1 and 2 years	75,401	135,688
Between 3 and 5 years	466,564	121,571
Over 5 years	-	-
	541,965	257,259

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest that ranged between 2.5% and 3.5% in 2014 (2013: 5% - 6%).

(Thousand euro)

The Company has the following undrawn credit lines:

	2014	2013
Maturing within one year	15,620	29,441
Maturing in more than one year	24,802	43,135
	40,422	72,576

The carrying amounts of non-current borrowings approximate their fair value.

The carrying amounts of current borrowings approximate their fair value as the effect of discounting is not significant.

The carrying amounts of the Company's borrowings are all denominated in euro.

In 2014 the Company repaid €304,462 thousand under these financing agreements (2013: €163,400 thousand) and raised new funding in the amount of €522,721 thousand (2013: €75,724 thousand).

At 28 July 2014, CIE Automotive, S.A. signed a new financing arrangement with a syndicate of six financial institutions for €450 million. The financing, which is structured in two tranches (a term loan of €350 million and a revolving credit of €100 million), aims to:

- Voluntary repayment of the syndicated loan arranged in 2011, which balance at 31 December 2013 was € 242.5 million.
- The partial financing of the corporate operations connected with the delisting of trading of the Brazilian subsidiary Autometal S.A. (takeover bid (Note 1) and cancellation of the issue of debentures).
- The financing of parent company's general business and investment needs.

The amortization period of this new financing arrangement stands at 5 years, with an average term of 4.7 years. This improves the average term of the Group´s financing and also improves the economic terms and conditions of the syndicated financing in effect. The balance at 31 December 2014 amounted to €450 million and the interest date is bench marked to Euribor plus a variable spread based on the Net Financing Debt/EBITDA ratio.

At 23 June 2014, the Company entered into a financing contract with the European Investment Bank for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2014, the drawndown balance amounts to €45 million.

In addition, other borrowings are subject to compliance with certain ratios that are customary in the market for these types of contracts. At 31 December 2014 and 2013, there was no risk of non-compliance with these covenants.

The interest rates on the aforementioned financing arrangements are benchmarked to Euribor plus a variable spread based on the Net Financial Debt/EBITDA ratio.

b) Payables to CIE Automotive Group companies

The payables with CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. They accrue interest at market rates benchmarked to Euribor. The cancellation must be notified between the parts with a year of anticipation, for that reason are registered as non-current debts, €154,976 thousand (€134,571 thousand at 31 December 2013).

These payable balances, as well as the receivable balance to receive (Note 8), arise principally from the action of the Company as financing management center for the Group companies.

The breakdown of non-current payables to CIE Automotive Group Companies, at 31 December 2014, is as follows:

(Thousand euro)

	31.12.14	31.12.13
Bionor Transformación, S.A.U.	(5,606)	-
CIE Automotive Nuevos Mercados, S.L.	(17,921)	(23,846)
CIE Udalbide, S.A.U.	(3,285)	-
Egaña 2, S.L	(5,608)	(6,970)
Gameko Fabricación de Componentes, S.A.	(26,472)	(18,000)
CIE Galfor, S.A.U	(29,283)	-
Inyectametal, S.A.	(12,241)	(5,815)
Mecanizaciones del Sur-Mecasur, S.A.	(3,975)	-
Nova Recyd, S.A.U.	(5,496)	-
Orbelán Plásticos, S.A.	(5,387)	(6,090)
Plasfil Plásticos de Figueira, S.A.	(815)	(9,240)
CIE Praga Louny, a.s.	(5,089)	-
Recyde, S.A.U.	(10,415)	(11,964)
CIE Zdanice, s.r.o	(8,226)	-
Other less significant balances	(15,157)	(52,646)
	(154,976)	(134,571)

The balance included in the epigraph debts with group companies in the short term includes the interests of the credit accounts and debts with subsidiaries of the group CIE Automotive associated with the liquidation of the tax of companies in regime of fiscal consolidation for amount of €23,227 thousand (2013: €25,169 thousand).

Additionally, the short-term balances include at 31 December 2014 a loan granted by CIE Automotive Nuevos Mercados, S.L. in previous years with maturity in 2015 amounting to €20,000 thousand (2013: €20,000 thousand).

c) Other long-term debts

In the long-term debts heading is gathered at 31 December 2014 the current value of debt pending of payment by the acquisition of the participation in RS Automotive, B.V. in 2014 (Note 8) for amount of €10,620 thousand.

Additionally, it includes €10 million loan granted to financing investment projects received of a public entity in 2014 to amortize in semi-annual quotas and whose first maturity is in 2016. The loan bears an interest rate bench marked to Euribor plus a margin of market.

The breakdown of trade payables settled during the year and those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 is as follows:

	Payments made and payments outstanding at the balance sheet date			
	2014		2013	
	Thousand euro	%	Thousand euro	%
Payments made during the year within the maximum legal limit	10,826	95%	8,578	99%
Other	581	5	115	1%
Total payments during the year	11,407	100%	8,693	100%
Average period by which payments were past due (days)	78		66	
Balance pending payment at the year-end that exceeds the maximum legal limit	9		2	

Related to the duty to inform required by Law 31/ 2014, by modifying of the Law 15/ 2010, the average medium period to suppliers is 49 days.

(Thousand euro)

17. Provisions

Provisions relate to commitments assumed in respect of obligations to employees.

	2014	2013
Non-current provisions	5,696	2,717
Current provisions	967	795
	6,663	3,512

Non-current provisions include the Company's estimate of the year-end amounts of multi-year bonuses payable to its employees at date plus the annual estimated amount of the liabilities established in the additional incentive agreed in 2014 (Note 26.e).

18. Deferred taxes

The analysis of deferred taxes is as follows:

	2014	2013
Deferred tax assets:		
- Deductible temporary differences	3,148	1,802
- Tax credits (capital expenditure)	16,582	16,928
	19,730	18,730
Deferred tax liabilities:		
- Taxable temporary differences	6	25
	6	25
Net deferred tax assets/(liabilities)	19,724	18,705

The deductible temporary differences derive from the year-end fair value of the Company's cash flow hedges and the different timing of expense recognition for accounting and tax purposes, among other factors. These differences will revert when the hedging instruments are settled and when the aforementioned expenses become deductible for tax purposes.

The net movement in the deferred income tax account in 2014 and 2013 is as follows:

	2014	2013
Opening balance	18,705	18,470
(Charged)/credited to the income statement (Note 20)	357	255
Tax recognized directly in equity	662	(4)
Other changes	-	(16)
Closing balance	19,724	18,705

The movements in deferred tax assets and liabilities in 2014 and 2013 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
Balance at 31 December 2012	158	2,693	15,673	18,524
(Charged)/credited to the income statement	-	(1,000)	1,255	255
(Charged)/credited directly to equity	(33)	-	-	(33)
Transfers and reclassifications	-	(16)	-	(16)
Balance at 31 December 2013	125	1,677	16,928	18,730
(Charged)/credited to the income statement	-	703	(346)	357
(Charged)/credited to equity	643	-	-	643
Balance at 31 December 2014	768	2,380	16,582	19,730

(Thousand euro)

Deferred tax liabilities	Grants	Total
Balance at 31 December 2012	54	54
Charged/(credited) to equity	(29)	(29)
Balance at 31 December 2013	25	25
Charged/(credited) to equity	(19)	(19)
Balance at 31 December 2014	6	6

Deferred taxes charged to equity in 2014 and 2013 are as follows:

	2014	2013
Cash flow hedges	643	(33)
Grants	19	29
	662	(4)

Deferred tax assets are recognized for tax-loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

At 31 December 2014 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is the parent (Note 3.11):

Year generated	Amount
2007	17,814
2009	14,417
2010	10,658
2011	3,969
2012	18,721
2013	21,406
	86,985

The tax-loss carryforwards are allocated to each of the companies that generated them for the purposes of possible recognition as deferred tax assets. A total of €8,796 thousand of the tax-loss carryforwards pertains to CIE Automotive, S.A.

At 31 December 2014 the following individual unused tax losses were pending of offset (deriving from the absorption of Instituto Sectorial de Promoción y Gestión de Empresas, S.A.):

Year generated	Amount
2007	4,245
2009	2,844
2010	3,368
	10,457

In addition, the amounts and years of generation of individual tax credits (deriving from various items and including those recognized as tax assets) pending of offset are as follows:

(Thousand euro)

Year generated	Amount
1996	134
1997	86
1998	102
1999	83
2000	2,660
2001	238
2002	34
2003	45
2004	323
2005	30
2006	9,723
2007	2,595
2008	1,829
2009	586
2010	92
2011	118
2012	118
2013	241
2014	265
	19,302

From the previous amount, a total of €7,617 thousand of the tax credits derives from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A.

The applicable tax legislation to tax periods commencing as from 1 January 2014 imposes a 15-year time limit on tax credits and tax-loss carryforwards generated, also stipulating that the 15-year period commences as from 1 January 2014 for tax credits and tax-loss carryforwards existing prior to that date.

19. Income and expense

a) Revenue

Revenue breaks down as follows:

	2014	2013
Rendering of corporate services	29,693	30,695
Dividend income (Note 8.a))	40,000	31,777
Interest on loans	22,371	22,025
	92,064	84,497

a.1) Rendering of corporate services

The geographic breakdown of revenue from the core business of rendering corporate services to CIE Automotive Group companies (Note 1 and Appendix I), totaling €29,693 thousand (2013: €30,695 thousand), based on the locations of the receiving companies, is as follows:

	%	
Market	2014	2013
Spain	52	54
Americas	15	16
Other	33	30
	100	100

(Thousand euro)

a.2) Dividends received from CIE Automotive Group companies

In 2014, the Annual Meeting of shareholders of the subsidiary CIE Bérriz, S.L. held on 24 June 2014 approved the distribution of dividends out of 2013 profits in the amount of €40,000 thousand. These dividends were collected by the Company in 2014.

In 2013, the Annual Meetings of shareholders of the subsidiary CIE Bérriz, S.L. held on 3 June 2013 and 16 December 2013 approved the distribution of dividends out of 2012 profits in the amount of €16,431 thousand and out of reserves in the amount of €15,000 thousand. These dividends were collected by the Company in 2013.

Additionally, on 5 June 2013 the Single Shareholder of the subsidiary Autokomp Ingeniería, S.A.U. approved the distribution of a dividend of €76 thousand charged to reserves. This dividend was collected by the Company in 2013.

In addition, in 2013, the Company recognized the value of the payment in shares of the listed Brazilian subsidiary to employees of CIE Automotive in the amount of €270 thousand (Note 3.12.c)) as dividend income.

a.3) Interest income on loans to CIE Automotive Group companies

At 31 December 2014 the Company accrued interest income on loans to CIE Automotive Group companies in the amount of €22,371 thousand (2013: €22,025 thousand).

b) Other operating income

The breakdown of this heading is as follows:

	2014	2013
Operating grants	18	16
Income from sundry services	191	275
Other income (*)	100	3,650
	309	3,941

(*) At 31 December 2013 this item included the application of provisions.

c) Employee benefit expense

	2014	2013
Wages and salaries	7,985	7,054
Share-based payments	1,735	270
Termination benefits	472	429
Social security costs		
- Social security	608	754
	10,800	8,507

The average number of employees by category during the year was as follows:

	Headcount	
	2014	2013
Executives	6	6
University graduates and specialists	47	62
	53	68

The gender distribution of the Company's personnel and Board members at the year-end is as follows:

	2014			2013		
	Women	Men	Total	Women	Men	Total
Directors	2	11	13	2	12	14
Executives	-	4	4	-	5	5
University graduates and specialists	24	23	47	26	35	61
	26	38	64	28	52	80

Share-based payments:

Autometal, S.A. - Brazil

In 2013, CIE Automotive Group had two payment schemes based on the shares of its listed Brazilian subsidiary Autometal, S.A. that can be settled in shares or cash, at CIE Automotive Group's decision. The schemes were approved by the subsidiary's shareholders at an Extraordinary General Meeting and executed by its Board of Directors. As resolved by the subsidiary's shareholders, the potential beneficiaries include the directors, employees and service providers of the subsidiary itself and of other CIE Automotive Group companies. Under the plans, the entity receives services from the beneficiaries in exchange for equity instruments of

CIE Automotive Group. The fair value of the services rendered by the beneficiaries, in exchange for future shares, is recognized as a cost for the services rendered (employee benefit expense). The total amount to be recognized is calculated by reference to the fair value of the shares to be delivered and estimates regarding the beneficiaries' continued association with CIE Automotive Group at the time the plans are settled. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the entity reviews the basic assumptions underpinning the estimated amount of compensation payable, essentially the expectation that each beneficiary will remain in the Group's service at the settlement date. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The reference share price used to determine the consideration payable is BRL14, the price at which the shares of Autometal, S.A. were listed on the stock market on 7 February 2011. The number of shares to be delivered to each beneficiary (and therefore the total number of shares covered by the plan) will be determined bearing in mind the number of rights attributed to each beneficiary, the average share price during the period between 1 April 2015 and 30 June 2015 and the share price on 29 June 2015 (on the Sao Paolo Stock Exchange-Bovespa or equivalent index). The date for calculating the compensation and the delivery of the equivalent shares (expiry date) is 30 June 2015, both of which are subject to the beneficiaries remaining with CIE Automotive Group at that date.

The weighted average fair value of the rights (or implicit options) granted in 2012, determined using the Black-Scholes valuation model, was BRL 4.9544 per option (2011: BRL4.0461). The most significant inputs into the model were the share price on the grant date, the exercise price shown above, volatility, the expected dividend yield, an expected option life of five years and an annual risk-free annual interest rate.

In October 2014 and after the successful completion in September 2014 of the formalities relating to the public share offering to stop trading on the Novo Mercado de BM&FBovespa S.A. - Bolsa de Valores, Mercadorias e Futuros (Note 1), the two share-based payment plans involving the Brazilian subsidiary Autometal, S.A. were settled in cash. The total number of rights granted was €6,029 thousand (2013: €2,984 thousand).

Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Ltd.) and Mahindra Composites Ltd. - India

CIE Automotive Group, through the companies acquired in 2013 (Note 1), has a number of remuneration plans based on shares in its subsidiaries Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Ltd.) and Mahindra Composites Ltd., authorised by the subsidiaries' management committees and complying with the general guidelines established in 2009 by the Securities and Exchange Board of India (Indian Stock Exchange). In accordance with the various remuneration plans, beneficiaries can be employees and management of the company itself, its subsidiaries and/or its parent company who are eligible and fulfil plan eligibility criteria.

The options granted by Mahindra Forgings Ltd. are also divided into three tranches:

- Up to 400,000 options that will be exercised at a fixed exercise price of INR83;
- Up to 750,000 options that will be exercised at a fixed exercise price of INR197; and
- Other options will be exercised at a price equal to the market price of the stock less a discount of not more than 15% of the average share price on the grant date. The final exercise price will be determined by the management committee based on factors prevailing at the grant date, on the trend followed by the company's shares on the Bombay Stock Exchange and on other factors related to the employees' performance. The options vest in tranches determined by the company's remuneration committee,

subject to completion of a one-year vesting period. Once they are vested, the options may be exercised as from the vesting date for a maximum period of five years.

The exercise price of the options granted by the company Mahindra Composites Ltd. is equal to the market price of the stock less a discount of not more than 15% of the average share price on the grant date. The final exercise price will be determined by the management committee based on factors prevailing at the grant date, on the trend followed by the company's shares in the Bombay Stock Exchange and on other factors related to the employees' performance. The options are divided into three equal tranches, each tranche being conditional on the employees completing 12 months, 24 months and 36 months of service (vesting period). The options may be exercised as from the vesting date for a maximum period of five years.

In December 2014, due to the merger between Mahindra CIE Automotive, Ltd and Mahindra Composites Ltd. (Note 1), Mahindra Composites, Ltd. existing stock option plans have been replaced by new plans of the absorbent company, Mahindra CIE Automotive, Ltd. The replacement of the stock option plans has been based on an exchange ratio based on the intrinsic value of the plans bearing in mind the number of options granted and not exercised (0.9 options on Mahindra CIE Automotive, Ltd. for every Mahindra Composites Ltd. option) and the new striking price (52.67 rupees). The adjustment in equity for replaced stock option plans has ascended to 34 thousands of Euros.

On the other hand, in the context of the strategic alliance with the Mahindra Group (Note 1), one of the companies merged to Mahindra CIE Automotive Ltd. that has been integrated to the Group during this exercise, Mahindra Ugine Steel Company, Ltd., had also two stock option plans. As in previous case, those plans have been replaced by new plans of the absorbent company, Mahindra CIE Automotive, Ltd. The replacement of the plans has been based on an exchange ratio based on the intrinsic value of the plans bearing in mind the number of options granted and not exercised (2.84 options of Mahindra CIE Automotive Ltd. for every Mahindra Ugine Steel Company, Ltd. option) and the new striking price (34.86 and 25.71 rupees for in every plan respectively). The effect of the replacement in the context of the business combination, has been assessed as modification of the payments based on actions of the entity acquired so that the excess in the value of replacement over the value of the plans replaced, has been registered as personnel expense at Group level in the amount of 413 thousand of Euros.

Movements in the number of stock options issued and related fair values at the grant date, from 1 October 2013 to 2013 year-end and during 2014, are set out below for the subsidiaries Mahindra Forgings Ltd. and Mahindra Composites Ltd:

	Fair value (thousand euro)	No. of options (Thousand)
At 1 October 2013	1,925	3,465
Forfeited	(307)	(528)
Value of employee services	100	
Exercised	(36)	(87)
Exchange differences	(9)	
At 31 December 2013	**1,673**	**2,850**
Granted	-	
Forfeited	(234)	(318)
Value of employee services	1,186	-
Exercised	(692)	(1,199)
Replacement effect of Mahindra Composites Ltd. Plans	34	(2)
Addition of new plans from merged companies	485	-
At 31 December 2014	**2,452**	**1,538**

At 31 December 2014, of the 2,849,283 options issued, 1,540,548 options could be exercised at 2013 year-end. At 31 December 2014, of 1,538,302 options issued, 492,878 could be exercised at 2014 year-end.

(Thousand euro)

Stock options outstanding at year end have the following expiration dates and exercise prices:

Exercise 2014

Options at year end	Exercise Price per share (*)	Expiration date
151,940	34.86	2015
114,170	25.71 – 197	2016
412,685	83 – 152	2017
34,193	52.67 – 97	2019
617,619	57	2020
207,695	44	2021
1,538,302		

(*) Figures presented in Indian rupees due to being more representative of the option's value.

Exercise 2013

Options at year end	Exercise Price per share (*)	Expiration date
89,250	197	2016
812,415	83 – 152	2017
131,993	47 – 97	2019
1,473,668	57	2020
341,957	44	2021
2,849,283		

(*) Figures presented in Indian rupees due to being more representative of the option's value.

d) Other operating expenses

Other operating expenses break down as follows:

	2014	2013
Travel expenses	855	1,337
Repairs and maintenance	941	939
Business entertainment	72	227
Independent professional services and other services	4,927	1,474
Leases	398	551
Insurance premiums	104	124
Offices (abroad)	478	593
Other	11	12
	7,786	5,257

20. Income tax and tax matters

As mentioned in the section covering measurement standards (Note 3.11), CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries.

As certain transactions are treated differently for income tax purposes with respect to how they are treated in preparing the annual accounts, taxable income for the year differs from accounting profit.

(Thousand euro)

The reconciliation of net income and expenses for the year to taxable income as per the Company's individual tax return is set forth below:

2014

	Income statement			Income and expense recognized directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			48,978			
Income tax			(30)			
Permanent differences	131	(48,296)	(48,165)	-	(1,602)	(1,602)
Temporary differences:						
- originated in current year	3,151	-	3,151			
			3,934			(1,602)
Offset of tax losses			(2,332)			
Taxable income/(tax loss)			-			

2013

	Income statement			Income and expense recognized directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			37,110			
Income tax			(768)			
Permanent differences	268	(8,905)	(8,637)	-	(61)	(61)
Temporary differences:						
- originated in current year	-	-	-			
- originated in prior years		(3,842)	(3,842)			-
			23,863			(61)
Offset of tax losses			-			
Taxable income/(tax loss)			23,802			

Permanent differences relate mainly to incentives included in the tax base under applicable tax legislation and to the elimination of Group dividends. Temporary differences relate to the different allocation methods used to calculate the tax base.

Current income tax is calculated by applying a 28% tax rate to the individual tax base, net of applicable tax consolidation eliminations (Note 3.11), and the effect of double taxation deductions generated by CIE Automotive S.A. and consumed by the Tax Group to €117 thousand. In 2013 the current corporate tax was calculated by applying a 28% tax rate to the individual tax base, net of applicable tax consolidation eliminations (Note 3.11), and the effect of recognizing the deferred tax asset pertaining to group's tax losses, in proportion to its contribution to those losses.

The calculation is itemized in the following table:

	2014	2013
Individual taxable income	-	23,802
Consolidation eliminations (portfolio provisions and dividends)	-	(31,507)
Tax group taxable income	-	(7,705)
Current tax payable	-	(2,157)
Tax losses to be offset of tax group	-	1,031
Deductions consumed by the tax group	(117)	-
Current tax	(117)	(1,126)

(Thousand euro)

The breakdown of income tax expense is as follows:

	2014	2013
Current tax	(117)	(1,126)
Deferred tax (Note 18)	(705)	1,000
Tax credits (reversal) (Note 18)	348	(1,255)
	(474)	(1,381)
Correction of prior-year CIT	179	379
Income tax withholdings (retained abroad)	265	234
	(30)	(768)

No corporate income tax was payable to the Tax Administration in 2014 and 2013 (Note 16).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are 2010, 2011, 2012, 2013 and 2014.

As a result, among other things, of the different interpretations of current tax law, additional liabilities could arise as a result of an inspection. In any event, the Directors consider that any such liabilities that may arise will not have a significant impact on the annual accounts for 2014 or 2013.

The financial obligations from the merger between CIE Automotive, S.A. (acquiring company) and the Instituto Sectorial de Promoción y Gestión de Empresas S.A. (acquired company) were contained in the annual report of 2011, first approved with the accounting effects of the merger (1 January 2011).

The corporate income tax legislation applicable to the parent company in 2014 is that relating to Bizkaia Regional Regulation 11/2013 (5 December). For 2013, legislation applicable is that relating to Bizkaia Regional Regulation 3/1996 (26 June), which has been repealed for tax periods beginning on or after 1 January 2014, without prejudice to the rights of the tax authorities with respect to tax obligations accrued during its term of application.

21. Finance income/expense

	2014	2013
Finance income:		
Marketable securities & other financial instruments		
- Third parties	48	242
	48	242
Finance expense:		
Borrowings from group companies (Note 27)	(5,690)	(6,680)
Third-party borrowings	(17,824)	(14,625)
	(23,514)	(21,305)
Change in fair value of financial instruments:		
Gains/(losses) on available-for-sale financial assets taken to profit or loss	(399)	203
	(399)	203
Net exchange differences	-	60
Change in fair value of assets and liabilities taken to income statement (Note 7.6)	-	(16,369)
Finance income/expense	(23,865)	(37,169)

(Thousand euro)

22. Cash flows from operating activities

	2014	2013
Profit for the year before tax	48,948	36,342
Adjustments for:		
- Depreciation (Notes 5 and 6)	1,044	1,267
- Change in provisions	4,955	(3,389)
- Grants recognized in the income statement (Note 15)	(70)	(101)
- Finance income (Note 21), dividend income and interest income from CIE Automotive Group companies (Note 19)	(62,419)	(54,044)
- Finance expense (Note 21)	23,514	21,305
- Change in fair value of financial instruments (Note 21)	399	(203)
- Change in the fair value of assets and liabilities taken to income statement (Note 21)	-	16,369
	(32,577)	(18,796)
Changes in working capital:		
- Trade and other receivables	1,979	129
- Trade and other payables	(1,098)	(2,362)
- Other current and non–current liabilities	(386)	(7,727)
	495	(9,960)
Other cash flows from operating activities:		
- Interests paid	(26,302)	(22,308)
- Dividends received	40,000	31,537
- Interests received	21,380	22,267
- Income tax received (paid)	199	887
	35,277	32,383
Cash flows from operating activities	52,143	39,969

23. Cash flows from investing activities

	2014	2013
Payments for investments:		
- Group companies and associates	(10,766)	(80,000)
- Intangible assets	(248)	(349)
- Property, plant and equipment (Note 6)	(18)	(418)
- Other financial assets	-	(8,570)
	(11,032)	(89,337)
Proceeds from disposals:		
- Other financial assets	500	6,522
	500	6,522
Cash flows from investing activities	(10,532)	(82,815)

(Thousand euro)

24. Cash flows from financing activities

	2014	2013
Proceeds from and payments for equity instruments:		
- Acquisition of own equity instruments (Note 12)	-	67,290
- Disposal of own equity instruments (Note 12)	-	(6,079)
- Issue of equity instruments	91,646	28,920
	91,646	90,131
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 16)	588,845	75,724
- Net change in loans to/from group companies and associates (*)	-	-
- Repayment and depreciation of:		
- Bank borrowings (Note 16)	(365,539)	(163,253)
- Net change in other borrowings (Note 16)	10,000	(74)
- Net change in loans to/from group companies and associates (*)	(353,193)	(2,514)
	(119,887)	(90,117)
Payment of dividends and remuneration of other equity instruments:		
- Payment of dividends (Note 14.b)	(22,304)	(18,622)
	(22,304)	(18,622)
Cash flows from financing activities	(50,545)	(18,608)

(*) Corresponds to the net movement on current account balances with CIE Automotive Group companies, i.e., including asset and liability balances, arising from overall group financing arrangements.

25. Contingencies

Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed in Note 16 at 31 December 2014 and 2013.

26. Director and key management compensation

a) Compensation paid to the members of the Board of Directors

Total compensation paid to the members of the Board of Directors has amounted to €3,027 thousand in 2014 (2013: €1,093 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements, nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

b) Advances and loans extended to members of the Board of Directors

The loans extended to members of the Board of Directors at 2014 year end amounts to €1,212 thousand (2013: €1,165 thousand), being classified as current assets.

c) Key management compensation and loans

Total remuneration paid to Group key management in 2014 and 2013, excluding people included in the previous section on Board remuneration, amounted to €1,342 thousand (2013: €4,808 thousand).

(Thousand euro)

The Company has entered into no obligations relating to pensions or other types of complementary retirement remuneration with senior management personnel.

At 2014 year-end, there is no balance relating to transactions with these related parties.

d) Article 228 of the Spanish Companies Act.

In the duty to avoid situations of conflict of interest of the parent Company, during the exercise the administrators who have occupied charges in the Board of Directors have expired with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm, except in the cases in which the corresponding authorization has been obtained.

e) Complementary long-term incentive based on the increase in value of the shares of CIE Automotive, S.A.

During the General Shareholders' Meeting of 30 April 2014, as the sixth point on the agenda, a long-term incentive was approved, based on the increase in value of the shares of CIE Automotive, S.A., in favour of the CEO and certain managers and other people owing to their special relationship with the Company.

The incentive will consist of the payment of an extraordinary total remuneration proved of multiplying a maximum of 1,800,000 rights by the increase of the market price of shares of CIE Automotive in the period 2013-2017, being its contribution base €6 per share and the closing value will be the average of the market price of the last quarter of 2017, in the terms approved by the Shareholders' General Meeting.

The individual assignment of these rights has been fixed by the Appointments and Remuneration Committee of the parent company and their settlement will probably be paid once in cash on 31 March 2018 as a decision of the Group.

The incentive depends on two conditions:

- Interrupted continuity of beneficiaries' services.
- The fulfillment of the objectives of Group's Strategic Plan for 2013- 2017, measured according to EBITDA levels (operating profit plus amortization and impairment) obtained in the period.

The incentive conditions contain situations of early liquidation due to certain supervening causes.

At 31 December 2014, the estimated amount of the extraordinary remuneration, financially updated, has had a total cost of €2,041 million during 2014.

27. Transactions with CIE Automotive Group companies and related parties

The Company is the ultimate parent company of CIE Automotive Group (Appendix I).

The breakdown of the transactions conducted with CIE Automotive Group companies in 2014 and 2013 is provided below:

	2014	2013
Services rendered (Note 19):	92,064	84,497
- Dividends received (Note 8)	40,000	31,777
- Corporate services (Note 19)	29,693	30,695
- Financial services (Note 19)	22,371	22,025
Interest:		
- Interest paid (Note 21)	(5,690)	(6,680)

Closing balances at the 2014 and 2013 year ends derived from the transactions described above are set out in Notes 7.5, 7.6, 8, 9 and 16.b) above. Additionally, at 31 December 2014, the interim dividend agreed in December 2014 was pending payment (Notes 14 and 16).

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2014 and 2013 is provided in Note 8.c) and Note 16.b).

In 2014, no provision was required for the impairment of loans granted to Group companies.

28. Information on the environment

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts. Because of its holding company structure, the Company is not materially exposed to environmental risk.

The Company did not incur any expenses of an environmental nature in either 2014 or 2013.

The Company is not aware of the existence of any environmental protection related contingencies or liabilities and did not deem it necessary to recognize any provision for liabilities or charges of an environmental nature.

29. Auditor fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for the audit services of the Company's accounts (including the Company's consolidated annual accounts) and other assessment services amounted to €232 thousand (2013: €321 thousand).

In addition, fees charged during the year by other firms that use the PricewaterhouseCoopers trademark for other services rendered to the Company totalled €30 thousand (2013: €169 thousand).

30. Events after the balance sheet date

On February 2015, the reverse merger between the holding of the Group companies placed in Brazil, CIE Autometal S.A., and the operative company of the Brazilian group, Autometal S.A., which was the absorbent company that survived, was carried out.

With date January 15, 2015, the Company has realized an additional disposal of €25 million of the loan with the European Bank of Investments (BEI) signed in June, 2014, reaching the current disposal of €70 million (Note 16).

CIE AUTOMOTIVE, S.A. APPENDIX I

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Business Activity	Registered office	% Effective Shareholding of CIE Automotive: Direct	% Effective Shareholding of CIE Automotive: Indirect
CIE Bérriz, S.L. (*)	CIE Automotive, S.A.	Holding company	Vizcaya	100.00%	-
Antolin-CIE Czech Republic s.r.o. (1)	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	30.00%
Belgium Forge, N.V. (in liquidation)	CIE Bérriz, S.L.	Manufacture of automotive components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
CIE Mecauto, S.A.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Bérriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Bérriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Bérriz, S.L.	Manufacture of automotive components	Barcelona	-	100.00%
Alfa Deco, S.A.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Alurecy, S.A.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Navarra	-	100.00%
Nova Recyd, S.A.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Recyde, S.A.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Recyde CZ, s.r.o.	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Bérriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Egaña 2, S.L.	CIE Bérriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
Inyectametal, S.A.	CIE Bérriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
Orbelan Plásticos, S.A.	CIE Bérriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Bérriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Bérriz, S.L.	Manufacture of automotive components	Portugal	-	100.00%
ApoloBlue Tratamentos, Lda	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	55.00%
CIE Metal CZ, s.r.o.	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Bérriz, S.L.	Manufacture of automotive components	Morocco	-	100.00%
CIE Praga Louny, a.s. (*)	CIE Bérriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Praga Service, s.r.o.	CIE Praga Louny, a.s.	Installations	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Bérriz, S.L.	Services and installations	Germany	-	100.00%
Leaz Valorización, S.L.U. (with no activity)	CIE Bérriz, S.L.	Waste management and recovery	Vizcaya	-	100.00%
CIE Compiègne, S.A.S.	CIE Bérriz, S.L.	Manufacture of automotive components	France	-	100.00%
CIE Automotive Hispamoldes, S.A. (*)	CIE Bérriz, S.L.	Holding company	Vizcaya	-	50.00%
CIE Hispamoldes Plastiques, s.a.r.l. d'au	CIE Automotive Hispamoldes, S.A.	Manufacture of automotive components	Morocco	-	50.00%
Nanjing Automotive Forging Co., Ltd.	CIE Bérriz, S.L.	Manufacture of automotive components	China	-	50.00%
CIE Autometal, S.A. (*)	CIE Bérriz, S.L.	Holding company	Brazil	-	100.00%
Naturoil Combustíveis Renováveis, S.A.	CIE Autometal, S.A.	Biofuel production and sale	Brazil	-	100.00%
Bioauto Participações, S.A. (*)	CIE Autometal, S.A.	Holding company	Brazil	-	75.00%
Bioauto MT Agroindustrial, Ltda.	Bioauto Participações, S.A.	Agrobiotechnology	Brazil	-	75.00%
Biojan MG Agroindustrial, Ltda. (with no activity)	Bioauto Participações, S.A.	Agrobiotechnology	Brazil	-	75.00%
Autometal, S.A. (*)	CIE Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	50.00%

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Company	Parent Company	Business Activity	Registered office	% Effective Shareholding of CIE Automotive Direct	Indirect
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (*)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autocromo Cromaçao de Plásticos Ltda (1)	Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Services and installations	Brazil	-	100.00%
Gescrap – Autometal Comercio de Sucatas Ltda	Autometal Investimentos e Imóveis, Ltda.	Sale of scrap	Brazil	-	30.00%
Componentes Automotivos Taubaté, Ltda. (*)	Autometal, S.A.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Participaciones Internacionales Autometal, S.L.U. (*)	CIE Bérriz, S.L.	Holding company	Spain	-	100.00%
CIE Autometal de México, S.A. de C.V. (*)	Participaciones Internacionales Autometal, S.L.U.	Holding company	México	-	100.00%
Pintura y Ensambles de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
CIE Bérriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	México	-	100.00%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	México	-	100.00%
Servicat S. Cont., Adm. Y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	México	-	100.00%
Inmobiliaria El Puente, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services	México	-	100.00%
Forjas de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Services and installations	US	-	100.00%
Century Plastics, Llc	CIE Automotive, USA Inc	Manufacture of automotive components	US	-	65.00%
Participaciones Internacionales Autometal Dos S.L. (1) (*)	Participaciones Internacionales Autometal, S.L.U.	Holding company	Spain	-	100.00%
Mahindra CIE Automotive Ltd.(1) (4)(*)	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India	-	53.21%
Stokes Group Limited (*) (1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	53.21%
Stokes Forgings Limited (1)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	53.21%
Stokes Forgings Dudley Limited (1)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	53.21%
Mahindra Forging Global (1)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53.21%
Mahindra Forgings International Limited (1) (*)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53.21%
Mahindra Forgings Europe AG (1) (*)	Mahindra Forgings International Limited	Holding company	Germany	-	53.21%
Gesenkschmiede Schneider GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
Jeco Jellinghaus GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
Falkenroth Umformtechnik GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
Schoneweiss & Co. GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Spain	-	53.21%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	-	53.21%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	53.21%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Production and marketing of electricity	Spain	-	26.61%
Mahindra Gears Global Ltd (2)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53.21%
Metalcastello S.p.A. (2)	Mahindra Gears Global Ltd	Manufacture of automotive components	Italia	-	50.87%

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Crest Geartech Ltd (2)	Metalcastello S.p.A.	Manufacture of automotive components	India	-	50.87%
Mahindra Gears Transmission Private Ltd (2)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India		53.21%
Bionor Transformación, S.A.U. (*)	CIE Bérriz, S.L.	Holding company	Vizcaya	-	100.00%
Bionor Berantevilla, S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Álava	-	100.00%
Biosur Transformación, S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (in liquidation)	Bionor Transformación, S.A.U.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (sin actividad)	Comlube s.r.l.	Producción y comercialización de glicerinas	Italy	-	40.80%
Biocombustibles de Guatemala, S.A.	Bionor Transformación, S.A.U.	Agrobiotechnology	Guatemala	-	51.00%
Biocombustibles de Zierbana, S.A.	Bionor Transformación, S.A.U.	Biofuel production and sale	Vizcaya	-	20.00%
Biocombustibles La Seda, S.L. (in liquidation)	Bionor Transformación, S.A.U.	Production and marketing of glycerine	Barcelona	-	40.00%
Vía Operador Petrolífero S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Vizcaya	-	100.00%
Gestión de Aceites Vegetales, S.L. (*)	Bionor Transformación, S.A.U.	Sale of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U.	Gestión de Aceites Vegetales, S.L.(GAVE)	Sale of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U.	Bionor Transformación, S.A.U.	Sale of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L.	Bionor Transformación, S.A.U.	Sale of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Alicante	-	100.00%
RS Automotive B.V. (*) (2)	CIE Automotive, S.A.	Holding company	Netherlands	100.00%	-
Advanced Comfort Systems International B.V. (*) (2)	RS Automotive B.V.	Holding company	Netherlands	-	100.00%
Advanced Comfort Systems Ibérica, S.L.U. (2)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	Orense	-	100.00%
Advanced Comfort Systems France, S.A.S. (*) (2)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	France	-	100.00%
Advanced Comfort Systems Romania, S.R.L. (2)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V. (2)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	México	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd (2)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100.00%
CIE Automotive Nuevos Mercados, S.L. (*) (3)	CIE Automotive, S.A.	Holding company	Vizcaya	100.00%	-
SC CIE Matricon, S.A.	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automotive components	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automotive components	China	-	100.00%
CIE Automotive Rus, LLC (1)	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automotive components	Russia		100.00%
Global Dominion Access, S.A. (*)	CIE Automotive, S.A.	Holding Company /IT Solutions and Services	Bilbao	62.95%	-
Dominion Instalaciones y Montajes, S.A.U. *(*)*	Global Dominion Access, S.A.	IT Solutions and Services	Bilbao	-	62.95%
E.C.I. Telecom Ibérica, S.A.	Dominion Instalaciones y Montajes, S.A.U.	IT Solutions and Services	Bilbao	-	62.95%
Interbox Technology, S.L. (1)	Dominion Instalaciones y Montajes, S.A.U.	Comercial services	Bilbao	-	37.77%
Dominion Investigación y Desarrollo S.L.U.	Global Dominion Access, S.A.	IT Solutions and Services	Bilbao	-	62.95%
Prosat Comunicaçoes, Ltda.	Global Dominion Access, S.A.	IT Solutions and Services	Brazil	-	62.95%
Global Dominion Brasil Participaçoes, Ltda.(*)	Global Dominion Access, S.A.	Holding company	Brazil	-	62.95%
Halógica Tecnología, S.A.	Global Dominion Brasil Participaçoes, Ltda.	IT Solutions	Brazil	-	62.95%
Dominion Instalaçoes e Montagnes do Brasil Ltda.	Global Dominion Brasil Participaçoes, Ltda.	IT Services	Brazil	-	62.95%
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	Global Dominion Access, S.A.	IT Solutions and Services	México	-	62.95%
Dominion TI México, S.A. de CV	Mexicana de Electrónica Industrial, S.A. de C.V.	IT Solutions and Services	México	-	62.95%
Dominion Baires, S.A.	Global Dominion Access, S.A.	IT Solutions and Services	Argentina	-	59.80%
Dominion Limitada Ltda.	Global Dominion Access, S.A.	IT Solutions and Services	Chile	-	62.32%
Dominion Perú Soluciones y Servicios S.A.C.	Global Dominion Access, S.A.	IT Services	Peru	-	62.95%
Visual Line, S.L.	Global Dominion Access, S.A.	IT Solutions and Services	Bilbao	-	34.63%
Beroa Thermal Energy, S.L. (*) (2)	Global Dominion Access, S.A.	Holding company	Bilbao	-	62.95%
Beroa France S.A.S.	Beroa Thermal Energy, S.L.	Industrial Services	France	-	58.93%
Steelcon Chimneys Esbjerg A/S (*)	Beroa Thermal Energy, S.L.	Industrial Solutions	Denmark	-	32.10%
Steelcon Slovakia s.r.o	Steelcon Chimneys Esbjerg A/S	Industrial Solutions	Slovakia	-	32.10%
Beroa Australia *Pty.* Ltd.	Beroa Thermal Energy, S.L.	IT Solutions and Services	Australia	-	62.95%
Beroa Corporation LLC (*)	Beroa Thermal Energy, S.L.	Holding company	US	-	62.95%
Karrena Refractory Linings LLC	Beroa Corporation LLC	Industrial Solutions (without activity)	US	-	62.95%

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Business Activity	Registered office	% Effective Shareholding of CIE Automotive Direct	Indirect
Karrena International LLC (*)	Beroa Corporation LLC	Industrial Solutions	US	-	56.66%
Karrena International Chimneys LLC	Karrena International LLC	Industrial Solutions	US	-	56.66%
Beroa Ibéria S.A.(*)	Beroa Thermal Energy, S.L.	Industrial Services and Solutions	Bilbao	-	62.95%
Karrenamex S.A.	Beroa Ibéria S.A.	Industrial Services	México	-	62.95%
Beroa de Argentina SRL	Beroa Ibéria S.A.	Industrial Services	Argentina	-	62.95%
Altac South Africa Proprietary Limited	Beroa Ibéria S.A.	Industrial Solutions	South Africa	-	56.66%
Chimneys and Refractories Intern. S.R.L.(*)	Beroa Thermal Energy, S.L.	Industrial Solutions	Italy	-	44.07%
Chimneys and Refractories Intern. Chile S.P.A.	Chimneys and Refractories Intern. S.R.L.	Industrial Solutions (without activity)	Chile	-	44.07%
Beroa Technology Group GmbH (*)	Beroa Thermal Energy, S.L.	Holding company	Germany	-	62.95%
Refractories & Chimneys Construction Co. Ltd.(5)	Beroa Technology Group GmbH	Industrial Solutions	Saudi Arabia	-	59.74%
Karrena Betonanlagen und Fahrmischer GmbH (*)	Beroa Technology Group GmbH	Construcción y comercialización de hormigoneras (sin actividad)	Germany	-	62.95%
HIT-Industrietechnik GmbH	Karrena Betonanlagen und Fahrmischer GmbH	Metallic welding	Germany	-	32.74%
Bierrum International Ltd.	Beroa Technology Group GmbH	Industrial Solutions	United Kingdom	-	62.95%
Beroa NovoCOS GmbH	Beroa Technology Group GmbH	Industrial Services	Germany	-	62.95%
Beroa-UNISEVEN Refractory Services Pvt Ltd.	Beroa Technology Group GmbH	Industrial Services	India	-	32.11%
Beroa International Co. L.L.C.	Beroa Technology Group GmbH	Industrial Services	Oman	-	44.07%
Beroa Refractory & Insulation L.L.C	Beroa Technology Group GmbH	Industrial Services	United Arab Emirates	-	30.85%
Beroa Nexus Company LLC	Beroa Technology Group GmbH	Industrial Services	Qatar	-	30.85%
Beroa Abu Obaid Industrial Insulation Company Co. W.L.L.	Beroa Technology Group GmbH	Industrial Services	Bahrain	-	28.33%
Beroa Deutschland GmbH (*)	Beroa Technology Group GmbH	Industrial Services and Solutions	Germany	-	62.95%
Karrena S.r.l.	Beroa Deutschland GmbH	Industrial Services	Italy	-	62.95%
Karrena Construction Thérmique S.A.	Beroa Deutschland GmbH	Industrial Services (without activity)	France	-	62.95%
Beroa Polska Sp. z o.o.	Beroa Deutschland GmbH	Industrial Services and Solutions	Poland	-	62.95%
Karrena Arabia Co. Ltd.	Beroa Deutschland GmbH	Industrial Services	Saudi Arabia	-	34.62%
BeroaChile Limitada	Beroa Deutschland GmbH	Industrial Services (without activity)	Chile	-	62.94%
Burwitz Montageservice GmbH	Beroa Deutschland GmbH	Industrial Services and Solutions	Germany	-	62.95%
F&S Feuerfestbau GmbH & Co. KG	Beroa Deutschland GmbH	Industrial Services and Solutions	Germany	-	32.11%
F&S Beteiligungs GmbH	Beroa Deutschland GmbH	Holding company	Germany	-	32.11%
Global Near, S.L. (*) (2)	Global Dominion Access, S.A.	Holding company	Bilbao	-	56.18%
Near Technologies, S.L.U.	Global Near, S.L.	IT Solutions	Bilbao	-	56.18%
Tapquo, S.L.	Near Technologies, S.L.	IT Solutions	Bilbao	-	30.45%
Advanced Flight Systems, S.L.	Near Technologies, S.L.	IT Solutions	Bilbao	-	16.85%
Centro Near Servicios Financieros, S.L.	Global Near, S.L.	IT Solutions	Bilbao	-	12.92%
DM Informática, S.A. de C.V.	Global Near, S.L.	IT Solutions	México	-	56.17%
Near Technologies Mexico, S.A. de C.V.	Global Near, S.L.	IT Solutions	México	-	56.09%
NXT Solutions Inc	Global Near, S.L.	IT Solutions	Panama	-	28.09%
Dominion Ampliffica, S.L.	Global Dominion Access, S.A.	Holding company	Bilbao	-	62.95%
Bilcan Global Services, S.L. (*) (2)	Global Dominion Access, S.A.	Holding company	Cantabria	-	60.51%
Servicios Al Operador Móvil, S.L. (*)	Bilcan Global Services, S.L.	Commercial Services	Madrid	-	60.51%
Eurologística Directa Móvil 21, S.L.	Servicios Al Operador Móvil, S.L.	Commercial Services	Madrid	-	60.51%
Your Phone, S.L. (*)	Servicios Al Operador Móvil, S.L.	Commercial Services	Madrid	-	60.51%
Your Phone Franquicias, S.L.	Your Phone, S.L.	Commercial Services	Madrid	-	60.51%
Global Ampliffica, S.L.(*)	Servicios Al Operador Móvil, S.L.	Holding company	Bilbao	-	48.41%
Ampliffica Mexico, S.A. de C.V.	Global Ampliffica, S.L.	IT Solutions	México	-	48.40%
Ampliffica, S.L.	Global Ampliffica, S.L.	IT Solutions	Bilbao	-	48.41%
Wiseconversion, S.L.	Global Ampliffica, S.L.	IT Solutions	Madrid	-	31.48%
Dominion Networks, S.L.	Bilcan Global Services, S.L.	IT Services	Madrid	-	60.51%

CIE AUTOMOTIVE, S.A. APPENDIX I

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Business Activity	Registered office	% Effective Shareholding of CIE Automotive	
				Direct	Indirect
Dominion Centro de Control, S.L. (antes Dominion Centro de Gestión Personalizada, S.L.)	Bilcan Global Services, S.L.	IT Services	Madrid	-	60.51%
Tiendas Conexión, S.L. (*)	Bilcan Global Services, S.L.	Commercial Services	Cantabria	-	60.51%
Sur Conexión, S.L	Tiendas Conexión, S.L.	Commercial Services	Cantabria	-	60.51%
Autokomp Ingeniería, S.A.U.	CIE Automotive, S.A.	Services and installations	Vizcaya	100.00%	

(1) Companies added to the scope of consolidation in 2013.

(2) Companies added to the scope of consolidation in 2014 with their affiliates.

(3) The shares of CIE Automotive Nuevos Mercados, S.L. are owned 26.96% by CIE Automotive, S.A. and 73.04% by CIE Bérriz, S.L., giving the Group a total ownership interest of 100%.

(4) Merged in 2014 with Participaciones Internacionales Autometal Tres S.L., Mahindra Hinoday Industries Limited, Mahindra Composites Limited and Mahindra Ugine Steel Company Ltd.

(5) The shares of Refractories & Chimneys Construction Co. Ltd. are owned 17% by Chimneys and Refractories Intern. S.R.L. and 83% by Beroa Technology Group GmbH, giving the Group a total ownership interest of 59,74%

(*) Parent of all investees listed subsequently in the table.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014 AND 2013

PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

(Thousand euro)

	At 31 December		1 January
	2014	2013	2013
ASSETS			
Non-current assets			
Property, plant and equipment	927,961	774,960	670,993
Goodwill	897,410	378,463	306,568
Other intangible assets	48,544	31,704	26,463
Non-current financial assets	13,868	27,286	37,656
Investments in associates	1,497	19,385	10,550
Deferred tax assets	230,702	221,211	160,826
Other non-current assets	5,375	3,928	5,133
	2,125,357	1,456,937	1,218,189
Current assets			
Inventories	288,909	222,030	185,318
Trade and other receivables	292,653	185,538	178,047
Other current assets	7,170	6,490	3,137
Current tax assets	58,558	39,661	42,031
Other current financial assets	96,258	85,996	61,542
Cash and cash equivalents	297,699	326,960	468,451
	1,041,247	866,675	938,526
Disposal group assets classified as held-for-sale	24,638	24,950	38,813
Total assets	3,191,242	2,348,562	2,195,528

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014 AND 2013

PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

(Thousand euro)

	At 31 December		1 January
	2014	2013	2013
EQUITY			
Capital and reserves attributable to the parent company's shareholders			
Share capital	32,250	29,705	28,500
Treasury shares	-	-	(53,230)
Share premium	152,171	61,467	33,752
Retained earnings	460,888	435,875	401,529
Interim dividend	(12,900)	(10,694)	(9,345)
Cumulative exchange differences	(70,590)	(95,400)	(54,730)
Non-controlling interests	299,813	139,531	158,991
Total equity	861,632	560,484	505,467
Deferred income	17,004	18,836	21,498
LIABILITIES			
Non-current liabilities			
Non-current provisions	117,322	64,058	43,037
Non-current borrowings	849,897	646,095	642,726
Deferred tax liabilities	75,963	61,292	54,680
Other non-current liabilities	176,787	103,484	97,432
	1,219,969	874,929	837,875
Current liabilities			
Current borrowings	254,180	331,395	279,966
Trade and other payables	630,193	433,780	432,494
Other current financial liabilities	10,489	8,051	1,488
Current tax liabilities	57,200	40,551	37,167
Current provisions	11,386	9,214	8,185
Other current liabilities	126,822	68,991	68,585
	1,090,270	891,982	827,885
Disposal group liabilities classified as held-for-sale	2,367	2,331	2,803
Total liabilities	2,312,606	1,769,242	1,668,563
Total equity and liabilities	3,191,242	2,348,562	2,195,528

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

(Thousand euro)

	Year ended 31 December	
	2014	2013
OPERATING REVENUE	2,318,651	1,785,427
Revenue	2,209,516	1,722,548
Other operating income	102,472	61,250
Change in inventories of finished goods and work in progress	6,663	1,629
OPERATING EXPENSES	(2,146,468)	(1,634,464)
Consumption of raw materials and secondary materials	(1,272,102)	(990,321)
Employee benefit expense	(514,164)	(371,422)
Depreciation and amortization	(118,680)	(86,756)
Other operating income/(expenses)	(241,522)	(185,965)
OPERATING PROFIT	172,183	150,963
Finance income	36,881	18,643
Finance costs	(79,908)	(79,959)
Net exchange differences	10,834	12,023
Change in fair value of assets and liabilities taken to income statement	176	(16,369)
Share of profit/(loss) of associates	(3,029)	(1,571)
PROFIT BEFORE TAX	137,137	83,730
Income tax	(38,672)	3,777
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	98,465	87,507
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(355)	(9,621)
PROFIT FOR THE YEAR	98,110	77,886
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(17,062)	(17,761)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	81,048	60,125
Earnings per share from continuing and discontinued operations attributable to shareholders of the parent (expressed in euro per share)		
- Basic earnings per share:	0.65	0.56
From continuing operations	0.65	0.65
From discontinued operations	(0.00)	(0.09)
- Diluted earnings per share:	0.65	0.56
From continuing operations	0.65	0.65
From discontinued operations	(0.00)	(0.09)

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2014
(Thousand euro)

1.- CIE AUTOMOTIVE GROUP

1.1 Profile of the group

CIE Automotive is an industrial group specialist in high value-added processes, which develops its activity in two business areas: automotive components and applied innovation.

The business of **automotive components** encompassed the design, production and distribution of integral services, components and sub-assemblies for the global automotive market. This is CIE Automotive's main activity since its foundation.

The business of **applied innovation** consists on the digitalization of the productive activities of the clients to increase its efficiency by means of a wide offer of solutions and technological services. This activity depends on Dominion, CIE Automotive's subsidiary since 2011.

1.2 Mission, vision, and values

Mission:

- We are an industrial group specialist in management of high value-added processes.
  - We have devoted this concept of being a supplier of components and sub-assemblies for the global automotive market, with an action based on the utilization of complementary technologies and diverse associate processes.
  - We apply this conception in the management, with an overall view in all the phases of the chain value of sectors with good long-term projection such as biofuel and information and communications technologies.
- We grow on a supported and profitable way to position ourselves as partner of reference across the satisfaction of our clients with integral, innovative and high value-added competitive solutions.
- We look for the excellence on the following commitments:
  - The continued improvement of processes and its efficient management.
  - The promotion of participation, implication and teamwork in a pleasant and sure environment.
  - The transparency and integrity in all our actions.
  - Respect for the enviroment.

Vision

- We aspire turn into an industrial group of reference specialist in high value-added processes.
- We propose to be:
  - Reference of quality, technology, innovation, design and supplies.
  - Excellent in the management.
  - Paradigm of sustainable company.

Values

- Orientation to external and internal client and service attitude.
- Respect to people capacity, creativity and innovation, the participation and teamwork.
- Aptitude to reach goals and added value.
- Positive attitude to change and constant improvement.
- Responsibility and completeness of the people in their commitment to a well done job.

1.3 Business units

Automotive components

CIE Automotive is a supplier of completeness services, components and sub-assemblies for the automotive market.

The Group develops all its line of products across seven basic processes or technologies: forging, machining, aluminium, stamping, plastic, iron smelting and painting. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and sets of direction, and exterior and interior of the vehicle.

The customer portfolio is divided into two big categories: vehicle´s manufacturers and suppliers of the first level. Both categories represent, to equal parts, 50% of total sales.

Since its creation, the company has been gaining managerial volume in a sustainable way thanks to a unique business model, capable of avoiding adverse economic cycles and of increasing the profitability for its shareholders every year.

Five differential features that support CIE Automotive's business:

- Multilocation
- Diversification
- Multitechnology
- Management creating value
- Investments control

Applied Innovation

The Group CIE Automotive develops an autonomous and independent applied innovation project across it subsidiary Dominion. This multisectorial group, with more than 6,000 employees in 28 countries, offers solutions and technological services to 1,000 clients to make its productive processes more efficient applying knowledge and innovation.

In an environment as the current one, where the digital revolution is altering the status quo in all the economic sectors, Dominion focuses on turning the whole flow of information into intelligence to the service of the own operational efficiency and to his clients.

With a history that starts more than 15 years ago in the telecommunications sector; Dominion includes nowadays two lines of activity: services and solutions.

2.- EVOLUTION OF THE BUSINESSES

2.1 Summary of the year

During 2014, Europe's growth has been slow, but with a positive increasing evolution. The signs of recovery of the market have helped us to reach the Operational Excellence in our companies, which are placed in a position of excellent profitability prepared for the complete recovery of the economy.

In Germany, in 2014 we have focused our efforts on the viability of the subgroup Mahindra Forgings. We are sure to have put the bases for a successful future.

A new project has started in Russia, establishing the foundations of our next factory of aluminium injection.

With the goal of consolidating a significant quota on Asian market, the first forging press for crankshafts has started in Nanjing.

The evolution of NAFTA market is really optimistic and the Group CIE is prepared to deal new projects. The Group has three Greenfields in construction in Mexico, and many opportunities of integration in the first world economic power.

Finally, we focus on giving a new magnitude to our businesses in India, promoting the multinational equipments.

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2014
(Thousand euro)

With the acquisition of Beroa Group, world leader in projects in the area of the applied energy, with more than hundred years of history in center of engineering in Germany, besides incorporations of Bilcan Global Services, S.L., incorporations dedicated to the development of commercial services and Global Near, S.L., focused on the development of digital solutions, Dominion not only reaches a size adapted to developed as an autonomous and independent project CIE Automotive's, but it consolidates its multisectorial capacity and strategic orientation directed to the digitalization of the productive activities across the application of the knowledge and the innovation to achieve efficiency.

This year has been very relevant, provided that they have been put on all the essentials of our Strategic Plan, to turn into one of the principal worldwide groups of automotive components.

2.2 Financial indicators

CONSOLIDATES GROUP:

(Thousand euro)	2014	2013
Consolidated revenue	2,209,516	1,722,548
Adjusted consolidated revenue (*)	2,160,318	1,658,085
Gross operating profit/(loss)-EBITDA	290,863	237,719
Net operating profit/(loss)-EBIT	172,183	150,963
Profit/(loss) before taxes cont. act.-EBT	137,137	83,730
Profit/(loss) for the year cont. act.	98,465	87,507
Profit/(loss) on discontinued operations	(355)	(9,621)
Profit/(loss) attributable to non-controlling interests	(17,062)	(17,761)
Profit/(loss) attributable to parent Company	81,048	60,125

(*) Date proforma deducting the sales of diesel oil for mixture.

Business performance:

- Excellent results with historical **Record of Sales, EBITDA and Net profit.**
- Thus, net income is the recurring of the Group given that during the year the non- recurring positive and negative effects have been compensated in profit and loss account.
- An excellent situation is kept in each market and plant of CIE Group in relation to margins.

The financial information of CIE Automotive Group is segmented into Automotive and Solutions and Services (Smart Innovation).Then the evolution of the business is detailed differentiating already both activities:

AUTOMOTIVE:

	AUTOMOTIVE	
(Thousand euro)	2014	2013
Consolidated revenue	1,916,757	1,566,259
Adjusted consolidated revenue (*)	1,867,559	1,501,796
Gross operating profit/(loss)-EBITDA	268,606	224,557
%EBITDA/adjusted consolidated revenue	14.4%	15.0%
Net operating profit/(loss)-EBIT	160,622	142,798
%EBIT/Consolidated revenue	8.6%	9.5%

(*) Date proforma deducting sales of diesel oil for mixture.

Market evolution:

- Recovery of the European business and strength of emergent.

- The behavior of NAFTA market and the excellent level of operative profitability of the Mexican and European plants have contributed to offset the bad situation of the Brazilian market and the lower margins of the plants of the group Mahindra integrated in 2013.
- In 2014, the project of automotive, with an EBITDA of €268.6 million and a margin EBITDA of 14.4%, has represented 92.3% of the EBITDA of the Group CIE.
- Considering same perimeter of consolidation and exchange rate, the growth in sales reaches 6%, over the market.

SOLUTIONS AND SERVICES (Smart Innovation):

	DOMINION	
(Thousand euro)	2014	2013
Consolidated revenue	292,759	156,289
Gross operating profit/(loss)-EBITDA	22,257	13,162
Net operating profit/(loss) –EBIT	11,561	8,165

Business performance:

- With the incorporations of the group Beroa in July and Bilcan Global Services, S.L. and Global Near, S.L. in December, 2014, Dominion completes its global offer adding the businesses of industrial services, commercial services and digital solutions respectively, and reaching with its goals to consolidate a multisectorial company of the environment of € 500 million per year of turnover.
- Historical record of sales after the second complete semester with Beroa incorporated into the perimeter, still pending to include in account of income statement the sales of the new business of Solutions and Services acquired in December, 2014.
- Recurring EBITDA and EBIT margins of 9% and 7% respectively, in line with the Plan 2015, adjusted in the semester for effect of the measures of efficiency applied to Beroa's incorporation.

These figures come to confirm the validity of the strategic plan initiated by Dominion in 2010, orientated to consolidating it as a global model as multisectorial supplier of solutions and technological services.

This strategic vision has been reinforced, at the end of 2013, with the agreement with Beroa Group across which Dominion acquired 22.72% of Beroa Thermal Energy’s shares in the exercise 2013, for an amount of €10 million, and the sign off a contract of call option of additional 50% that has been executed in July, 2014.

In order to be measured adequately for this investing process, Dominion has reinforced its balance sheet with capital increase, during 2013 and 2014.

2.3 Predictable evolution of the Group

CIE Automotive established in 2013 a roadmap to guarantee its profitable growth creating value for the shareholder: the Strategic Plan 2013-2017.

The plan establishes the aim to duplicate the sales in five years up to reaching €3,000 million. It projects, likewise, an EBIT on sales higher than 9% and a level of debt not superior to 1.5 times the EBITDA.

As for the investments, the Group estimates the growth reaching €1,000 million, of which €500 million will be destined to maintenance, €250 million to greenfields and other €250 million to inorganic growth. The company maintains a strict control of the investments, approving only those with a RONA superior to 20%.

In order to reach these goals, the plan indicates three lines of action:

- To increase significantly the presence in Asia, this will represent 32% of Group´s sales.
- To promote a strategy of growth across greenfields, contributing the know-how of the company, with strategic products orientated to the reduction of the consumptions and to the increase of the safety and comfort.

- To keep a solid financial position joined to a management model who believes that generates value.

In the area of applied innovation, the group put as aim to consolidate a project independent from the holding company, Dominion, with a model of business based on the following parameters:

- Generation of value across the knowledge.
- Multilocal and multisectorial offer.
- Management efficiency-oriented.
- Aptitude to lead processes of managerial concentration.

The Strategic Plan of Dominion's management was including the period 2012-2016, though the process has culminated successfully in 2014.

Level of implementation of the 2014 Strategic Plan

Thanks to the commitment of the management team and the joint labor of the operative divisions and of the corporate network, at the closing of the exercise 2014, CIE Automotive's already had fulfilled great part of plan.

Mahindra CIE's integration, which was closed in December, 2014, supposed the entry in the Asian market across the India.

- The company continued his investing politics with the development of greenfields in Mexico and Russia and using its know how to optimize the European and Brazilian plants, apart from beginning to work at the profitability of the Indian centers.
- CIE Automotive reached successfully the process of capture of financial resources for the next five years, allowing an improvement of the debt and of the cash position.

Dominion reinforced its consolidation's strategy with the purchase in 2014 of the totality of the Group Beroa, leader in private technology in the sector of the applied energy, and designed a new Strategic Plan 2015-2019 independently, that was presented in January, 2015.

Perspectives

After the excellent execution of the plan in 2013 and 2014, CIE Automotive hopes that in 2015 the results come even closer the goals of the plan. According to forecasts, the turnover will grow up to € 2,700 million.

The key factors for the attainment of these goals in 2015 are:

- Recovery of the European market reaching operational excellence.
- Performance of NAFTA greenfields.
- Results of Germany's action plan and gradual improvement in India.
- Adaptation of productive means in Brazil.
- Launch of applied innovation project.

From the evolution and reached development, we release a future that offers positive perspectives.

3.- QUALITY AND ENVIRONMENT

The Group CIE Automotive, as company with vision of future, in correspondence with the principle of sustainable development, is permanently committed with respect to the environment in all its activities. This commitment, clearly explicit in its declaration of mission, vision and values, is fully integrated to our management model.

The Group supports his bet for being kept as leader of ecodesign of products for the market of automotive, in the same way that Dominion is a bet decided on the sustainability and for promoting businesses that try an improvement of different aspects the reduction of the environmental fingerprint and consumptions of matters of the companies for that it develops projects, as well as a major job safety and the support to the social development in the zones in which it has presence.

The Group works to support the necessary balance between its industrial activity and its environment. With our attitude of systematic review we manage to anticipate and to minimize the environmental impact of our activities from the design of the product. Likewise our knowledge about productive processes allows us to decide on what aspects we must focus our efforts to optimize our consumption of raw materials, energy, water….

CIE Automotive has a last generation system of recycling what allows to re-use internally, like example, thousands of tons of shaving aluminium proceeding from the processes of machining, for the smelting of new pieces or also the scrap, raw material for the fusor towers.

The water is other of the resources with a more intensive use in the production of pieces that need the processing of materials at high temperatures. CIE Automotive has own facilities for its treatment and recovery in different qualities to reduce to the maximum its spillages.

Last generation products with sustainable vocation

CIE Automotive does not bet only for the sustainability in its processes, it commitment is also implicit in its products in which is working for the substitution of metallic materials for plastic substitute, which lightens the weight and in consequence, reduces the consumption of the engines. The Group continues investigating the management of the fluids in the environment of the engine to meet with the protocols of gas emission to the atmosphere.

In this respect, there are projects underway to develop eco-efficient pieces of engine as the lid of butt with a system of blow by gas of the combustion.

The sustanaibility in CIE Automotive´s business

CIE Automotive contemplates the goal to turn into paradigm of the sustainability into the sector of the automotive. This market is going to face serious challenges in the future as the progressive incorporation of ecological engines as response of the increase of the oil price and the increase of the environmental requirements in the cities. In these new engines, CIE Automotive has much to contribute.

CIE Automotive is a specialist group in the management of high value-added industrial processes, with a differentiated model of business based on the multitechnology. With presence on the principal emerging markets in whole world, this position of leadership is translated also in effective procedures not only for the production also in aspects relative to the sustainability and corporate social responsibility. The Group looks in all his actions for a rational growth and compromised with the social and environmental environment where it locates its activity.

The organization is constantly working within each of its plants to improve different aspects such as reducing the impact on the environment, increase security in work and social action support in those most disadvantaged areas.

Continuous improvement

The basic indicators included in the model, apart from giving us a quick view of the situation of each plant, makes possible a constant process of benchmarking.

In this process, each plant can see its strong and weak points or rather, opportunities of improvement. And knowing the one who is that one that better it does the adjournment of the improvements is simpler and faster, therefore, more effective.

Certifications

As usual in the automotive market, during the year we have been audited and certified by our clients and by external entities of certification.

In the following table, we expose the condition of certification of our plants in 3 areas, quality (ISO/TS 16949), environment (ISO 14000) and job safety (OSHAS 18000).

(Thousand euro)

Automotive

Certificates	Cie plants	Certified plants	%
ISO TS 16949	60	60	100
ISO 14000	60	51	85
OSHAS 18000	60	28	47
ISCC	1	100	100

Recognition

OEMs awards

CIE Automotive has been awarded and recognized during 2014 as best supplier by several leading builders of the market. These awards are the result of the effort that the Group makes both in innovation of processes and products and in the resources used.

- Fiat-Chrysler has awarded CIE PEMSA (Mexico) as "Best supplier 2014 ".
- Volkswagen has recognized the metal plant CIE Norma (Spain) as supplier A.
- General Motors has distinguished the metal plant CIE Egaña (Spain) as excellent supplier and has awarded the plant of aluminium CIE Inyectametal (Spain) for excellence.
- PSA has recognized the machinig plant CIE Recytec (Spain) as "Best supply Plant".
- Ford has awarded the plant of Aluminium CIE Matricon (Romania) with the Q1.
- General Motors has recognized our plant Autometal Diadema (Brazil) with the "Enterprise Quality management Program".

Tier 1's award

CIE Automotive received two recognitions during the past convention of suppliers celebrated in Detroit (USA) last June:

- The company KYB awarded the plant of Aluminium CIE Alcasting (Spain) as "Best supplier 2013".
- Faurecia Interior System awarded CIE's Metal division as strategic supplier.

Raw material recycling

CIE Automotive tries to recycle all those "wastes" that take place during its productive process:

- The division of aluminium has recycled 28,033 Tm.
- The division of biofuels is nourished exclusively of recycled material. During 2014, they have sued 23,720 Tm of secondhand oil.

4.- HUMAN RESOURCES

CIE Automotive is aware that its human capital is the base on what to construct its strategy and the management key of the success of the Group.

CIE Automotive is formed by a great team of more than 23,000 people, with a continued growth, and always facing new challenges, context that has turned us into an organization:

- Dynamic, innovative, orientated to the change and in constant improvement.
- Plural, where there have content people with all academic levels and experience, from newly titled to the most experienced.

- Formed for people with passion for learning, creating and innovating, looking always for a better way of doing things. For this, people are our major assets. They are those who lead the change, assuming his vital and professional project. In consequence, we promote the Professional Development in our organization with personalized career plans at all the levels.
- Bets on the Permanent training and adapted to our programs of development.

The Group CIE Automotive is characterized by the importance granted to people in the company. Their growth, professional and personal developments are key for us. We consider the formation and the development to be one of the Props of the Company and a basic process in the management of the Human Resources.

Because of it, we have a Professional Development Program (PDP) in which the Formation and Evaluation is an essential tool to advance towards our Vision.

Through the Professional Development Program, the Group offers all the tools and possible opportunities of professional growth to its employees, and this one is also the axis around which revolves the People Management Model, with which are defined profiles and skills of its staff, it is evaluated the management of the executives, controls and technical staff, simultaneously the areas of improvement and the career plans and formation are designed.

Again in 2014, from the Management Learning Center the different programs of professional development have been developed in which it has been given more than thousand hours of class, with a high participation, implication and satisfaction of those who have attended to the training meetings in areas as finance, prevention, quality or management development.

- At the same time, these activities have been analyzed constantly to support a strict quality control and verify the efficiency of the same ones. The knowledge acquired by the participants not only are evaluated during the courses, but later, in their working places, when a second checking is realized to corroborate the utilization of the learned concepts.
- In this way, the training work promoted by CIE Automotive has always the guarantee to be aligned not only with the staff needs, but also with the organization objectives.

Zero Risk

An industrial activity like CIE Automotive needs to observe the most demanding procedures of prevention of labor risks. The Group demonstrates this priority through one of its goals of quality, that of zero accidents.

In 2014, as in previous years, the area of Prevention of Labor Risks has stood out for its formative and prevention effort in areas such as the safety and ergonomics, with special focus on high-level training for the middle management in which was given numerous hours of class organized in diverse courses.

At the same time it has been kept a strict internal audit of the systems of management of labor risks in the plants, observing some standards over the legal requirements established by the authorities. The same level of exigency has been applied at the moment of valuing, coordinating and certifying the contracts and auxiliary companies that have access to CIE Automotive's facilities, considered in this respect with the same responsibility toward prevention of risks as any other member of the Group.

CIE Automotive's plants have continued developing its own plans of prevention of labor risks, main tool and of proven efficiency, to observe the fulfillment of the corrector actions, of reduction of labor accident rate and optimization of the preventive actions.

All this activity has been reflected in a reduction of work accidents and the increase of the plants of the Group that have a certification OSHAS, a total of 28, which is a test of their commitment and efficiency in the prevention of labor risks.

As every year, CIE Automotive continues taking part actively and is a distinguished member of one of the more important associations and forums dedicated to the prevention of labor risks, as the Forum Guipuzcoa of Prevention of Labor Risks (ADEGI) or the Committee of Prevention of the employer from Alava (SEA).

(Thousand euro)

Internal communication

In the same way CIE Automotive supports a transparent communication with the sector, the authorities and the company, internally it has different tools that allow, not only to transmit the news and relevant facts of its activity between its own personnel, but to share a corporate common culture, based on the same values and aims, as well as the best practices.

Not only through satisfaction surveys, tool that allows the direction to know the efficiency of the policies developed in different areas, but also through the Portal CIE Automotive, that continues being a fundamental element for the internal communication, an internal magazine "Noticias", which provides every six months the innovations of the company, the company has supported its effort for having all its professionals informed about its activities of training, new techniques and technologies, as well as on the international experience of the Group.

Number of employees

The number of employees of the group CIE has doubled in the last 5 years, being the numbers to closing of each exercise:

2010	12,352
2011	14,335
2012	16,284
2013	18,435
2014	23,528

The distribution of sexes is, to the closing of 2014:

Men	85%
Woman	15%

5.- FINANCIAL RISK MANAGEMENT

CIE Automotive has a policy of identification and management of risks, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity which, in case of materializing, might difficulty attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces - between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology COSO II, one process of constant cycle in five phases: identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and business where it operates, also internal operation of the company.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favorable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavorable environment.

a) Market Risk

(i) Foreign Exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favorable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognized on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

CIE Automotive Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by denominating borrowings (loans) in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by denominating borrowings in these currencies.

In 2014 CIE Automotive Group acquired majority shareholdings in companies located in India, so that from this year on, the trend in the Indian Rupee will be monitored in the same manner as other international Group investments denominated in currencies other than the euro.

(ii) Price risk

CIE Automotive Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total CIE Automotive Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

CIE Automotive Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materializes in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognized in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement and whose principal needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate of a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

b) Liquidity Risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net financial debt.

The movement in the net financial debt in 2014 is largely due to the payment made to the Dutch fund VEP Fund I Holding Coöperatief W.A. (VEP) on the acquisition in February 2014 of the additional 50% stake in RS Automotive, B.V., the completion of the take-over bid described in Note 1 and the rise as a result of consolidation of the debt in the Mahindra group companies merged into the Group company Mahindra CIE Automotive, Ltd and the inclusion of the Beroa Group, the Bilcan Group and the Global Near Group (Note 1), compensated, these increments, partly, because of the capital increase in the parent company carried out in June 2014 (Note 12)

The Group's Finance Department believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, it is estimated that cash generated in 2015 will enable payments for the year to be settled with no need to increase the net financial debt.

The Group's Finance Department monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

In addition, the Group is strategically diversifying the financial markets and financing sources it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to the Brazilian, Mexican and Indian financial markets.

There are no restrictions regarding the use of cash/cash equivalents.

Noteworthy is the existence at 31 December 2014 of €116.3 million of undrawn credit lines and loans.

Although the standalone figure for working capital is not a key parameter for the understanding of the Group financial statements, the Group actively manages working capital through net operating working and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group's strategies is to ensure the optimization and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to minimize inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers. Supplier payment periods are also constantly optimized by unifying policies and conditions throughout the Group.

As a consequence of the above, there are no risks affecting the Company's liquidity situation.

During 2014, the maturities of the debt have been extended, besides improving its cost in a substantial way.

Taking advantage of this moment, with low interest rates, volume of fixed interest rate debt has been increased, reaching to 40% of structural debt.

In relation to the exhibition of the debt to the currency, the Group works for reaching an ideal balance and minimizing the risks. Nowadays, 77% of the debt is in Euros, 18% in Dollars, 3% in Brazilian reals and 2% in other coins.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognizes impairment provisions as warranted.

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer-specifics.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment, present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these societies when the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to financing prices agreements to customers or by closing the purchase and sale of these products simultaneously (diesel).

6.- R&D ACTIVITES

During the year 2014, CIE Automotive has focused its R&D activities on the products and processes defined in the Group´s strategic plan.

With the last review of the strategy, the subject matters in which we are developing our work are focused principally on the following areas:

- Reduction in vehicles weight.
- Reduction in the consumptions and emissions.
- Increase in active and passive security.
- Customization and increase of the users´ Comfort.
- Factories of the future.

In any of these environments we have developed our projects, some in an internal way and others leading or assuming the responsibility of a specific thematic area in consortia that later have presented its projects to the different R&D financing windows.

Our bet for Europe is clear, and fits perfectly with the fact that our priority areas of R&D are reflected in the European programs as:

- Mobility for Growth, (MfG)
- Green Vehicles, (GV)
- Factories of the Future, (FoF)
- Sustainable Process Industry, (SPIRE)

But Europe is not our only public - private environment of collaboration, many of the projects have been developed at both Regional level, principally in Galicia and the Basque Country, and National as well as International level in Latin America and other Countries out of EU 28 environment, without any doubt, the convergence of these programs with the H2020 has facilitated the development of these activities.

CIE Automotive's bet to get first-hand knowledge on which are going to be the work programs of next years and which is the vision of both the OEM and TIER 1, forces us to increase our presence in the different regional and national forums in order to keep CIE Automotive in the first technological level surrounded by our products and strategic processes.

At international level CIE Automotive takes active part in different technological Platforms such as ERTRAC, CLEPA and EGVIA that works in the innovation applied to the priority areas of investigation from the vision, up to the cooperation and the definition of the work programs.

The direct or indirect participation of CIE Automotive in the Task Force of these platforms, allows us to take part in the definition of the strategic agendas that later will be presented as recommendations to the Commission in order to be reflected in the work programs of the different calls of the H2020.

7.- TRADING IN TREASURY SHARES

At 31 December 2014, the parent Company does not have treasury shares and no movements have taken place in 2014.

The mandate awarded by the Shareholders' General Meeting celebrated on 30 April 2014, is valid until 30 April 2019 whereby the Shareholders' General Meeting of the Company is authorized to acquire CIE Automotive S.A. shares, at any time, and whenever considered appropriate through any of the means accepted by the law even charged to the income statement and/or unrestricted reserves, or being sold or amortized thereafter in accordance with article 146 and its regulations from the Law on Corporations.

8.- STOCK EXCHANGE INFORMATION

Constant growth close to the business

CIE Automotive's share has been mirroring the improvement of the result of the business and the efficiency of the Strategic Plan 2013-2017 actions, supporting an upward trend during the year.

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2014
(Thousand euro)

In a year marked by the volatility of the principal markets, CIE Automotive's shares were revalued in a 42.1% reaching a price of 11.265 Euros. Starting from a value of 8 € per share in 2013 and after a stable first quarter, the next 6 months brought a rise to a maximum of 12.2 euros per share. In October, there has been a slight decrease to 9.5 euros per share and a recovery in the last two months of the year closing at 11.265 euros per share at 31 December 2014. With this double digit increase higher to the 3.66% registered by Ibex 35, investors rewarded the excellent results and the Company´s strategy on growth. At 31 December 2014, CIE Automotive´s market capitalization was of €1,453.8 million.

With priority goal to provide major liquidity to the share, the Company fulfilled at 6 June 2014 a capital increase by means of a private intensive placement of 10,179,954 shares, 7.89% of the share capital´s total, with exclusion of the right of preferential subscription. This capital increase supposed an entry of resources of more than €93 million and caused a negotiation growth in the second semester of the year.

Dividend

CIE Automotive maintains its politics to remunerate one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2014 of €0.10 per share. Disbursement was effective January 5, 2015.

9.- EVENTS AFTER THE BALANCE SHEET DATE

On February 2015, the reverse merger between the holding of the Group companies placed in Brazil, CIE Autometal S.A., and the operative company of the Brazilian group, Autometal S.A., which was the absorbent company that survived, was carried out.

With date January 15, 2015, the Company has realized an additional disposal of €25 million of the loan with the European Bank of Investments (BEI) signed in June, 2014, reaching the current disposal of €70 million (Note 16).

No additional significant circumstances have taken place after the closing of the exercise.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF ENTITY

CLOSING DATE PERIOD OF REFERENCE:	12/31/2014

C.I.F.	A-20014452

BUSINESS NAME
CIE AUTOMOTIVE, S.A.

REGISTERED OFFICE
ALAMEDA MAZARREDO, 69 - 8º - 48009 BILBAO (VIZCAYA)

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. - STRUCTURE OF OWNERSHIP

A.1 Complete the following table on the company's capital:

Date of latest modification	Share capital (€)	Number of shares	Number of voting rights
06/06/2014	32,250,000.00	129,000,000	129,000,000

State whether there are different classes of shares with different associated rights:

YES [ ] NO [X]

A.2 Give details on the direct and indirect holders of significant interest in your company at the year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MAHINDRA MAHINDRA	0	16,040,706	12.43%
QMC II IBERIAN CAPITAL FUND, FIL	4,518,659	0	3.50%
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	0	6,480,671	5.02%
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	0	6,460,000	5.01%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	8,984,650	0	6.96%
RISTEEL CORPORATION, B.V.	16,900,021	0	13.10%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MAHINDRA MAHINDRA	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	16,040,706
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	OTHER SHAREHOLDERS	6,480,671
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	LA FUENTE SALADA, S.L.	6,460,000

List the most significant changes in the shareholder structure during the year:

Name of shareholder	Date of the transaction	Description of the transaction
AUSTRAL, B.V.	03/07/2014	Decrease a 3% of share capital

A.3 Complete the following tables on members of the Board Directors´ voting rights at the company:

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MR. FERMIN DEL RIO SANZ DE ACEDO	25,000	0	0.02%
MR. ANTONIO MARIA PRADERA JAUREGUI	6,450,009	8,984,650	11.97%
MR. JESUS MARIA HERRERA BARANDIARAN	450,000	0	0.35%
ADDVALIA CAPITAL, S.A.	6,450,208	0	5.00%
MR. HEMANT LUTHRA	5	0	0.00%
MR. VANKIPURAM PARTHASARATHY	5	0	0.00%
CORPORACION GESTAMP, S.L.	12,652,182	16,900,021	22.91%

ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	9.60%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of voting rights
MR ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	8,984,650
CORPORACION GESTAMP, S.L.	RISTEEL CORPORATION, B.V.	16,900,021

% total of voting rights held by the Board of Directors	42.88 %

Complete the following tables on members of the Board of Directors who hold rights about shares in the Company.

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6 Indicate any shareholders' agreements of which the Company has been notified in pursuance of Articles 530 and 531 of the Spanish Companies Law. Describe briefly, if any, indicating the shareholders bound by the agreement:

YES [ ] NO [X]

Indicate any concerted actions among Company shareholders of which the Company is aware. Describe briefly, if any:

YES [ ] NO [X]

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that have taken place during the year:

Not applicable

A.7 Indicate any individuals or entities that exercise or may exercise control over the Company in pursuance of Article 4 of the Stock Market Act. Identify any that exist:

YES [ ] NO [X]

OBSERVATIONS

A.8 Complete the following tables on the Company's treasury stock:

At the close of the financial year:

Number of direct shares	Number of indirect shares (*)	% total of share capital
0	0	0.00%

(*) Through:

Give details on any significant variations during the year, according to the established in Royal Decree 1362/2007:

A.9 Indicate the terms and conditions of the authorization granted by the General Meeting to the Board of Directors to issue, repurchase or sell treasury shares.

It is valid until April 30, 2019, inclusive, the mandate given by the General Meeting of Shareholders held on April 30, 2014, whereby the Board of Directors of the Company is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotive, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

A.10 Indicate whether there are any restrictions on the transfer of securities and / or any restrictions on voting rights. In particular, the existence of any restrictions that may impede the acquisition of control of the company through the purchase of shares in the market will be communicated.

YES [ ] NO [X]

A.11 Indicate whether the General Shareholders' Meeting has resulted in measures to neutralize a takeover bid under Law 6/2007.

YES [X] NO [ ]

If so, explain the measures approved and the terms under which the restrictions would become ineffective.

At the General Shareholders' Meeting of CIE Automotive, S.A. held on 23 April 2008, the following arrangement was adopted as a result of point three of the agenda:

SIX.- Approval of the exclusion of limitations on the action to be taken by the Company's governing and management bodies, and those within its group, in the terms established by Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July.

In accordance with the provisions of Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July, on the public bidding system to acquire shares, stipulate that the limitations referred to by Article 60.bis.2 and Article 28.5 of Royal Decree 1066/2007, of 27 July, will not be applicable to the governing bodies at the Company and the Group in the event that the Company is the target of a public share offering presented by a Company that is not domiciled in Spain and is not subject to these regulations or their equivalent, including those referring to the rules necessary for the General Meeting to adopt resolutions or, by an entity directly or indirectly controlled by such a company, in accordance with the provisions of Article 4 of Law 24/1988, of 28 July, on the Stock Market.

A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.

YES [ ] NO [X]

If so, indicate the different classes of shares and, for each one, the rights and obligations conferred.

B. - SHAREHOLDERS' MEETING

B.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Spanish Companies Law and, if appropriate, explain.

YES [X] NO [ ]

	% quorum different than that established under Article 193 SCL for general cases	% quorum different than that established under Article 194 SCL for special cases defined by Article 194 SCL
Quorum required for 1st call	50.00%	0.00%
Quorum required for 2nd call	0.00%	0.00%

Description of the differences
Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call the Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call. As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).

B.2 Indicate and explain, if appropriate, if there are any differences between the system used for adopting corporate resolutions in the system stipulated in the Spanish Companies Law (SCL):

YES [ ] NO [X]

Describe how it differs from the system contemplated in the Spanish Companies Law.

B.3 State the rules applicable to the amendment of the Articles of Association. In particular, the majorities provided for amending the Articles to will be communicated and, where appropriate, the rules laid down for the protection of the rights of the partners in the amendment of the Articles.

Regulations applicable to the amendment of the articles of association is captured by the Spanish Companies Law not existing in the Articles of Association different majorities of applicable law or rules laid down for the protection of members others than those set out in the rules of general nature.

B.4 Detail the figures of attendance at the Shareholders Meetings held during the reporting year and the previous year:

Attendance figures					
Date of the General Meeting	% physically present	% represented by proxy	% distance voters		Total
			Electronic voting	Other	
04/30/2014	53.92%	33.08%	0.00%	0.00%	87.00%

B.5 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

YES [ ] NO [X]

B.6 Indicate if it is agreed that certain decisions involving a structural change in the company ("affiliation", sale of key operating assets, equivalent operations to the liquidation of the company ...) must be submitted to the approval of the General Shareholder´s Meeting, although not expressly required under company law.

YES [X] NO [ ]

B.7 Indicate the address and means of access to the company website to information on corporate governance and other information on General Meetings to be made available to shareholders via the website of the Company.

The items that must be published in accordance with Law 26/2003, of 17 July, on the transparency of listed public limited liability companies, enabling Order ECO/3722/2003, of 26 December, and those required by CNMV Circular 1/2004, of 17 March, on the Annual Corporate Governance Reports for listed public companies are directly accessible at twww.cieautomotive.com/inversores/index.php?lang=_esp.

C. - STRUCTURE OF GOVERNANCE AT THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum number of Directors stipulated in the Articles of Association:

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2. Complete the following table with the names of the Board members:

Name of the Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN MARIA RIBERAS MERA		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMIN DEL RIO SANZ DE ACEDO		BOARD MEMBER	12/21/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. ANTONIO MARIA PRADERAJAUREGUI		CHAIRMAN	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARIA HERRERA BARANDIARAN		CHIEF EXECUTIVE OFFICER	01/21/2013	04/30/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR ÁNGEL MANUEL OCHOA CRESPO		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FRANCISCO JOSE RIBERAS MERA		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARIA TERESA SALEGUI ARBIZU	BOARD MEMBER	04/26/2007	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. HEMANT LUTHRA		BOARD MEMBER	10/04/2013	04/30/2014	GENERAL

Name of the Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
					SHAREHOLDERS' MEETING AGREEMENT
MR. VANKIPURAM PARTHASARATHY		BOARD MEMBER	10/04/2013	04/30/2014	GENERAL SHAREHOLDERS' MEETING AGREEMENT
CORPORACION GESTAMP, S.L.	MR. FRANCISCO LOPEZ PEÑA	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	BOARD MEMBER	05/12/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCION DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	1st VICE CHAIR	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Total number of Directors	13

Indicate the ceases that have occurred in the Board of Directors during the year:

Name of the Director	Status of the Director at the time of exit	Exit date
AUSTRAL, B.V	Institutional Outside Director	03/10/2014

C.1.3. Complete the following tables about Board members and their classification:

EXECUTIVE DIRECTORS

Name of the Director	Nominating Committee	Position in Company's organization
MR. ANTONIO MARIA PRADERA JAUREGUI	NOMINATIONS AND COMPENSATION COMMITTEE	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	NOMINATIONS AND COMPENSATION COMMITTEE	CHIEF EXECUTIVE OFFICER

Total number of executive Directors	2
Total percent of the Board	15.38%

INSTITUTIONAL OUTSIDE DIRECTORS

Name of the Director	Nominating Committee	Name of the significant shareholder represented or that proposed the appointment
MR. JUAN MARIA RIBERAS MERA	NOMINATIONS AND COMPENSATION COMMITTEE	CORPORACION GESTAMP, S.L.
MR. FRANCISCO JOSE RIBERAS MERA	NOMINATIONS AND COMPENSATION COMMITTEE	CORPORACION GESTAMP, S.L.
ADDVALIA CAPITAL, S.A.	NOMINATIONS AND COMPENSATION COMMITTEE	ADDVALIA CAPITAL, S.A.
MR. HEMANT LUTHRA	NOMINATIONS AND COMPENSATION COMMITTEE	MAHINDRA MAHINDRA
MR. VANKIPURAM PARTHASARATHY	NOMINATIONS AND COMPENSATION COMMITTEE	MAHINDRA MAHINDRA
CORPORACION GESTAMP, S.L.	NOMINATIONS AND COMPENSATION COMMITTEE	CORPORACION GESTAMP, S.L.
QMC DIRECTORSHIPS, S.L.	NOMINATIONS AND COMPENSATION COMMITTEE	NMAS1 ASSET MANAGEMENT, SGIIC, S.A.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	NOMINATIONS AND COMPENSATION COMMITTEE	ELIDOZA PROMOCION DE EMPRESAS, S.L.
MR. FERMIN DEL RIO SANZ DE ACEDO	NOMINATIONS AND COMPENSATION COMMITTEE	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.

Total number of Institutional Directors	9
Total percent of the Board	69.23%

INDEPENDENT OUTSIDE DIRECTORS

Name of the Director

MR. CARLOS SOLCHAGA CATALÁN

Profile

Degree in Economics and Business from Universidad Complutense de Madrid. Post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.). In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-1994. Member of the Basque Government prior to the approval of the Euskadi Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (1991-1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Finance (1985-1993). He is currently an International Consultant and Partner-Director of Solchaga Recio Asociados (Consultancy). Chair of Fundacion Euroamerica, Vice-Chair of Real Patronato del Museo Nacional Centro de Arte Reina Sofia, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of other Advisory Boards and Boards of Directors.

Name of the Director

MR ÁNGEL MANUEL OCHOA CRESPO

Profile

Degree in Economics and Business from Universidad del Pais Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA, currently EAFI (Empresa de Asesoramiento Financiero) and a Director of Islopan, S.A.. With more than 16 years' experience in the financial field, he has held, among others, the post of Director for the Basque Country and Cantabria at Banco Sabadell Atlantico; Senior Vice-President of Banque Privee Edmond de Rothschild Europe, Sucursal en Espana, and participated in the implementation and development of the bank since it opened in Spain and formed part of its Management Committee; Account Manager and Deputy Director of Corporate Banking at Lloyds Bank; and an Account Executive and Manager in the Multinational Department at Barclays Bank. He has also been a member of the Board of Directors of several SICAV funds.

Total number of independent Directors	2
Total percent of the Board	15.38%

Indicate whether any Board member qualified as an independent perceives from the company or its group, any amount or benefit for a concept other than of remuneration, or maintains or has maintained during the last year, a business relationship with the society or any group company, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or had such a relationship.

Not applicable

If so, a reasoned statement of the board on the reasons why it considers that the Director can perform its functions as an independent Director should be included.

OTHER OUTSIDE DIRECTORS

State the reasons why they cannot be considered institutional or independent directors and their association with either the Company, executives or shareholders.

Indicate any variations during the year in the type of each Director:

C.1.4 Complete the following table with information on the number of female Directors for the past 4 years, and the nature of such female Directors:

	Number of female directors				% over each kind of directors			
	Year ended 2014	Year ended 2013	Year ended 2012	Year ended 2011	Year ended 2014	Year ended 2013	Year ended 2012	Year ended 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Institutional	2	2	2	2	22.22%	20.00%	22.22%	22.22%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Outsiders	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	2	2	15.38%	14.29%	16.66%	15.38%

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men:

Explanation of the measures

In the exercise of its functions, the Nominations and Compensation Committee must submit their proposals to ensure that is taken into consideration people who possess the qualifications and skills required for the position, and that the process of selection of candidates does not suffer from implicit biases that hinder the selection of persons of either sex.

C.1.6 Explain the measures, if any, had agreed the Nominations Committee for that selection procedures do not suffer from implicit biases that hinder the selection of female directors and the company deliberately search and include among the potential candidates, women who meet the professional profile searched for:

Explanation of the measures

Nominations and Compensation Committee must ensure that people of both sexes who possess the qualifications and ability required for the position are taken into consideration.

When, despite the measures, if any, have been taken, the number of female directors are few or no, explain the reasons justifying:

Explanation of the measures

The nomination of new directors depends in large measure on the appearance of vacancies within the Board, which does not happen often. At this time the people who are part of the Board meet the required conditions, ensuring so that in future appointments, there are no bias whatsoever in the selection of directors.

C.1.7 Explain how is the representation on the board of the controlling shareholders:

Controlling shareholders (see heading A.2 of this Report) have appointed institutional outside directors on the Board of Directors. Detail of institutional outside directors is provided in the preceding heading C.1.3.

C.1.8 Explain why institutional directors have been appointed at the instance of shareholders with less than 5% interest in the Company, if appropriate:

Indicate whether any formal requests for a presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request institutional directors have been appointed. If appropriate, explain why such requests were denied.

YES		NO	X

C.1.9 State whether or not any Director has left the position before the end of the term, if the Director provided an explanation, and how, to the Board and, in the event this was done in writing to the entire Board, explained at least the reasons provided:

Name of the Director

AUSTRAL, B.V.

Reason for exit

The Director has disposed its interest in the Company.

C.1.10 State the powers, if any, delegated to the managing director(s):

Name of the Director

MR. JESUS MARIA HERRERA BARANDIARAN

Brief description

The Chief Executive Officer has all the functions of the Board except those that cannot be delegated.

C.1.11 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director	Name of the Group company	Position
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO, S.A. DE C.V.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIRMAN
MR. FERMIN DEL RIO SANZ DE ACEDO	CIE AUTOMETAL, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE AUTOMETAL, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE NUEVOS MERCADOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALFA DECO, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALURECY, S.A	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADOS ECOLOGICOS DE RESIDUOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	VIA OPERADOR PETROLIFERO, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE MECAUTO, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCION RECYTEC, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE DIRECCION RECYLAN, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	GAMEKO FABRICACION DE COMPONENTES, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	NOVA RECYD, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ORBELAN PLASTICOS, S.A.	BOARD

Name of the Director	Name of the Group company	Position
		MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	PLASFIL PLASTICOS DA FIGUEIRA, S.A.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	RECYDE, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	TRANSFORMACIONES METALURGICAS NORMA, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMETAL DE MEXICO, S.A.P.I. DE C.V.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ MEXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	INMOBILIARIA EL PUENTE S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	PERCASER DE MEXICO S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MEXICO, S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TECNICOS S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER
MR. HEMANT LUTHRA	MAHINDRA CIE AUTOMOTIVE, LTD	CHAIRMAM
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOKOMP INGENIERIA, S.A.	CHAIRMAN
MR. HEMANT LUTHRA	METALCASTELLO SPA	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ, S.L; CIE AUTOMETAL, S.A.; CIE GALFOR, S.A.U; CIE LEGAZPI S.A.U; AUTOKOMP INGENIERÍA, S.A.	BOARD MEMBER

C.1.12 Name company directors, if any, on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of the Director	Name of the listed company	Position
MR. CARLOS SOLCHAGA CATALÁN	DURO FELGUERA. S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	ZELTIA, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	BOARD MEMBER

C.1.13 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its Directors may sit:

YES [ ] NO [X]

C.1.14 Indicate the general policies and strategies at the Company which must be approved by the full Board:

	YES	NOT
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Compensation and evaluation of senior management	X	
Risk control and management, and periodic monitoring of internal information and control systems	X	
The policy for dividends, as well as treasury stock and, in particular, their limits.	X	

C.1.15 Indicate the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousand euros)	3,027
Amount of the global remuneration corresponding to the benefits accrued by the directors on pensions (thousand euros)	0
Global remuneration of the Board of Directors (thousand euros)	3,027

C.1.16 List the members of senior management who are not executive directors and show the total compensation earned by them during the year:

Name	Position
MR. MIKEL FELIX BARANDIARAN LANDIN	GENERAL DIRECTOR OF IT SERVICES AND SOLUTIONS
MR. AITOR ZAZPE GOÑI	DIRECTOR OF PLASTIC, BIOFUEL, HUMAN RESOURCES AND SYSTEMS DIVISIONS
MR. JUSTINO UNAMUNO URCELAY	DIRECTOR OF FORGE, METAL AND PURCHASE DIVISIONS
MR. ANDER ARENAZA ALVAREZ	DIRECTOR OF ALUMINIUM, MACHINING ENGINEERING AND QUALITY DIVISIONS

Total senior management compensation (thousand euros)	1,342

C.1.17 Name any Board Members who are also directors of companies holding significant interest in the company and/or companies pertaining to its Group:

Name of the Director	Name of the significant shareholder	Position
MR. ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	CHAIR
MR. FRANCISCO JOSÉ RIBERAS MERA	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	BOARD MEMBER

Describe any significant relationships other than those contemplated in the previous section between Board of Directors´ Members and significant shareholders and/or companies pertaining to their Group:

C.1.18 Indicate whether any modifications have been made during the year to the Board of Directors' Regulations:

YES [ ] NO [X]

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing Directors. Describe the competent bodies, procedures to be followed and the criteria applied in each of the procedures.

The appointment of the members of the Board of Directors is the responsibility of the General Shareholders' Meeting, without prejudice to the power of the Board to designate members by co-optation in the event of vacancies.

To this effect, Article 23 of the Articles of Association lays down that:

´2. In order to be appointed a member of the administrative body, it is not required to be a shareholder.

3. The members of the administrative body shall hold office for five years and may be re-elected once or more times for equivalent periods.

4. The members of the administrative body designated by co-optation shall hold their position until the first General Shareholders' Meeting.

5. The members of the administrative body shall cease to hold office when so decided by the General Shareholders' Meeting, when they report their resignation to the Company and when the period of their appointment elapses. In this latter case, their resignation shall be take effect on the day on which the following General Shareholders' Meeting is held or once the legal term for holding the Meeting to approve the previous year's annual accounts elapses."

Similarly, Article 18 of the regulations of the Board of Directors lays down the following:

Article 18. Appointment of Directors.

1.- The Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors in accordance with the Spanish Companies Law.

2.- The proposal for the appointment of Directors submitted by the Board of Directors to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to it shall be preceded by the relevant report from the Nominations and Compensation Committee. When the Board disagrees with said report, it shall set out the reasons for its decision and place them on record.

C.1.20 Indicate whether the Board of Directors has proceeded during the year to make an assessment of their activities.

YES [X] NO [ ]

If so, explain to what extent the self assessment has led to major changes in its internal organization and the procedures applicable to its activities:

Description of modifications

Not applicable

C.1.21 Indicate cases in which Directors are obliged to resign.

Article 22 of the Regulations of the Board of Directors CIE AUTOMOTIVE, S.A indicates that:

Article 22. Removal of Directors

1.- The resignation of one or more of the Directors shall take place in the terms of applicable legislation.

2.- Directors hold their positions at the pleasure of the Board of Directors and, if deemed appropriate, must present their resignations in the following cases:

a) in the case of Institutional Outside Directors, when he or the shareholder that he represents transfers his shareholding in the company.

b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.

c) When they are involved in a legal conflict of interest.

d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.

C.1.22 Indicate whether the CEO is also Chair of the Board of Directors. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

YES [ ] NO [X]

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board for the inclusion of new items on the agenda, to coordinate and echo the concerns of outside Directors and to direct evaluation by the Board of Directors.

YES [ ] NO [X]

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES [ ] NO [X]

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES [ ] NO [X]

C.1.25 State whether the Chair has a casting vote:

YES [ ] NO [X]

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES [X] NO [ ]

Age limit for Chair: 65 years old.
Age limit for CEO:
Age limit Board Member:

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES [ ] NO [X]

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 17 of the Board Regulations of CIE Automotive, S.A. reads as follows:

´2.- Directors will make every effort to attend meetings of the board and, if they cannot do it personally, may delegate their proxy to another Director, not limited the number of representations held by each member to the assistance to the Board. Without prejudice to the foregoing, the Directors shall seek to confer representation to a fellow board member of the same group to which it belongs and where possible include appropriate instructions. Representation may be conferred by any written means.

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

Number of Board meetings	7
Number of Board meetings without the Chair	0

Indicate the number of meetings held during the year by the various Board Committees:

Delegate Executive Committee	4
Audit and Compliance Committee	6
Nominations and Compensation Committee	3

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

Number of Director assistances during the year	106
% Number of assistances compared with the total votes cast during the year	100%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES [ ] NO [X]

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

Article 3 of the Audit and Compliance Committee Regulations stipulates the following, among other things:

(ii)Propose the appointment of the external auditors referred to by Article 204 of the Spanish Companies Law to the Board of Directors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.

(iii)Supervise the internal audit services.

(iv)Receive information regarding the financial information process and internal control systems at the Company and the group of companies.

(v)Maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

(vi)Review the annual accounts before presentation to the Board of Directors, as well as any 6-month and quarterly financial statements that must be filed with regulatory bodies or market supervisors.

C.1.33 Is the Secretary of the Board a Director?:

YES [ ] NO [X]

C.1.34 Explain the procedures for appointing and removing the Secretary of the Board, indicating whether or not the appointment and removal have been reported by the Nominations Committee and approved by the full Board of Directors.

Procedure for appointment and removal

Article 25.2 of the Articles of Association stipulate that the Board of Directors will appoint a Secretary and, if appropriate, a Vice Secretary, and the appointment may involve persons that are not Directors, in which case they will have the right to be heard but not to vote. The Vice Secretary will substitute the Secretary in the event of any absence, illness, disability or vacancy.

Similarly, Article 10 of the regulations of the Board of Directors lays down the following:

1.- The Secretary of the Board of Directors may or may not be a Director, as determined at any given moment by the Board.
2.- The Secretary assists the Board with its duties and must ensure the proper operation of the Board, especially providing the advisory services requested, duly reflecting the meetings in the minutes and certifying the Resolutions adopted.
3.- The Secretary will handle the material and formal legalities concerning Board action and compliance with its procedures and rules of governance.
4.- The Secretary will perform the office of Expert Legal Adviser of the Board, provided that holds the condition of attorney.

	YES	NOT
Does the Nominations Committee report the nomination?	X	
Does the Nominations Committee report removals?	X	
Does the full Board approve the nomination?	X	

Does the full Board approve the removal?	X	

Does the Secretary of the Board have the responsibility of specifically monitoring Good Governance recommendations?

YES [ ] NO [X]

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 41 of the Regulations of the Board of Directors governs the relationships with external auditors:

“Article 41. Relations with the Auditors”

1.- The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.

2.- The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.

3.- Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES [ ] NO [X]

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES [X] NO [ ]

	Company	Group	Total
Sum of services other than auditing (thousand euro)	29	132	161
Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)	11.00%	6.00%	6.50%

C.1.38 State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES [ ] NO [X]

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	13	13
Number of years audited by the present audit firm / Number of years the company has been audited (%)	41.94%	41.94%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES [X] NO [ ]

Procedure details

Article 25 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:

Article 25. Expert advice

1.- In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.
2.- The request must be made through the Chair of the Board of Directors and may be vetoed by the Board of Directors if it is considered that: a) such assistance is not required for the adequate performance of the duties with which Directors are charged; b) the related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues; c) the assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company; or d) may give rise to a risk to the confidentiality of the information that must be disclosed.

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES [X] NO [ ]

Procedure details

Article 24 of the Regulations of the Board of Directors governs the procedure for Members of the Board of Directors to obtain information regarding the issues to be deliberated:

Article 24. Disclosure procedure.
1.- A Director may request the information reasonably needed regarding the Company, provided that it is required by the duties being fulfilled. The right to information extends to domestic and foreign subsidiaries.
2 - In order to not disturb the ordinary management of the Company, information requests will be made through the Chair, who will attend to Directors' requests by either providing the information directly, identifying the appropriate contacts within the Company, or providing the measures so that the requested information may be examined and inspected.
3 - The Board of Directors may deny the request for information if, in its judgment, the request might harm corporate interests, notwithstanding any provisions of the Spanish Companies Law.

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES [X] NO [ ]

Explain the rules

In accordance with the established in Article 22.2 of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any Board Member that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES [ ] NO [X]

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries: 0

Type of beneficiary

Not applicable

Description of the arrangement

Not applicable

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	General Shareholders Meeting
Board authorizing clauses	YES	NO

	YES	NO
Is the General Meeting reported about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of Institutional and independent Outside Directors that form it:

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Type
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	INSTITUTIONAL
MR ANTONIO MARIA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. JESUS MARIA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
MR. HEMANT LUTHRA	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL

% of executive members	33.00%
% of institutional members	67.00%
% of independent members	0.00%
% of other outsiders	0.00%

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L	BOARD MEMBER	INSTITUTIONAL

% of executive members	0.00%
% of institutional members	67.00%
% of independent members	33.00%
% of other outsiders	0.00%

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	INSTITUTIONAL
MR. CARLOS SOLCHAGA CATALÁN	CHAIRMAN	INDEPENDENT
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL

% of executive members	0.00%
% of institutional members	67.00%
% of independent members	33.00%
% of other outsiders	0.00%

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2014		Year ended 2013		Year ended 2012		Year ended 2011	
	Number	%	Number	%	Number	%	Number	%
DELEGATED EXECUTIVE COMMITTEE	1	16.66%	1	16.66%	1	20.00%	1	25.00%
AUDIT AND COMPLIANCE COMMITTEE	2	66.66%	1	33.33%	1	33.33%	1	33.33%
NOMINATIONS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 State whether or not the following duties fall to the Audit Committee.

	YES	NOT
Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.	X	
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.	X	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	X	
Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	X	
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of the engagement.	X	
Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.	X	
Ensure the independence of the external auditors	X	

C.2.4. Describe the rules of organization and operation and the responsibilities of each of the Board committees.

NOMINATIONS AND COMPENSATION COMMITTEE

The Nominations and Compensation Committee is governed by Article 15 of the Regulations of the Board of Directors and is formed by a minimum of three (3) Directors. Executive Directors or Members of the Audit and Compliance Committee cannot be Members of this Committee. Notwithstanding other duties assigned by the Board of Directors, the Nominations and Compensation Committee will have the following basic duties:

i) Prepare and review the criteria that must be followed when appointing the Board of Directors and the selection of candidates;

ii) Inform about Director nomination proposals as well as examine or organize, in the manner it deems appropriate, the succession of the Chairman and the Chief Executive so that the handover takes place in an orderly and well-planned form.

iii) Propose the members of each Committee to the Board.

iv) Propose the annual compensation system and amount for Directors and, in particular, for the Chair of the Audit and Compliance Committee due to the special dedication, to the Board of Directors.

v) Propose the compensation system and amount for senior management.

vi) Review regularly the compensation programmes, weighting their adequacy and performance.

vii) Ensure the transparency of the compensation process.

viii) Report on the appointment of the persons that will represent the Company at Board of Directors' Meetings at the most relevant subsidiaries and investee companies, as determined by the Board of Directors.

ix) Report on the appointment or removal of executives that report directly to the Board, the Chair, the Delegated Committee or the CEO.

The Nomination and Remuneration Committee will meet whenever it is convenient for the performance of their duties and will appoint among its members a Chairman and a Secretary who will not have to be a director. Regarding specific performance standards, will apply with the necessary modifications established for the Board of Directors.

AUDIT COMMITTEE

The Audit Committee Regulations (by remission to Article 14 of the Regulations of the Board of Directors) establishes the duties and rules for organising and operating of the Audit and Compliance Committee.

The Audit and Compliance Committee will consist of a minimum of three members and a maximum of five, which will be designated by the Company's Board of Directors. The Members of the Committee will be all of them external directors and will be appointed for terms of four years, notwithstanding possible re-election. The renewal, re-election and removal of Members will fall to the Board of Directors.

The Audit Committee will also designate a Chair from among its members. The Chair must be replaced every four years and may be re-elected again after one year elapses after leaving the position. In addition, the Audit and Compliance Committee will designate the Secretary to the Committee, which should not be a Director.

The duties of the Audit and Compliance Committee are:

i) Inform the General Meeting of issues raised by shareholders with respect to matters within the Committee's sphere of competence.

ii) Propose to the Board of Directors the appointment of the external auditors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.

iii) Supervise internal audit services.

iv) Be aware of the financial information process and internal control systems.

v) Maintain relations with external auditors to receive information regarding issues that may put their independence into question and any other issues relating to the audit of the accounts.

vi) Review the annual, biannual and quarterly financial accounts before presentation to the Board of Directors.

vii) Supervise compliance with the Internal Conduct Regulations with respect to the Stock Market and the Internal Code of Professional Conduct of Group executives and employees.

viii) Report about transactions that mean or could mean there is a conflict of interest.

ix) Prepare an annual report on the Committee's activities.

x) Any other duties that may be assigned by the Company's Board of Directors.

DELEGATED EXECUTIVE COMMITTEE

According to Article 13 of the Regulations of the Board of Directors, as representation of Board of Directors, and with a nature of standing body, the Delegated Executive Committee will have - unless the Board of Directors determines otherwise - all the powers inherent to the Board of Directors, except for those that cannot be delegated by law and statutorily and those specifically reserved to the Board.

The Delegated Executive Committee will meet at least once (1) per month and few others deemed appropriate by the Chair, who may also suspend one or more of the ordinary meetings when deemed appropriate in its sole judgment. It will also meet when requested by two (2) of the Directors of the Committee. The Delegated Executive Committee will deal with all matters concerning to the Board, which in the opinion of the Committee itself, should be resolved without further delay, with the only exceptions of accountability, presentation of financial statements to the General Meeting, the powers which are given to the Board without authorizing its delegation and the powers of the Board of Directors that are not delegable by law and statutorily.

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Regulation of the Audit and Compliance Committee is available for consultation on the website of CIE AUTOMOTIVE. This Committee prepares an annual report of its activities. The operation of other committees is regulated by the rules of the Board of Directors

C.2.6 State whether the composition of the Executive Committee reflects the participation in the Board of Directors of the various directors depending on their category:

YES [X] NO [ ]

D. - RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, where appropriate, the procedure for approval of transactions with related parties and intragroup.

Competent body

Board of Directors

Procedure for approval of transactions with related parties

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the board or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

Explain whether the approval of transactions with related parties has been delegated, indicating, where appropriate, the body or persons to whom the authority has been delegated.

Not applicable

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders.:

Name of Significant Shareholder	Group Company	Nature of the Relationship	Type of Transaction	Amount (thousand €)
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Sale of goods	108,904
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Purchase of goods	50,297
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Services	3,133

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

Name of Directors	Name of Related Party	Link	Type of transaction	Amount (thousand €)
MR. FERMIN DEL RIO SANZ DE ACEDO	CIE AUTOMOTIVE AND SUBSIDIARIES (CIE AUTOMOTIVE GROUP)	Contractual	Services	438
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	1,212
CORPORACIÓN GESTAMP, S.L	MAHINDRA CIE AUTOMOTIVE LTD	Contractual	Sale of goods	9,145

D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered tax haven will be informed.

D.5 Provide the amount of transactions with other related parties.

€65,154 Tthousand

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 30 of the Regulations of the Board of Directors lays down the following:

Article 30.- Conflicts of Interest.

1.- A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person.

For the purposes of these Regulations, persons related to a Director are considered to be:

1.- The Director's spouse or persons with a similar relationship.

2.- Ascendants, descendants and siblings of the Director or his/her spouse.

3.- The spouses of the Director's ascendants, descendants and siblings.

4.- Companies in which the Director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related persons are considered to be the following with respect to a legal person Director.

1.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4.- Persons who, with respect to the legal person Director, are considered to be related to the Directors in accordance with this section.

2.- The following rules will be applicable to conflict of interest situations:

a) Communication: the Director must report to the Board of Directors and the Audit and Compliance Committee, through the Chair or the Secretary, any conflict of interest that arises.

b) Abstention: the Director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Institutional Outside Directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.

c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving Directors that has been reported by the affected party or by any other means.

D.7 Are more than one of the Group's companies listed in Spain?

YES [ ] NO [X]

Identify the subsidiaries listed in Spain:

Subsidiary listed

Indicate if they have defined publicly accurately the respective areas of activity and eventual relations of business between them, as well as those of the listed subsidiary company with other group companies;

Define the eventual relations of business between the head company and the listed subsidiary company, and between this one and other group companies.

Identify the mechanisms planned to solve the eventual conflicts of interests between the listed subsidiary and other group companies:

Mechanisms to solve the eventual conflicts of interest

E. - RISK CONTROL AND MANAGING SYSTEMS

E.1 Explain the scope of the Risk Management System of the Company.

CIE Automotive is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one.
Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee.
The overall process for managing corporate risks at CIE Automotive is based on the COSO II method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives;

II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls;

III. Establish a response to each one;

IV. Monitor the action taken; and

V. Report the results of the analysis performed.

E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:

Audit and Compliance Committee

E.3 Describe the main risks that may affect the achievement of business objectives.

The main risks to which CIE Automotive is exposed to are as follows:

a) Market risk

i) Foreign exchange risk

ii) Price Risk

iii) Interest Rates

b) Liquidity Risk

c) Credit Risk

d) Market risk and commodities price risk

E.4 Identify whether the entity has a level of risk tolerance.

See heading E.3. about the different levels of analysis of business risks and tolerance

E.5 Indicate which risks have materialized during the year. Indicate whether any of the different types of risks has been materialized during the year.

During the year 2014 actions related to the review and definition of the map risk has been taken what has improves if any detection and minimizing policies of the existing risks. Thanks to the policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by different group companies, having the control systems worked adequately and not having produced significant impacts on the consolidated financial statements 2014.

E.6 Explain the response and supervision plans held for the company's major risks.

See heading E.3. about every risk identified.

F. - DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

F.1 Company control environment.

Report, noting the main features of at least:

F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognised corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the SICFR.

On the other hand, the Management of CIE is responsible for defining and implementing the SICFR and, in general, for the entire Internal Control System of the Group, overseeing the definition and design of the internal control procedures which need to be implemented in the Group's operations, as well as compliance with legal rules, internal policies, and established procedures.

The CIE Audit and Compliance Committee (hereinafter the ACC) is the body responsible for the supervision of the efficacy of the Company's internal control system, the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit. In relation to financial information, this Committee must be familiar with the process for its preparation, and with the controls in place for its approval. The supervision of the SICFR is therefore the responsibility of the ACC.

F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with:
  (i) the design and review of the organisational structure. The Board of Directors is the body ultimately responsible for defining and periodically reviewing the organisational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources.With regard to the process for the preparation of financial information, there exists an interrelated global financial department which reports to the CIE Corporate Finance Management team.

  (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions. The responsibilities and functions of all persons directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

  (iii) ensuring that there are sufficient procedures in place for this information - particularly that relating to the process for the preparation of financial information – to be correctly disseminated within the Company. There are internal protocols which guarantee that information on any change taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this connection.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analysing breaches of such code and proposing corrective action and penalties.

  CIE currently has an "Internal Code of Conduct" and "Internal Regulations on Conduct in relation to Securities Markets". Both these documents are published on the CIE web site and are distributed to all personnel affected through the communication channels established for this purpose.

  In either case, the body responsible for their definition and approval is the CIE Board of Directors.

  The Code lays down basic rules and principles whose purpose is to ensure that there is commitment and transparency in relations and operations with customers, suppliers and employees, that the shareholders' investments are protected and optimised, and that there is adequate surveillance of health, safety and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

  It contains a specific section on the reliability of financial information, which lays down a series of specific rules applicable to all persons involved in the process for the preparation of financial information.

  The functions of the ACC include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organisation, indicating, where appropriate, the confidential nature of such information.

  CIE has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

  There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, the wishes of the whistle-blower with respect to confidentiality being respected at all times.

  The Regulations governing the CIE whistle-blowing channel appoint a Management Committee and establish a protocol indicating the steps to be taken for the analysis of reports received, and for their communication to the ACC for supervision purposes.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

  As well as a variety of staff training programmes, CIE has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information:

  - There is a CIE Accounting Policies Manual, which is updated on an on-going basis.
  - There is an Accounting Policies Function, whose tasks is to resolve any doubts regarding the interpretation of the Accounting Policies Manual, and provide advice regarding the treatment of complex transactions.
  - There are divisional/regional controllers who are involved in the support provided to all persons forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.
  - When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
  - Advice is received from external advisors in relation to changes in accounting, legal and tax rules which may affect the Company.

F.2 Risk assessment of financial information.

Report at least:

F.2.1 What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

  The process of identification and assessment of financial information risks forms part of CIE's global Corporate Risks Management process. It is based on the COSO II methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar.

  The risk management process is based on a continuous cycle comprising five phases:

  I.- the identification of key risks which may affect the fulfilment of the Organisation's objectives, including all financial information control objectives;
  II.-the evaluation of such risks based on the probability of occurrence and their impact on the organisation, and based on the existence of controls;
  III.-determination of the required response for each such risk;
  IV.-monitoring of the agreed courses of action; and
  V.-reporting of the results of the analysis made.

  The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Internal Audit acting as coordinator in this process.

  The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks.

  The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Internal Audit department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

  As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information which may have a material impact on its reliability. The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialised management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

  As has been mentioned above, the model is based on the COSO II methodology and therefore, taking as its starting point the Organisation's objectives, it seeks to identify and manage all risks which may have an impact on the achievement of results.

  Risks are classed specifically as Strategic Risks, Operational Risks, Reporting Risks and Compliance Risks.

- The governing body which supervises the process.

  This entire process is reviewed and approved by the ACC, which is the body which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient..

F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Documentation describing the flows of activities and controls (including those related to the risk of fraud) for the different types of transactions which may have a material impact on the financial statements, including the closure-of-accounts procedure and the specific review of significant judgements, estimates, measurements and projections.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE has control procedures and activities taking place in other key areas of the company (purchases, inventory management, sales, and so on), the purpose of which is to ensure that transactions are properly recorded, measured, presented and broken down, and to prevent and detect fraud.

For this purpose CIE has, at process level (including the closure-of-accounts process), descriptions (in the form of narratives), and risk and control matrices.

For the review of judgements, estimates, measurements and projections, the Accounting Policies Manual defines the application criteria prevailing in CIE, and specific controls in the aforementioned risk and control matrices.

The aforementioned significant transactions are reviewed by the CIE Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and judgements used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE has internal control policies and procedures in place in respect of information systems which support its significant processes, including the process for the preparation and review of financial information.

CIE uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE identifies the systems and applications which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those which are used directly in the preparation of financial information, and those which are relevant to the efficacy of controls which reduce the risk of misstatement in such information.

CIE has "Systems Security Policies", defined at corporate level, which are designed to meet its defined general security objectives.

The objective is to adopt the pertinent measures of an organisational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes
- Back-up and recovery
- Physical security
- Control of subcontractors

F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts which may have a material impact on the financial statements.

CIE has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties which have a significant impact on the financial information prepared by CIE.

Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of CIE is the Information Systems area. In this respect, CIE has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.

In addition, there are control activities taking place periodically in CIE (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within the Company, specific monitoring work being required to guarantee their reliability.

F.4 Communication and information.

Report, noting their main features, if you have at least:

F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies guide communicated to the units through which the entity operates.

The Role of CIE Accounting Policies is assumed by the Audit and Compliance department, which depends directly from the Chief Executive Officer.

In performing this function, the Audit and Compliance department assumes the following responsibilities:

- Maintenance the CIE Accounting Policy Manual (Continuous Update) and dissemination to other companies group.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individual or consolidated level) in the interpretation of the rules to be applied.

F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information evenly.

This system is used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the preparation of the financial statements and notes that require a detailed breakdown, CIE has defined reporting format, which allows the units to disclosure financial data reported through the reporting system. These forms are requested twice a year, and are reported to Corporate Controlling department for analysis, being as well validated by financial auditor.

F.5 System performance monitory.

Report, noting its main features, at least:

F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

CIE has a Corporate Internal Audit Department, which reports to the ACC, and coordinates the Internal Auditing teams in Europe, Mexico, Brazil and India. The members of the internal audit department are exclusively dedicated to these functions.

Among the functions of Internal Audit, aspects concerning identification and risk assessment are included, as well as the review of controls oriented to reliability of financial reporting and actions related to fraud risk management.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

F.6 Other relevant information.

F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotive has submitted for review by the external auditor the Company’s ICFR operating description, where no significant impact have been detected. Audit opinion report is included as appendix.

G. - COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation won’t be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See headings: A.10, B.1, B.2, C.1.23 and C.1.24.

Comply	X	Explain	

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;
   b) The mechanisms in place to resolve possible conflicts of interest.

See headings: D.4 and D.7

Comply		Partially comply		Explain		Not applicable	X

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

   a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e., reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
   b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
   c) Operations that effectively add up to the company's liquidation.

See headings: B.6

Comply	X	Partially comply		Explain	

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 2, should be made available at the same time as the publication of the Meeting notice.

Comply		Explain	X

The documents relating to the General Shareholders' Meeting, including the detailed proposals for resolutions to be adopted are made available to shareholders at the time the relevant General Meeting is called and on the website maintained by CIE Automotive, S.A. and in the Shareholder forum for the time between the call and the date of the General Meeting.

As to the content of information on the directors referred to in Recommendation 27, we understand that the information contained in this report (which is accessible at all times via Web Page) is more than sufficient for the purposes that proposed and in connection with the profiles of the members of the Board of Directors.

5. Separate votes should be taken at the General Shareholders’ Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;
b) Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.

Comply	X	Partially comply		Explain	

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Comply	X	Explain	

7. The Board of Directors should perform its duties with unity of purpose and independent judgment, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximize its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply	X	Partially comply		Explain	

8. The Board should see, as core components of its mission, to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

a) The Company's general policies and strategies and, in particular:

i) The strategic or business plan, management targets and annual budgets
ii) Investment and financing policy
iii) Design of the structure of the corporate group;
iv) Corporate governance policy
v) Corporate social responsibility policy;
vi) Compensation and evaluation of senior officers;
vii) Risk control and management, and periodic monitoring of internal information and control systems
viii) The policy for dividends, as well as treasury stock and, in particular, their limits.

See headings: C.1.14, C.1.16 and E.2

b) The following decisions:

i) Upon recommendation by the CEO, the appointment and possible removal of senior management and any indemnity clauses.

ii) Directors' compensation and, in the case of Executive Directors, additional compensation for their management duties and other contractual conditions.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorization is not required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full Board.

See headings: D.1 and D.6

Comply	X	Partially comply		Explain	

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See heading: C.1.2

Comply	X	Explain	

10. External directors, institutional and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See headings: A.3 and C.1.3.

Comply	X	Partially comply		Explain	

11. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by institutional directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of institutional directors is greater than would strictly correspond to the total percentage of the capital they represent:

1. **In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**
2. **In companies with a plurality of shareholders represented on the Board but not otherwise related.**

See headings: A.2 and A.3 and C.1.3

Comply	X	Explain	

12. The number of independent directors should represent at least one third of all Board members.

See heading: C.1.3

Comply		Explain	X

CIE Automotive considers that the number of independent Directors correctly reflects the company's shareholder composition and, in particular, the proportion of the free float capital that currently exists. The Board has the intention of making a proposal at the General Meeting for the appointment of new independent Directors in the event that these proportions vary significantly.

13. Such determination should subsequently be explained by the Board to the General Meeting and be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of institutional directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for an institutional directorship.

See headings: C.1.3 and C.1.8

Comply	X	Partially comply		Explain	

14. When female directors are few or non-existent, the Nomination Committee should take steps to ensure that:

a) **The process of filling Board vacancies has no implicit bias against female candidates;**
b) **The company makes a conscious effort to include women with the target profile among the candidates for Board places.**

See headings: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Comply	X	Partially comply		Explain		Not applicable	

15. The Chair, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See heading: C.1.19 and C.1.41

Comply	X	Partially comply		Explain	

16. When a company's Chair is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chair.

See heading: C.1.22

Comply		Partially comply		Explain	X	Not applicable	

According the applicable mercantile law, on the first Board of Directors´ Meeting of 2015, it is going to be appointed the nomination of an independent coordinator Director, who will have the functions mentioned in the epigraph.

17. The Secretary should take care to ensure that the Board's actions:

a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
b) **Comply with the company Articles of Association and the regulations of the General Shareholders' Meeting, the Board of Directors and others;**
c) **Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting, the relevant appointment and removal procedures being spelled out in the Board's regulations.

See heading: C.1.34

Comply	X	Partially comply		Explain	

18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See heading: C.1.29

Comply	X	Partially comply		Explain	

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See headings: C.1.28, C.1.29 and C.1.30

Comply	X	Partially comply		Explain	

20. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board, at the request of the person who is expressing them, they should be recorded on the minutes.

Comply	X	Partially comply		Explain		Not applicable	

21. The Board in full should evaluate the following points on a yearly basis:

a) **The quality and efficiency of the Board's operation;**
b) **Starting from a report submitted by the Nomination Committee, how well the Chair and chief executive have carried out their duties;**
c) **The performance of its committees on the basis of the reports furnished by the same.**

See heading: C.1.19 and C.1.20

Comply	X	Partially comply		Explain	

22. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Articles of Association or Board regulations indicate otherwise, such requests should be addressed to the Chair or Secretary.

See heading: C.1.41

Comply	X	Explain	

23. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See heading: C.1.40

Comply	X	Explain	

24. Companies should organize induction programmers for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply	X	Partially comply		Explain	

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
b) Companies should lay down rules about the number of directorships their Board members can hold.

See headings: C.1.12, C.1.13 and C.1.17

Comply		Partially comply		Explain	X

As a result of the composition of the Company's Board of Directors, which is a direct reflection of the make-up of its shareholders, the aforementioned obligations for its Members are not necessary.

26. The proposal for the appointment or renewal of directors that the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-optation, should be approved by the Board:

a) On the proposal of the Nomination Committee, in the case of independent directors.
b) Subject to a report from the Nomination Committee in all other cases.

See heading: C.1.3

Comply	X	Partially comply		Explain	

27. Companies should post the following directorship particulars on their websites and keep them permanently updated:

a) **Professional experience and background;**
b) **Directorships held in other companies, listed or otherwise;**
c) **An indication of the director's classification as appropriate, stating, in the case of institutional directors, the shareholder they represent or are associated with.**
d) **The date of their first and subsequent appointments as a company director, and;**
e) **Shares held in the company and any options on the same.**

Comply		Partially comply	X	Explain	

Our understanding is that the information set out in this report (which is accessible at all times through the website) already maintains up-to-date the necessary information regarding Directors, in line with the items requested in Recommendation 27.

28. Institutional directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to institutional directors, the latter's number should be reduced accordingly.

See headings: A.2, A.3 and C.1.2

Comply	X	Partially comply		Explain	

29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, it is understood that there is just cause when the director has breached the duties inherent in his position or comes under any of the circumstances making it lose its independent status in accordance with the provisions of the Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See headings: C.1.2, C.1.9, C.1.19 and C.1.27

Comply	X	Explain	

30. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a Director is indicted or tried for any of the crimes stated in article 213 of the Spanish Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See headings: C.1.42 and C.1.43

Comply	X	Partially comply		Explain	

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary to the Board, whether a Director or not.

Comply	X	Partially comply		Explain		Not applicable	

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See heading: C.1.9

Comply	X	Partially comply		Explain		Not applicable	

33. Compensation comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

Comply	X	Partially comply		Explain		Not applicable	

34. External directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply	X	Explain		Not applicable	

35. In the case of compensation linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply	X	Explain		Not applicable	

36. In the case of variable awards, compensation policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply	X	Explain		Not applicable	

37. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Delegate Committee.

See headings: C.2.1 and C.2.6

Comply	X	Partially comply		Explain		Not applicable	

38. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Comply	X	Explain		Not applicable	

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Compensation.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Compensation should be set forth in the Board regulations, and include the following:

a) **The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;**
b) **These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**
c) **Committees should be chaired by an independent director.**
d) **They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
e) **Meeting proceedings should be minuted and a copy sent to all Board members.**

See headings: C.2.1 and C.2.4

Comply	X	Partially comply		Explain	

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See headings: C.2.3 and C.2.4

Comply	X	Explain	

41. All members of the Audit Committee, particularly its Chair, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply	X	Explain	

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See headings: C.2.3

Comply	X	Explain	

43. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply	X	Partially comply		Explain	

44. Control and risk management policy should specify at least:

a) **The different types of risk (operational, technological, financial, legal, reputational…) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**

b) **The establishment of the risk level that the Company considers acceptable;**

c) **Measures in place to mitigate the impact of risk events should they occur;**

d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See headings: E

Comply	X	Partially comply		Explain	

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a) That the main risks identified as a result of monitoring the effectiveness of internal control of the company and the internal audit function, if any, are managed and properly disclosed.

b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

a) Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.

b) Monitor the independence of the external auditor, to which end:

   i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

   ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See headings: C.1.36, C.2.3, C.2.4 and E.2

Comply	X	Partially comply		Explain	

46. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply	X	Explain	

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) **The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**

b) **The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**

c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See headings: C.2.3 and C.2.4

Comply	X	Partially comply		Explain	

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chair of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See heading: C.1.38

Comply	X	Partially comply		Explain	

49. The majority of Nomination Committee members – or Nominations and Compensation Committee members as the case may be – should be independent directors.

See heading: C.2.1

Comply		Explain	X	Not applicable	

Due to the composition and type of the Board of Directors, which reflects the composition of the Company's shareholders, the understanding is that it is not necessary to comply with the content of Recommendation 49.

50. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) **Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**

b) **Examine or organize, in appropriate form, the succession of the Chair and the chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.**

c) **Report on the senior officer appointments and removals which the chief executive proposes to the Board.**

d) **Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See heading: C.2.4

Comply	X	Partially comply		Explain		Not applicable	

51. The Nomination Committee should consult with the company's Chair and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply	X	Partially comply		Explain		Not applicable	

52. The Compensation Committee should have the following functions in addition to those stated in earlier recommendations:

a) **Make proposals to the Board of Directors regarding:**

i) The compensation policy for Directors and senior management;
ii) The individual compensation and other contractual conditions of executive directors.
iii) The standard conditions for senior management employment contracts.

b) **Oversee compliance with the compensation policy set by the company.**

See headings: C.2.4

Comply	X	Partially comply		Explain		Not applicable	

53. The Compensation Committee should consult with the Chair and chief executive, especially on matters relating to executive directors and senior officers.

Comply	X	Partially comply		Explain	

H. - OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.

2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

   Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

D.5 OTHER RELATED PARTY TRANSACTIONS

The Company and certain of its subsidiaries maintain contractual relationships with INSTITUTO SECTORIALDE PROMOCIÓN Y GESTIÓN DE EMPRESAS DOS, S.A. (INSSEC 2) and various subsidiaries of this company, with which significant shareholders common shares, being the amounts and the following concepts:

Company of CIE Automotive Group/Related Party/Nature/Operation/Thousand Euro

- CIE Automotive and subsidiaries-INSSEC 2 and Subsidiaries- Financing Agreements: Trade Receivables (Non current) 1,640.
- CIE Automotive -INSSEC 2 - Financing Agreements: Trade Receivables (current) 38,657.

Trade accounts balance 40,297

- CIE Automotive and subsidiaries-INSSEC 2 and Subsidiaries- Financing Agreements: Accounts Payable (Non current) 5,970.
- CIE Automotive and subsidiaries-INSSEC 2 and Subsidiaries- Financing Agreements: Accounts Payable (Current) 7,101.
- CIE Automotive and subsidiaries-INSSEC 2- Financing Agreements: Accounts Payable 10.627.

Payable accounts balance 23,698

Net receivable balance: 16,599

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/25/2015.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES		NO	X

(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

REPORT OF THE AUDITOR RELATING TO THE INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)

To the Directors of CIE Automotive, S.A.:

At the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and pursuant to our letter of proposal dated 9 December 2014, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2014, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable - not absolute - degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal financial reporting control system.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2014 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law enacted by Royal Decree 1/2011 of 1 July, we do not express an audit opinion in the terms envisaged in said Law.

PricewaterhouseCoopers Auditores, S.L., Plaza de Euskadi, 5, 48009 Bilbao, España
Tel.: +34 944 288 800 / +34 902 021 111, Fax: +34 944 288 805, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª.
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 5/2013 dated 12 June 2013.

2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.

4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.

6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2014, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July, amended by Law 31/2014 of 3 December, on the Sustainable Economy, and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013 for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

25 February 2015

CIE Automotive, S.A.
and subsidiaries

Audit Report,
Consolidated Annual Accounts at 31 December 2014
and directors' Report for 2014

"This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of CIE Automotive, S.A.:

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of CIE Automotive, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

PricewaterhouseCoopers Auditores, S.L., Plaza de Euskadi, 5, 48009 Bilbao, España
Tel.: +34 944 288 800 / +34 902 021 111, Fax: +34 944 288 805, www.pwc.com/es

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Opinion

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

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2014 contains the explanations which the parent company's directors consider appropriate regarding CIE Automotive, S.A. and its subsidiaries' situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2014. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from CIE Automotive, S.A. and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

25 February 2015

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Note	At 31 December 2014	At 31 December 2013	1 January 2013
ASSETS				
Non-current assets				
Property, plant and equipment	6	927,961	774,960	670,993
Goodwill	7	897,410	378,463	306,568
Other intangible assets	7	48,544	31,704	26,463
Non-current financial assets	8	13,868	27,286	37,656
Investments in associates	8	1,497	19,385	10,550
Deferred tax assets	23	230,702	221,211	160,826
Other non-current assets	9	5,375	3,928	5,133
		2,125,357	1,456,937	1,218,189
Current assets				
Inventories	11	288,909	222,030	185,318
Trade and other receivables	10	292,653	185,538	178,047
Other current assets	-	7,170	6,490	3,137
Current tax assets	-	58,558	39,661	42,031
Other current financial assets	8	96,258	85,996	61,542
Cash and cash equivalents	12	297,699	326,960	468,451
		1,041,247	866,675	938,526
Disposal group assets classified as held-for-sale	13	24,638	24,950	38,813
Total assets		3,191,242	2,348,562	2,195,528

The accompanying notes to the annual accounts set out on pages 7 to 101 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014 AND 2013
(Thousand euro)

		At 31 December		1 January
	Note	2014	2013	2013
EQUITY				
Capital and reserves attributable to the parent company's shareholders				
Share capital	14	32,250	29,705	28,500
Treasury shares	14	-	-	(53,230)
Share premium	14	152,171	61,467	33,752
Retained earnings	15	460,888	435,875	401,529
Interim dividend	15	(12,900)	(10,694)	(9,345)
Cumulative exchange differences	15/16	(70,590)	(95,400)	(54,730)
Non-controlling interests	18	299,813	139,531	158,991
Total equity		861,632	560,484	505,467
Deferred income	19	17,004	18,836	21,498
LIABILITIES				
Non-current liabilities				
Non-current provisions	25	117,322	64,058	43,037
Non-current borrowings	20	849,897	646,095	642,726
Deferred tax liabilities	23	75,963	61,292	54,680
Other non-current liabilities	22	176,787	103,484	97,432
		1,219,969	874,929	837,875
Current liabilities				
Current borrowings	20	254,180	331,395	279,966
Trade and other payables	21	630,193	433,780	432,494
Other current financial liabilities	8	10,489	8,051	1,488
Current tax liabilities	22	57,200	40,551	37,167
Current provisions	25	11,386	9,214	8,185
Other current liabilities	22	126,822	68,991	68,585
		1,090,270	891,982	827,885
Disposal group liabilities classified as held-for-sale	13	2,367	2,331	2,803
Total liabilities		2,312,606	1,769,242	1,668,563
Total equity and liabilities		3,191,242	2,348,562	2,195,528

The accompanying notes to the annual accounts set out on pages 7 to 101 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Note	Year ended 31 December 2014	2013
OPERATING REVENUE		2,318,651	1,785,427
Revenue	26	2,209,516	1,722,548
Other operating income	26	102,472	61,250
Change in inventories of finished goods and work in progress	11/26	6,663	1,629
OPERATING EXPENSES		(2,146,468)	(1,634,464)
Consumption of raw materials and secondary materials	11	(1,272,102)	(990,321)
Employee benefit expense	28	(514,164)	(371,422)
Depreciation and amortization	5	(118,680)	(86,756)
Other operating income/(expenses)	27	(241,522)	(185,965)
OPERATING PROFIT		172,183	150,963
Finance income	29	36,881	18,643
Finance costs	29	(79,908)	(79,959)
Net exchange differences	29	10,834	12,023
Change in fair value of assets and liabilities taken to income statement	29	176	(16,369)
Share of profit/(loss) of associates	8	(3,029)	(1,571)
PROFIT BEFORE TAX		137,137	83,730
Income tax	30	(38,672)	3,777
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		98,465	87,507
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	13	(355)	(9,621)
PROFIT FOR THE YEAR		98,110	77,886
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18	(17,062)	(17,761)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		81,048	60,125
Earnings per share from continuing and discontinued operations attributable to shareholders of the parent (expressed in euro per share)			
- Basic earnings per share:	31	0.65	0.56
From continuing operations		0.65	0.65
From discontinued operations		(0.00)	(0.09)
- Diluted earnings per share:	31	0.65	0.56
From continuing operations		0.65	0.65
From discontinued operations		(0.00)	(0.09)

The accompanying notes to the annual accounts set out on pages 7 to 101 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
PROFIT FOR THE YEAR		98,110	77,886
OTHER COMPREHENSIVE INCOME			
Entries that may be reclassified to profit or loss:			
- Cash flow hedges	8	(2,177)	(7,659)
- Net investment hedge	2.11/3	(21,472)	(32,283)
- Currency translation differences	16/18	20,539	(51,167)
- Available-for-sale financial assets	8	3,217	(12,095)
- Other comprehensive income for the year		(842)	(2,146)
- Tax effect	23	5,609	16,791
Total entries that may be reclassified to profit or loss		4,874	(88,559)
Transfers to profit or loss			
- Available-for-sale financial assets	8	7,926	-
- Tax effect	23	(2,695)	-
Total transfer to profit or loss		5,231	-
Entries that may not be reclassified to profit or loss:			
- Actuarial gains and losses	24/25	(5,552)	(108)
- Tax effect	23	1,257	32
Total items that may not be reclassified to profit or loss		(4,295)	(76)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		103,920	(10,749)
Attributable to:			
- Owners of the parent Company	15	76,758	(10,010)
. Continuing operations		77,113	(389)
. Discontinued operations	13	(355)	(9,621)
- Non-controlling interests	18	27,162	(739)
		103,920	(10,749)

The accompanying notes to the annual accounts set out on pages 7 to 101 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousand euro)

	Share capital (Note 14)	Treasury shares (Note 14)	Share premium (Note 14)	First-time IFRS-EU application reserve and other restatement reserves (Note 15)	Cumulative exchange differences (Note 16)	Retained earnings (Note 15)	Interim dividend (Note 15)	Non-controlling interests (Note 18)	Total equity
Balance at 1 January 2013	**28,500**	**(53,230)**	**33,752**	**48,258**	**(54,730)**	**353,271**	**(9,345)**	**158,991**	**505,467**
Total comprehensive income for 2013	**-**	**-**	**-**	**(29,494)**	**(40,641)**	**60,125**	**-**	**(739)**	**(10,749)**
Distribution of 2012 profit	-	-	-	-	-	(18,622)	9,345	-	(9,277)
Interim dividend 2013	-	-	-	-	-	-	(10,694)	-	(10,694)
Acquisition of treasury shares (Note 14)	-	(6,079)	-	-	-	-	-	-	(6,079)
Sale of treasury shares (Note 14)	-	59,309	-	-	-	7,981	-	-	67,290
Capital increase (Note 14)	1,205	-	27,715	-	-	-	-	-	28,920
Consolidation scope changes (Note 1)	-	-	-	-	-	7,713	-	(11,049)	(3,336)
Business combinations (Note 35)	-	-	-	-	(609)	9,743	-	(1,952)	7,182
Other movements (*)	-	-	-	-	580	(3,100)	-	(5,720)	(8,240)
Balance at 31 December 2013	**29,705**	**-**	**61,467**	**18,764**	**(95,400)**	**417,111**	**(10,694)**	**139,531**	**560,484**
Total comprehensive income for 2014				**(13,861)**	**9,571**	**81,048**		**27,162**	**103,920**
Distribution of 2013 profit	-	-	-	-	-	(22,304)	10,694	-	(11,610)
Interim dividend 2014	-	-	-	-	-	-	(12,900)	-	(12,900)
Increase in capital (Note 14)	2,545	-	90,704	-	-	(1,602)	-	-	91,647
Consolidation scope changes (Note 1)	-	-	-	-	16,560	(136,514)	-	(107,110)	(227,064)
Business combinations (Note 35)	-	-	-	-	(1,321)	116,651	-	245,089	360,419
Other movements (*)	-	-	-	-	-	1,595	-	(4,859)	(3,264)
Balance at 31 December 2014	**32,250**	**-**	**152,171**	**4,903**	**(70,590)**	**455,985**	**(12,900)**	**299,813**	**861,632**

(*) Basically relates to the distribution of dividends to non-controlling interests (Note 18).

The accompanying notes to the annual accounts set out on pages 7 to 101 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousand euro)

		Year ended 31 December	
	Note	2014	2013
Cash flows from operating activities			
Cash generated from continuing and discontinued operations	33	267,456	195,696
Interest paid		(61,316)	(44,093)
Interest received		27,944	16,410
Income tax paid		(19,583)	(16,404)
Net cash generated from operating activities		214,501	151,609
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired/transferred	35	19,694	(119,083)
Acquisition of property, plant and equipment	6	(123,803)	(89,548)
Acquisition of intangible assets	7	(7,958)	(17,451)
Acquisition of shares to non-controlling partners	1	(203,912)	
Proceeds from the sale of property, plant and equipment and intangible assets		3,913	7,063
Acquisition/disposal of other financial assets	8	(27,396)	(45,339)
Payments raised from investments in associates	8	-	(9,148)
Acquisition/disposal of other assets		-	(18,305)
Net cash used in investing activities		(339.462)	(291,811)
Cash flows from financing activities			
Acquisition of treasury shares	14	-	(6,079)
Sale of treasury shares	14	-	67,290
Capital increase	14	91,647	28,920
Proceeds from borrowings	20	711,450	257,367
Income (net of reimbursements) from high-rotation borrowings	20	(142,848)	(25,634)
Loan repayments	20	(542,826)	(279,581)
Grants received (net)	19	98	176
Dividends paid to shareholders of the parent company	15	(22,304)	(18,622)
Other payments/income to/from non-controlling interests		(6,734)	(6,854)
Net cash (used in)/from financing activities		88.483	16,983
Exchange gains/(losses) on cash and cash equivalents		7,217	(18,272)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(29,261)	(141,491)
Cash, cash equivalents and bank overdrafts at beginning of year	12	326,960	468,451
Cash, cash equivalents and bank overdrafts at end of year	12	297,699	326,960

The accompanying notes to the annual accounts set out on pages 7 to 101 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2014 CONSOLIDATED FINANCIAL STATEMENTS
(Thousand euro)

1. General information and Regulatory Framework

1.1 CIE Automotive Group and activities

Activity

The CIE Automotive Group carries out its activities in two core business lines: the Automotive sector and the Solutions and Services sector (Smart Innovation), which are described below:

- Automotive

  The automotive business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, as well as biofuels, on the world automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly.

  Its main facilities are located in Europe: Spain (Álava, Barcelona, Cádiz, Guipúzcoa, Orense, Madrid and Vizcaya), Germany, France, UK, Portugal, Czech Republic, Romania, Italy, Morocco, Lithuania, NAFTA (Mexico and the US), South America (Brazil), and India, the People's Republic of China, Guatelama and Russia.

- Solutions & Services (Smart Innovation)

  The Group, through a group of companies, leading by the company Global Dominion Access, S.A., and with stable presence in 28 countries and more than 6,000 employees, supported on a business model which combines knowledge and technology, develops its activities offering Solutions and Services that actively contribute to make more efficient the productive processes of its clients. With a global and multisectorial approach, this subgroup operates, among others, in the sectors of Industry, Energy, Bank, Health, Education and Technology, both in private and public fields.

  Its main facilities are located in Europe (Spain, Germany, France, Italy, UK, Poland and Denmark), so on Saudi Arabia, the Gulf States (Oman, Qatar, UAE), USA, Latin America (Chile, Mexico and Argentina) and Asian Southeast and Australia.

On 3 July 2013, the Board of Directors of the parent company resolved to move its registered office within the city of Bilbao to "Calle Alameda Mazarredo 69, 8º piso".

Group structure

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in CIE Berriz, S.L., a 26.96% stake in CIE Automotive Nuevos Mercados, S.L. (and indirectly 73.04% stake through CIE Berriz, S.L.), 100% stake in R.S. Automotive, B.V. (2013: 50%), 100% stake in Autokomp Ingeniería, S.A.U. and, lastly, 62.95% stake in Global Dominion Access, S.A. (2013: 94.43%), holding companies to which the CIE Automotive Group's productive companies report.

The list of subsidiaries and associates at 31 December 2014, together with the information concerning them, is set out in the Appendix to these consolidated annual accounts.

All subsidiaries under the control of the CIE Automotive Group have been consolidated using the full consolidation method.

Under IAS 28 "Investments in associates and joint ventures" after the acquisition of the remaining 50% of the holding in R.S Automotive B.V. in February 2014, the investment in the Group has been fully consolidated using the full consolidation method in 2014 (Note 35). Other business combinations realized in 2014 are detailed in this same note in following paragraphs and in Note 35.

At December 2013, the Group was involved in three joint ventures - the RS Automotive Group, the CIE Avtocom Group and in CIE Automotive Hispamoldes, S.A. – in which it held a 50% interest in all cases. For purposes of comparison, therefore, in 2013 the consolidation method was changed from the proportionate method to the equity method (Note 2.1). Since February 2014, following the takeover, the RS Automotive Group has been consolidated using the full consolidation method, while CIE Automotive Hispamoldes, S.A. continue to be consolidated under the equity method on December 2014. In December 2014, the Group has sold its participation in CIE Avtocom Kaluga, LLC. and its dependent companies (Note 37).

(Thousand euro)

The associates companies consolidated under the equity method are as follows:

	% interest	
	31.12.2014	31.12.2013
Belgium Forge, N.V. (1)	100%	100%
Biocombustibles de Zierbana, S.A. (1)	20%	20%
Biocombustibles La Seda, S.L. (1)	40%	40%
Galfor Eólica, S.L. (2)	50%	50%
Gescrap – Autometal Comercio de Sucatas, Ltd.	30%	30%
Antolin-CIE Czech Republic, s.r.o.	30%	30%
Gescrap Autometal de México, S.A. de C.V.	30%	30%
CIE Automotive Rus, LLC. (2) (4)	100%	100%
Beroa Group (5)	100%	22.72%
RS Automotive Group (3)	100%	50%
CIE Avtocom Kaluga, LLC Group (6)	-	50%
CIE Automotive Hispamoldes, S.A. and subsidiary	50%	50%
Centro Near Servicios Financieros, S.L.	14.48%	-
Advance Flight Systems, S.L.	18.89%	-
Crest Geartech Ltd. (1)	100%	-

(1) In liquidation / dormant.

(2) Company being launched.

(3) Group of companies which, following the acquisition of the remaining 50% in 2014, is consolidated using the full consolidation method.

(4) Consolidated since 2014 using the full consolidation method.

(5) Group of companies consolidated using the full consolidation method after the exercise in 2014 by Global Dominion Access, S.A. (subsidiary company) of the purchase option held to acquire an additional 50% of the share capital of the Beroa Group at the 2013 closing (Note 35). Moreover, in 2014 the remaining ownership interest was acquired from minority shareholders, pushing the interest held to 100%.

(6) At 1 December 2014 the 50% of the interest held in the Russian company CIE- Avtokom Kaluga LLC was sold.

Listing on the Brazil Stock Exchange and Takeover bid in Autometal

One of the Group's subsidiaries, the Brazilian company Autometal S.A., which was 74.76%-owned by the Group, was at 31 December 2013 traded on the Brazilian Stock Exchange (BM&FBOVESPA – Novo Mercado) since 7 February 2011. Appendix summarises the subsidiaries of Autometal S.A.

In September 2014, the formalities connected to the takeover bid were successfully completed in order to exclude of negotiation of the above mentioned Company in the Brazilian Stock Exchange, acquiring the remaining 25.24% of its share capital.

After the final auction, CIE Automotive, S.A. became the owner of 99.75% of the shares of Autometal, S.A. (through its subsidiary CIE Autometal, S.A.). Subsequently, the General Meeting of 6 October 2014 agreed to cancel and redeem of the remaining shares to complete 100% of the acquisition.

The maximum price offered to the shareholders of Autometal, S.A. other than CIE Autometal, S.A. amounted to BRL19.50 per share, adjusted by the "Índice de Preços ao Consumidor Amplo (IPCA)". In addition, Autometal shareholders have received a complementary dividend of BRL0.2292 per share paid out of 2013 profits. As a result, the shares acquired in the takeover bid were ex-dividend. The operation amounted to approximately €203 million (approximately BRL617 million).

Autometal, S.A.'s share price on the Brazilian Stock Exchange at 31 December 2013 was BRL17.40.

After the completion of the public offering, the Group has started a restructuring process of CIE Automotive group in Brazil, by (a) the sale of all business units located abroad to CIE Bérriz, S.L., ended in 2014, and (b) the merger between Autometal S.A. (transferee) and its parent company CIE Autometal, S.A. (transferor), which will be carried out in the first quarter of 2015.

Strategic alliance with the Mahindra group

On 15 June 2013, CIE Automotive, S.A., through its Brazilian subsidiary Autometal, S.A. and several of the latter company's subsidiaries, entered into a strategic agreement to integrate Mahindra & Mahindra's automobile component manufacturing business with CIE Automotive, S.A.'s forged steel component manufacturing business, which has resulted in the creation of the MAHINDRA CIE Group, parented by the Indian company Mahindra CIE Automotive, Ltd. and listed on the Bombay Stock Exchange.

Mahindra Systech is Mahindra & Mahindra's automobile component business unit; its portfolio includes cast iron parts, forged steel parts, stamped parts, gear assemblies, magnetic products and composites. It has a network of plants and sales offices in India, Germany, United Kingdom and Italy serving customers located in North America, Europe and Asia, comprising the following five subgroups: Mahindra Forgings, Ltd. (listed on the Bombay Stock Exchange, currently named Mahindra CIE Automotive, Ltd.), Mahindra Composites, Ltd. (listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd. (not listed) and Mahindra Gears & Transmission Pvt, Ltd. (not listed).

In June 2013, in a first phase of the operation, Autometal, S.A. integrated (through a purchase and sale transaction between CIE Group companies) CIE Automotive, S.A.'s European forged steel component manufacturing business, which includes the companies CIE Galfor, S.A.U. and CIE Legazpi, S.A.U. (Spanish companies) and UAB CIE LT Forge (Lithuanian company).

On 4 October 2013, after obtaining authorisation from the competition authorities in India, Germany and Brazil, as well as other regulatory approvals, CIE Automotive, S.A. completed this first phase by acquiring a controlling interest in the listed companies Mahindra CIE Automotive, Ltd. and Mahindra Composites, Ltd., through subsidiaries of its Brazilian subsidiary Autometal, S.A., (by means of takeover bids in the Bombay Stock Exchange and direct acquisitions), and a controlling interest in the non-listed company Mahindra Hinoday Industries, Ltd. The total price paid was INR8,809 million (equivalent to approximately €110 million).

The shareholding acquired by Autometal, S.A. in those companies through its subsidiaries was a 79.16% stake in the case of Mahindra CIE Automotive, Ltd., a 61.74% stake in the case of Mahindra Composites, Ltd. and a 64.96% stake in the case of Mahindra Hinoday Industries, Ltd.

Mahindra & Mahindra´s transaction was ratified by the General Meeting of Autometal, S.A. held on 8 July 2013, pursuant to Article 256 of Law 6.404/76, as amended by Law 10.303/01.

As part of the global operation, in an independent transaction of the preceeding, in 2013 Mahindra & Mahindra (through Mahindra Overseas Investment Company Mauritius Limited) acquired a 13.5% interest in CIE Automotive, S.A., through the following transactions: (a) acquisition from CIE Automotive, S.A. of a 9.44% interest in share capital (post-increase) which the Company recognised as treasury shares at that date; and (b) subscription in the capital increase of a 4.06% interest (post-increase), at the price of €6 per share in both cases, for a total price of €96,210,557.

During a second stage, Mahindra CIE Automotive, Ltd. (at the time indirectly controlled by CIE Automotive, S.A. (Appendix) initiated the merger by absorption, culminated on 10 December 2014, of Mahindra Composites, Ltd. (listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd., Mahindra Investments India Private Limited, Mahindra Gears International Limited and the company holding the European forged component manufacturing business of CIE Automotive, S.A., Participaciones Internacionales Autometal Tres, S.L., integrating all these businesses.

Three of these companies and their subsidiaries, involved in the merger, were acquired on that same date, namely: Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Investments India Private Limited (not listed) and Mahindra Gears International Limited (not listed)

As mentioned above, the final outcome of the process in 2014 was the creation of the MAHINDRA CIE group, parented by the Indian company Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings, Ltd.), listed on the Bombay Stock Exchange, in which CIE Automotive, S.A. through its subsidiary CIE Berriz, S.L. and several subsidiaries owns a controlling interest (53% of share capital) and in which Mahindra & Mahindra holds around 20% of share capital.

The share price at 31 December 2014 of the company Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings, Ltd.), currently listed on the Bombay Stock Exchange was 212.75 INR.

This business combination is described in Note 35.

Changes in the scope of consolidation

2014

a) Automotive segment

On February 2014 the parent company completed the acquisition of the 50% interest – owned by the Dutch fund VEP Fund I Holding Coöperatief W.A. ("VEP") in RS Automotive B.V. for €10,766 thousand, to which, if applicable, an additional amount will be added linked to the performance of EBITDA in RS Automotive B.V. in 2014 and 2015 and payable in 2016.

As a result of this acquisition, CIE Automotive owns a 100% stake in RS Automotive B.V. (Note 35).

RS Automotive B.V. is the parent of a group of companies with production facilities in France, Spain, Romania, China and Mexico, devoted to the manufacture of special automotive comfort systems and operating in the market under the name of ACS-Advanced Comfort Systems Group.

On August 2014, CIE Berriz, S.L. acquired the shares representing 25% of CIE Automotive Nuevos Mercados, S.L. from Ekarpen SPE, S.A. for approximately €30 million, payable monthly as from the transaction date to January 2016. As a result, CIE Automotive Group owns 100% of the company. This transaction has reduced the Group's capital (including non-controlling shares) in €24million.

On September 2014, following the successful completion of the formalities connected with the takeover bid in order to discontinue the trading of all shares in Autometal, S.A. (31,775,132 ordinary shares, representing 25.24% of share capital) in the Brazilian Stock Exchange and subsequent agreements, CIE Automotive, S.A., through its subsidiary CIE Autometal, S.A., became the owner of a 100% stake in Autometal, S.A.

On October 2014, the Group completed the corporate restructuring of the Brazilian subsidiary Autometal, S.A., reducing the company's equity by approximately BRL968 million (consolidation value at 31st October 2014), by contributing to the CIE Autometal, S.A.'s sole shareholder, the interest in the Spanish company Participaciones Internacionales Autometal, S.L.U. (approximately BRL968 million, equal to approximately €317 million). In the same date, CIE Autometal, S.A. has sold its 100% stake in Participaciones Internacionales Autometal, S.L.U. to CIE Berriz, S.L. This transaction has had no effect in the Group at consolidation level.

Likewise, in November 2014, the Group concludes the restructuring process of the Brazilian subsidiary Autometal, S.A. selling this one its 50% interest on the capital of the Chinese company, Nanjing Automotive Forging, Co., Ltd. to CIE Berriz, S.L. This transaction has had no effect in the Group at consolidation level.

At 6 November 2014, and after the merger carried out, without any effect for the Group in June 2014 between the Russian companies CIE-AVTOCOM, LLC (transferor) and CIE-AVTOCOM Kaluga, LLC (transferee), the group, through its subsidiary CIE Automotive Nuevos Mercados, S.L., proceeded to sell its 50% interest in CIE-AVTOCOM Kaluga, LLC for a value of €1, as well as to resign the collection of the outstanding credits with the company. This operation has supposed to the Group a loss of €1,359 thousand, which has been registered in the epigraph "Share of profit/ (loss) of associates" in the income statement of the exercise 2014 (Note 8.c). With this operation the Joint Venture constituted in 2010 by CIE Automotive Group and the Russian companies SAM LTD LLC and JSC KZAE is considered extinguished.
Finally, in December 2014, as it has been previously commented, the merging and integration process of the companies related with the strategic alliance with Mahindra Group has ended.

b) Solutions and Services segment (Smart Innovation)

In July 2014, Global Dominion Access, S.A. agreed to carry out two capital increases, the first amounting to €253 thousand with a share premium of €1,247 thousand, and the second amounting to €769 thousand, with a share premium of €231 thousand (approximately), both fully subscribed and paid by shareholders other than CIE Automotive, S.A.

Furthermore, Global Dominion Access, S.A. entered into a purchase option agreement in 2013 under which it reserved the right to acquire an additional 50% of the capital of Beroa Thermal Energy, S.L. in 2014. This option was exercised in July 2014, being the 1 July 2014 the effective date of taking control. In this respect and as was envisaged, Dominion Group will pay for the percentage acquired an amount of €42 million approximately, in three years, an equivalent amount to Beroa Group´s EBITDA in 2014, 2015 and 2016, multiplied by 7.5x, less the pertinent financial debt.

Additionally, Global Dominion Access, S.A. has acquired from non-controlling shareholders any remaining interests, so Global Dominion Access S.A. is holder of 100% of the share capital in Beroa. As counterpart, these shareholders have signed a capital increase of 7.69 % in the capital of Global Dominion Access, S.A. Both operations are realized at market value as with an independent expert report.

The Group, which Beroa Thermal Energy S.L. acts as parent company, is dedicated to the construction of industrial facilities, project formalization to the effect, technical assistance and companies advisory especially related to refractory and similar materials and chimney construction, implementation of plans and projects of industrial facilities concerned, even the assembly of the necessary elements for these facilities. It also conducts research on the creation, structure and viability of companies and interest in commercial companies by acquiring shares, ownership interests or capital quotas divided especially in those dedicated to the assembly of refractory materials in facilities of all kinds.

On December 2014, the General Meeting of Global Dominion Access, S.A., prior approval of the operation by CIE Automotive´s Board of Directors of on 17 December 2014, has proceeded to integrate in the group two new areas of business by a non-cash contribution that meant an increase of Global Dominion Access's capital of €3,185 thousand by circulation of 264,947 shares with a nominal value of €12.020242 and a premium of €144.367306 per new share issued. Due to this extension, Dominion Group receives full ownership of 100% of the share capital of companies Bilcan Global Services, S.L. (company dedicated to the development of commercial services) and 89.246% of the share capital of Global Near, S.L. (company dedicated to developing digital solutions). The administrators have received two independent valuation reports related to the businesses to justify the value of the transaction, as well as the mandatory report of the independent expert chosen by the Companies Register for the purpose of non-monetary contribution valuation.

After the above mentioned transaction, Bilcan Global Services, S.L. share capital has been increased by means of the non monetary contribution of the participations that Dominion Instalaciones y Montajes, S.A.U was supporting in Dominion Networks, S.L. and Dominion Centro de Control, S.L. This transaction has had no effect on the Group at consolidation level.

These new areas of business will represent, in approximate terms, 20% of the sales and 20% of the EBITDA of Dominion Group.

After these transactions CIE Automotive´s interest percent in Global Dominion Access S.A., has become of 62.95%.

These two business combinations are described in Note 35.

All these expanding perimeter segment operations are part of the strategy of strengthening and consolidation of Dominion Group to become an autonomous and independent project with leading position in providing solutions and services that currently contribute to make more efficient production processes for its customers under the differentiating concept of "Smart Innovation".

2013

c) Automotive segment

CIE Hispamoldes Plastiques, S.A.R.L. D'AU, a Moroccan company, was stablished on 9 January 2013 with a share capital of 100 thousand dirham (€10 thousand) held entirely by the Group through the company CIE Automotive Hispamoldes, S.A.

On 25 February 2013, the Group entered into an agreement with Grupo Antolin Irausa under which both parties agreed to incorporate a joint venture called Antolín-CIE Czech Republic, s.r.o., in the Czech Republic, which core business is the production and selling of structures and subassemblies for assembly in car seats.

Antolín-CIE Czech Republic, s.r.o. had initial share capital of €1 million, of which Grupo Antolin Irausa has subscribed for 70% (€700 thousand) and CIE Automotive, 30% (€300 thousand).

On 2 April 2013, the Group incorporated a Spanish company called Participaciones Internacionales Autometal Dos, S.L. with a share capital of €112,330 thousand wholly-owned by Participaciones Internacionales Autometal, S.L.U., incorporated in 2012, as subsidiary of the Group's Brazilian subsidiary Autometal, S.A. Subsequently, on 10 June 2013, this company's share capital was increased by €102,070 thousand to €214,400 thousand. This equity issue was subscribed by Participaciones Internacionales Autometal, S.L.U. (€42,070 thousand) and by CIE Berriz, S.L. (Appendix) (€60,000 thousand). As a result, the company ceased to be a sole-shareholder company.

On 6 May 2013, the Group made a capital contribution of USD302 thousand, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., representing 30% of the share capital of the Mexican company Gescrap Autometal México, S.A. de C.V.

On 28 May 2013, the Group incorporated a Spanish Company called Participaciones Internacionales Autometal Tres, S.L. with a share capital of €3 thousand, wholly-owned by Participaciones Internacionales Autometal Dos, S.L. Subsequently, on 11 June 2013, this company increased its equity by €60 million; this equity issue was fully subscribed by Participaciones Internacionales Autometal Dos, S.L.

On 10 June 2013, within the framework of the strategic operation signed with Mahindra Group, the company CIE Galfor, S.A.U. acquired the Spanish company CIE Legazpi, S.A.U., formerly wholly-owned by the Group through CIE Berriz, S.L., and Lithuanian company UAB CIE LT Forge, formerly wholly-owned by CIE Automotive Nuevos Mercados, S.L., which is in turn 75% owned by CIE Automotive Group. This transaction, made at market value, had no effect on the Group's financial statements with the exception of the increase in shareholding in UAB CIE LT Forge, from 75% to 100%, which generated a decrease in retained earnings increasing the balance in non-controlling interests in €3 million.

On 12 June 2013, under the scope of the strategic agreement with Mahindra Group, the wholly-owned Group subsidiary CIE Berriz, S.L. signed with Participaciones Internacionales Autometal Tres, S.L., a purchase agreement encompassing 100% of the shares of CIE Galfor S.A.U., a company which in turn owns 100% of the shares of CIE Legazpi S.A.U. and UAB CIE LT Forge. In the wake of this transaction, and considering the Group's effective shareholdings in these companies, subsidiaries of the Autometal´s Group listed in Brazil, which is 74.76%-owned by the Group, the Group ended up with an 81.82% shareholding in the Galfor subgroup. The only accounting effect of this transaction, made at market value, at the Group level is an increase in retained earnings and decreasing the balance in non-controlling interests of €17 million.

On 1 July 2013, the Group split the chroming operating unit part of Brazilian company Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (SBC1), wholly-owned by Group subsidiary Autometal, S.A., incorporating a new company, also based in Brazil, called Autocromo Cromação de Plásticos, Ltda. (SBC2), wholly-owned subsidiary of SBC1. This transaction has had no impact at the consolidation level.

The merger of Alcasting Legutiano S.L.U. (transferee) and Tarabusi S.A.U. (transferor), both Spanish based companies, was recorded in the Companies Register on 7 August 2013. This merger has had no impact at the consolidation level.
On 29 August 2013, the Russian company CIE Automotive RUS, LLC was incorporated, 100% owned by the subsidiary CIE Automotive Nuevos Mercados, S.L. The Group's effective shareholding in this newly-incorporated company was 75%.

On 4 September 2013, the Spanish company CIE Automotive Nuevos Mercados, S.L. sold all shares in Doga Avtokom CIE LLC (DAC, LLC) for RUB8.2 million (€187 thousand). This transaction implied a loss at the Group level of €57 thousand.

As detailed in previous section, during the month of October, Participaciones Internacionales Autometal Dos, S.L. acquired 79.16% of Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Limited), 61.74% of Mahindra Composites Limited and 64.96% of Mahindra Hinoday Industries Limited.

(Thousand euro)

d) Solutions and Servicies segment (Smart Innovation)

Visual Line, S.L. was established in 2013 with a share capital of €3,100 with Global Dominion Access, S.A. taking a 55% interest. Additionally, in August 2013 Dominion Instalaciones y Montajes S.A.U. acquired a 50% stake in Dominion Networks, S.L. to hold all its share capital.

With effect for accounting purposes from 1 January 2013, Dominion Instalaciones y Montajes, S.A.U. (DIMSA) segregated in favour of its wholly-owned subsidiaries Dominion Networks, S.L. and Dominion Centro de Control, S.L., respectively, its telecommunications services activities consisting of the deployment of resources for customers Telefónica and Vendors, on the one hand, and the centralised monitoring and control of its customers' telecommunications networks, on the other hand.

The aim of this transaction was to focus business activities to customer needs and to enhance strategic visibility in the telecommunications market for future projects and operations. This transaction had no accounting impact whatsoever at the consolidated level.

On December 2013, prior to the two capital increases carried out by the main shareholder CIE Automotive, S.A., the company Global Dominion Access, S.A. purchased, in two transactions, 3,731 and 7,587 treasury shares which, added to the 4,188 treasury shares acquired in prior years, totalled 15,506 shares at the year end, representing 2.077% of share capital.

With respect to the two capital increases of 19 December, the company CIE Automotive S.A. paid a total amount of €60 million in order to subscribe for 373,142 new shares (€4,485 thousand relating to face value and €55,515 thousand to the share premium). As a result of these operations, its shareholding interests increased from 84.95% to 92.47% (94.43% net of the effect of treasury shares).

On 20 December 2013, the Group subscribed for a capital increase in the Spanish company Beroa Thermal Energy, S.L. in the amount of €10,000 thousand, through the subsidiary Global Dominion Access, S.A., to acquire a 22.72% stake. Additionally, a purchase option agreement was concluded whereby the Group reserved the right to acquire an additional 50% stake in Beroa Thermal Energy, S.L. during 2014.

Shareholders of the Group's parent company

The companies holding a direct or indirect shareholding of more than 10% in CIE Automotive, S.A. at 31 December 2014 and 2013 are as follows (Note 14):

	% interest	
	2014	2013
Corporación Gestamp, S.L.	(*) 22.909%	(*) 24.871%
Mahindra & Mahindra, Ltd	(**) 12.435%	(**) 13.500%
Elidoza Promoción de Empresas, S.L.	9.602%	10.424%

(*) 9.808% directly and the remaining 13.101% indirectly through Risteel Corpotation, B.V. (2013: 10.648% directly and the remaining 14.223% indirectly through Risteel Corporation, B.V.)

(**) Indirectly through Mahindra Overseas Investment Company Mauritius, Ltd.

Settlement of guarantees under the agreement to integrate the Solutions & Services (Smart Innovation) business into the CIE Automotive Group

With regard to the Solutions and Services (Smart Innovation – Dominion Group) business integrated into CIE Automotive Group in 2011, and in accordance with the agreement concluded on 20 September 2010 between CIE Automotive and INSSEC and the shareholders of the latter (counterparty in the transaction) it established that, additionally to the usual guarantees in this kind of transactions for the eventual damages as a result of acts or omissions prior to the effective date of merger (1 January 2011) in favour of CIE Automotive, in the event that the arithmetic average for the normalised EBITDA (as this ratio is defined) of the Solutions and Services business (Smart Innovation - Dominion Group) that was integrated into the CIE Automotive Group, for 2011 and 2012, differed by more than 10% from the figure stated in the Business Plan (€10.28 million), CIE Automotive, S.A. and INSSEC DOS, as successor of INSSEC in the agreement, would pay compensation (based on whether the difference was positive or negative) in an amount calculated by applying a multiple of 5.35 to the difference, plus 8% interest

In 2013, following the analysis of the business results obtained in 2011 and 2012, the guarantee calculation was performed, resulting in the payment of compensation by CIE Automotive to the counterparty in the amount of €16.4 million; this liability was recognised during the year (Note 29). This amount was settled during the year by offsetting the guarantees included in balance sheet assets (Note 8).

Authorisation for issue

These consolidated financial statements were authorised for issue by the Board of Directors on 25 February 2015. Consolidated annual accounts are pending to be ratified by the Group parent company's shareholders. However, management expects them to be approved without modification.

1.2 Regulatory framework

Certain companies of the automotive segment develop their activity in the production and sale of biofuel, which is a sector with specific regulatory framework (sector of hydrocarbons).

Some of the liabilities of this specific regulation we can indicate:

- The maintenance of minimum inventory levels of oil products (Royal Decrees 17/6/2004 and 1766/2007), that nowadays are 92 days of sales, of which 50 days must be covered for the operators. Of these quantities, 35 days are kept for the Corporation of Strategic Reservations of Oil Products, CORES, by means of lease to the operators. The rest of the quantities of stock has remained covered in the exercises 2014 and 2013 for the own stock of the companies of the Group subject to this obligation.
- Annual accreditation to the certification authority (CNE) of the ownership of the minimal quantity of certificates of biofuels that allows fulfill the aims for the biofuels, whose percentage for the exercise 2014 they have been fixed in 4.1% of the annual sales.

During 2014, the biofuel production plants of the Group have been granted with the capacity of production to operate in this activity according to the allocation made by the Secretary of State of Energy for the compound of the obligatory aims of biofuels mentioned before.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated annual accounts are set out below. Except as indicated in Note 2.1.1 below, these policies have been consistently applied to all the years presented.

2.1 Basis of presentation

The Group's consolidated annual accounts for the year ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2014.

The consolidated annual accounts have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated annual accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual accounts are disclosed in Note 4.

Certain International Financial Reporting Standards are effective from 1 January 2014, prompting the Group to adapt its consolidated annual accounts. The standards effective in the year are detailed below.

The consolidated annual accounts are not affected by any aspect that may contravene applicable presentation bases.

2.1.1 List and summary of standards, amendments to standards and interpretations published to date

a) Standards, amendments and interpretations mandatory for all financial years commencing on and after 1 January 2014

IFRS 10 "Consolidated financial statements"

IFRS 10 was issued on May 2011 and replaces the guidance on control and consolidation gathered in IAS 27 "Consolidated and

Separate Financial Statements" and eliminates SIC 12 "Consolidation - Special Purpose Entities" which was repealed. IFRS 10 establishes principles for presentation and preparation of consolidated financial statements. The IFRS introduces changes to the control concept, which is still defined as the determining factor in whether an entity should or should not be included in the consolidated financial statements. The concept of unity of the parent company and its subsidiaries for the purposes of the consolidated financial statements and consolidation procedures are unchanged with respect to IAS 27 above.

This rule has been applied by the Group with no significant changes in the consolidated figures of the Group.

IFRS 11 "Joint arrangements"

IFRS 11 exceeds IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly controlled entities – Non monetary contributions of the participants". IFRS 11 establishes the accounting treatment for joint arrangements, based on the rights and liabilities arising from the agreement, rather than its legal form. The types of joint arrangements diminish to two: joint operations and joint ventures. Joint arrangements which the company participates in, are joint ventures. The option of proportionate consolidation for joint ventures is eliminated. On the other hand, joint ventures arise when a participant is entitled to get the result or net assets of the entity involved in and therefore, uses the equity method to account its interest in the entity.

The effects related to this standard are outlined below together with those relating to the modification of IAS 28.

IFRS 12 "Disclosure of interests in other entities"

IFRS 12 contains information requirements to reveal the interests in non-controlling, associate, joint business and structured not consolidated entities.

This rule has been applied by the Group with no significant changes in the consolidated figures of the Group.

IAS 27 (Amendment) "Separate financial statements"

The requirements previously established in IAS 27 with respect to the preparation of consolidated financial statements are included in the new IFRS 10.The standard requires an entity prepares separate financial statements to account these investments at cost or in accordance with IFRS 9.

This modification has not had effect on the consolidated accounts of the Group.

IAS 28 (Amendment) "Investments in associates and joint ventures"

IAS 28 has been updated to include references to joint ventures, which must be recognized using the participation method under the new IFRS 11. At the same time, information about accounting treatment of these typed of investments has been added.

Although the amended IAS 28 is mandatorily applicable in the annual periods beginning on or after 1 January 2013 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2014.

At the December 2013 year end, as indicated in Note 1, the Group had a 50% interest in three joint ventures: RS Automotive group, CIE Avtocom group and CIE Automotive Hispamoldes, S.A. Therefore, for comparison purposes in 2013, the consolidation method was changed from the proportionate method to the equity method of consolidation. As a result of this change, the balance sheet and income statement at December 31, 2013 have been adjusted for the specific impacts of the assets, liabilities and items reported in results described below:

(Thousand euro)

	31.12.2013	01.01.2013
ASSETS		
Non-current assets	17,847	16,959
Current assets	11,469	12,649
Total assets	29,316	29,608

	31.12.2013	01.01.2013
Non-controlling interests	2,349	2,349
Deferred income	522	757
Non-current liabilities	6,228	5,437
Current liabilities	11,785	10,908
Total liabilities	18,013	16,345
Total Liabilities and non-controlling interests	20,884	19,451

Due to the effect of the changes described, the equity value of the interests has increased by €8,432 thousand and €10,157 thousand at 31 December 2013 and 1 January 2013, respectively (Note 8).

	Year ended 31 December 2013
OPERATING INCOME	(45,391)
OPERATING EXPENSES	45,918
OPERATING PROFIT	527
FINANCIAL RESULTS	(886)
PROFIT BEFORE TAX	(359)
Income tax	359
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS AFTER TAX	-

In 2014 and following the acquisition of control, the RS Automotive group is fully consolidated (Note 35) while the CIE Avtocom Kaluga LLC group and CIE Automotive Hispamoldes, S.A. continue to be carried under the equity method. In December 2014 the Group has sold its participation in CIE Avtocom Kaluga LLC, being stopped integrating therefore by the method of participation at this time.

IAS 32 (Amendment) "Offsetting financial assets and financial liabilities"

The modification clarifies that the right of compensate assets and financial liabilities has to be available in the current moment, so it does not depend on a future event.

These changes have had no significant effects in the consolidated figures of the Group.

IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guide (amendments to IFRS 10, IFRS 11 and IFRS 12)"

Its aim is to clarify the transition guidance of IFRS 10, indicating that the date of first application is the first day of the annual period in which this IFRS is first applied. Likewise, it adapts the requirements of transition in relation to the IFRS 10, 11 and 12, limiting the requirement of comparative information adjusted only to the previous comparative exercise.

This modification has determined changes in the Group Annual Accounts detailed in previous paragraphs of this memory.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 27 (Amendment) “Investment entities”

These modifications do not apply to the Group.

IAS 36 (Amendment) “Recoverable amount disclosures for non-financial assets”

It incorporates a modification of limited scope of IAS 36 "Impairment of assets". This modification requires detailed information of how the fair value less costs of disposal has been assessed when an impairment loss is registered or reversed.

This modification has been applied by the Group but has not brought significant effects.

IAS 39 (Amendment “Novation of derivatives and continuation of hedge accounting”

It introduces an exemption of restricted area to the interruption of the accounting coverage in the cases of novation of a derivative designated as an instrument of coverage and substitution of a counterpart for a central counterpart as consequence of legal or regulation dispositions.

This change has not had effects for the Group.

b) Standards, amendments and interpretations not yet in force, although could be taken in advance of the exercises beginning after 1st January 2014.

At the date of signature of this Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published rules, modifications and interpretations that will be detailed below and which obligatory application is from the exercise 2015, though the Group has not adopted them beforehand.

IFRIC 21 “Levies”

This interpretation approaches the countable treatment of taxes imposed by the Public Administrations different from the tax on the earnings and of fines and sancciones imposed by the breach of the legislation.

It is not expected that the new interpretation has a significant effect on the Group's consolidated financial statements.

Improvement project, cycle 2011-2013

In December 2013 the IASB published the Annual Improvements to IFRSs for cycle 2011-2013. The changes added in this Annual Improvements generally applied for annual periods beginning on or after July 1, 2014, although early adoption is permitted. The main incorporated amendments relate to:

- IFRS 3 "Business Combinations": Exceptions to the scope for joint ventures.
- IFRS 13 "Fair Value Rating": Scope of the "exception portfolio" available in IFRS 13.
- IAS 40 "Investment Property": Interaction between IAS 40 and IFRS 3 when a property is classified as an investment property or occupied property by its owner.

Improvement project, cycle 2010-2012

In December 2013 the IASB published the Annual Improvements to the IFRS for the Cycle 2010-2012. The modifications incorporated in these Annual Improvements generally apply for the annual exercises that begin from July 1, 2014. The main changes refer to:

- IFRS 2 "Payments based on share”: Definition of "condition for the irrevocability of the concession”.
- IFRS 3 "Business combinations": Accounting of a contingent consideration in a business combination.
- IFRS 8 "Operating segments": Information to reveal about the aggregation of operating segments and reconciliation of total assets of all segments that are reported to the assets of the entity.
- IFRS 13 "Fair Value Rating": References to the ability to assess the accounts receivable and payable, short-term nominal value when the discounting effect is not significant.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Proportional restatement of accumulated amortization when the revaluation model is used.
- IAS 24 "Disclosure of related parties": Entities that provide key management personnel services as related party.

IAS 19 (Amendment) "Defined benefit plans: Employee contributions"

IAS 19 (reviewed in 2011) distinguishes between employee contributions related to the given service and those not linked to the service. Moreover the current modification distinguishes between contributions linked to service only in the year in which they arise and those linked to service in more than one year. The amendment allows the contributions linked to service that does not vary with the duration deduct from the cost of benefits earned in the year in which the related service is provided.

It does not expect the modification has significant effect in the Group Consolidated Annual Accounts.

The Group is analyzing possible impacts of this modifications in his Consolidated Annual Accounts.

c) Standards, amendments and interpretations of existing standards that cannot be early adopted or have not been adopted by the European Union:

At the date these interim condensed consolidated financial statements were prepared, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations that have not yet been adopted by the European Union.

IFRS 14 "Regulatory deferral accounts "

This is an intermediate standard on the accounting treatment of certain balances that arise in activities with regulated tariffs. It applies only to those entities adopting IFRS 1 for the first time, allowing them to continue recognizing the amounts related to tariff regulation in accordance with their preceding the adoption of IFRS accounting policies.

It is not expected that the rule has a significant effect on the Group Consolidated Annual Accounts.

IFRS 11 (Amendment) "Accounting for acquisitions of interests in joint operations"

It requires apply the accounting principles for a business combination to an investor who acquires an interest in a joint operation constitutes a business.

It is not expected that the rule has a significant effect on the Group Consolidated Annual Accounts.

IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortisation"

This modification clarifies that it is not appropriate use methods based on ordinary revenues to calculate the depreciation of an asset.

The amendment is not expected to have a significant effect on the Consolidated Annual Accounts.

IFRS 15 "Revenue from contracts with customers"

In May 2014, the IASB and the FASB jointly issued a converged standard in relation to the recognition of revenue from contracts with customers. Under this standard, revenues have to be recognized when a customer obtains control of the good or service sold, when it has the ability to direct the use and obtain the benefits of the good or service. This IFRS includes a new guide to determine if the revenues have to be recognizing over time or in a certain time.

IFRS 15 requires extensive information about recognized revenue as well as expected revenue to will be recognize in the future in relation to existing contracts. It also requires quantitative and qualitative information about the significant judgments made by management determining income are recognized as well as changes in these trials. The IFRS 15 will be effective for annual periods beginning after 1st January 2017.

The Group is analyzing the impact of that changes may have on the Group Consolidated Annual Accounts in case European Union adopt them.

IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Plants that need to produce fruit"

Nowadays the Group has not assets of these characteristics.

IFRS 9 "Financial Instruments"

It approaches the classification, valuation and recognition of financial assets and financial liabilities. The complete version of the IFRS 9 has been published in July 2014 and replaces the guide of the IAS39 about the classification and valuation of financial instruments. The IFRS 9 maintains but simplifies the mixed valuation model and establishes three main categories of valuation for the financial assets: amortized cost, fair value with changes in results and fair value with changes in another global result. The base of classification depends on the entity business model and the characteristics of the contractual flows of cash of the financial assets. It requires that the investments in equity are measured to fair value with changes in results with the irrevocable option on the beginning to present the changes on fair value in other global non-recyclable results, provided that the instrument is not held for trading. Under IFRS9, there is a new model of impairment losses, the model of expected credit losses, which replaces the model impairment losses incurred in IAS 39 and which will lead to recognition of losses before it has been done in IAS 39. The IFRS 9 relaxes the requirements for the coverage effectiveness. Under the IFRS 9, the coverage has to be highly effective both prospectively and retrospectively. The IFRS 9 requires an economic relationship between the covered item and the covered instrument and the covered ratio is the same as the entity actually used for risk management.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 will be applied retroactively but will not require comparative figures are restated.

The Group is analyzing the impact of that changes may have on the Group Consolidated Annual Accounts in case European Union would adopt them.

IAS 27 (Amendment) "Equity method in separate financial statements"

IAS 27 was modified to restore the option of using the participation method to account investments in subsidiaries, joint ventures and associates in the separate financial statements of a company.

The amendment is not expected to have a significant effect on the Consolidated Annual Accounts.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or transfer of assets between an investor and its associates or joint ventures"

These modifications clarify the accounting treatment of sales and transfers of assets between an investor and its associates and joint ventures, which will depend on whether non-monetary assets sold or provided to an associate or joint venture constitute a "business". The investor will recognize the complete profit or loss when the non-monetary assets constitute a “business”. If the assets do not meet the definition of business, the investor recognizes a profit or loss to the extent of the interests of other investors.

The amendment is not expected to have a significant effect on the Consolidated Annual Accounts.

Improvement project, cycle 2012-2014

The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34 and will apply for annual periods beginning on or after July 1, 2016, subject to adoption by the EU. The main changes relate to:

- IFRS 5 "Non-current assets held for sale and discontinued operations": Changes in the methods of disposal.
- IFRS 7, "Financial instruments: Disclosure”: Continuing involvement in management contracts.
- IAS 19, "Employee Benefits": Determination of the discount rate in obligations for post-employment benefits.
- IAS 34, "Interim Financial Reporting": Information presented elsewhere in the interim financial information.

The Group is analyzing the impact of that changes may have on the Group Consolidated Annual Accounts in case European Union would adopt them.

IAS 1 (Amendment) "Presentation of Financial Statements"

The amendments of IAS 1 encourage enterprises to apply professional judgment to determine what information will be disclosure in the financial statements.

The amendment is not expected to have a significant effect on the Consolidated Annual Accounts.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment Entities: Applying the exception to consolidation"

These amendments clarify aspects of the implementation of the requirement for investment firms to assess the dependent at fair value rather than strengthened.

These amendments are not expected to have a significant effect on the Consolidated Annual Accounts.

2.2 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities (including special-purpose companies) over which the Group has control. The Group controls an entity when it is exposed, or has right, to obtain a few variable performances for his implication in the informed one and has aptitude to use his power on her to influence these performances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration paid for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability that originates from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The accounting policies followed by subsidiaries have been modified where necessary to ensure consistency with policies adopted by the Group.

The accompanying Appendix sets out the identification particulars of subsidiaries.

31 December is the year end for all the annual accounts/ financial statements used in the consolidation process.

b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

c) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Joint operations

The Group applies IFRS 11 to all the joint agreements. The investments in joint agreements under IFRS 11 qualify as joint operations or as joint business, depending on the rights and commitments of every investor. The Group has evaluated the nature of his joint agreements and has determined that are joint business. The joint business is assessed using the method of the participation.

Under the method of the participation, the interests in joint business are recognized initially to his cost and it adjusts from then to recognize the participation of the Group in the benefits and losses later to the acquisition and movements in another global result. When the participation of the Group in the losses in a joint business equalizes or overcomes his interests in joint business (what includes any long-term interest that, in substance, forms a part of the clear investment of the Group in the joint business), the Group does not recognize additional losses, until it has incurred obligations or done payments name of the joint business.

The earnings not realized in transactions between the Group and his joint business is eliminated in the measure of the participation of the Group in the joint business. The losses not realized also are eliminated until the transaction provides evidence of a loss for deterioration of the value of the transferred assets. The countable policies of the joint business have been modified when it is necessary to assure the uniformity with the policies adopted as the Group.

For more detailed information on these joint ventures, see Note 37.

e) Associates

Associates (Note 8.c) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 2.7.a)). Note 2.8 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount adjacent to "share of profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the

Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Dilution gains or losses arising in associates are recognised in the income statement.

2.3 Segment reporting

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The highest decision-making body is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Executive Steering Committee.

Segment information is analysed in Note 5.

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All Group companies use the currency of their country of domicile as their functional currency, except, basically, for the Mexican companies in the automotive segment (Appendix), whose functional currency was defined on 1 January 2009 as the US dollar.

The consolidated financial statements are presented in euro, which is the Group's functional currency and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet ;
(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(Thousand euro)

The Group has defined net investment hedges at 31 December 2014 and 2013 (Note 3.2).

2.5 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is presented net of impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment transferred from equity.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other non-productive assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Estimated useful lives:
Buildings	10 – 50
Vehicles	3 – 15
Furniture, fittings and equipment	3 – 15

The depreciation policy historically applied by the CIE Automotive Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. Specifically in the automotive segment, these useful lives are estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each CIE Automotive Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced, while taking into consideration their maximum useful lives. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and depreciation rates for assets under normal production circumstances are as follows:

	Annual rate %	Useful life (*)
Machinery	10%	10 years
Plant	10%	10 years
Tools	15%-33.33%	3-6.7 years

(*) Years of useful life in accordance with estimated normalised units of production.

The residual value and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on the sale of items of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" (Note 26).

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss.

2.7 Intangible assets

a) Goodwill

Goodwill represents the excess of acquisition cost over the Group's interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level (Note 2.8).

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Any intangible assets so recognised are subject to impairment testing under IAS 36.

c) Trademarks and licences

Trademarks and licences acquired from third parties are presented at cost. Those acquired through business combinations are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits in excess of costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed five years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Non-current assets (disposal groups) held for sale

The Group classifies a non-current asset (or disposal group) as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, if the carrying amount will be recovered primarily through the sale rather than through continuing use.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets into the following categories: fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of investments at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired principally for the purpose of selling it in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

b) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for amounts maturing more than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 10).

c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities which Group management has the positive intention and ability to hold to maturity. If the Group disposes of a significant amount of the held-to-maturity assets, the entire category is reclassified as available-for-sale. Financial assets held to maturity are included under non-current assets, except for those that mature within 12 months of the reporting date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within 'Net gains/losses on financial instruments at fair value' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences on monetary securities are recognised in the income statement. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

Unrealised gains and losses resulting from changes in the fair value of non-monetary instruments classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value using measurement techniques which include the use of recent arm's length transactions between knowledgeable, willing parties, benchmarking of other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10.4 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment terms or economic conditions that correlate with defaults.

In the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment testing of receivables is described in Note 2.13.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised liabilities (fair value hedge);

b) Hedges of a particular risk associated with a recognised asset/liability or a highly probable forecast transaction (cash flow hedge); or

c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is recognised in the income statement within 'finance income/costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'Gains/losses on financial instruments at fair value'. Changes in the fair value of hedged fixed-rate borrowings attributable to interest rate risk are recognised in the income statement within finance income/costs.

If a hedge ceases to meet the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Gains/losses on financial instruments at fair value'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging floating-rate borrowings is recognised in the income statement within finance income/cost. The gain or loss on the effective portion of foreign currency forward contracts which hedge export sales is recognised in the income statement within sales. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventories or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

d) Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is basically determined as follows:

a) Automotive segment

- Commercial: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the acquisition price calculated by the methods of average price/FIFO. This acquisition price includes the purchase invoices as well as additional costs until their availability in the storehouse.
- Finished products and in process of manufacture: to pre-established costs, which do not present significant diversions with regard to the royal incurred costs. These costs include the raw materials, labour cost of direct work and direct and indirect expenses of manufacture (based on an operative normal capacity), but it does not include costs for interests.

Obsolete or slow-moving items are written down to their realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

b) Solutions & Services (Smart Innovation)

The inventories are measured at acquisition/production cost or their net realizable value, the smaller. The cost of production includes the direct and indirect cost of production.

When the net realizable value of inventories is less than cost, the corresponding impairment charges are recognised as an expense in the income statement. If the circumstances that caused the impairment cease to exist, it is reversed and the reversal is recognized as income in the income statement.

The net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the receivables. Indications of impairment are deemed to exist when the debtor is in serious financial difficulty, it is probable that the borrower will enter bankruptcy or other financial reorganisation, and in the event of payment default or delinquency. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision is used and the loss is recognised in the income statement. When a receivable is deemed uncollectible it is written off against the provision for receivables. Any subsequent recovery of previously written-off amounts is recognised in the income statement.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing. In order to hedge certain customer collection risks, collection insurance contracts are arranged that cover the risk of default through the payment of insurance premiums.

Financing by means of non-recourse factoring or the sale of trade receivables triggers the derecognition of the receivable as all associated risks are transferred to the financial institution in question.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group company acquires shares of the parent company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the parent's equity owners until the shares are cancelled, reissued or sold. When these shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the parent's equity owners.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants under IAS 20, are recognised as operating grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Note 2.20.b)).

The gain on a loan granted by a Government Body at below market interest rates is measured as the difference between the instrument's carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the amount received; a grant is recognised in the amount of this difference and is recorded in the income statement or in liabilities as a deferred government grant depending on whether the loan finances current expenses or investments in property, plant and equipment.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.19 Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that includes both liability and equity components simultaneously.

When the Group (the parent company or any of its subsidiaries) issues a compound instrument its components are recognised, measured and presented separately. The initial carrying amount of the liability component is determined as the fair value of a similar liability that does not have an associated equity component, while the equity component is stated at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component is not remeasured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

2.20 Current and deferred income tax

a) Corporate Income tax

Corporate income tax expense for the year comprises current and deferred tax and is calculated on the basis of profit before tax, adjusted for any permanent and/or temporary differences envisaged in the tax laws enacted or substantively enacted at the balance sheet date regarding the calculation of taxable income in the countries where the company and its subsidiaries operate. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax credits and deductions and the tax effect of applying unused tax losses that have not been capitalised are treated as a reduction in income tax expense for the year in which they are applied or offset.

The parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Bérriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A.U.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.

- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Transformación, S.A.U.
- Bionor Berantevilla, S.L.U.
- Vía Operador Petrolífero, S.L.U.
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Nuevos Mercados, S.L.
- Gestión de Aceites Vegetales, S.L.
- Reciclados de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.

The Group company CIE Legazpi, S.A.U. ceased to meet requirements to form part of the tax group, with effect in the 2013 tax period. Due to the same situation, the societies of Solutions and Services (Smart Innovation), Global Dominion Access, S.A., Dominion Investigación y Desarrollo, S.L.U., Dominion Instalaciones y Montajes, S.A.U. y ECI Telecom Ibérica, S.A., have ceased to be part of this Fiscal Group in 2014.
In relation to the companies segment of Solutions and Services (Smart Innovation) segment, a request has been released to the tributary pertinent administration, for the consideration of group of companies by effect on January 1, 2015, being the dominant one: Global Dominion Access, S.A. and the other companies:

- ECI Telecom Ibérica, S.A.
- Dominion Instalaciones y Montajes, S.A.U.
- Beroa Thermal Energy, S.L.
- Beroa Ibéria, S.A.
- Global Near, S.L
- Near Technologies, S.L.U.
- Dominion Ampliffica, S.L.
- Global Ampliffica, S.L.
- Ampliffica, S.L.

In addition, a request has been released to the tributary pertinent administration for, the consideration of group of companies by effect on 1 January 2015, being the parent: Bilcan Global Services, S.L. and others companies: Dominion Centro de Control, S.L.U., Dominion Network S.L.U., Servicios al Operador Móvil S.L., Sur Conexión, S.L, Tiendas Conexión, S.L., Your Phone, S.L., Your Phone Franquicias, S.L., Euroligística Directa Móvil 21, S.L.U.

The other CIE Group companies file its tax individually.

b) Deferred taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 2.5); this right is recognised with a credit to deferred income (Note 19). Tax deductions in respect of R&D investment are classified, depending on the nature of the subsidy, upon recognition as operating grants so long as the R&D costs have not been capitalised (Note 2.16).

Deferred tax assets corresponding to utilised or recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as other operating income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

a) Pension obligations

The Group's plans are funded through payments to insurance companies or externally-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employee benefits.

Under IAS 19 Revised, past-service costs are recognised immediately in the income statement.

b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the parent company's shareholders after certain adjustments. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

2.22 Share-based payments

On 31 December 2014 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra-CIE Automotive Ltd. (formerly Mahindra Forgings Ltd.), listed on Indian stock market (Appendix).

Under these plans, CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiaries.

The fair value of the employee services received in exchange for the grant of such shares/ options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, CIE Automotive Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.
The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives anise to the corresponding change against the Group´s equity.

Likewise the General Meeting of shareholders, held on 30 April 2014, approved a long term incentive based on the increase of CIE Automotive S.A. share value, on behalf of a group of senior executives of the Group. The liquidation of this incentive, which due to Group decision is in cash, will be held in March 2018 (Note 36).

The total estimated cost of this incentive will be recognized as personnel costs in the period when the conditions must be fulfilled.

2.23 Provisions

Provisions for specific liabilities and charges are recognised when:

(i) The Group has a present legal or constructive obligation as a result of past events;
(ii) It is probable that an outflow of resources will be required to settle the obligation; and
(iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The amount of revenue cannot be reliably determined until all of the contingencies associated with the sale have been settled. Revenue is recognised as follows:

a) Sales of goods

Sales of goods are recognised when a Group company has delivered the products to the customer, the customer has accepted the products and it is probable that the future economic benefits will flow to the seller Accumulated experience is used to estimate and provide for returns at the time of sale.

b) Sales of services/construction contracts

The Group sells telecommunication system integration services and network and automation related IT consultancy services, carrying out all phases of the project, including engineering, supply, installation and start-up, for public and private enterprises. These services are rendered in accordance with a specific date and materials, or a fixed price contract.

Revenue from specific date and materials contracts, which normally relate to the rendering of telecommunication system integration services, are recognised at the rates stipulated in the contract as the related man hours are worked and direct expenses incurred.

Revenues deriving from fixed-price contracts relating to engineering maintenance work and network installations are recognized using the percentage of completion method. Furthermore, with the Beroa Group incorporation (Note 1 and 35), the Group develops asset construction contracts whose revenues are also recognized based on the percentage of completion method.

According to the percentage of completion method, the revenues are recognized depending on the services performed or the percentage of completion of contracts in relation to the total services or work contracts to develop.

In unfolding circumstances change the initial estimates of revenue, cost or the percentage of completion, management proceeds to review these estimates. Revision may results in increases or decreases in estimated revenue and cost and is recognized in the income statement in the period in which the circumstances which have motivated such reviews are known by management.

c) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

d) Royalty revenue

Revenue from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

e) Dividend income

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

2.25 Leases

Finance leases

Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the reduction of the outstanding liability and the finance charge so as to produce a constant rate of interest on the outstanding liability. The corresponding lease obligation, net of finance charges, is included in long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the Group's consolidated annual accounts in the period in which the dividends are approved by the parent company's shareholders.

2.27 Environmental disclosures

Costs incurred by the Group as part of its business activities that are intended to protect the environment and/or improve its environmental record are expensed currently. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

2.28 Current and non-current balances

Those amounts with longer maturity to 12 months from the closing date of the period are considered as non-current balances, assets and liabilities.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

a) Market risk

(i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

CIE Automotive Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by denominating borrowings (loans) in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by denominating borrowings in these currencies.

In 2013 and 2014, CIE Automotive Group acquired majority shareholdings in companies located in India, so that from this year on, the trend in the Indian Rupee will be monitored in the same manner as other international Group investments denominated in currencies other than the euro.

If at 31 December 2014, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €82,690/67,656 thousand, respectively (2013: increased/decreased by €56,138/€45,931 thousand) due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average rate of exchange of the euro had been depreciated/appreciated by 10% in 2014 with respect to all functional currencies other than the euro, all other variables being equal, profit after tax for the year would have been €5,453/4,461 thousand higher/lower, respectively (2013: €3,206/2,623 thousand higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

(ii) Price risk

CIE Automotive Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total CIE Automotive Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

CIE Automotive Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2014 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables being equal, profit after tax for the year would have been €704 thousand (2013: €930 thousand) lower/higher, largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €556/874 thousand, respectively (2013: a €61/363 thousand increase/decrease, respectively) due to the impact on profit for the year. The impact on profit for the year would have been 50/50 (2013: €0 thousand).

(Thousand euro)

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31 December 2014 and 2013 is as follows:

	2014	2013	1 January 2013
Cash and cash equivalents (Note 12)	297,699	326,960	468,951
Other current financial assets (Note 8)	96,258	85,996	61,542
Undrawn lines of credit (Note 20)	116,335	95,481	49,886
Liquidity buffer	510,292	508,437	580,379
Bank borrowings (Note 20)	1,104,077	977,490	922,692
Other current financial liabilities (Note 8)	10,489	8,051	1,488
Cash and cash equivalents (Note 12)	(297,699)	(326,960)	(468,451)
Other current financial assets (Note 8)	(96,258)	(85,996)	(61,542)
Net financial debt	720,609	572,585	394,187

The movement in the net financial debt in 2014 is largely due to the payment made to the Dutch fund VEP Fund I Holding Coöperatief W.A. (VEP) on the acquisition in February 2014 of the additional 50% stake in RS Automotive, B.V., the completion of the take-over bid described in Note 1 and the rise as a result of consolidation of the debt in the Mahindra group companies merged into the Group company Mahindra CIE Automotive, Ltd. (merger described in Note 1) and the inclusion of the Beroa Group, the Bilcan Group and the Global Near Group (Note 1).These increments have been compensated, partly, because of the capital increase in the parent company carried out in June 2014 (Note 14).

The Group's Finance Department believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, it is estimated that cash generated in 2015 will enable to settle payments for the year with no need to increase the net financial debt.

The Group's Finance Department monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

In addition, the Group is strategically diversifying the financial markets and financing sources it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to the Brazilian, Mexican and Indian financial markets.

There are no restrictions regarding the use of cash/cash equivalents with the exception of the guarantees described in Note 20 and the commitments described in Note 34.

Amounts payable to credit institutions in the short term include recurring loans:

- €35.2 million originating from the recurring discounting of commercial paper issued by Group customers (€35.4 million at 31 December 2013) (Note 20).
- €3.0 million originating from recurring import financing (€6.3 million at 31December 2013) (Note 20).

Although both components of bank debt are presented as current liabilities for accounting purposes, they are stable and are generated in the ordinary course of business and therefore provide financing that is equivalent to long-term funding.

(Thousand euro)

Noteworthy is the existence at 31 December 2014 of €116.3 million of undrawn credit lines and loans (31 December 2013: €95.5 million).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31 December 2014 as compared with 31 December 2013 and with1 January 2013, stating the relative significance of each item:

	2014	2013	1 January 2013
Inventories	288,909	222,030	185,318
Trade and other receivables	292,653	185,538	178,047
Other current assets	7,170	6,490	3,137
Current tax assets	58,558	39,661	42,031
Current operating assets	647,290	453,719	408,533
Other current financial assets	96,258	85,996	61,542
Cash and equivalents	297,699	326,960	468,451
CURRENT ASSETS	1,041,247	866,675	938,526
Trade and other payables	630,193	433,780	432,494
Current tax liabilities	57,200	40,551	37,167
Current provisions	11,386	9,214	8,185
Other current liabilities	126,822	68,991	68,585
Current operating liabilities	825,601	552,536	546,431
Current bank borrowings	254,180	331,395	279,966
Other financial liabilities	10,489	8,051	1,488
CURRENT LIABILITIES	1,090,270	891,982	827,885
NET WORKING CAPITAL	(49,023)	(25,307)	110,641

Although the standalone figure for working capital is not a key parameter for the understanding of the Group financial statements, the Group actively manages working capital through net operating working and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group’s strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers. Supplier payment periods are also constantly optimised by unifying policies and conditions throughout the Group.

As a consequence of the above, there are no risks affecting the Company's liquidity situation.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payable). Balances payable within 12 months of the balance sheet date are shown at their carrying amounts, as the effect of discounting is not significant.

(Thousand euro)

	Less than 1 year	Between 1 and 5 years	Over 5 years
At 31 December 2014			
Bank borrowings (Note 20)	254,180	891,732	46,301
Trade and other payables (Note 21)	757,015	167,886	25,194
Derivatives (Note 8.b)	10,489	-	-
At 31 December 2013			
Bank borrowings (Note 20)	331,395	684,508	35,047
Trade and other payables (Note 21)	502,771	89,743	30,218
Derivatives (Note 8.b)	8,051	-	-
At 1 January 2013			
Bank borrowings (Note 20)	279,966	725,899	1,244
Trade and other payables (Note 21)	501,079	83,549	33,662
Derivatives (Note 8.b)	1.488	-	-

Derivative financial instruments qualifying as hedges are settled net; their maturities are detailed in Note 20 for interest rate swaps; the related cash flows are mainly expected to be settled in the short term (Note 8.b).

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted (Note 8.a).

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer-specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment (Note 5), present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

An analysis of the age of assets that are past due but are not impaired is provided in Note 10.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these societies were the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers or by closing the purchase and sale of these products simultaneously (diesel).

3.2 Hedge accounting

IAS 39 is very strict about the need for documenting that an instrument meets the conditions to be considered as hedging.

To this end, the Group has established clear and specific guidance for preparing the documentation setting out all the necessary aspects for identifying and monitoring hedging relationships under this standard. At the inception of the hedge there is formal designation and documentation of the hedging relationship, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. A hedge is expected to be effective if at the inception of the hedge and in subsequent periods it is expected to achieve offsetting changes in cash flows attributable to the hedged risk within a range of 80% - 125%.

The treatment and classification of the Group's hedging transactions are described below:

a) Fair value hedges of a recognised asset or liability or a firm commitment

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

c) Net investment hedges

The Group, through its Brazilian subsidiary CIE Autometal, S.A., had until October 2014 several investments whose net assets were exposed to foreign exchange translation risk as they were denominated in currencies other than the latter's functional currency (US dollars and euros).

Foreign exchange exposure arising on the net assets of these foreign operations was until October 2014 partly managed by means of loans denominated in US dollars and euros, which are arranged by Autometal, S.A. and CIE Autometal, S.A., as well as by arranging specific derivatives.

Since October 2014 and as a result of the corporate restructuring through which CIE Autometal, S.A. has transferred its interest in the Spanish company Participaciones Internacionales Autometal, S.L.U. to CIE Berriz, S.L., the Group has settled its exchange rate derivatives designated as net investment hedges denominated in euros.

At 31 December 2014 the Group has investments whose net assets were exposed to foreign currency conversion risk, denominated in dollars through CIE Berriz, S.L. and borrowings denominated in US dollars formalised by Autometal, S.A. and CIE Autometal S.A.

d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by the Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be entirely offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

Based on the underlying asset and the type of hedge, the Group also uses the variance reduction method and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

(Thousand euro)

Measurement of the hedging derivative The Group uses several tools to measure and manage derivative-related risk. The measurement of derivative instruments is carried out internally; these measurements are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialised financial analytics libraries are used for this purpose.

3.3 Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this end the data used must be consistent with the assumptions that market participants would use in considering such a transaction.

Although IFRS 13 leaves the principles set down in other standards intact, it does establish the overall framework for measuring assets and liabilities at fair value when doing so is mandatory under other standards and stipulates additional fair value disclosure requirements.

The Group complies with IFRS 13 requirements in measuring its assets and liabilities at fair value when such fair value measurement is required under other international financial reporting standards.

On the basis of the contents of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on how it estimates fair value by level using the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014, 31 December 2013 and 1 January 2013 (Note 8):

31 December 2014

	Level 1	Level 2	2014
ASSETS			
- Derivatives	-	215	215
TOTAL ASSETS AT FAIR VALUE	-	215	215
LIABILITIES			
- Derivatives	-	(10,489)	(10,489)
TOTAL LIABILITIES AT FAIR VALUE	-	(10,489)	(10,489)

31 December 2013

	Level 1	Level 2	2013
ASSETS			
- Available-for-sale financial assets	25,477	-	25,477
- Derivatives	-	118	118
- Financial assets at fair value with changes in income statement	6,105	-	6,105
TOTAL ASSETS AT FAIR VALUE	31,582	118	31,700
LIABILITIES			
- Derivatives	-	(8,051)	(8,051)
TOTAL LIABILITIES AT FAIR VALUE	-	(8,051)	(8,051)

(Thousand euro)

1 January 2013

	Level 1	Level 2	2013
ASSETS			
- Available-for-sale financial assets	13,246	-	13,246
- Derivatives	-	5,142	5,142
TOTAL ASSETS AT FAIR VALUE	13,246	5,142	18,388
LIABILITIES			
- Derivatives	-	(1,488)	(1,488)
TOTAL LIABILITIES AT FAIR VALUE	-	(1,488)	(1,488)

There were no transfers between levels 1 and 2 during 2014 and 2013.

a) Level 1 financial instruments

The fair value of financial instruments traded in active markets is based on market prices at the balance sheet date. The listed market price used for financial assets is the current bid price. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions effected on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in Level 1.

In 2013 the financial instruments included in Level 1 were mainly Brazilian government securities with inflation-linked interest rates (National Treasury Notes - NTN), classed as available-for-sale financial assets (Note 8) and as financial assets at fair value through profit or loss.

b) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- Fair value of forward foreign exchange contracts is determined using forward exchange rates quoted at the balance sheet date.
- It is assumed that the carrying amounts of trade receivables and payables approximate their fair values.
- Fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The instruments included in Level 2 relate to derivatives (Note 8).

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Level 3.

The Company at 31 December 2014 and 2013 has no Level-3 financial assets or agreements to offset financial assets against financial liabilities.

3.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Thousand euro)

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which as shown in the consolidated annual accounts. Total capital employed is calculated as 'equity', as shown in the consolidated annual accounts plus net debt.

During 2014, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.5%. The gearing ratios at 31 December 2014 and 2013 and at 1 January 2013 were as follows:

	2014	2013	1 January 2013
Borrowings (Note 20)	1,104,077	977,490	922,692
Current financial liabilities (Note 8)	10,489	8,051	1,488
Less: Cash and cash equivalents and current financial assets (Notes 8 and 12)	(393,957)	(412,956)	(529,993)
Net debt (Note 3.1.b)	720,609	572,585	394,187
Equity	861,632	560,484	505,467
Total capital employed	1,582,241	1,133,069	899,654
Gearing ratio	**0.46**	**0.51**	**0.44**

At 31 December 2013 and 2014, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 20).

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7).

If the estimated rate used to discount the cash flows had been 10% higher than management's estimates, the Group would still not have needed to reduce the carrying amount of goodwill (Note 7).

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortisation, essential for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment provisions in either 2014 or 2013 (Note 7).

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair values.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

c) Percentage of completion of construction contracts

The accounting of the contracts of construction according to the percentage of completion or ending of the same ones is based on estimations of the total of costs incurred on the total ones estimated for the completion. Changes in these estimations have impact in the recognized results of the works in accomplishment. The estimations are constantly monitored and fitted if necessary.

d) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes due.

The calculation of income tax expense did not necessitate significant estimates except with respect to the amount of tax credits recognised in the year. If the assumptions used to make this estimate differed by 10%, the effect on profit for the year would not be material.

Were the actual final outcome (on the judgement areas) would differ by 10% from management's estimates, the deferred assets would decrease and income tax would increase by approximately €9.8 million (2013: €2.2 million), were the difference not favourable, and vice versa, by approximately €4.3 million (2013: €0.7 million), if the difference were favourable.

e) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date. The Group has used discounted cash flow analysis to measure several available-for-sale financial assets that are not traded on active markets.

Note 3.1.a)iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of derivatives.

f) Pension benefits

The present value of the Group’s pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions. Note 24 contains further information and a sensitivity analysis for changes to the most significant estimates.

g) Product warranties

Product warranty risks are recognised when there is a firm claim not covered by the relevant insurance policy.

Due to the nature of its business, the Solutions and Services (Smart Innovation) segment does not offer product warranties other than those relating to due performance of the work for which it is contracted. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information is not a good proxy for future claims.

4.2 Critical judgements when applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 2 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 2.7.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 2.20.b), 4.1.d), 23 and 30.
- Estimation of the useful lives of property, plant and equipment (Note 2.5).
- In order to value financial derivatives and other assets, the Group uses valuation techniques that are widely used in the financial markets. In general, the valuation of any financial derivative is based on discounted cash flow analysis, based on the interest rate curve, from which the zero coupon curve is derived together with the discount factors and the implicit forward rates. To value instruments that include options, the Group uses the implied volatility priced in by the markets and option pricing models, such as Black-Scholes for Plain vanilla options or Vanna-Volga for barrier options. The Group uses professional market applications to this end and engages an independent external advisor when necessary.
- Estimation of the services provided by employees that are remunerated by means of share-based payments (Notes 2.22 and 28).
- Percentage of completion or ending of construction contracts.

5. Segment information

The Executive Steering Committee, consisting of six members of the Board of Directors, is the Group's chief operating decision-making body. The Executive Steering Committee reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments.

Management has determined the operating segments based on the structure of the reports reviewed by the Executive Steering Committee.

The Executive Steering Committee analyses the business of CIE Automotive Group from a geographical perspective and from the different business lines (segments) that the Group has.

The Group operates with two different segments:

- Automotive
- Solutions & Services (Smart Innovation)

In 2012, the Group decided to stop all its virgin oil-based biodiesel production activities, including raw material (Jatropha) plantation for this type of biodiesel and also decided the sale of Biosur Transformation, S.L.U. (Note 13).

On the other hand, since 2013, as a result of the uncertainty that the development of Biofuels sector is presenting in the European and the Spanish markets, the activity of production and commercialization of biofuels from recycled oil has been reduced to the required return on the existing industrial investments, this activity is now a complement of the Automotive's segment, disappearing as a distinct segment activity, due to its small size, and integrating in the Automotive segment within the area rest of Automotive.

The activity of the current segments and their geographic distribution (in case of Automotive) is now analysed:

<u>Automotive segment</u>

This segment relates to the production of parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier with the OEMs assuming the role of the TIER 1 supplier.

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- Multi-technology: command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.

- Global market: worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from difference geographic areas.

Following the inclusion in the Group of the companies acquired from the Mahindra & Mahindra Group, and the creation of the Mahindra CIE Automotive, Ltd. Group, CIE Automotive Group has begun to analyse the automotive operating segment on the basis of its management units, distinguishing basically, Mahindra CIE group from the automotive businesses in Brazil and Mexico; and the other automotive companies, located mainly in Europe.

In fact, sub segments within automotive segment, are as follows:

- NAFTA:
- This segment includes, basically, Group companies located in Mexico and United States.
- Brazil:
- This segment includes, basically, Autometal Group companies located in Brazil.
- Mahindra CIE and Asia:
- In response to the new reality of business and the organization of the group, this segment includes the business of manufacturing forging components that existed in the group including the annual results of the companies CIE Galfor, S.A.U. and CIE Legazpi, S.A.U. (Spanish companies), and U.A.B. CIE LT Forge (Lithuanian company), the companies that joined the Group from 4 October 2013 (Note 35), located in India and Europe and those which have joined the Group in December 2014 located in India and Italy. In addition, and not being significant, in this segment Group companies operating in Chinese market are included.
- Europe- Rest of Automotive:
- This segment includes all non dependent manufacturing businesses at 31 December 2014, basically located in Europe.

<u>Solutions & Services Segment (Smart Innovation)</u>

The companies included in this segment offer a sum of solutions and services which aim to make more efficient the productive processes of their customers, always under the common denominator of intelligent sensorization and environmental data collection and an active application of knowledge and technology (Smart Innovation concept).

The qualification of solution or service obeys to the scope offered to the client: Solution when offering to make efficient a productive process that the client will remain to manage. On the opposite, service when we take a complete process of one of our clients (outsourcing) and we manage it completely.

Under the previous portfolio, and orientated to clients in sectors that go from the Technological one, to Energy, Bank, Health, Education up to the Industrial sector, the ranges of the Solutions and Services given include integral projects of hospital equipment, optimization of communications and low currents, construction of renewable energies, supply, sensitizing and meteorological prediction, energy efficiency, design and construction of solar towers, ovens and productive plants, solutions of bank business, digital and communication strategies, drugstore and dietetics, etc. and services of monitoring, installation and maintenance of networks of telecommunications, bank, education, governmental, industrial maintenance, distribution services and commercial processes.

The segments presented at 1 January and 31 December 2013 have been reclassified attending this new classification.

The Executive Steering Committee assesses the performance of the continuing operations of its operating segments based mainly on key financial metrics such as sales, EBITDA (Operating profit plus amortization and depreciation) and EBIT (operating profit). The information received by the Executive Steering Committee also includes a breakdown of finance income and costs, tax issues, and, overall profit/loss from discontinued operations (Note 13). These items are analysed at the Group level since they are essentially managed in a centralised manner.

(Thousand euro)

a) Segment information

The earnings performance by segment:

	2014					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Revenue	393,325	252,865	607,514	663,053	292,759	2,209,516
Other operating expenses and income (excluding depreciation and amortization)	(330,048)	(226,001)	(534,990)	(557,112)	(270,502)	(1,918,653)
Depreciation and amortization	(13,143)	(11,673)	(28,381)	(54,787)	(10,696)	(118,680)
EBIT (operating profit)	50,134	15,191	44,143	51,154	11,561	172,183
EBITDA	63,277	26,864	72,524	105,941	22,257	290,863

	2013					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Revenue	362,420	329,529	292,459	581,851	156,289	1,722,548
Other operating expenses and income (excluding depreciation and amortization)	(304,464)	(281,715)	(264,411)	(491,112)	(143,127)	(1,484,829)
Depreciation and amortization	(10,403)	(12,574)	(13,837)	(44,944)	(4,997)	(86,756)
EBIT (operating profit)	47,552	35,240	14,211	45,795	8,165	150,963
EBITDA	57,956	47,814	28,048	90,739	13,162	237,719

Transfers or transactions between segments (which are not material) are carried out in the same terms and conditions as usual commercial transactions with third parties.

Other profit and loss disclosures by segment:

	2014					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Depreciation and amortization:	(13,143)	(11,673)	(28,381)	(54,787)	(10,696)	(118,680)
Property, plant and equipment	(11,846)	(11,457)	(27,568)	(40,783)	(4,417)	(96,071)
Intangible assets	(1,297)	(216)	(813)	(5,612)	(6,279)	(14,217)
Impairment	-	-	-	(8,392)	-	(8,392)

	2013					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Depreciation and amortization:	(10,404)	(12,574)	(13,837)	(44,944)	(4,997)	(86,756)
Property, plant and equipment	(9,613)	(12,310)	(13,358)	(39,859)	(3,365)	(78,505)
Intangible assets	(791)	(264)	(479)	(5,085)	(1,632)	(8,251)
Impairment	-	-	-	-	-	-

(Thousand euro)

The reconciliation of operating profit to profit attributable to owners of the parent at December 2014 and 2013:

	2014	2013
Operating profit	172,183	150,963
– Financial income/(cost) (Note 29)	(31,909)	(47,695)
– Gains/losses on financial instruments at fair value (Note 29)	(284)	(1,598)
– Change in fair value of assets and liabilities taken to income statement (Note 29)	176	(16,369)
– Interest in the result of companies participation method	(3,029)	(1,571)
– Income tax	(38,672)	3,777
– Gain/loss after tax from discontinued operations (Note 13)	(355)	(9,621)
– Non-controlling interests (attributed profit)	(17,062)	(17,761)
Profit attributable to owners of the parent	**81,048**	**60,125**

Segment assets and liabilities at year end and investments made during the year:

	At 31 December 2014					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Investments in associates	420	492	-	543	42	1,497
Rest of assets	411,924	544,734	1,105,754	582,149	545,184	3,189,745
Total assets (1)	412,344	545,226	1,105,754	582,692	545,226	3,191,242
Total liabilities	253,099	436,801	537,383	648,522	436,801	2,312,606
Asset additions (Notes 6 and 7)	32,435	11,727	21,738	56,502	9,359	131,761
Disposal of assets net of depreciation and amortization (Notes 6 and 7)	(53)	(92)	(474)	(1.020)	(770)	(2.409)
Net investments for the year (Notes 6 and 7) (2)	32,382	11,635	21,264	55,482	8,589	129,352

	At 31 December 2013					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Investments in associates	234	326	.	8,825	10,000	19,385
Rest of assets	330,668	433,459	562,273	842,870	159,907	2,329,177
Total assets (1)	330,902	433,785	562,273	851,695	169,907	2,348,562
Total liabilities	216,150	281,248	395,000	755,918	120,926	1,769,242
Asset additions (Notes 6 and 7)	26,842	23,578	13,542	27,647	15,390	106,999
Disposal of assets net of depreciation and amortization (Notes 6 and 7)	(335)	(203)	(105)	(3,111)	(2,669)	(6,423)
Net investments for the year (Notes 6 and 7) (2)	26,507	23,375	13,437	24,536	12,721	100,576

(Thousand euro)

	1 January 2013					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe– Rest of Automotive	Solutions and Services	Total
Investments in associates	-	291	-	10,259	-	10,550
Rest of assets	412,344	501,730	170,194	993,189	107,521	2,184,978
Total assets (1)	412,344	502,021	170,194	1,003,448	107,521	2,195,528
Total liabilities	253,099	226,808	117,013	938,105	133,538	1,668,563
Fixed asset additions (Notes 6 and 7)	16,774	17,870	8,691	29,363	6,587	79,285
Disposal of fixed assets net of depreciation and amortization (Notes 6 and 7)	(204)	(379)	-	(2.972)	(91)	(3,646)
Net investments for the year (Notes 6 and 7) (2)	16,570	17,491	8,691	26,391	6,496	75,639

(1) Does not include disposal group assets classified as held-for-sale.

(2) Excludes movements in goodwill.

Segment assets mainly include property, plant and equipment, intangible assets, inventories, accounts receivable and cash. Investments in investees included in the consolidation scope are excluded.

Segment liabilities include operating liabilities and long-term financing, excluding intragroup liabilities eliminated on consolidation.

In both cases the assets and liabilities of groups classified as held for sale are eliminated.

Investments in non-current assets include additions to property, plant and equipment (Note 6) and intangible assets (Note 7).

Revenue and non-current assets by geographic area:

	Revenue		Non-current assets (*)		
	2014	2013	2014	2013	1 January 2013
AUTOMOTIVE					
Spain (**)	201,415	273,909	218,445	205,657	207,035
Rest of Europe	878,978	521,573	472,308	396,705	303,051
Brazil	252,865	329,529	207,996	221,159	249,342
NAFTA	393,325	362,420	261,599	204,781	196,905
Asia (***)	190,174	78,828	459,643	120,656	19,437
Total Automotive	**1,916,757**	**1,566,259**	**1,619,991**	**1,148,958**	**975,770**
SOLUTIONS AND SERVICES (SMART INNOVATION)					
Spain	63,906	67,760	89,500	22,880	17,294
Rest of world	122,339	-	153,342	-	-
Americas	106,514	88,529	16,457	17,217	16,093
Total Technological	**292,759**	**156,289**	**259,299**	**40,097**	**33,387**
TOTAL	**2,209,516**	**1,722,548**	**1,879,290**	**1,189,055**	**1,009,157**

(*) Non-current assets that are not financial instruments, deferred tax assets or assets related to post-employment benefits.
(**) Sales in Spain in the Automotive segment mainly go to end customers that are located abroad.
(***) This line includes the Indian companies of the Mahindra Group incorporated during the year (Note 1 and 35); the European companies being recognised in a separate line, as well as the Group companies located in China.

b) Customer information

The Group's sales policy limits its credit risk. In no instance does invoicing per customer or platform account for more than 10.5% of total revenue (2013: 11%).

6. Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

(Thousand euro)

2014

	Balance at 31/12/2013	Additions due to changes in consolidation scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2014
Cost						
Land and buildings	360,054	69,757	3,093	(473)	16,833	449,264
Plant and machinery	1,211,748	119,235	31,689	(20,814)	73,934	1,415,792
Other assets	229,522	11,821	8,866	(2,001)	17,482	265,690
Prepayments and assets under construction	120,396	20,146	80,155	(1,327)	(61,944)	157,426
	1,921,720	220,959	123,803	(24,615)	46,305	2,288,172
Depreciation and amortization						
Land and buildings	(123,243)	(15,677)	(12,046)	342	(5,346)	(155,970)
Plant and machinery	(797,532)	(73,076)	(68,204)	18,783	(15,354)	(935,383)
Other PPE	(224,007)	(15,998)	(15,821)	3,023	(5,683)	(258,486)
	(1,144,782)	(104,751)	(96,071)	22,148	(26,383)	(1,349,839)
Provisions						
Plant and machinery	(1,978)	-	(8,339)	97	(152)	(10,372)
	(1,978)	-	(8,339)	97	(152)	(10,372)
Carrying amount	774,960					927,961

(*) Basically includes the effect of movements in the currencies in which the property, plant and equipment of foreign subsidiaries are denominated and transfers from property, plant and equipment in progress to PPE held for use.

2013

	Balance at 1/1/2013	Additions due to changes in consolidation scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2013
Cost						
Land and buildings	297,793	78,749	2,473	(2,668)	(16,293)	360,054
Plant and machinery	990,270	241,276	23,118	(33,049)	(9,867)	1,211,748
Other assets	174,978	58,340	4,531	(13,166)	4,839	229,522
Prepayments and assets under construction	94,800	13,095	59,426	(589)	(46,336)	120,396
	1,557,841	391,460	89,548	(49,472)	(67,657)	1,921,720
Depreciation and amortization						
Land and buildings	(87,452)	(27,287)	(8,031)	1,221	(1,694)	(123,243)
Plant and machinery	(592,399)	(183,476)	(57,818)	30,307	5,854	(797,532)
Other PPE	(204,453)	(49,144)	(12,656)	12,795	29,451	(224,007)
	(884,304)	(259,907)	(78,505)	44,323	33,611	(1,144,782)
Provisions						
Plant and machinery	(2,544)	-	-	1,810	(1,244)	(1,978)
	(2,544)	-	-	1,810	(1,244)	(1,978)
Carrying amount	670,993					774,960

(*) Basically includes the effect of movements in the currencies in which the property, plant and equipment of foreign subsidiaries are denominated and transfers from property, plant and equipment in progress to PPE held for use.

(Thousand euro)

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 31 December 2014 and 2013 and 1 January 2013:

	Million euro								
	2014			2013			2012		
	Cost	Accumulated depreciation/ Provisions	Carrying amount	Cost	Accumulated depreciation/ Provisions	Carrying amount	Cost	Accumulated depreciation/ Provisions	Carrying amount
Americas	597	(297)	300	516	(256)	260	528	(260)	268
Europe	1,440	(966)	474	1,260	(841)	419	999	(613)	386
Asia	251	(97)	154	146	(50)	96	31	(14)	17
	2,288	(1,360)	928	1,922	(1,147)	775	1,558	(887)	671

b) Property, plant and equipment not used in operations

At 31 December 2014 and 2013 and 1 January 2013 no items of property, plant and equipment were not in active use.

c) Property, plant and equipment subject to restrictions on title

At 31 December 2014 items of property, plant and equipment (land and buildings) with a carrying amount of €70.6 million (2013: €94.6 million; 2012: €18.4 million) are pledged to guarantee debts with government bodies and financial institutions with outstanding balances at year-end 2014 of €30.3 million (2013: €90.5 million; 2012: €14.6 million) (Note 22).

d) Insurance

The Group has taken out a number of insurance policies to cover risks relating to its property, plant and equipment. The coverage provided by these policies is considered sufficient.

e) Finance leases

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

	2014	2013	1 January 2013
Cost-capitalised finance lease	26,129	16,833	16,078
Accumulated depreciation	(8,756)	(3,632)	(5,395)
Carrying amount	17,373	13,201	10,683

The amounts payable under finance leases are carried under Other liabilities (Note 22).

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing costs in 2014 and 2013.

(Thousand euro)

7. Intangible assets

Set out below is an analysis of the main intangible asset classes showing movements in assets generated internally and other intangible assets:

2014:

	Balance at 31/12/2013	Additions/ (changes) in scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2014
Cost						
Goodwill	378,463	500,454	-	-	18,493	897,410
R&D (development)	45,805	18,604	3,172	(19)	227	67,789
Computer software	47,973	9,278	3,450	(2,205)	718	59,214
Prepayments and other	7,038	13,145	1,336	(11)	(377)	21,131
	479,279	541,481	7,958	(2,235)	19,061	1,045,544
Accumulated amortization	(69,112)	(18,915)	(14,217)	2,196	511	(99,537)
Provisions	-	-	(53)	-	-	(53)
Carrying amount	410,167					945,954

(*) Mainly due to the impact of currency fluctuations.

2013:

	Balance at 1/1/2013	Additions/ (changes) in scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2013
Cost						
Goodwill	306,568	99,272	-	-	(27,377)	378,463
R&D (development)	49,430	-	2,057	(3,953)	(1,729)	45,805
Computer software	32,447	4,759	14,641	(3,148)	(726)	47,973
Prepayments and other	6,455	589	753	(114)	(645)	7,038
	394,900	104,620	17,451	(7,215)	(30,477)	479,279
Accumulated amortization	(61,869)	(4,757)	(8,251)	4,131	1,634	(69,112)
Carrying amount	333,031					410,167

(*) Mainly due to the impact of currency fluctuations.

The additions/ changes in goodwill (Note 35) break down as follows:

Segments	2014	2013
Automotive	326,790	99,272
Solutions & Services (Smart Innovation)	173,664	-
	500,454	99,272

a) Goodwill impairment testing

Goodwill has been assigned to the Group's cash-generating units (CGUs) on the basis of the criterion of grouping together under each CGU all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

As a result of the strategic operation with the Mahindra & Mahindra Group (Note 1), based on the new business reality and the Group's own organisation, a new CGU called "Mahindra CIE" has been created, encompassing the forged steel component manufacturing business that already formed part of the Group, which includes the companies CIE Galfor, S.A.U. and CIE Legazpi, S.A.U. (Spanish companies), and UAB CIE LT. Forge (Lithuanian company), the companies added as from 4 October 2013 (Note 35), Mahindra Forgings, Ltd. (now Mahindra CIE Automotive, Ltd.) and its subsidiaries (Appendix), Mahindra Composites, Ltd. and Mahindra Hinoday Industries, Ltd., as well as the companies also included in the strategic operation with the Mahindra & Mahindra Group, and acquired in December 2014, Mahindra Ugine Steel Company, Ltd. (company listed on the Bombay Stock Exchange), Mahindra, Mahindra Investments India Private Limited (unlisted company), Mahindra Gears International Limited (unlisted company) and its subsidiaries.

(Thousand euro)

After the incorporation of the activities of the subgroup Beroa, Bilcan and Global Near (Note 35) in the second semester and at the end of 2014, the Solutions & Services (Smart Innovation) segment is under an internal reorganization process based on the basic characteristics of the global activities developed that have determined the initial definition (current state of development of structures) of the four different CGUs. The future development of the business structures of the new set of activities merged at year-end could result in the future redefinition of these CGU.

The breakdown of goodwill at the resulting CGU level is set out below:

	Goodwill		
Cash-generating units	2014	2013	1 January 2013
Automotive segment:			
Rest of Europe	136,006	101,607	105,222
Brazil	74,690	85,959	98,617
NAFTA	93,184	75,353	78,039
Mahindra-CIE	398,926	94,677	3,497
Solutions & Services (Smart Innovation) Segment			
Solutions	109,936	12,264	12,264
IT Services	28,255	8,603	8,929
Industry services	24,336	-	-
Commercial Services	32,077	-	-
	897,410	378,463	306,568

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated on the basis of conservative estimated growth rates that are in all instances lower than the average long-run growth rate for the business in which each of the CGUs operates.

b) Key assumptions used in the calculation of value in use

As in prior years, the pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the capital asset pricing model (CAPM), which is widely used for discount rate calculation purposes. In certain instances, the discount rate calculation additionally factors in a specific risk premium to reflect the characteristics and the risk profile intrinsic to the cash flow projections of each CGU.

The discount rates applied to cash flow projections were as follows:

	2014	2013
Automotive		
Rest of Europe	7.09%-15.67%	8.17%-13.17%
Brazil	11.40%	11.02%
NAFTA	7.31%-9.95%	8.03%-10.53%
Mahindra-CIE	7.07%-15.62%	8.17%-14.40%
Solutions & Services (Smart Innovation)		
Solutions	9.00%-11.00%	9.78% -11.99%
IT Services	9.00%-11.00%	9.78%-11.99%
Industry Services	9.00%-11.00%	-
Commercial Services	9.00%	-

(Thousand euro)

These discount rates are after-tax and reflect the specific risks relating to the relevant operating segments; they have been used for impairment testing purposes in 2014 and 2013.

The main changes in the discount rates used in 2014 with respect to those modelled in 2013 derive from changes in risk-free rates.

Management determined budgeted EBITDA margins in preparing its business plans, taking into account operations with a similar structure to current operations and based on prior experience. The EBITDA's (operating result plus amortizations and impairments) vary by type of business as follows:

	% of revenue	
	2014	2013
Automotive	7.78%-34.2%	6% -31%
Solutions & Services (Smart Innovation)	7.5%-11%	7%-10%

Other forecast net movements in cash and flows related to tax are factored in to obtain after-tax free cash flow for each year.

The result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 0% and 3%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve the organic growth levels for these growing.

c) **Results of the analysis**

The Group has verified that goodwill did not suffer any impairment loss in either 2014 or 2013. Note 4 includes sensitivity analysis with respect to the goodwill impairment calculation.

The recoverable amount of the CGUs was determined based on value-in-use calculations, which require the use of estimates. To calculate value in use in 2014 and 2013, the assumptions used to project the related cash flows reflect the overall situation of the Group's operating markets as well as factoring in their projected performance.

Note 4.1.a) includes data on the sensitivity of these calculations.

(Thousand euro)

8. Financial assets

	Held-to-maturity financial assets	Available-for-sale financial assets	Financial assets at fair value with changes in income statement	Derivative financial instruments	Investments in associates	Total
At 1 January 2013	**80,810**	**13,246**	**-**	**3,654**	**(117)**	**97,593**
Additions to/(changes in) consolidation scope	5,365	-	-	(393)	-	4,972
Additions	34,308	54,983	43,580	-	10,828	143,699
Disposals	(13,686)	(20,722)	(32,502)	(4,329)	9,148	(62,091)
Transfers and other movements (*)	(18,616)	(9,935)	13,004	784	(439)	(15,202)
Fair value adjustment				-		
- Profit or loss	(6,599)	-	(17,977)	10	-	(24,566)
- Equity	-	(12,095)	-	(7,659)	-	(19,754)
Share of profit/(loss) of associates	-	-	-	-	(1,571)	(1,571)
At 31 December 2013	**81,582**	**25,477**	**6,105**	**(**) (7,933)**	**(***) 17,849**	**123,080**
Additions to/(changes in) consolidation scope (****)	(37,431)	-	-	(448)	(14,299)	(52,178)
Additions	72,193	-	-			72,193
Disposals	(6,613)	(31,339)	(6,411)	189	(623)	(44,797)
Transfers and other movements (*)	745	2,645	130	379	63	3,962
Fair value adjustment						
- Profit or loss	(565)	(7,926)	176	(284)		(8,599)
- Equity	-	11,143	-	(2,177)		8,966
Share of profit/(loss) of associates	-	-	-	-	(3,029)	(3,029)
At 31 December 2014	**109,911**	**-**	**-**	**(**) (10,274)**	**(***) (39)**	**99,598**
2014						
Non-current	13,868	-	-	-	-	13,868
Current	96,043	-	-	215	-	96,258
Investments in associates	-	-	-	-	1,497	1,497
2013						
Non-current	27,286	-	-	-	-	27,286
Current	54,296	25,477	6,105	118	-	85,996
Investments in associates	-	-	-	-	19,385	19,385

(*) Basically includes the impact of currency fluctuations on the financial assets held by the Group's foreign subsidiaries and transfers.

(**) This total is presented net of € 10,489 thousand (year-end 2013: €8,051 thousand) corresponding to derivatives recognised on the liability side of the consolidated balance sheet (Note 8.b))

(***) Of this amount, €1,536 thousand (year-end 2013: €1,536 thousand), are registered as a non-current provision on the liability side of the balance sheet in order to prevent a negative balance in respect of the cost of the investment in this segment (Note 25).

(****) This includes the business combinations of the period, the decrease of interest in RS Group at 31 December 2013 due to the integration of the Group full consolidation method and the decrease of interest in Beroa Group existing at 31December 2014 and the cancelation of the intercompany balances that are eliminated due to the integration of these companies (Notes 1 and 35).

All the assets recognised at fair value, unless derivatives financial instruments, are traded in an active market from which the value is obtained at each date (Note 3.3).

At 31 December 2014 and 2013, all the Group's financial assets that did not mature or become impaired during the year are treated as high quality and show no signs of impairment.

a) Financial assets held to maturity

	2014	2013	1 January 2013
Term deposits	57,391	28,888	44,118
Short-term loans (Note 36)	52,520	37,321	36,692
Long-term loans (Note 36)	-	15,373	-
	109,911	**81,582**	**80,810**

(Thousand euro)

The term deposits and loans bear market interest rates in the countries in which the financial assets are held.

No held-to-maturity financial asset has been reclassified.

Financial assets held to maturity show an impairment loss of €11.3 million generated in 2012 and 2013 by a liquidity issue in one of the Brazilian financial institutions with which the Group operated.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

b) Derivative financial instruments

	2014		2013		1 January 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Swaps (interest rate and others)						
- Cash flow hedges	35	(4,384)	-	(1,095)	-	(767)
- Trading	180	-	118	(373)	4,724	-
Foreign exchange forward contracts – cash flow hedges	-	-	-	-	418	-
Hedge of a net investment in foreign operations	-	(6,105)	-	(6,583)	-	(721)
Total	**215**	**(10,489)**	**118**	**(8,051)**	**5,142**	**(1,488)**

- Swaps (interest rate and others)

  The notional principal on interest-rate swaps (variable to fixed rate) outstanding at 31 December 2014 amounted to €210 million and USD38.3 million and 10 million of Danish krones (year-end 2013: €47.5 million and USD40 million); they are classified as hedging instruments.

  At 31 December 2014, the fixed rates range between 2.06% and 4.48% (2013: between 3.12% and 4.48%) while variable interest rates are indexed to EURIBOR and LIBOR.

  Additionally, through one of its Brazilian subsidiaries, at 31 December 2013, the Group records a loan in USD for which an interest rate swap has been contracted. The notional principal of this contract is €775 thousand and it is classified as a non-hedging instrument. In 2014 this contract is no longer in force.

  At 7 November 2012, the Group, through its Brazilian subsidiary, CIE Autometal, S.A., sold 2.5 million shares of Autometal, S.A., another Brazilian subsidiary. In conjunction with this sale, the Group arranged a derivative associated with the listed share price. As the Group retains the exposure to the share price risk, as prescribed in IAS 39, Management understood that the financial investment had to continue to be recognised in the balance sheet until the date of expiration of the derivative contract (7 November 2013) or the date of early settlement. In December 2012 and during 2013, this swap was settled in advance so there is no balance remaining at 31 December 2013 and 2014.

  At 6 August 2014, the Company has contracted a derivative associated with CIE´s Automotive´s share price in the market; the underlying of the operation accounts 1.25 million shares, with an initial value of €11.121 per share. This instrument is classified as non-hedging.

- Foreign currency cash-flow hedges

  At 31 December 2014 and 2013 there were no forward currency purchase/sale contracts in force.

- Hedge of net investment in foreign operations

  As indicated in Note 3.1 a) until October 2014, the Group, through its Brazilian subsidiaries, Autometal, S.A. and CIE Autometal, S.A., managed the foreign exchange exposure deriving from the net assets of its Mexican and European automotive societies, which are denominated in US dollars and euros, respectively, through loan hedges and foreign exchange derivatives.

(Thousand euro)

At 31 December 2014 part of the Group's borrowings denominated in US dollars, is designated as a hedge of the net investment in the Group’s subsidiaries in the NAFTA automotive segment amounting to €50.6 million (€62.8 million at 31 December 2013).

Furthermore, part of the Group's borrowings denominated in euros through swaps contracted, at 31 December 2013 the amount of €89.6 million was designated as a hedge of the net investment in Autometal's subsidiaries located in Europe, forming part of Mahindra CIE's automotive segment. Since October 2014 and as a result of the corporate restructuring through which CIE Autometal, S.A. has transferred its interest in the Spanish company Participaciones Internacionales Autometal, S.L.U. to CIE Berriz, S.L., the Group has settled its exchange rate derivatives designated as net investment hedges in an amount of €5.3 million.

The negative effect of foreign exchange differences, €21.5 million, (€32.3 million at 31 December 2013) caused by the translation of the above-mentioned debt has been recognised in equity in the Consolidated Statement of Comprehensive Income.

c) **Investments in associates**

Except for the companies set out below, all subsidiaries have been consolidated under global consolidation method.

The companies consolidated under the equity method are as follows:

	% effective interest		Carrying amount of investment		Share in profit/(loss)		Total (100%) Assets		Total (100%) Liabilities	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Gescrap - Autometal Comercio de Sucatas, Ltd.	30.00%	22.43%	493	326	147	(117)	4,288	2,805	2,468	1,352
Gescrap - Autometal de México, S.A. de CV	30.00%	22.43%	420	234	143	16	6,060	4,228	4,660	3,183
Antolin- Czech Republic, s.r.l.	30.00%	30.00%	191	171	20	(120)	2,019	2,812	1,383	2,246
CIE Automotive Rus, Llc. (**)	-	75.00%	-	114	-	-	-	152	-	-
Beroa Thermal Energy, S.L. (**)	-	21.45%	-	10,000	(2,141)	-	-	143,700	-	107,700
Grupo RS Automotive (**)	-	50.00%	-	7,370	-	(1,138)	-	47,618	-	36,096
Grupo CIE Avtocom	-	50.00%	-	814	(1,359)	(175)	-	8,404	-	6,776
CIE Automotive Hispamoldes, S.A. and subsidiaries	50.00%	50.00%	248	248	-	(1)	498	496	-	-
Centro Near Servicios Financieros, S.L.	14.48%	-	21	-	-	-	5,361	-	5,216	-
Advance Flight Systems, S.L.	18.89%	-	22	-	-	-	158	-	42	-
Refraline Pty. Ltd	-	-	-	-	166	-	-	-	-	-
Other (*)	-	-	102	108	(5)	(36)	-	-	-	-
			1,497	19,385	(3,029)	(1,571)				

Investments in associates information at 1 January 2013 is summarized as follows:

	% effective interest	Carrying amount of investment	Total (100%) Assets	Total (100%) Liabilities
Gescrap - Autometal Comercio de Sucatas, Ltd.	22.43%	291	2,930	1,633
RS Automotive Group	50%	8,588	46,350	32,388
CIE Avtocom Group	50%	1,320	10,632	7,990
CIE Automotive Hispamoldes, S.A.	50%	249	498	-
Other (*)	-	102	-	-
		10,550		

(*) Companies that are either not material or are in the process of being liquidated. The provision for accumulated losses on these investments in associates and losses on the commitments assumed in them amounting to €1,536 thousand (31 December 2013: €1,536 thousand) are included in "Non-current provisions" on the liability side of the consolidated balance sheet.

(**) Companies consolidated in 2014 according to the method of global consolidation.

(***) It includes the results of the sales of certain interests (Note 1)

Investments in associates at the end of the year 2014 do not include goodwill.

There are not contingent liabilities related to the investments in associates. None of these societies is listed in Stock Exchange.

(Thousand euro)

Available-for-sale financial assets

At 31 December 2013, the amount recognised in this item, €25.5 million, relates to Brazil government securities with inflation-linked interest rates (National Treasury Notes - NTN). During 2014 all these securities were settled. Such settlement has had an impact on the consolidated income statement amounting to approximately €7.9 thousand.

9. Other non-current assets

This balance sheet heading mainly includes loans to third parties totalling €3,168 thousand (€2,250 thousand in 2013) relating basically to the automotive sector, as analysed below by maturity date:

	2014	2013	1 January 2013
Between 1 and 2 years	2,124	425	234
Between 3 and 5 years	768	1,232	770
More than 5 years	276	593	-
	3,168	2,250	1,004

Loans to Group companies, associates and third parties accrue interest at variable rates benchmarked to Euribor. As a result, their fair value does not differ significantly from their carrying amount.

10. Trade and other receivables

	2014	2013	1 January 2013
Trade receivables	280,717	158,268	152,688
Percentage of completion method receivables (POC)	15,117	17,106	13,236
Less: Provision for impairment of trade receivables	(18,069)	(8,617)	(6,130)
Trade receivables – Net	277,765	166,757	159,794
Other receivables	14,888	18,781	18,253
Total	292,653	185,538	178,047

The fair values of trade and other receivables arrived at by discounting the related cash flows at market rates do not differ from their carrying amounts.

The epigraph of trade receivable gathers those balances for sale of products, as well as the turnover for works and services realized to clients for performed work or services given to be recovered at the end of the exercise.

The amount of POC trade receivables contains the invoicing pending to issue to customers depending on the completion of the work or services in progress at the end of each exercise. During 2014, the amount of recognized revenues of non-ending works depending on the percentage of completion method was €45,097 thousand, and the issued invoicing was €29,980 thousand.

At 31 December 2014, trade and other receivables amounting to €35.2 million had been discounted and advanced at banks (2013: €35.4 million). These transactions have been accounted for as a bank loan (Note 20).

The amounts covered by non-recourse factoring or account receivable sales agreements at year-end have been derecognised as the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At 31 December 2014 this balance totals €202.3 million (2013: €112.6 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 5).

Given the characteristics of the Group's customers, it has historically deemed that receivables due within 60 days, for the automotive segment, and between 120-180 days, for Smart Innovation segment (Note 5), present no credit risk, as they fall within the sector's normal collection cycle. Despite the difficulties the sector is facing, the Group continues to consider that the credit quality of these outstanding balances, which deems neither impaired nor non-performing, is strong. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

At 31 December 2014, receivables past due by more than 60 days totalled €33.1 million (2013: €19.4 million); however, most of these balances are not deemed impaired as they relate to a number of independent customers for whom there is no recent history of default. In addition, many payments are related to industrialisation milestones or the percentage of completion of projects.

The ageing analysis of these trade receivables is as follows:

	2014	2013	1 January 2013
Between 2 and 4 months	8,393	6,204	4,726
Between 4 months and 12 months	7,446	5,416	7,639
Over 12 months	17,272	7,825	7,330
	33,111	19,445	19,695
(Impairment Provision)	(18,069)	(8,617)	(6,130)
	15,042	10,828	13,565

Trade receivables that are deemed impaired and have therefore been provisioned for mainly relate to balances that are past due by more than 18 months. The Group expects to recover a portion of its provisions trade receivables. The other classes within trade and other receivables do not contain impaired assets.

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

The Group has arranged credit insurance in respect of a portion of its sales covering de facto insolvency, legal insolvency and business and political risk. Credit insurance policies are arranged through first class international insurance companies and cover between 85% and 99% of sales (in both 2014 and 2013).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies (thousand euros):

	2014	2013	1 January 2013
Euro	121,038	70,676	68,015
US dollar	70,116	41,584	39,764
Brazilian real	30,824	24,655	40,176
Indian rupee	32,825	12,457	-
Other	41,031	26,002	17,969
	295,834	175,374	165,924

Movements on the Group provision for impairment of trade receivables in 2014 and 2013 are as follows:

	2014	2013	1 January 2013
Opening balance	8,617	6,130	6,027
Changes in consolidation scope	9,413	1,819	101
Additions (Note 27)	1,964	2,653	2,056
Recoveries (Note 27)	(1,725)	(678)	(390)
Profit/(loss) from discontinued operations	-	(78)	23
Receivables written off	(200)	(1,229)	(1,687)
Closing balance	18,069	8,617	6,130

(Thousand euro)

11. Inventories

	2014	2013	1 January 2013
Inventories of goods for resale	13,424	8,853	16,552
Raw materials and supplies	130,745	91,830	66,267
Work in progress and semi-finished goods	63,937	55,083	50,782
Finished goods	65,313	56,711	44,346
Prepayments to suppliers	15,490	9,553	7,371
	288,909	222,030	185,318

In its capacity as an oil product operator, the Group Company Via Operador Petrolífero, S.L.U. is legally required to hold minimum buffer stocks. No amount was leased at 31 December 2014 and 2013 in order to maintain these buffer stocks (Note 1.2).

The Group has insurance policies to cover the risks affecting its inventories and considers the coverage provided sufficient.

The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

2014

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	100,683	111,794	212,477
Changes in consolidation scope	23,515	13,595	37,110
Purchases/changes in provisions	1,286,307	(630)	1,285,677
Other movements (*)	5,766	(2,172)	3,594
Closing balance	(144,169)	(129,250)	(273,419)
Cost of sales	1,272,102	(6,663)	1,265,439

2013

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	82,819	95,128	177,947
Changes in consolidation scope	16,841	34,269	51,110
Purchases/changes in provisions	993,961	(14,053)	979,908
Other movements (*)	(2,617)	(5,179)	(7,796)
Closing balance	(100,683)	(111,794)	(212,477)
Cost of sales	990,321	(1,629)	988,692

(*) Corresponds basically to the effect of exchange rate fluctuations on the companies located abroad.

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presented below:

	Amount
At 1 January 2013	9,977
Changes in consolidation scope	2,263
Additions	2,371
Balance write-offs/transfers	(7,522)
At 31 December 2013	7,089
Changes in consolidation scope	7,144
Additions	1,615
Balance write-offs/transfers	(580)
At 31 December 2014	15,268

(Thousand euro)

12. Cash and cash equivalents

Cash and other cash equivalents at 31 December 2014 and 2013 and 1 January 2013 break down as follows:

	2014	2013	1 January 2013
Cash at bank and in hand	137,251	164,578	121,841
Short-term bank deposits	160,448	162,382	346,610
	297,699	326,960	468,451

Short-term bank deposits relate to investments of cash surplus maturing in less than three months or available immediately.

These deposits earn interest at a market rate (country-specific) that ranged between 0.2% and 12.0% in 2014, depending on the currency (2013: 1.9% - 8.49%).

The carrying amount of cash at Group companies is denominated in the following currencies:

	2014	2013	1 January 2013
Euro	73,613	129,855	122,256
US dollar	86,491	55,869	51,550
Brazilian real	95,884	121,197	271,960
Indian rupee	1,865	491	-
Other	39,846	19,548	22,685
	297,699	326,960	468,451

13. Disposal groups classified as held-for-sale and discontinued operations

a) Automotive Segment

In 2012, the Group decided to discontinue its virgin oil-based biodiesel production activities, including the related raw material plantation activity (jatropha) and to sell Biosur Transformación, S.L.U. At year end 2014 and 2013, the commitment of sales plan, not yet implemented, is maintained because the offers do not satisfy the Group expectations. These activities can be clearly distinguished operationally and for financial reporting purposes, they represent a separate line of business.

Additionally, also in 2012, the Group decided to give up the single production line dedicated to the design, manufacture and supply of certain automotive components for the "team motor" market, where the subsidiary Tarabusi S.A.U. (merged in 2013 with Alcasting Legutiano, S.L.U.) acted as TIER1 in direct contact with vehicle manufacturers, identifiable and separable activity within the subsidiary Tarabusi, S.A.U. Its net assets were valued at their recoverable value.

At 31 December, 2014, they are no remaining assets in the balance sheet of the Group associated with this line of production and during the exercise 2014 the effect in results of the same one has been a zero.

b) Solutions & Services (Smart Innovation)

The subgroup Beroa decided at the end of 2013 to interrupt the activity of manufacture of cement mixers carried out by the German subsidiary Karrena Betonanlagen und Fahrmischer, Gmbh. This activity is clearly identifiable, from the operative point of view as to effects of financial information, it represents a business line separated inside the business of the subgroup and corresponds to a separated legal entity. Its net assets have been valued at fair value. Since the decision of interrupting his activity, the company has carried out an operative residual its activity and realizes assets, which are basically current.

The information about the abovementioned disposal assets and liabilities of the Group held for sale will be summarize in the next table:

(Thousand euro)

Assets of the disposal group classified as held for sale

	2014	2013	1 January 2013
Property, plant and equipment	20,937	23,188	36,836
Inventories	192	192	192
Other current assets	1,356	1,552	1,033
Other non-current assets	2,153	-	-
Cash and cash equivalents	-	18	752
Total	**24,638**	**24,950**	**38,813**

Liabilities of disposal group classified as held for sale

	2014	2013	1 January 2013
Government grants	1,057	986	986
Deferred tax liabilities	352	423	423
Borrowings	53	204	372
Trade and other payables	643	510	458
Other current liabilities	262	208	564
Total	**2,367**	**2,331**	**2,803**

Estimated impairment losses were calculated at by estimating the recoverable amounts of each asset.

For the Biosur Transformación SLU specific situation, the Group decided to value the business based on the value of the recovery company´s net assets. A reputable independent expert was commissioned to perform this study. Each of the assets included in the appraisal were classified based on its qualitative characteristics and sized based on its quantitative characteristics. After analyzing these characteristics, the recoverable amount of the assets was determined using as a base the trading price, in the more relevant active markets.

The impairment loss recognised in 2013 was €12.3 million.

In 2014, all the hypotheses for the valuations have been re-evaluated, with the result of no modification in the estimations to be included on the value of sale of the net assets of the company, reason why additional deterioration has not been realized.

An analysis of the result of the discontinued operations is detailed above, and the result recognised on the remeasurement of assets or disposal groups, is as follows:

	2014	2013
Revenue	222	2,918
Change in inventories	-	9
Other revenue	117	611
Total income	339	3,538
Expenses	(316)	(343)
Employee benefits expense	296	(3,203)
Depreciation and amortization	(73)	(92)
Asset impairment	(43)	(11,514)
Other expenses	(487)	(1,451)
Total expenses	(623)	(16,603)
Profit/(loss) before tax of discontinued operations	**(284)**	**(13,065)**
Tax	(71)	3,444
PROFIT/(LOSS) AFTER TAX OF DISCONTINUED OPERATIONS	**(355)**	**(9,621)**

Cash flows generated by these discontinued operations are as follows:

	2014	2013
Operating cash flows	386	(2,678)
Investing cash flows	-	2,113
Financing cash flows	(151)	(169)
Total cash flows	**235**	**(734)**

Cash flows from operating activities break down as follows:

	2014	2013
Profit/(loss) before tax	(284)	(13,065)
Taxes paid	-	-
Adjustments to profit/(loss):		
- Impairment provisions	176	12,300
- Depreciation and amortization	73	92
- Gain on disposal of non-current assets	43	(786)
- Provisions	27	-
Changes in working capital	351	-
Net cash flows from/(used in) operating activities	**386**	**(2,678)**

14. Share capital and premium

	No. of shares (thousand)	Share capital	Share premium	Treasury shares	Total
At 1 January 2013	114,000	28,500	33,752	(53,230)	9,022
Capital increase	4,820	1,205	27,715	-	28,920
Acquisition/sale of treasury shares	-	-	-	53,230	53,230
At 31 December 2013	**118,820**	**29,705**	**61,467**	**-**	**91,172**
Capital increase	10,180	2,545	90,704	-	93,249
At 31 December 2014	**129,000**	**32,250**	**152,171**	**-**	**184,421**

a) Share capital

In 2014, an agreement has been reached to carry out a capital increase through an accelerated private placement operation excluding pre-emptive rights up to 10,179,954 new shares representing 7.89% of the Company's total share capital after the increase. The effective total amounted €93,248,378.64, of which €2,544,988.50 related to the fair value of the shares and €90,703,390.14 related to share premium. The issue price of the newly issued ordinary shares was €9.16, of which €0.25 relates to the fair value and €8.91 to the share premium. On 6 June 2014 the capital increase deed was entered in the Mercantile Register of Bizkaia. On 10 June 2014 the Governing Bodies of the Spanish Stock Exchange agreed to their admission to trading and on 11 June 2014 contracting of the new shares has been effective.

In 2013 year it was resolved to increase share capital by €1,205,011.50 by issuing and circulating 4,820,046 ordinary shares with a par value of €0.25 each, with a share premium of €5.75 per share; the capital increase was paid up at 4 October 2013, the date of the public deed, through non-cash contributions. The pre-emptive subscription right was not applied to this share issue in order to allow Mahindra & Mahindra, Ltd. to become a shareholder of CIE Automotive, S.A. (Note 1).

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2014 is represented by 129,000,000 fully paid ordinary bearer shares with a par value of €0.25 each, all listed on the Spanish Stock Exchange (2013: 118,820,046 ordinary shares with a unit par value of €0.25). The companies that, directly or indirectly, hold an interest exceeding 10% are as follows:

(Thousand euro)

	% interest	
	2014	2013
Corporación Gestamp, S.L.	(*) 22.909%	(*) 24.871%
Mahindra & Mahindra, Ltd	(**) 12.435%	(**) 13.500%
Elidoza Promoción de Empresas, S.L.	9.602%	10.424%

(*) 9.808% directly and 13.101% indirectly through Risteel Corpotation, B.V. (2013: 10.648% directly and the remaining 14.223% indirectly through Risteel Corporation, B.V.).

(**) Indirectly through Mahindra Overseas Investment Company Mauritius Limited.

The stock price of the parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €11.265 at 31 December 2014.

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

At 31 December 2014 and 2013, the parent company has no treasury shares and nor are there any movements on treasury shares in 2014.

The movement in treasury shares in 2013 breaks down as follows:

	2013	
	Number of shares	Amount
Opening balance	10,164,617	53,230
Acquisitions	1,056,043	6,079
Disposals	(11,220,660)	(59,309)
Closing balance	-	-

Over the year 2013, up to 4 October, the Company acquired a total of 1,056,043 shares (0.926% of total voting rights in existence prior to the equity issue undertaken with effect from 4 October 2013) and sold to the Mahindra Group all the 11,220,660 shares (9.843% of the aforementioned total voting rights) held as treasury stock at the time. As a result, CIE Automotive, S.A. holds no own shares as treasury shares since 4 October 2013.

Similarly, the mandate conferred at the Annual General Meeting of 30 April 2014, whereby the parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 of the Spanish Corporate Enterprises Act, is in effect until 30 April 2019.

(Thousand euro)

15. Retained earnings

Movements in retained earnings:

	Retained earnings and first-time application of IFRS-EU reserve					
	Legal reserve	Reserves in consolidated companies and effect of first-time application of IFRS-EU (Note 17)	Profit for loss	Subtotal	Cumulative exchange differences (Note 16)	Total
At 1 January 2013	**5,700**	**334,801**	**61,028**	**401,529**	**(54,730)**	**346,799**
Distribution of 2012 profit	-	42,406	(61,028)	(18,622)	-	(18,622)
Income/(expense) recognised directly in equity, net	-	(29,494)	60,125	30,631	(40,641)	(10,010)
Profit on disposal of treasury shares	-	7,981	-	7,981	-	7,981
Changes in consolidation scope and business combinations (Note 35)	-	17,456	-	17,456	(609)	16,847
Other changes	-	(3,100)	-	(3,100)	580	(2,520)
At 31 December 2013	**5,700**	**370,050**	**60,125**	**435,875**	**(95,400)**	**340,475**

	Retained earnings and first-time application of IFRS-EU reserve					
	Reserve reserve	Reserves in consolidated companies and effect of first-time application of IFRS-EU (Note 17)	Profit & loss	Subtotal	Cumulative exchange differences (Note 16)	Total
At 31 December 2013	**5,700**	**370,050**	**60,125**	**435,875**	**(95,400)**	**340,475**
Distribution of 2013 profit	241	37,580	(60,125)	(22,304)	-	(22,304)
Income/(expense) recognised directly in equity, net	-	(13,861)	81,048	67,187	9,571	76,758
Profit on disposal of treasury shares	-	-	-	-	-	-
Changes in consolidation scope and business combinations (Note 35)	-	(19,863)	-	(19,863)	15,239	(4,624)
Other changes	-	(7)	-	(7)	-	(7)
At 31 December 2014	**5,941**	**373,899**	**81,048**	**460,888**	**(70,590)**	**390,298**

a) Legal reserve

In accordance with the consolidated text of the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. At 31 December 2013 following the capital increase carried out in 2013, the reserve did not reach this limit. The distribution of 2013 profit has envisaged appropriating 10% of profit for the year to the legal reserve for the balance to reach the pertinent minimum limit. Nevertheless, at 31 December 2014 following the capital increase completed during the year, the reserve did not reach this limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

b) Dividends paid

At 17 December 2014, the Board of Directors approved the payment of an interim dividend from 2014 profit of 0.1€ per share carrying dividend rights, implying a total payout of €12.9 thousand. Payment was made on 5 January 2015.

The amount to distribute did not exceed the profit obtained since the last financial year, deducting estimated income tax payable on these results, according to article 227 of Spain's Corporate Enterprises Act.

(Thousand euro)

The provisional accounting statement of 30 November 2014 that has been formulated according to legal requirements shows the existence of enough cash to distribute the dividend mentioned above, it as follows:

Provisional cash-flow statement	Amount
Profit forecast:	
- Available net profit of year 2014	44,681
To deduct:	
- Legal reserve	-
Maximum amount to distribute	44,681
Amount distribution proposal	(12,900)
Treasury forecast for one year	89,000
Treasury forecast before dividend payment	56,802
Interim dividend	(12,900)

At 30 April 2014, the General Shareholders' Meeting of CIE Automotive, S.A. agreed to distribute individual profits for 2013 and approved the pay-out of a complementary dividend of a gross amount of €0.09 per share, carrying dividend rights, representing a total of €11,610 thousand. The payment was made on 3 July 2014.

At 16 December 2013, the Board of Directors approved the payment of an interim dividend from 2013 profit of €0.09 per share carrying dividend rights, implying a total payout of €10,694 thousand. The payment was made on 3 January 2014.

The amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to article 227 of the Spanish Companies Act. Similarly, the provisional accounting statement was prepared in accordance with legal requirements and which evidenced the existence of sufficient liquidity to complete the payout of the aforementioned dividend.

At 30 April 2013, the parent company's shareholders in general meeting approved the motion for the distribution of 2012 profit (individual) as well as the distribution of a complementary dividend against 2012 profit of €0.09 per share carrying dividend rights, implying a total payment of €9,277 thousand. The payment was made on 3 July 2013.

At 19 December 2012, the Board of Directors approved the payment of an interim dividend from 2012 profit of €0.09 per share, implying a total of €9,345 thousand. The payment was made on 3 January 2013.

c) Proposal distribution of profit

The proposal for distributing the parent company's 2014 profit, determined in accordance with accounting principles generally accepted in Spain (legislation applicable to the parent company), that will be presented to the shareholders at the General Meeting, alongside the shareholder-approved distribution for 2013, is as follows:

	Under Spanish GAAP	
	2014	2013
Available for distribution		
Profit for the year	48,978	37,110
Distribution		
To voluntary reserves	22,669	15,481
To legal reserve	509	241
To the interim dividend	12,900	10,694
To the complementary dividend	12,900	10,694
	48,978	37,110

(Thousand euro)

16. Cumulative exchange differences

The breakdown of cumulative exchange differences by segment at year-end 2014 and 2013 is as follows:

	2014	2013	1 January 2013
Segment			
Automotive segment	(68,156)	(90,126)	(51,947)
Solutions and Services (Smart Innovation)	(2,434)	(5,274)	(2,783)
	(70,590)	(95,400)	54,730

17 Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first-time application of IFRS-EU is €373,899 thousand at 31 December 2014 (€370,050 thousand at 31 December 2013).

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments made in conjunction with transition to IFRS on the date of first-time application, 1 January 2005, and the effect of valuing certain financial assets/liabilities at market prices (Note 8).

Reserves and retained earnings pertaining to fully-consolidated companies, the distribution of which is subject to legal requirements, break down as follows:

	2014	2013	1 January 2013
Legal reserve	34,594	49,603	34,571
Restricted reserves in Brazil	41,305	23,619	27,646
	75,899	73,222	62,217

18 Non-controlling interests

Movements in non-controlling interests:

	2014	2013
Opening balance	139,531	158,991
Net income/(expense) recognised directly in equity:		
- Profit for the year	17,062	17,761
- Exchange differences	10,967	(10,526)
- Other (gross cash-flow hedges, tax effect, etc.)	(867)	(7,974)
	27,162	(739)
Dividends paid to non-controlling interests	(4,042)	(4,420)
Changes in consolidation scope and business combinations (Notes 1 and 35)	137,979	(13,001)
Other changes	(817)	(1,300)
Closing balance	299,813	139,531

The breakdown by segment is set out below:

Segment	2014	2013	1 January 2013
Automotive	260,483	136,933	161,172
Solutions and Services (Smart Innovation)	39,330	2,598	(2,181)
	299,813	139,531	158,991

(Thousand euro)

19 Deferred income

The movement in deferred income is as follows:

2014

	Opening balance	Additions/ (changes) in scope (Note 35)	Additions	Disposals	Transfers (*)	Taken to profit or loss	Closing balance
Tax credits arising from investment deductions	2,156	-	,	-	-	(330)	1,826
Capital grants	15,868	1,044	220	(353)	197	(2,526)	14,450
Other deferred income	812	-	342	(111)	-	(315)	728
	18,836	1,044	562	(464)	197	(3,171)	17,004

(*) Relates basically to transfer from deferred income to Capital grants and to Disposal group classed as held for sale, plus the exchange rate effect.

2013

	Opening balance	Additions/ (changes) in scope (Note 35)	Additions	Disposals	Transfers (*)	Taken to profit or loss	Closing balance
Tax credits arising from investment deductions	2,468	-	-	-	-	(312)	2,156
Capital grants	17,594	882	78	(3)	321	(3,004)	15,868
Other deferred income	1,436	-	263	(162)	(725)	-	812
	21,498	882	341	(165)	(404)	(3,316)	18,836

(*) Relates basically to transfer from deferred income to Capital grants and to Disposal group classed as held for sale, plus the exchange rate effect.

The conditions relating to tax credits and grants have been met and therefore the Group does not expect to have to return them.

20 Borrowings

	2014	2013	1 January 2013
Non-current			
Bank borrowings (*)	849,897	646,095	642,726
	849,897	646,095	642,726
Current			
Bank borrowings (*)	215,966	289,714	228,559
Import trade finance (*)	3,014	6,254	9,837
Discounted bills pending maturity and prepayments of export bills (Note 10)	35,200	35,427	41,570
	254,180	331,395	279,966
	1,104,077	977,490	922,692

The Group's policy is to diversify its financing sources. There is no concentration risk in respect of its bank borrowings as the Group works with multiple entities.

(Thousand euro)

The exposure of the Group's bank borrowings (*) to interest rate changes is as follows:

	Balance at 31 December	At 1 year	At 5 years
At 31 December 2014			
Total borrowings (*)	1,068,878	849,897	40,262
Effect of interest rate swaps (Note 8)	(239,046)	(232,962)	(3,626)
Exposure	829,832	616,935	36,636
At 31 December 2013			
Total borrowings (*)	942,063	646,095	29,206
Effect of interest rate swaps (Note 8)	(76,504)	(90,296)	(9,668)
Exposure	865,559	555,799	19,538
At 1 January 2013			
Total borrowings (*)	881,122	642,726	1,037
Effect of interest rate swaps (Note 8)	(35,000)	(40,000)	-
Exposure	846,122	602,726	1,037

Non-current borrowings have the following maturities:

	2014	2013	1 January 2013
Between 1 and 2 years	200,805	344,451	185,786
Between 3 and 5 years	608,830	273,183	456,736
Over 5 years	40,262	28,461	204
	849,897	646,095	642,726

The effective interest rates at the balance sheet dates were the usual market rates (benchmark rate plus a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels.

Bank borrowings carry interest at market rates, by currency, plus a spread that ranges between 125 and 550 basis points (2013: between 250 and 550 basis points).

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since a significant portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 3.1.a) and 8.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2014	2013	1 January 2013
Euro	852,096	608,338	604,048
US dollar	203,058	236,149	69,922
Brazilian real	28,009	116,656	244,518
Other	20,914	16,347	4,204
	1,104,077	977,490	922,692

At 31 December 2014 the Group had drawn down bank facilities in the amount of €278 million (2013: €198 million). The total limit on these facilities is €394 million (2013: €293 million).

The Group has the following undrawn credit lines:

	2014	2013	1 January 2013
Floating rate:			
– Expiring within one year	60,208	44,429	37,015
– Expiring beyond one year	56,127	51,052	12,527
	116,335	95,481	49,542

(Thousand euro)

At 28 July 2014, CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The financing which is structured in two tranches (a term loan of €350 million and a revolving facility of €100 million) aims to:

- Voluntary repayment of the the syndicated loan arranged in 2011, whose balance at 31 December, 2013 was €242.5 million.
- The partial financing of the corporate operations related to the delisting of trading of the Brazilian subsidiary Autometal, S.A. (IPO (Note 1) and cancellation of the issue of debentures).
- The financing of parent company's general business and investment needs.

The amortization period stands at 5 years, with an average term of 4.7 years. This improves the average term of the Company's financing and also improves the economic terms and conditions of the syndicated financing in effect. The balance at 31 December 2014 amounted to €450 million and the interest date is bench marked to Euribor plus a variable spread based on the net debt/EBITDA ratio.

At 23 June 2014, the Company entered into a financing contract with the European Investment Bank for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2014, the drawndown balance amounts to €45 million and fixed interest.

Likewise, the Group supports two additional long-term lending's with the European Bank of investments (BEI) formed in 2010 and 2012 for a total amount pending of repayment of €30 million. These lendings have an interest rate indexed to the Euribor.

During the first half of 2012, through its Brazilian subsidiary, Autometal, S.A., the Group issued BRL250 million of non-convertible bonds. At 31 December 2013 there were plans to pay the unit nominal value of each bond in three consecutive annual instalments. The first instalment would be paid in 2015 (33%), the second one in 2016 (33%) and the third and final instalment in 2017 (34%). The balance at 31 December 2013 amounted to €80.4 million. As mentioned above, on 15 July 2014 these bonds were redeemed early for BRL264 million (approximately €88 million).

In the second half of 2013, the Group obtained a bilateral loan of USD120 million from a Mexican financial institution, through the Mexican subsidiary CIE Autometal de México, S.A.P.I. de C.V., for a seven-year term and a one-year grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. The balance at 31 December 2014 amounted to €94.6 million (at 31 December 2013: €86.7 million).

Certain other financing is also subject to the fulfilment of ratios that are in line with common market practice for this type of contracts. These ratios are fulfilled at 31 December 2014 and 2013.

The Group also through its Brazilian subsidiaries, has a number of loans denominated in US dollars and Brazilian reals for a total of €106 million in December 2013 (€181 million at 31 December 2013), maturing in 2020.

The rest of balances included in borrowing related to loans or bank credits distributed in the different companies of the Group and contracted without specific additional guarantees and to interest rates of market in the different countries.

In 2014, the Group has depreciated €543million in bank borrowings (2013: €280 million) and arranged new loans, in addition to those detailed above, in the amount of €711 million (2013: €257 million), of which €56 million relates to companies included in the consolidation scope through the business combination completed during the year (2013: €79 million) (Note 35).

These repayments largely reflect a debt refinancing effort designed to extend and enhance the Group's debt maturity profile.

21. Trade and other payables

	2014	2013	1 January 2013
Trade payables	559,877	402,366	393,690
Advance received on construction contract	20,086	163	344
Other accounts payable	50,230	31,251	38,460
	630,193	433,780	432,494

The amount of advances received on construction contracts reflects the excess between the advances received form customers of works in progress for €20,086 thousand, and the income recorded in accordance with the progress of the work (Note 2.24.b).

(Thousand euro)

In relation to the disclosures required under Law 15/2010 regarding supplier payment terms, the balance pending payment at 31 December 2014 outstanding by more than 60 days was €11,455 thousand (2013: €11,038 thousand, past due by over 60 days), a figure that is equivalent to just 3.7% of total payables to suppliers of goods and services to the Group companies subject to this legislative requirement and 2.0% of total payables at the consolidated level.

The breakdown of trade payables settled during the year and those pending payment at the year end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 is as follows:

	Payments made and payments outstanding at the balance sheet date	
	2014	
	Thousand euro	%
Payments made during the year within the maximum legal limit	495,641	89%
Other	60,679	11%
Total payments during the year	**556,320**	**100%**
Average period by which payments were past due (days)	59	
Balance pending payment at year end that exceeds the maximum legal limit (60 days)	11,455	

	Payments made and payments outstanding at the balance sheet date	
	2013	
	Thousand euro	%
Payments made during the year within the maximum legal limit	532,946	92%
Other	44,032	8%
Total payments during the year	**576,978**	**100%**
Average period by which payments were past due (days)	53	
Balance pending payment at year end that exceeds the maximum legal limit (75 days)	11,038	

In relation to the duty of information needed by the Law 31/2014 of modification of the Law 15/2010, the average period of payments to national suppliers under this law obligations is 53 days.

22. Other liabilities

	2014	2013	1 January 2013
Non-current			
Fixed asset suppliers	7,545	4,680	6,345
Payable to Public Administrations	5,327	6,858	10,462
Other non-current liabilities	163,915	91,946	80,625
	176,787	103,484	97,432
Current			
Current tax liabilities	54,838	36,884	33,078
Payable to Public Administrations	2,362	3,667	4,089
Fixed asset suppliers	24,620	24,058	11,640
Accrued wages and salaries	56,022	36,245	34,656
Other current liabilities	31,714	2,926	16,306
Accruals and deferred income	14,466	5,762	5,983
	184,022	109,542	105,752

The fair values of these liabilities do not differ significantly from their carrying amounts.

The balances included under 'Payable to Public Administrations within current and non-current payables include liabilities generated by the deferral of VAT, personal income tax and social security payments as well as several other items (repayment of grants, court bonds and other).

(Thousand euro)

Other non-current liabilities

This heading included the outstanding discounted non-current portion of the preferred dividends payable to the other shareholder in CIE Automotive Nuevos Mercados, S.L., namely Ekarpen, S.P.E., S.A., under the terms of the November 2010 agreement by which it invested in CIE Automotive Nuevos Mercados, S.L., for a total of €5,761 thousand. A current liability of €1,814 thousand in 2013, payable in 2014, was recognised in this respect. In 2014, as a result of the sale by Ekarpen, S.P.E to CIE Berriz, S.L. of 25% of the interest in CIE Automotive Nuevos Mercados, S.L., has cancelled the right to receive preferential dividends after the date of sale of the interest has been cancelled. At 31 December, 2014 the outstanding payment for this acquisition amounts €23million in this haeding.

In addition, this heading includes loans to finance investment projects received from public financing institutions totalling €28,765 thousand (2013: €31,280 thousand) and the loan granted to the Group by COFIDES in December 2014, of which €10,000 thousand was drawn down at 31 December 2014 (year-end 2013: €10,000 thousand), repayable in 12 half-yearly instalments with a 1-year grace period (until 2016) and accruing interest at a rate benchmarked to Euribor plus a market spread.

This heading also includes the liability arising from the right granted to non-controlling interests in Century Plastics Inc., a subsidiary acquired in 2012, by means of the grant of a put option valued at USD31 million, equivalent to €25 million (at 31 December 2013: €22.8 million) as well as the part dependent on long-term payment associated with the business combinations realized in 2014 (Note 35).

With regard to the segment Solutions and Services (Smart Innovation), in this epigraph gathers the commitments of purchase of actions to dominant participations of the French subsidiary Beroa France, S.A.S. and the Danish Steelcon Chimneys Esbjerg AIS. In case of the French subsidiary it implies the commitment of remaining acquisition of 6.38% of this subsidiary for an estimated payment of €450 thousands. In the case of the Danish subsidiary there supposes the commitment of remaining acquisition of 49% for a value estimated of payment of €3,430 thousands. These liabilities have been estimated in agreement to the contracts estipulated that were indicating a multiplier on the EBITDA realized in certain exercises less the corresponding net financial debt, in some cases, contemplating a minimal fixed payment.

Other current liabilities

The balance of "Other current liabilities" includes, basically, the short-term amount dependent on payment associated with acquisitions realized by the Group CIE Automotive (Note 35), registered at fair value.

The effective interest rate on non-interest bearing liabilities is a market rate consistent with the rate applicable to financing of a similar nature and with similar terms.

Other non-current liabilities have the following maturities:

	2014	2013	1 January 2013
Between 1 and 2 years	111,642	21,658	11,272
Between 2 and 5 years	48,580	51,085	58,439
Over 5 years	16,565	30,741	27,721
	176,787	103,484	97,432

23. Deferred taxes

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

	2014	2013	1 January 2013
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months	154,267	162,542	120,970
- Deferred tax assets to be recovered within 12 months	76,435	58,669	39,856
	230,702	221,211	160,826

(Thousand euro)

Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after more than 12 months	72,748	58,567	52,175
- Deferred tax liabilities to be recovered within 12 months	3,215	2,725	2,505
	75,963	61,292	54,680
Net	154,739	159,919	106,146

The net movement on the deferred income tax account is as follows:

	2014	2013
Opening balance	159,919	106,146
Additions to/(changes in) consolidation scope	727	2,774
(Charged)/credited to the income statement (Note 30)	(9,500)	30,490
(Charged)/credited to equity	4,171	16,823
Transfers and reclassifications (*)	(578)	242
Tax effect of discontinued operations (Note 13)	-	3,444
Closing balance	154,739	159,919

(*) Includes movements on deferred items due to foreign exchange fluctuations.

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Hedging instruments	Impairment losses and other	Tax losses	Tax credits	Other	Total
At 1 January 2013	3,661	34,512	55,967	65,003	1,683	160,826
Changes/additions to consolidation scope (Note 35)	-	10,809	-	3,770	-	14,579
(Charged)/credited to the income statement	-	(4,350)	19,484	(*) 20,755	-	35,889
(Charged)/credited directly to equity	2,279	14,544	-	-	-	16,823
Transfers and reclassifications (**)	(3,519)	733	(414)	(2,023)	(1,683)	(6,906)
At 31 December 2013	2,421	56,248	75,037	87,505	-	221,211
Changes/additions to consolidation scope (Note 35)	-	10,535	5,509	653	-	16,697
(Charged)/credited to the income statement	-	(650)	(1,732)	(*) (10,008)	-	(12,390)
(Charged)/credited directly to equity	642	6,401	-	(3,645)	-	3,398
Transfers and reclassifications (**)	1,457	(619)	655	293	-	1,786
At 31 December 2014	4,520	71,915	79,469	74,798	-	230,702

(*) Tax credits related to R&D investments, in the amount of €4,748 thousand, are recognised as grants relating to costs, in accordance with IAS 20. (2013: €5,435 thousand).

(**) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries.

Deferred income tax liabilities	Deducted goodwill	Fair value gains (*)	Exchange differences	Accelerated tax depreciation and other	Total
At 1 January 2013	16,468	24,144	(1,034)	15,102	54,680
Changes/additions to consolidation scope (Note 35)	-	11,805	-	-	11,805
Charged /(credited) to the income statement	2,261	-	21	(327)	1,955
Transfers and reclassifications (**)	(2,677)	(2,845)	168	(1,794)	(7,148)
At 31 December 2013	16,052	33,104	(845)	12,981	61,292
Changes/additions to consolidation scope (Note 35)	-	-	-	15,970	15,970
Charged /(credited) to the income statement	286	-	887	(4,063)	(2,890)
Charged/(credited) to equity	-	(773)	-	-	(773)
Transfers and reclassifications (**)	-	-	-	2,364	2,364
At 31 December 2014	16,338	32,331	42	27,252	75,963

(*) Includes the effect of measuring assets at fair value on first-time application of IFRS-EU, the allocation of fair value remeasurement gains on the acquisition of subsidiaries and loan revaluations.

(**) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries and.

(Thousand euro)

Deferred income tax assets are recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The deferred tax assets that were capitalised by the consolidated Group at 31 December 2014 and 2013 and 1 January 2013 are as follows:

	2014		2013		1 January 2013	
	Tax losses	Tax credits	Tax losses	Tax credits	Tax losses	Tax credits
Spain	58,761	58,967	60,685	76,940	43,096	55,285
Rest of Europe	4,497	14,800	509	6,131	1,329	9,473
Brazil	10,271	-	8,908	376	8,529	245
Mexico	5,931	-	4,935	353	3,013	-
Asia	9	1,031	-	3,705	-	-
	79,469	74,798	75,037	87,505	55,967	65,003

The Group did not recognise deferred income tax assets of €49 million (2013: €33.2 million) in respect of losses generated by certain Spanish and other European factories amounting to €170 million (2013: €113 million) that can be carried forward against future taxable income.

Additionally, there are tax credits for unused deductions that have not been recognised amounting to €49 million (2013: €26 million).

24. Commitments with employees

Provisions relating to employee benefit commitments relate basically to benefits integrated due to the Mahindra & Mahindra operation in 2013 and from Beroa's Group integration in 2014 (Notes 1 and 35).

Set out below is a breakdown of employee benefit provisions classified by country:

Breakdown by country	2014	2013
Spain (1)	-	-
Germany (2)	40,692	24,342
India (3)	3,284	1,734
Italy (4)	3,191	-
France (5)	1,388	-
Total (Note 25)	**48,555**	**26,076**

The commitments of post-employment plans and other long-term benefits to the personnel that several companies in the Group guarantee to certain groups are disclosed by country, the following ones:

1) Post-employment benefit plans other employee benefits after the labor relation in Spain

Several companies of the segment of automotive guarantee benefits to certain retirees and early retirees (in 2014, 22 people; 2013, 22 people), which are financed through the insurance company Biharko. The payments to this company in the exercise 2014 amounted to €25 thousands (2013, €33 thousands). At 31 December 2014 and 2013, there are no registered long-term amounts for this concept.

(Thousand euro)

2) Post employment benefit plans and other long-term employee benefits in Germany which are entirely under internal fund

- Long term employee benefits:
  - o Award for time served
  - o Supplements derived from partial retirement agreements
- Post-employment benefits:
  - o Lifetime pension and retirement plans
  - o The benefit plans guaranteed by the group Beroa to its employees are commitments of cash benefits defined to the retirement. The group Beroa guarantees a life revenue from the retirement for those employees with entry date previous to 1 January, 2001 that have 10 years of service in the date of cessation. The commitment is gathered in internal fund.

3) Post employment benefit plans in India which are mainly are under internal fund:

- Post-employment benefits:
  - o Lifetime pensions and retirement plans
  - o Retirement awards. This commitment is financed externally under insurance contracts
  - o Retirement awards in case of rescission of the labor relation

4) Post employment benefit plans in Italy. Nowadays the model of pensions is TFR. It was a defined benefit plan that was transformed to a Define Contribution plan by the Reform of the Pensions that took place in December, 2005.

5) Benefit plans in France under internal fund.

  - o The guaranteed benefit plans by the group Beroa to its employees are commitments of cash benefits defined to the retirement derived from collective agreements. The benefit of the retirement depends on the years of service in the company.

Post-employment benefits:

Movements in defined benefit commitments during 2014 and 2013 are as follows:

	Germany	India	Italy	France	Total
At 1 January 2013	-	-	-	-	-
Scope additions	22,240	1,990	-	-	24,230
Cost of current services	161	501	-	-	662
Interest expense/(income)	568	-	-	-	568
Recalculation of values:					
- (Gains)/Losses due to changes in financial assumptions	55	-	-	-	55
- (Gains)/Losses based on experience	81	-	-	-	81
Exchange rate differences	-	(379)	-	-	(379)
Payments by employers	-	(71)	-	-	(71)
Benefit payments	(998)	(307)	-	-	(1,305)
At 31 December 2013	22,107	1,734	-	-	23,841

(Thousand euro)

	Germany	India	Italy	France	Total
At 1 January 2014	22,107	1,734	-	-	23,841
Scope additions	12,448	1,223	3,191	1,420	18,282
Cost of current services	186	447	-	19	652
Interest expense/(income)	995	-	-	-	995
Costs for past services and (gains)/losses in liquidations	210	-	-	-	210
Recalculation of values:					
- (Gains)/Losses due to changes in financial assumptions	4,590	34	-	-	4,624
Exchange rate differences	-	141	-	-	141
Payments by employers	(1,760)	(295)	-	(50)	(2,105)
At 31 December 2014	38,776	3,284	3,191	1,389	46,640

Long-term employee benefits:

The movement of the obligation and provision for the long-term plans during the year has been the following:

	Total
At 1 January 2013	-
Scope Additions	2,572
Cost of current services	320
Interest expense/(income)	35
Gains/losses recognized in results	(56)
Payments by employers	(636)
At 31 December 2013	2,235
Cost of current services	238
Interest expense/(income)	40
Gains/losses recognized in results	125
Payments by employers	(795)
Cost for full services	73
At 31 December 2014	1,916

The financial - actuarial hypotheses considered in the actuarial valuations are the following:

	2014				2013	
	Germany	India	Italy	France	Germany	India
Interes Rate	0.70% - 2.30%	7.50%-8%	1.58%	2.30%	1.13% - 3.47%	8.00% - 8.30%
Awaited performance active plan	N/A	7.50%-9.30%	N/A	2.50%	-	7.50% - 9.00%
Future growth of wages	2.50% - 2.70%	7%	0.60% 2015;1.20% 2016;1.50% 2017 y 2018;2% Continue	2.00%	2.70%	5.00% - 7.00%
Future growth of pensions	1.00% - 2.70%	0%	1.00%	2.00%	1%-2%	-
Table of mortality	RT 2005 G - Heubeck 2005G-Richttafeln 2005 G /Heubeck 2005 G	Indian assured lives Mortality (2006-08)Ult	RG48	Women TF00-02;MEN TH00-02	RT 2005 G	L.I.C. (1994-1996) ULTIMATE
Retirement age	63 - 65 yers	58 years worker. 60 years for others	-	62 years	65 years	60 years
Method of valuation	PUC	PUC	TFR	PUC	Credit unit Projected	Credit unit Projected

(Thousand euro)

The curve used for the determination of the interest rate for the most significant commitments: " IBoxx € Corporates AA Subscripts von Markit1 ".

The weighted average duration of the defined benefits is in the range 10.25-16 years. And for the most significant commitments in Germany: 12-16 years.

In the most significant plans of the Group, based on the mortality table used, the life expectancy for men and women is the following:

	Germany
Life expectancy of a person who would retire at the end of 2014:	
- Men	19
- Women	23
Life expectancy of a person who would retire 20 years after the closing of 2014:	
- Men	38.60
- Women	43.70

The sensibility of the obligation for benefits defined to changes in the principal weighted hypotheses is:

	Germany			Italy			France		
	Variation in hypothesis	Increase in hypothesis	Decrease in hypothesis	Variation in hypothesis	Increase in hypothesis	Decrease in hypothesis	Variation in hypothesis	Increase in hypothesis	Decrease in hypothesis
Interes Rate	0.25%	2.50%	-2.50%	0.25%	-2.25%	2.34%	0.50%	-3.59%	3.85%
Growth of pensions	0.25%	-3.43%	3.64%	0.25%	1.54%	-1.50%	0.50%	0.50%	-0.50%

The previous analysis of sensibility is based on a change in a hypothesis while the rest of hypothesis are kept constant.

25. Provisions

The breakdown of the movements in Group provisions in 2014 and 2013 is as follows:

	Amount
At 1 January 2013	**51,222**
- Additions to consolidation scope (Note 35)	43,851
- Additions	10,089
- Amounts used	(25,894)
- Unused amounts reversed	(3,612)
- Transfers and other movements (*)	(2,384)
At 31 December 2013	**73,272**
- Additions to consolidation scope (Note 35)	47,230
- Additions	16,547
- Amounts used	(10,147)
- Unused amounts reversed	(1,559)
- Charged or (credited) to equity	5.552
- Transfers and other movements (*)	(2,187)
At 31 December 2014	**128,708**
Non-current provisions	**117,322**
Current provisions	**11,386**

(*) Mainly relate to exchange rate effects.

Non-current provisions at 31 December 2014 mainly include the following:

- €8.3 million provision (2013: €8.9 million) corresponding almost entirely to tax contingencies in Brazil, of which €4 million are on court deposit pending court rulings (2013: €6 million) (Note 8).
- €1.7million provision established to guarantee the sale of assets and closure and winding up of companies (2013: €1.7 million).
- Provision for other liabilities of personnel of €64,3 million (2013: €33,7 million), including €48 million corresponding to pension plans (Note 24) of Mahindra Group´s companies incorporated in the group with date October 4, 2013 and December 31, 2014 as well as from the company Beroa Thermal Energy, S.L in June, 2014 (Note 35).
- Provision of €43.1 million (2013: €19.8 million), relating to the hedging of operational business risks expected to be materialised in the long term. Of this amount, €19.8 million correspond to the combinations of negotiation carried out in the exercise 2014 (Note 35).

Current provisions at 31 December 2014 relate basically to the streamlining of the Group's productive structure in Spain (€1.7 million in 2014 and €1.7 million in 2013), as well as provisions for operational business risks at several Group companies that are expected to be materialised in the short term (€7.4 million in 2014 and €5.7 million in 2013). This heading also includes provisions for tax contingencies and customer claims at certain subsidiaries (€2.2million in 2014 and €1.9 million in 2013).

26. Operating income

	2014	2013
Revenue		
- Sale of products and services	2,063,862	1,722,548
- Construction contracting revenues	145,654	-
Changes in inventories of finished goods and work in progress (Note 11)	6,663	1,629
Other income	102,472	61,250
	2,318,651	1,785,427

"Other income" basically includes the government grants relating to income and the transfer of grants relating to assets to the income statement, as well as the sale of scrap metal and gains on the sale of assets totalling €1,504 thousand (€641 thousand in 2013).
The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousands euro) is as follows:

	2014	2013
US dollar	449,831	361,830
Brazilian real	297,298	373,782
Indian rupee	103,294	21,976
Other	167,227	118,587
	1,017,650	876,175

27. Other operating income/expenses

	2014	2013
Utilities	49,015	45,568
Transport	22,382	21,298
Repairs and upkeep	43,161	21,473
Operating leases	19,394	16,490
Provision for impairment of accounts receivable (Note 10)	239	1,975
Provision for inventory impairment (obsolescence) (Note 11)	1,615	1,387
Other operating expenses	128,018	77,774
Oher operating income (Note 35)	(22,302)	-
	241,522	185,965

(Thousand euro)

28. Employee benefit expense

	2014	2013
Wages and salaries	378,357	271,634
Share-based payments	7,789	567
Social security costs	77,765	53,438
Other welfare expenses	42,875	38,691
Personnel restructuring costs	7,378	7,092
	514,164	371,422

The average Group headcount by category is as follows:

Category	2014 (*)	2013 (*)
Executives	370	364
University graduates, specialists and administrative employees	5,906	5,427
Semi-skilled workers	14,403	13,147
	20,679	18,938

(*) Including 11 people allocated to discontinued operations.

The gender breakdown of the Group's headcount and the parent company's directors at 31 December 2014 and 2013 is as follows:

	Year-end 2014			Year-end 2013		
Category	Men	Women	Total (**)	Men	Women	Total (**)
Members of the Board of Directors (*)	11	2	13	12	2	14
Executives	399	43	442	329	37	366
University graduates, specialists and administrative employees	5,708	1,767	7,475	4,420	996	5,416
Semi-skilled workers	13,712	1,886	15,598	10,917	1,722	12,639
	19,830	3,698	23,528	15,678	2,757	18,435

(*) Two of the members of the Board of Directors act as well executive directors.
(**) Includes 3 people assigned to discontinued operations (2013: 11 people).

Share-based payments

Autometal, S.A. - Brazil

At 31 December 2013 the Group had two remuneration plans based on the shares of its listed Brazilian subsidiary, Autometal, S.A. that could be settled through shares or in cash depending on the decision of the Group authorised by the subsidiary's Extraordinary General Shareholders' Meeting and carried out by its Board of Directors. As resolved by the subsidiary's shareholders, the potential beneficiaries include the directors, employees and service providers of the subsidiary itself and of other Group companies. Under the plans, the entity received services from the beneficiaries in exchange for the Group's equity instruments. The fair value of the services rendered by the beneficiaries, in exchange for future shares, was recognised as a cost for the services rendered (employee benefit expense). The total amount to be recorded was calculated by reference to the fair value of the shares to be delivered and estimates regarding the beneficiaries' continued association with the Group at the settlement date of the plans. The total expense was recognised over the vesting period, which is the period over which all of the specified vesting conditions should be satisfied. At the balance sheet date, the entity reviewed the basic assumptions underpinning the estimated amount of compensation payable, essentially the expectation of each beneficiary remaining in the Group's service at the settlement date. The impact of the revision of the original estimates was recognised, as appropriate, in the income statement, with a corresponding adjustment to equity.

The reference share price used to determine the consideration payable was BRL14, the price at which the shares of Autometal, S.A. were listed on the stock market on 7 February 2011. The number of shares to be delivered to each beneficiary (and therefore the total number of shares covered by the plan) would be determined bearing in mind the number of rights attributed to each beneficiary, the average share price during the period between 1 April 2015 and 30 June 2015 and the share price on 29 June 2015 (on the Sao Paolo Bovespa or equivalent index).

The weighted average fair value of the rights (or implicit options) granted in 2012, determined using the Black-Scholes valuation model, was BRL4.9544 per option (2011: BRL4.0461). The most significant inputs into the model were the share price on the grant date, the exercise price shown above, volatility, the expected dividend yield, an expected option life of five years and an annual risk-free annual interest rate.

In October 2014 and having completed successfully the formalities related to the public share offering in September 2014 and excluding negotiation of the Autometal shares of the Brazilian Stock Exchange (Note 1), the two share-based payment plans were settled by direct payment of the rights taking as reference the settlement price of the public share offering. The total amount paid for the rights granted is €6,029 thousand (at 2013 year end: the value of these rights was € 2,984 thousand).

Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Ltd.) and Mahindra Composites Ltd. - India

The Group, through the companies acquired in 2013 (Note 1), has a number of remuneration plans based on shares in its subsidiaries Mahindra CIE Automotive, Ltd (formerly Mahindra Forgings Ltd.) and Mahindra Composites Ltd., authorised by the subsidiaries' management committees and complying with the general guidelines established in 2009 by the Securities and Exchange Board of India (Indian Stock Exchange). In accordance with the various remuneration plans, beneficiaries can be employees and management of the company itself, its subsidiaries and/or its parent company who are eligible and fulfil plan eligibility criteria.

The granted options by the company Mahindra Forgings Ltd. are divided into three tranches:

- Up to 400,000 options will be exercised at a fixed price of 83 rupees.
- Up to 750,000 options will be exercised at a fixed price of 197 rupees.
- Other options will be exercised at a price equal to the market price of the stock less a discount of not more than 15% of the average share price on the grant date. The final exercise price will be determined by the management committee based on factors prevailing at the grant date, on the trend followed by the company's shares in the Bombay Stock Exchange and on other factors related to the employees' performance. The options vest in tranches determined by the company's remuneration committee, subject to completion of a one-year vesting period. Once they are vested, the options may be exercised as from the vesting date for a maximum period of five years.

On the other hand, in case of the options granted by the entity Mahindra Composites Ltd. the striking price is equal at the market price of the shares less a discount not exceeding 15 % of the average value thereof on the date of grant. The options, which had similar conditions to described as the correspondents to Mahindra CIE Automotive Ltd., they were divided in three equal sections, where every section is determined that the employees complete 12 months, 24 months and 36 months respectively of periods of service (period of consolidation). The options are exercisable from the date of consolidation up to a maximum of 5 later years to the above mentioned date.

In December 2014, due to the merger realized between Mahindra CIE Automotive, Ltd and Mahindra Composites Ltd. (Note 1) in which the first one absorbs Mahindra Composites, Ltd., the Mahindra Composite´s Ltd. Existing plans have been replaced by new plans of the absorbent company, Mahindra CIE Automotive, Ltd. The reemplacement of the plans has been based on an equation of exchange reminded based on the intrinsic values of the plans bearing in mind the number of options granted and not exercised (0,9 options on Mahindra's actions CIE Automotive, Ltd. for every Mahindra Composites's Ltd. option) and the new striking price (52,67 rupees). The adjustment in equity for the plans of options on actions replaced has amounted to €34 thousands.

On the other hand, in the context of the strategic alliance with the Group Mahindra (Note 1), one of the merged companies in Mahindra CIE Automotive, Ltd. Which has been integrated into the Group this exercise, Mahindra Ugine Steel Company, Ltd., it was supporting also two plans of remunerations based on actions. As in previous case, there have been replaced Mahindra Ugine Steel Company, Ltd. existing plans in new plans of the absorbent company, Mahindra CIE Automotive, Ltd. The reemplacement of the plans has been based on an equation of exchange reminded based on the intrinsic values of the plans considering the number of options granted and not exercised (2,84 options on Mahindra's actions CIE Automotive, Ltd. for every Mahindra Ugine's option Steel Company, Ltd.) and the new striking price (34,86 and 25,71 rupee in every plan respectively). The effect of the replaced one in the context of the business combination, has been assessed as modifications of the payments based on actions of the entity acquired by what the excess in the value of replacement on the value of the plans replaced, has been recorded as personal cost for amount of €413 thousand.

Movements in the number of stock options issued and related fair values from 1 October 2013 to 2013 year end and during 2014, are set out below:

	Fair value (thousand euro)	No. of options (Thousand)
At 1 October 2013	1,925	3,465
Granted	-	-
Forfeited	(307)	(528)
Value of employee services	100	
Exercised	(36)	(87)
Translation differences	(9)	
At 31 December 2013	**1,673**	**2,850**
Granted	-	-
Forfeited	(234)	(318)
Value of employee services	1,186	-
Exercised	(692)	(1,199)
Replacement effect of Mahindra Composites Ltd. plan	34	(2)
Addition of new plans in merging societies	485	207
At 31 December 2014	**2,452**	**1,538**

At 31 December, 2013, were 2,849,283 options in traffic, only 1,540,548 options were exercisable to the closing of the exercise 2013.

At 31 December 31 2014, were 1,538,302 options in traffic, only 492,878 options were exercisable to the closing of the exercise 2014.

Stock options outstanding at the year-end have the following expiration dates and exercise prices:

2014

Nº option to closing	Exercise Price for action (*)	Maturity
151,940	34,86	2015
114,170	25,71 – 197	2016
412,685	83 – 152	2017
34,193	52,67 – 97	2019
617,619	57	2020
207,695	44	2021
1,538,302		

(*) Figures presented in Indian rupees due to being more representative of the option's value.

2013

Nº option to closing	Exercise Price for action (*)	Maturity
89,250	197	2016
812,415	83 – 152	2017
131,993	47 – 97	2019
1,473,668	57	2020
341,957	44	2021
2,849,283		

(*) Figures presented in Indian rupees due to being more representative of the option's value.

(Thousand euro)

29. Finance income and costs

	2014	2013
Finance costs:		
- Bank borrowings interest	(71,698)	(71,762)
- Impairment of held-for-sale financial assets (Note 8)	-	(6,599)
- Liquidation of financial available assets for the sale (Note 8)	(7,926)	-
Interest income:		
- Other interest and finance income	36,881	18,643
Net gains/(losses) on foreign currency transactions	10,834	12,023
Net gains/(losses) on financial instruments at fair value:		
- Interest-rate swaps (Note 8)	(284)	(1,598)
Change in fair value of assets and liabilities taken to P&L (Note 1 and 8)	176	(16,369)
	(32,017)	(65,662)

30. Income tax

	2014	2013
Current tax	24,495	21,278
Net change in deferred tax (Note 23)	(*) 14,248	(*) (28,499)
Total income tax expense	38,743	(7,221)
Tax expense of discontinued operations	(71)	3,444
Tax expense of continuing operations	38,672	(3,777)

(*) Does not include tax credit for R&D&i amounting €4,748 thousand, that are registered, according to IAS 20 as operating grants (2013: €5,435 thousand).

The reconciliation of the Group's accounting profit and taxable profit is as follows:

	2014	2013
Consolidated accounting profit before tax for the year from continuing operations	137,137	83,730
Accounting profit before tax from discontinued operations (Note 13)	(284)	(13,065)
Consolidation adjustments	111,482	212,733
Aggregate profit before tax of consolidated companies	248,335	283,398
Income not subject to tax and non-deductible expenses (*)	(167,262)	(207,892)
Net temporary differences in individual companies (**)	19,519	(34,792)
Offset of tax losses	(18,903)	(6,105)
Aggregate taxable profit	87,689	34,609

(*) Dividends distributed among Group companies, portfolio provisions eliminated and other permanent differences €101 million and €60 million, respectively (2013: €70.3 million, €136.7 million).

(**) Net temporary differences in the individual companies basically include adjustments for workforce restructuring and temporary differences for accounting and tax purposes in the recognition of expenses and income and in the recognition and reversal of provisions.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014	2013
Aggregate profit before tax of consolidated companies	248,335	283,398
Tax calculated at domestic rates applicable to profits in the respective countries	70,832	84,477
Income not subject to tax	(45,934)	(62,213)
Utilisation of tax credits and tax losses	(403)	(209)
Recovered aid expenses	-	(777)
Deferred tax expense/(income) (Note 23)	14,248	(28,499)
Tax charge	38,743	(7,221)
Transfer to discontinued operations	(71)	(3,444)
	38,672	(3,777)

The theoretical tax rates vary in accordance with the various tax domiciles, the most important of which are as follows:

	Statutory rate	
	2014	2013
Basque region	28%	28%
Rest of Spain	30%	30%
Mexico	30%	30%
Brazil	34%	34%
Rest of Europe (average rate)	15% - 35%	15% - 35%
China	25%	25%
Americas	21%-35%	18.50%-30%
India	30%	30%-32%

As mentioned in Note 2.20, the parent company, CIE Automotive, S.A., is authorised to file consolidated tax returns with certain subsidiaries.

The other CIE Automotive Group companies file individual returns.

Generally speaking, the Group companies have their tax returns open to inspection for all years for which the statute applying under the various bodies of tax legislation for each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filling tax returns passes.

The corporate income tax legislation applicable to the parent company in 2014 is that relating to Bizkaia Regional Regulation 3/1996 (26 June), which has been repealed for tax periods beginning on or after 1 January 2014, without prejudice to the rights of the tax authorities with respect to tax obligations accrued during its term of application.

The parent company's directors have calculated the amounts associated with this tax for 2014 and those years open to inspection in accordance with legislation in force at each year end on the understanding that the final outcome of the various legal proceedings and appeals that have been filed in this respect will not have a significant impact on the financial statements taken as a whole.

During 2014 and 2013, non-current assets have been sold, generating a capital gain amounting to €122 and €660 thousand, covered by the reinvestment tax exemption. The total amount of the sale has already been invested in new non-current assets. There are therefore no pending additional investments to cover the reinvestment.

Each of the companies that has applied this incentive will disclose the relevant information required by law in its individual annual accounts.

31. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased and held as treasury shares (Note 14).

	2014	2013
Profit attributable to owners of the parent (thousand euro)	81,048	60,125
Profit/(loss) from discontinued operations attributable to owners of the parent (thousand euro) (*)	(365)	(9,639)
Weighted average number of ordinary shares in issue (thousand)	124,621	106,973
Basic earnings per share from continuing operations (euro per share)	0.65	0.65
Basic earnings per share from discontinued operations (euro per share)	(0.00)	(0.09)

(*) Of the profit /(loss) from discontinued operations of the CIE Automotive Group, (€355) thousand (Note 13), corresponds to the shareholders of the Group's parent company (2013: €9,621 thousand).

(Thousand euro)

b) Diluted

The agreement of the multiannual remuneration based on the evolution of the process of CIE Automotive, S.A. that is described in the Note 36.e) could have potential dilutive effect of agreement to the IFRS 33. Once realized the calculations one has been determined that the effects of this agreement do not determine a dilution of the earnings for action basic calculated in the previous paragraph.

32. Dividends per share

At 17 December 2014, the Board of Directors of CIE Automotive, S.A. approved the payment of an interim dividend from 2014 profit of €0.1 per share, implying a total of €12,900 thousand. The payment was made on 5 January 2015.

At 30 April 2014, the parent company's shareholders in General Meeting approved the motion for the distribution of 2013 profit (individual) including the distribution of a complementary dividend of €0.09 per share carrying dividend rights, amounting to a total payment of €11,610 thousand. The dividend was paid on 3 July 2014.

At 16 December 2013, the Board of Directors approved the payment of an interim dividend from 2013 profit of €0.09 per share carrying dividend rights, amounting to a total payment of €10,694 thousand. The payment was made on 3 January 2014.

At 30 April 2013, the parent company's shareholders in general meeting approved the motion for the distribution of 2012 profit (individual) as well as the distribution of a complementary dividend against 2012 profit of €0.09 per share carrying dividend rights, amounting to a total payment of €9,277 thousand. The payment was made on 3 July 2013.

At 19 December 2012, the Board of Directors approved the payment of an interim dividend from 2012 profit of €0.09 per share carrying dividend rights, amounting to a total payout of €9,345 thousand. The payment was made on 3 January 2013.

33. Cash flows from operating activities

	2014	2013
Profit/(loss) for the year	98,110	77,886
Adjustments for:		
- Tax (Note 30)	24,495	21,622
- Deferred tax (Notes 23 and 30)	14,248	(28,490)
- Grants released to income (Note 19)	(3,171)	(3,316)
- Depreciation of property, plant and equipment (Note 6)	96,071	78,656
- Amortisation of intangible assets (Note 7)	14,217	8,251
- Asset impairment charge (Notes 6 and 7)	8,392	12,300
- (Profit)/loss on disposal of property, plant and equipment		
- (see below)	(1,504)	(641)
- Net change in provisions (Note 25)	4,841	(3,745)
- Net (gains)/losses on remeasurement to fair value of derivative financial instruments (Note 8)	8,599	24,566
- Interest income (Note 29)	(36,881)	(18,643)
- Interest expense (Note 29)	71,133	71,762
- Exchange differences (Note 29)	(10,834)	(12,023)
- Share of loss/(profit) of associates (Note 8)	3,029	1,571
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- Inventories	(23,959)	3,117
- Trade and other receivables	11,166	6,133
- Other assets	4,865	3,392
- Trade and other payables	(15,361)	(46,702)
Cash flows from operating activities	**267,456**	**195,696**

(Thousand euro)

In the cash flow statement, proceeds from the sale of property, plant and equipment comprise:

	2014	2013
Carrying amount (Notes 6 and 7)	2,409	6,422
Profit/(loss) on disposal of property, plant and equipment	1,504	641
Proceeds from disposal of property, plant and equipment	**3,913**	**7,063**

34. Commitments, guarantees and other information

a) Capital and lease commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2014	2013	At 1 January 2013
Property, plant and equipment	18,563	12,235	10,771
Obligations deriving from irrevocable lease agreements	64,357	65,469	35,833

b) Financing of capital commitments

These investments are financed through the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and, if necessary, bank borrowings.

c) Operating lease commitments

The Group has been leasing various offices and warehouses under non-cancellable operating lease agreements since 2008. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. The Group also leases various plants and items of machinery under cancellable operating lease agreements. The Group is required to provide six months' notice to terminate these agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013	1 January 2013
Less than one year	21,831	13,043	7,647
Between one and five years	24,327	33,499	27,937
Later than five years	18,199	18,927	249
	64,357	65,469	35,833

d) Other information

Solutions & Services (Smart Innovation) segment has posted bonds to guarantee works and services rendered to customers and commercial guarantees amounting to approximately €98.8 million (2013: approximately €14.4 million).

35. Business combinations

2014

Automotive segment

Consolidation scope changes are described in Note 1.

On February 2014 the Group acquired the 50% interest that the Dutch fund VEP Fund I Holding Coöperatief W.A. had in the "Joint Venture" RS Automotive Group (Appendix). As a result, CIE Automotive Group has become the sole shareholder of this subgroup.

The price paid on the acquisition amounted to €10,766 thousand which will be increased, if applicable, by an additional amount (contingent consideration) linked to the development of EBITDA in RS Automotive B.V. in 2014 and 2015 and payable in the first six months of 2016 (Note 22).

(Thousand euro)

In 2014, this business combination resulted in the recognition of a profit in the consolidated income statement amounting to €14,252 thousand. This profit results from the measurement at fair value (€21,621 thousand) of the interest held, prior to the acquisition of the 50% stake, by the Group in the equity of the subgroup acquired (€7,370 thousand) and calculated at the date on which control was acquired.

The fair value of the previous interest is equal to the purchase price of the additional 50% acquired in 2014 which includes the amount initially paid and the estimate of the relevant part of above mentioned contingent compensation.

As a result of the above, the business combination to acquire control of the RS Automotive Group in February 2014 and therefore, related to the 100% interest, is summarised below:

	Amount
Purchase price	43,241
Fair value of the net assets acquired	(11,023)
Goodwill (Note 7)	**32,218**

This goodwill has been assigned to the future performance of the business acquired and the major synergies which are expected to be obtained following the acquisition by the Group.

The total amount of the consideration for the acquisition of control breaks down as follows:

	Amount
Fair value of previous interest	21,621
Purchase price of the 50% acquired during the year	21,620
Total consideration	**43,241**

The amounts of identifiable assets and liabilities acquired were as follows:

	Fair value of the net assets acquired
Fixed assets	21,943
Other non-current assets	1,147
Deferred taxes	3,734
Inventories	6,934
Accounts receivable	8,963
Cash and cash equivalents	4,898
Assets acquired	**47,619**
Minority interests	4,699
Deferred income	1,044
Bank borrowings	4,896
Provisions	4,603
Accounts payable	15,658
Deferred taxes	2,279
Other liabilities	3,417
Liabilities acquired minority interest	**36,596**
Total net assets acquired	**11,023**

The fair value of the net assets acquired is not expected to differ significantly from the accounting figures of the RS Automotive group. There are no other intangible assets meeting the conditions for their separate recognition or contingent liabilities or other accounting assets or liabilities the fair value of which differs from carrying amount. At the date of these financial statements this business combination is in the final phase of assigning fair values. No significant adjustments to the aforementioned figures are expected to arise.

(Thousand euro)

The cash flows deriving from the transaction are as follows:

Amount paid	10,766
Cash and cash equivalents in the subsidiary acquired	(4,898)
Outflow of cash on the acquisition	**5,868**

The net sales revenues and results of the RS Automotive Group at 31 December 2014 amount to €86 and €4 million, respectively.

As the conclusion of the process described in Note 1 related to "Strategic alliance with Mahindra Group", the Group has completed in 2014 the second phase of the transaction that ended in the merger by absorption by the dependent Mahindra CIE Automotive Ldt., Mahindra Composites Ltd. (company traded at Bombay Stock Exchange), Mahindra Hinoday Industries Ltd. and Participaciones Internacionales Autometal Tres S.L. (owner of forged components business of CIE Automotive), all controlled by CIE Automotive S.A. and news companies part of CIE Automotive Group through the merger: Mahindra Ugine Steel Company Ltd. (company listed at Bombay Stock Exchange), Mahindra Investments India Private Limited and Mahindra Gears Internacional Limited.

These last two companies are holding companies for other holding companies, as well as the operative companies Mahindra Gears & Transmissions Private, Ltd. y Metalcastello S.p.A.

This merger process, approved in 2014 by the General Meetings of the merged companies and the regulatory authorities, ended the 24 December 2014.

The merger generated 228,671,272 new shares of Mahindra CIE Automotive Ltd. whose face value is 10 rupees per share, and whose market value at the time of delivery to shareholders was 209 rupees per share. Of these issued shares 118,211,276 have been allocated to dependent merged societies of CIE Automotive Group, the remaining 110,459,996 shares, correspond to the businesses incorporated to the Group in December 2014.

This process has caused that CIE Automotive has the control of 53.21% of the new Mahindra CIE Automotive Ltd. share capital after merger. Related to the part of business controlled previously by the Group, this operation only caused a readjustment of the equity of the parent society and the dependent interest of €67,847 thousand, being a change in the shares of subsidiaries and businesses without change of control (Note 2.2.b).

The integration of new societies to the Group has caused a business combination according to IFRS3, summarize below:

	Amount
Purchase price (fair value of the new shares issued at the date of the acquisition of control)	299,777
Price Paid to non-controlling interest of the groups acquired (Note 22)	11,143
Reasonable value of net assets acquire	(16,348)
Goodwill (Note 7)	**294,572**

This goodwill, which has been assigned to the equity of the dominant company (53.21%) and to the non-controlling interests (46.79%), respectively, is based on the future intrinsic profitability of the new built-in business, as well as expectations of additional generation of value for the shareholder derived from the creation of the new consolidated group Mahindra CIE in his synergy integration inside the CIE Automotive Group, having being assigned proportionally in consequence and for that reason, to the new individual businesses incorporated and to the Mahindra CIE Group as a whole.

(Thousand euro)

The assets and liabilities arisen in this new business combination were as follows:

	Fair value			
	Mahindra Ugine Steel Company Ltd.	Mahindra Investments India Private Limited	Mahindra Gears Internacional Limited	Total
Property, plant and equipment	36,390	15,238	19,291	70,919
Inventories	5,455	2,622	10,908	18,985
Trade and other receivables	15,859	4,417	6,621	26,897
Other current assets	768	49	202	1,019
Current tax assets	3,993	18	774	4,785
Current financial assets	130	68	2	200
Other non-current assets	7,290	36	373	7,699
Other financial assets	6,756	124	250	7,130
Cash and cash equivalents	1,280	34	10,310	11,624
Asset acquired	**77,921**	**22,606**	**48,731**	**149,258**
Non controlling interests	-	-	(2,025)	(2,025)
Debts with credit institutions	430	5,373	20,631	26,434
Provisions	12,816	205	6,294	19,315
Trade and other payable	8,536	4,401	14,079	27,016
Deferred tax liabilities	5,016	1,215	957	7,188
Other liabilities	1,398	588	52,996	54,982
Liabilities acquired and minority interests	**28,196**	**11,782**	**92,932**	**132,910**
Total Net Assets acquired	**49,725**	**10,824**	**(44,201)**	**16.348**

The fair values of the fixed assets were fixed in agreement to appraisals realized by independent experts with knowledge of the Indian and European market, which estimations, that were not gathering limitations or additional risks to be considered, were based on market prices market of purchase or construction, and having into account the useful residual lives of the different assets.

Preexisting contingent liabilities were recognized in the business acquired and recognized by means of document signed with the previous partner of these businesses by €11.7 million. These contingencies correspond to certain legal claims of clients, workers and other third parties for which an unfavorable outcome is expected. The Group estimated the amount of all potential undiscounted futures payments that it might have to realize if unfavorably reasonable.

Provided that, in the exercise, there has not be any consideration in the operation, the effect in the funds of cash of the same one has been only for the effective and equivalents to cash in the incorporated companies (€11,624 thousand).

The analysis of assignment of the fair value to the values of the incorporated assets and liabilities is in phase of development and although almost concluded, the valuation analysis cannot be considered as closed.

Given the date of the takeover for the new absorbed companies, no activities has been concluded in CIE Automotive Group during the exercise 2014. If this integration had taken place at the beginning of the exercise, the sales and the results contributed to the Group by these businesses would had been of €135,412 and (€12,376) thousand, respectively.

Solutions & Services (Smart Innovation) segment

As explained in Note 1, in July 2014 the process of acquisition by stages of the society group headed by **Beroa Thermal Energy, S.L.** has been achieved by the subsidiary, Global Dominion Access, S.A. The culmination of the process has supposed Global Dominion Access, S.A., exercise the option on the 50% of the share capital of mentioned company, as well as the acquirement of 27.27% minority stakeholders of the remaining capital.

(Thousand euro)

Both transactions, have been realized according to the company´s value, estimated by an independent expert, who has supposed that the mentioned transaction had determined a purchase price (paid price and share capital extension made in Global Dominion Access, S.A.) of the percentage (acquired 77.27%), of €62 million amount. Additionally, this transaction has supposed that the fair value of initially maintained participation 22.73% has increased to €16 million, resulted in the recognition of a profit in the consolidated income statement amounting to €8,050 thousand.

Below, operation resulting details of net liquid assets and goodwill are resumed:

	Amount
Purchase price	77,960
Fair value of acquired net assets (negative)	33,796
Good will (Note 7)	**111,756**

This goodwill has been assigned to the profitability's and future synergies of the businesses acquired inside the Group.

	Valor razonable
Property, plant and equipment	42,196
Investments in associates	930
Inventories	6,825
Trade and other receibables	68,740
Other assets	5,034
Diferred tax assets	6,692
Other financial assets	452
Cash and cash equivalents	11,082
Active assets	**141,951**
Non-controlling interests	4,567
Debts with credit institutions	18,541
Provisions	23,312
Trade and other payable	50,262
Deferred tax liabilities	6,388
Other liabilities	72,677
Acquired liabilities and minority interests	**175,747**
Total Net Assets acquired	**(33,796)**

Fair values registered in the operation don't distinguish substantially from those registered in the financial statement of Beroa Group despite of the recognition of determinate intangible assets classified as customer base, with a value of €10 million. The process of assignation of paid price to the acquired assets and liability value, is not finished yet, although no significant differences are expected compared to the value used at 2014 year-end.

The cash funds movement of the operation have been:

	Amount
Compensation of the exercise (*)	-
Cash and cash equivalents of acquired Group	(11,082)
	(11,082)

(*) There was no consideration paid in this exercise, being outstanding €43 million.

In 2014 this business combination has resulted in sales and results (without minority allocation) of €141 and €9 million each one. If the operation had been completed at 1 January 2014, these figures would have been 249 and 2 million respectively.

On the other hand, in December 2014, CIE Group, through its subsidiary Global Dominion Access S.A., has also integrated 100% of capital of **Bilcan Global Services S.L.** and the 89.246% of capital of **Global Near S.L.** by means of a capital increase of non-monetary contributions. This operation resulted in the integration through Dominion group of the following companies:

Companies	Activity
Bilcan Global Services, S.L., parent of:	Holding
• Servicios al Operador Móvil, S.L.	Holding
• Eurologística Directa Móvil 21, S.L.	Wholesale business, logistic management of mobile phones and point of sale management
• Your Phone, S.L.	Retail of mobile phone products and solutions
• Your Phone Franquicias, S.L.	Retail of mobile phone products and solutions
• Global Ampliffica, S.L.	"Marketing online" expert business, specialize in capturing "leads" for sale through own "call centers"
• Ampliffica Mexico, S.A. de C.V.	Digital sale point and other digital solutions
• Ampliffica, S.L.	Digital sale point and other digital solutions
• Wise Conversión, S.L.	Digital sale point and other digital solutions
• Tiendas Conversión, S.L.	Retail of mobile phone products and solutions
• Sur Conexión, S.L.	Retail of mobile phone products and solutions
Global Near, S.L., parent of:	Holding
• Near Technologies, S.L.	Technological solutions through knowledge and innovation
• Tapquo, S.L.	Technological solutions through knowledge and innovation
• Advance Flight Systems, S.L.	Technological solutions through knowledge and innovation
• Centro Near Servicios Financieros, S.L.	Technological solutions through knowledge and innovation
• DM Informática, S.A. de C.V.	Technological solutions through knowledge and innovation
• Near Technologies Mexico, S.A. de C.V.	Technological solutions through knowledge and innovation
• NXT Solutions, INC	Technological solutions through knowledge and innovation
• NXT Solutions, INC	Technological solutions through knowledge and innovation

After this operation, the shares (also 100%) that the subsidiary Dominion Instalaciones y Montajes, S.A.U.held in Dominion Network, S.L. and Dominion Centro de Gestión Personalizada S.L. have been transferred to Bilcan Global Services S.L., through a non-monetary contribution to the capital of this last one. This transfer did not have effect in the Consolidated Group Annual Accounts (Note 1).

The details of the acquired net assets and the resulting goodwill are summarized below:

	Amount
Purchase Price (after capital increase)	41,434
Fair value of net assets acquired (negative)	20,474
Good will (Note 7)	**61,908**

(Thousand euro)

This goodwill has been initially attributed to the profitability and future synergies from the acquired businesses in the Group:

	Net assets value
Propety, plant and equipment	3,262
Inventories	4,512
Trade and other recivables	22,536
Deferred tax assets	1,486
Other financial assets	19,831
Cash and cash equivalents	2,856
Assets acquired	**54,483**
Non-controlling interests	(1,322)
Debts with credit institutions	6,597
Trade and other payabls	40,781
Deferred tax liabilities	115
Other liabilities	28,786
Liabilities assets and minority interest	**74,957**
Total net assets acquired	**(20,474)**

The Group has started the analysis of the purchase price allocation to the values of assets and liabilities acquired. The registered values at 31 December 2014 correspond to the ones recorded for accounting in the individual accounts of acquired companies. These values will be modified, if necessary, at the end of the analysis.

The movement of this business combination, €2,856 thousand, corresponds only with the cash and cash equivalents of the incorporated the new incorporated companies.

The incorporation of these companies in 2014 did not have effect in Group´s profit and loss. If the incorporation had been produced at the beginning of 2014, the figures for sales and results of these companies added to the Group (without considering the allocation to minority interests) would have been €139 and €8.9 million respectively.

2013

Automotive segment

Within 12 months from the acquisition, the liabilities of the company acquired on 18 September 2012, **Nanjing Forging Co, Ltd.,** were reassessed in the amount of €2,010 thousand, entailing an adjustment to the business combination values published in 2012, resulting in an increase of €1,005 thousand of the goodwill (Note 7).

Set out below is a breakdown of the net assets acquired after the completion of the analysis of the business combination performed in the first half of 2013 and the resulting goodwill:

	Amount
Purchase price	17,188
Fair value of the net assets acquired	(15,187)
Goodwill	**2,001**

In addition, after the completion of the analysis of the business combination of the company acquired on 4 October 2012, **Century Plastics, LLC**, the values allocated to each shareholder's net assets were adjusted, together with the pertinent effect on equity for 2013 (€9.7 million).

As part of the strategic agreement described in Note 1, intending to integrate the automotive component manufacturing business, on 4th October 2012 the Group, through subsidiaries of its Brazilian subsidiary Autometal, S.A., completed phase one of the operation, acquiring a controlling participation in **Mahindra Forgings Ltd.,** (currently Mahindra CIE Automotive, Ltd.), **Mahindra Composites, Ltd.** and **Mahindra Hinoday Industries, Ltd.** The total price paid was INR8,809 million (equivalent to approximately €110 million).

(Thousand euro)

Autometal, S.A.'s shareholdings through its subsidiaries in these companies stand currently at 79.16% for Mahindra CIE Automotive, Ltd., 61.74% for Mahindra Composites, Ltd. and 64.96% for Mahindra Hinoday Industries, Ltd.

The breakdown of the net assets acquired and the resulting goodwill was as follows:

	Amount
Purchase price	110,576
Fair value of the net assets acquired	(12,309)
Goodwill (Note 7)	**98,267**

	Fair value			
	Mahindra Forgings Limited	Hinoday	Mahindra Composites	Total
Fixed assets	85,636	45,364	1,144	132,144
Inventories	41,549	8,859	702	51,110
Accounts receivable	14,771	7,596	2,315	24,682
Other assets	4,926	1,116	283	6,325
Deferred taxes	10,859	3,687	33	14,579
Other financial assets	4,884	481	-	5,365
Cash and cash equivalents	1,697	573	51	2,321
Assets acquired	**164,322**	**67,676**	**4,528**	**236,526**
Deferred incomes	600	282	-	882
Bank borrowings	62,542	15,138	983	78,663
Provisions	41,141	2,657	53	43,851
Accounts payables	48,257	14,456	1,640	64,353
Deferred taxes	3,497	8,233	75	11,805
Other liabilities	14,170	1,095	-	15,265
Liabilities acquired	**170,207**	**41,861**	**2,751**	**214,819**
Assets – Liabilities	**(5,885)**	**25,815**	**1,777**	**21,707**
Stock options included in equity	**(1,114)**	**-**	**(22)**	**(1,136)**
Total net assets	**(6,999)**	**25,815**	**1,755**	**20,571**
Total net assets acquired	**(5,544)**	**16,769**	**1,084**	**12,309**

The fair values of non-current assets were determined in accordance with appraisals performed by independent experts with knowledge of the Indian and European markets; their estimations (subject to no limitations or additional risks) were based on market purchase or construction prices and taking into account the assets' residual useful lifes.

Pre-existing contingent liabilities were recognised in the businesses acquired and recognised in a document signed together with the former shareholder in the amount of €7.5 million. These contingencies correspond to certain lawsuits filed by customers, workers and other third parties on which rulings are expected to be unfavourable. The Group estimated the amount of all potential undiscounted future payments that the Group might have to make if the rulings were unfavourable.

(Thousand euro)

The cash flows deriving from the transaction were as follows:

	Amount
Total compensation (*)	110,576
Cash and cash equivalents in the subsidiary acquired (*)	(2,321)
Outflow of cash on the acquisition (*)	**108,255**

(*) Data in Indian rupees, euros and sterling pounds converted to euro at the exchange rate on the transaction date.

This business combination contributed sales of approximately €90 million and losses of €2.5 million; had the effective date been 1 January 2013, it would have contributed sales of approximately €390 million.

Within the 12 months following the acquisition, the assignment of the acquisition price to the net assets acquired was reassessed. There were no significant variations.

36. Related-party transactions

The direct shareholders of the Group (including minority interests), key executive managers, close relatives and those companies consolidated using the equity method are considered related parties.

The following transactions were carried out with related parties:

a) Compensation and loans to key management personnel

The total compensation paid to key management personnel in 2014, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €1,342 thousand (2013: €4,808 thousand).

The company has no commitments related to pensions or other types of complementary post-employment benefits with key management personnel.

At the end of 2014, there is no balance relating to transactions with these related parties (2013: €0 thousand in current assets).

b) Balances and transactions during the year with Group companies and related parties

	2014	2013
Transactions effected:		
- Services received	3,571	1,567
- Services rendered	70	1,942
- Purchases	50,297	994
- Sales (*)	118,049	17,227
- Change in fair value of assets	-	16,369

(*) Both, purchases and sales, correspond basically with sales-purchase operations with Mahindra & Mahindra Group.

Balances with Group companies and related parties are as follows:

	2014	2013	1 January 2013
Balances:			
- Accounts receivable from related parties	55,368	50,575	46,836
- Accounts payable to related parties	32,959	7,116	122
- Dividend pending payment	12,900	10,694	9,345

Accounts receivable/payable to related parties show the balance of financial transactions that accrue a market interest rate (Note 8), in addition to the trade balances from the operations during the year.

c) **Compensation of the directors of the parent company**

Compensation paid to the members of the Board of Directors

Total compensation paid to the members of the Board of Directors has amounted to €3,027 thousand (2013: €1,093 thousand). The members of the Board of Directors received no compensation in terms of bonuses or profit sharing arrangements. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At year-end 2014, there is a balance receivable (at present value) of €1,212 thousand arising from other transactions with these related parties (2013: €1,165 thousand), classified in current assets.

d) **Article 228 of the Spanish Companies Act.**

In the duty to avoid situations of conflict of interest of the parent Company, during the exercise the administrators who have occupied charges in the Board of Directors have expired with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives, have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm, except in the cases in which the corresponding authorization has been obtained.

e) **Complementary long-term incentive based on the increase in value of the shares of CIE Automotive, S.A.**

During the General Shareholders' Meeting of 30 April 2014, as the sixth point on the agenda, a long-term incentive was approved, based on the increase in value of the shares of CIE Automotive, S.A., in favour of the CEO and certain managers and other people owing to their special relationship with the Company.

The incentive will consist of the payment of an extraordinary total remuneration proved of multiplying a maximum of 1,800,000 rights by the increase of the market price of shares of CIE Automotive in the period 2013-2017, being its contribution base €6 per share and the closing value will be the average of the market price of the last quarter of 2017, in the terms approved by the Shareholders' General Meeting.

The individual assignment of these rights has been fixed by the Appointments and Remuneration Committee of the parent company and their settlement will probably be paid once in cash on 31 March 2018 as a decision of the Group.

The incentive depends on two conditions:

- Interrupted continuity of beneficiaries' services.
- The fulfillment of the objectives of Group's Strategic Plan for 2013- 2017, measured according to EBITDA levels (operating profit plus amortization and impairment) obtained in the period.

The incentive conditions contain situations of early liquidation due to certain supervening causes.

At 31 December 2014, the estimated amount of the extraordinary remuneration, financially updated, has had a total cost of €2,041million during 2014.

37. Joint operations

At 1st September 2009, together with the Dutch investment fund VEP Fund I Holding Cooperative W.A., which is administered by Value Enhancement Partners, the Group incorporated RS Automotive B.V., a Dutch joint venture in which both venturers held 50%. In September 2009 this joint venture carried out its first corporate transaction involving the acquisition of a group of companies.

In February 2014, the parent company completed the acquisition of the 50% of the participation and therefore the joint venture's financial statements have been fully consolidated at 31 December 2014. For comparison, and in accordance with IAS 28, at 31 December and 1st January 2013 the joint venture was consolidated under the equity method (Notes 2.11 y 8).

(Thousand euro)

At 10th June 2010, together with the Russian companies Sam LTD LLC and JSC KZAE, the Group incorporated CIE Avtocom, LLC and CIE Avtocom Kaluga, LLC, initially 35% owned by CIE Automotive, S.A. and 65% owned by the Russian companies. In 2012, CIE Group acquired an additional 15% shareholding in these companies.

As explained in Note 1, on 4 September 2013 the Spanish company CIE Automotive Nuevos Mercados, S.L. sold all its shares in the Russian company Doga Avtokom CIE LLC (DAC, LLC) for 8.2 million roubles (€187 thousand). This transaction generated a loss of €57 thousand for the Group. In December 2014, CIE Nuevos Mercados, S.L. sold its interest in CIE Avtocom Kaluga, LLC (merged into CIE Avtocom, LLC in 2014) for €1 generating a loss of €1,359 million (Note8.c). At 31 December 2014, the Group does not have a stake in the aforementioned Russian companies.

On 20 July 2007 and together with Plásticos de Palencia, CIE Hispamoldes, S.A. was incorporated with initial capital of €250 thousand, 50% owned by CIE Automotive, S.A. and Plásticos de Palencia, respectively. Subsequently, on 28 December 2011, the company's capital was increased by €250 thousand. This capital increase was 50% subscribed by CIE Automotive, S.A.

The incomes, expenses and net result of these joint ventures at 31 December and 1 January 2013 and 31 December 2014, are detailed below:

			Amount					
			2014			2013		
Society	Location	Activity	Income	Expenses	Net Result	Income	Expenses	Net Result
Grupo RS Automotive (*)	Netherlands	Manufacture of automotive components	-	-	-	35,528	(36,666)	(1,138)
Grupo CIE Avtoocom Kaluga, LLC	Russia	Manufacture of automotive components	1,683	(3,042)	(1,359)	11,085	(11,260)	(175)
CIE Automotive Hispamoldes, S.A.	Bizkaia	Holding	-	-	-	-	-	-

(*) Company consolidated in 2014 according to the method of global consolidation.

38. Joint ventures

Solutions and Services (Smart Innovation) segment participates in several consortia or temporary joint ventures. The following amounts represent the Group's percentage interest in the assets and liabilities, and sales and results of these joint ventures. These amounts are included in the consolidated balance sheet and income statement:

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Expense	Profit/(loss)
2014	107	-	110	-	-	3	(3)
2013	1,291	-	1,457	-	4	170	(166)

39. Other information

a) Auditor fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for audit services performed in 2014 total €2,305 thousand (€1,879 thousand in 2013). The amount relating to 2013 and 2014 also includes the audit of the interim financial statements.

Other services provided by PricewaterhouseCoopers Auditores, S.L. and other firms associated with the PricewaterhouseCoopers trademark amounted to €161 thousand (2013: €317 thousand).

The fees charged by other firms for financial statement audit services in respect of other investees amounted to €603 thousand in 2014 (2013: €507 thousand). This amount included the services rendered for all the period of the companies joined to the consolidation scope in 2014.

b) Environmental issues

i) The parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

ii) Investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

iii) The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associated with its operations and improve the Group's environmental management and record. The combined amounts of investments and expenses accrued in 2014 in relation to environmental protection work totalled €1.7 million (€1.9 million in 2013) and are recorded under the relevant headings of "Property, plant and equipment" on the accompanying balance sheet and "Other operating income/expenses" on the accompanying income statement.

40. Events after the balance sheet date

On February 2015, the reverse merger between the holding of the Group companies placed in Brazil, CIE Autometal S.A., and the operative company of the Brazilian group, Autometal S.A., which was the absorbent company that survived, was carried out.

With date January 15, 2015, the Company has realized an additional disposal of €25 million of the loan with the European Bank of Investments (BEI) signed in June, 2014, reaching the current disposal of €70 million (Note 20).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE NOTES TO THE CONSOLIDATED 2014 FINANCIAL STATEMENTS

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Business activity	Registered office	% effective shareholding of CIE Automotive: Direct	% effective shareholding of CIE Automotive: Indirect
CIE Berriz, S.L. (*) (fusionada en 2012 con CIE Inversiones Inmuebles, S.L. y con CIE Automotive Bioenergía, S.L.U.)	CIE Automotive, S.A.	Holding company	Vizcaya	100.00%	-
Antolin-CIE Czech Republic s.r.o. (1)	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	30.00%
Belgium Forge, N.V. (en liquidación)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100.00%
Alfa Deco, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarra	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100.00%
ApoloBlue Tratamentos, Lda	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	55.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100.00%
CIE Praga Louny, a.s. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Praga Service, s.r.o.	CIE Praga Louny, a.s.	Installations	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Services and installations	Germany	-	100.00%
Leaz Valorización, S.L.U. (sin actividad)	CIE Berriz, S.L.	Waste management and recovery	Vizcaya	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
CIE Automotive Hispamoldes, S.A. (*)	CIE Berriz, S.L.	Holding company	Vizcaya	-	50.00%
CIE Hispamoldes Plastiques, s.a.r.l. d'au	CIE Automotive Hispamoldes, S.A.	Manufacture of automotive components	Morocco	-	50.00%
Nanjing Automotive Forging Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	50.00%
CIE Autometal, S.A. (*)	CIE Berriz, S.L.	Holding company	Brazil	-	100.00%
Naturoil Combustíveis Renováveis, S.A.	CIE Autometal, S.A.	Biofuel production and sale	Brazil	-	100.00%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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Company	Parent Company	Business activity	Registered office	% effective shareholding of CIE Automotive: Direct	% effective shareholding of CIE Automotive: Indirect
Bioauto Participações, S.A. (*)	CIE Autometal, S.A.	Holding company	Brazil	-	75.00%
Bioauto MT Agroindustrial, Ltda.	Bioauto Participações, S.A.	Agrobiotechnology	Brazil	-	75.00%
Biojan MG Agroindustrial, Ltda. (sin actividad)	Bioauto Participações, S.A.	Agrobiotechnology	Brazil	-	75.00%
Autometal, S.A. (*)	CIE Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	50.00%
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (*)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autocromo Cromaçao de Plásticos Ltda (1)	Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Services and installations	Brazil	-	100.00%
Gescrap – Autometal Comercio de Sucatas Ltda	Autometal Investimentos e Imóveis, Ltda.	Sale of scrap	Brazil	-	30.00%
Componentes Automotivos Taubaté, Ltda. (*)	Autometal, S.A.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Participaciones Internacionales Autometal, S.L.U. (*)	CIE Berriz, S.L.	Holding company	Spain	-	100.00%
CIE Autometal de México, S.A. de C.V. (*)	Participaciones Internacionales Autometal, S.L.U.	Holding company	México	-	100.00%
Pintura y Ensambles de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V..	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
CIE Bérriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	México	-	100.00%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	México	-	100.00%
Servicat S. Cont., Adm. Y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	México	-	100.00%
Inmobiliaria El Puente, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services	México	-	100.00%
Forjas de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	México	-	100.00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Services and installations	US	-	100.00%
Century Plastics, Llc	CIE Automotive, USA Inc	Manufacture of automotive components	US	-	65.00%
Participaciones Internacionales Autometal Dos S.L. (1) (*)	Participaciones Internacionales Autometal, S.L.U.	Holding company	Spain	-	100.00%
Mahindra CIE Automotive Ltd.(1) (4)(*)	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India	-	53.21%
Stokes Group Limited (*) (1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	53.21%
Stokes Forgings Limited (1)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	53.21%
Stokes Forgings Dudley Limited (1)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	53.21%
Mahindra Forging Global (1)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53.21%
Mahindra Forgings International Limited (1) (*)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53.21%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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				Direct	Indirect
Mahindra Forgings Europe AG (1) (*)	Mahindra Forgings International Limited	Holding company	Germany	-	53.21%
Gesenkschmiede Schneider GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
Jeco Jellinghaus GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
Falkenroth Umformtechnik GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
Schoneweiss & Co. GmbH (1)	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53.21%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Spain	-	53.21%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	-	53.21%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	53.21%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Production and marketing of electricity	Spain	-	26.61%
Mahindra Gears Global Ltd (2)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53.21%
Metalcastello S.p.A. (2)	Mahindra Gears Global Ltd	Manufacture of automotive components	Italia	-	50.87%
Crest Geartech Ltd (2)	Mahindra Gears Global Ltd	Manufacture of automotive components	India	-	50.87%
Mahindra Gears Transmission Private Ltd (2)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India		53.21%
Bionor Transformación, S.A.U. (*)	CIE Berriz, S.L.	Holding company	Vizcaya	-	100.00%
Bionor Berantevilla, S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Álava	-	100.00%
Biosur Transformación, S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (en liquidación)	Bionor Transformación, S.A.U.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (sin actividad)	Comlube s.r.l.	Producción y comercialización de glicerinas	Italy	-	40.80%
Biocombustibles de Guatemala, S.A.	Bionor Transformación, S.A.U.	Agrobiotechnology	Guatemala	-	51.00%
Biocombustibles de Zierbana, S.A.	Bionor Transformación, S.A.U.	Biofuel production and sale	Vizcaya	-	20.00%
Biocombustibles La Seda, S.L.	Bionor Transformación, S.A.U.	Production and marketing of glycerine	Barcelona	-	40.00%
Vía Operador Petrolífero S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Vizcaya	-	100.00%
Gestión de Aceites Vegetales, S.L. (*)	Bionor Transformación, S.A.U.	Sale of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U.	Gestión de Aceites Vegetales, S.L.(GAVE)	Sale of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U.	Bionor Transformación, S.A.U.	Sale of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L.	Bionor Transformación, S.A.U.	Sale of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Alicante	-	100.00%
RS Automotive B.V. (*) (2)	CIE Automotive, S.A.	Holding company	Netherlands	100.00%	-
Advanced Comfort Systems International B.V. (*) (2)	RS Automotive B.V.	Holding company	Netherlands	-	100.00%
Advanced Comfort Systems Ibérica, S.L.U. (2)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	Orense	-	100.00%
Advanced Comfort Systems France, S.A.S. (*) (2)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	France	-	100.00%
Advanced Comfort Systems Romania, S.R.L. (2)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V. (2)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	México	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd (2)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100.00%
CIE Automotive Nuevos Mercados, S.L. (*) (3)	CIE Automotive, S.A.	Holding company	Vizcaya	100.00%	-
SC CIE Matricon, S.A.	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automotive components	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automotive components	China	-	100.00%
CIE Automotive Rus, LLC (1)	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automotive components	Russia		100.00%
Global Dominion Access, S.A. (*)	CIE Automotive, S.A.	Holding Company /IT Solutions and Services	Bilbao	62.95%	-
Dominion Instalaciones y Montajes, S.A.U. *(*)*	Global Dominion Access, S.A.	IT Solutions and Services	Bilbao	-	62.95%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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E.C.I. Telecom Ibérica, S.A.	Dominion Instalaciones y Montajes, S.A.U.	IT Solutions and Services	Bilbao	-	62.95%
Interbox Technology, S.L. (1)	Dominion Instalaciones y Montajes, S.A.U.	Comercial services	Bilbao	-	37.77%
Dominion Investigación y Desarrollo S.L.U.	Global Dominion Access, S.A.	IT Solutions and Services	Bilbao	-	62.95%
Prosat Comunicaçoes, Ltda.	Global Dominion Access, S.A.	IT Solutions and Services	Brazil	-	62.95%
Global Dominion Brasil Participaçoes, Ltda.(*)	Global Dominion Access, S.A.	Holding company	Brazil	-	62.95%
Halógica Tecnología, S.A.	Global Dominion Brasil Participaçoes, Ltda.	IT Solutions	Brazil	-	62.95%
Dominion Instalaçoes e Montagnes do Brasil Ltda.	Global Dominion Brasil Participaçoes, Ltda.	IT Services	Brazil	-	62.95%
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	Global Dominion Access, S.A.	IT Solutions and Services	México	-	62.95%
Dominion TI México, S.A. de CV	Mexicana de Electrónica Industrial, S.A. de C.V.	IT Solutions and Services	México	-	62.95%
Dominion Baires, S.A.	Global Dominion Access, S.A.	IT Solutions and Services	Argentina	-	59.80%
Dominion Limitada Ltda.	Global Dominion Access, S.A.	IT Solutions and Services	Chile	-	62.32%
Dominion Perú Soluciones y Servicios S.A.C.	Global Dominion Access, S.A.	IT Services	Peru	-	62.95%
Visual Line, S.L.	Global Dominion Access, S.A.	IT Solutions and Services	Bilbao	-	34.63%
Beroa Thermal Energy, S.L. (*) (2)	Global Dominion Access, S.A.	Holding company	Bilbao	-	62.95%
Beroa France S.A.S.	Beroa Thermal Energy, S.L.	Industrial Services	France	-	58.93%
Steelcon Chimneys Esbjerg A/S (*)	Beroa Thermal Energy, S.L.	Industrial Solutions	Denmark	-	32.10%
Steelcon Slovakia s.r.o	Steelcon Chimneys Esbjerg A/S	Industrial Solutions	Slovakia	-	32.10%
Beroa Australia *Pty*. Ltd.	Beroa Thermal Energy, S.L.	IT Solutions and Services	Australia	-	62.95%
Beroa Corporation LLC (*)	Beroa Thermal Energy, S.L.	Holding company	US	-	62.95%
Karrena Refractory Linings LLC	Beroa Corporation LLC	Industrial Solutions (without activity)	US	-	62.95%
Karrena International LLC (*)	Beroa Corporation LLC	Industrial Solutions	US	-	56.66%
Karrena International Chimneys LLC	Karrena International LLC	Industrial Solutions	US	-	56.66%
Beroa Ibéria S.A.(*)	Beroa Thermal Energy, S.L.	Industrial Services and Solutions	Bilbao	-	62.95%
Karrenamex S.A.	Beroa Ibéria S.A.	Industrial Services	México	-	62.95%
Beroa de Argentina SRL	Beroa Ibéria S.A.	Industrial Services	Argentina	-	62.95%
Altac South Africa Proprietary Limited	Beroa Ibéria S.A.	Industrial Solutions	South Africa	-	56.66%
Chimneys and Refractories Intern. S.R.L.(*)	Beroa Thermal Energy, S.L.	Industrial Solutions	Italy	-	44.07%
Chimneys and Refractories Intern. Chile S.P.A.	Chimneys and Refractories Intern. S.R.L.	Industrial Solutions (without activity)	Chile	-	44.07%
Beroa Technology Group GmbH (*)	Beroa Thermal Energy, S.L.	Holding company	Germany	-	62.95%
Refractories & Chimneys Construction Co. Ltd.(5)	Beroa Technology Group GmbH	Industrial Solutions	Saudi Arabia	-	59.74%
Karrena Betonanlagen und Fahrmischer GmbH (*)	Beroa Technology Group GmbH	Construcción y comercialización de hormigoneras (sin actividad)	Germany	-	62.95%
HIT-Industrietechnik GmbH	Karrena Betonanlagen und Fahrmischer GmbH	Metallic welding	Germany	-	32.74%
Bierrum International Ltd.	Beroa Technology Group GmbH	Industrial Solutions	United Kingdom	-	62.95%
Beroa NovoCOS GmbH	Beroa Technology Group GmbH	Industrial Services	Germany	-	62.95%
Beroa-UNISEVEN Refractory Services Pvt Ltd.	Beroa Technology Group GmbH	Industrial Services	India	-	32.11%
Beroa International Co. L.L.C.	Beroa Technology Group GmbH	Industrial Services	Oman	-	44.07%
Beroa Refractory & Insulation L.L.C	Beroa Technology Group GmbH	Industrial Services	United Arab Emirates	-	30.85%
Beroa Nexus Company LLC	Beroa Technology Group GmbH	Industrial Services	Qatar	-	30.85%
Beroa Abu Obaid Industrial Insulation Company Co. W.L.L.	Beroa Technology Group GmbH	Industrial Services	Bahrain	-	28.33%
Beroa Deutschland GmbH (*)	Beroa Technology Group GmbH	Industrial Services and Solutions	Germany	-	62.95%
Karrena S.r.l.	Beroa Deutschland GmbH	Industrial Services	Italy	-	62.95%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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Karrena Construction Thérmique S.A.	Beroa Deutschland GmbH	Industrial Services (without activity)	France	-	62.95%
Beroa Polska Sp. z o.o.	Beroa Deutschland GmbH	Industrial Services and Solutions	Poland	-	62.95%
Karrena Arabia Co. Ltd.	Beroa Deutschland GmbH	Industrial Services	Saudi Arabia	-	34.62%
BeroaChile Limitada	Beroa Deutschland GmbH	Industrial Services (without activity)	Chile	-	62.94%
Burwitz Montageservice GmbH	Beroa Deutschland GmbH	Industrial Services and Solutions	Germany	-	62.95%
F&S Feuerfestbau GmbH & Co. KG	Beroa Deutschland GmbH	Industrial Services and Solutions	Germany	-	32.11%
F&S Beteiligungs GmbH	Beroa Deutschland GmbH	Holding company	Germany	-	32.11%
Global Near, S.L. (*) (2)	Global Dominion Access, S.A.	Holding company	Bilbao	-	56.18%
Near Technologies, S.L.U.	Global Near, S.L.	IT Solutions	Bilbao	-	56.18%
Tapquo, S.L.	Near Technologies, S.L.	IT Solutions	Bilbao	-	30.45%
Advanced Flight Systems, S.L.	Near Technologies, S.L.	IT Solutions	Bilbao	-	16.85%
Centro Near Servicios Financieros, S.L.	Global Near, S.L.	IT Solutions	Bilbao	-	12.92%
DM Informática, S.A. de C.V.	Global Near, S.L.	IT Solutions	México	-	56.17%
Near Technologies Mexico, S.A. de C.V.	Global Near, S.L.	IT Solutions	México	-	56.09%
NXT Solutions Inc	Global Near, S.L.	IT Solutions	Panama	-	28.09%
Dominion Ampliffica, S.L.	Global Dominion Access, S.A.	Holding company	Bilbao	-	62.95%
Bilcan Global Services, S.L. (*) (2)	Global Dominion Access, S.A.	Holding company	Cantabria	-	60.51%
Servicios Al Operador Móvil, S.L. (*)	Bilcan Global Services, S.L.	Commercial Services	Madrid	-	60.51%
Eurologística Directa Móvil 21, S.L.	Servicios Al Operador Móvil, S.L.	Commercial Services	Madrid	-	60.51%
Your Phone, S.L. (*)	Servicios Al Operador Móvil, S.L.	Commercial Services	Madrid	-	60.51%
Your Phone Franquicias, S.L.	Your Phone, S.L.	Commercial Services	Madrid	-	60.51%
Global Ampliffica, S.L.(*)	Servicios Al Operador Móvil, S.L.	Holding company	Bilbao	-	48.41%
Ampliffica Mexico, S.A. de C.V.	Global Ampliffica, S.L.	IT Solutions	México	-	48.40%
Ampliffica, S.L.	Global Ampliffica, S.L.	IT Solutions	Bilbao	-	48.41%
Wiseconversion, S.L.	Global Ampliffica, S.L.	IT Solutions	Madrid	-	31.48%
Dominion Networks, S.L.	Bilcan Global Services, S.L.	IT Services	Madrid	-	60.51%
Dominion Centro de Control, S.L. (antes Dominion Centro de Gestión Personalizada, S.L.)	Bilcan Global Services, S.L.	IT Services	Madrid	-	60.51%
Tiendas Conexión, S.L. (*)	Bilcan Global Services, S.L.	Commercial Services	Cantabria	-	60.51%
Sur Conexión, S.L	Tiendas Conexión, S.L.	Commercial Services	Cantabria	-	60.51%
Autokomp Ingeniería, S.A.U.	CIE Automotive, S.A.	Services and installations	Vizcaya	100.00%	

(1) Companies added to the scope of consolidation in 2013.
(2) Companies added to the scope of consolidation in 2014 with their subsidiaries.
(3) The shares of CIE Automotive Nuevos Mercados, S.L. are owned 26.96% by CIE Automotive, S.A. and 73.04% by CIE Bérriz, S.L., giving the Group a total ownership interest of 100%.
(4) Merged in 2014 with Participaciones Internacionales Autometal Tres S.L., Mahindra Hinoday Industries Limited, Mahindra Composites Limited and Mahindra Ugine Steel Company Ltd. , Mahindra Investments India Private Limited and Mahindra Gears International Limited.
(5) The shares of Refractories & Chimneys Construction Co. Ltd. are owned 17% by Chimneys and Refractories Intern. S.R.L. and 83% by Beroa Technology Group GmbH, giving the Group a total ownership interest of 59,74%
(*) Parent of all investees listed subsequently in the table.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2014
(Thousand euro)

1.- CIE AUTOMOTIVE GROUP

1.1 Profile of the group

CIE Automotive is an industrial group specialist in high value-added processes, which develops its activity in two business areas: automotive components and applied innovation.

The business of **automotive components** encompassed the design, production and distribution of integral services, components and sub-assemblies for the global automotive market. This is CIE Automotive's main activity since its foundation.

The business of **applied innovation** consists on the digitalization of the productive activities of the clients to increase its efficiency by means of a wide offer of solutions and technological services. This activity depends on Dominion, CIE Automotive's subsidiary since 2011.

1.2 Mission, vision, and values:

Mission:

- We are an industrial group specialist in management of high value-added processes.
    - We have devoted this concept of being a supplier of components and sub-assemblies for the global automotive market, with an action based on the utilization of complementary technologies and diverse associate processes.
    - We apply this conception in the management, with an overall view in all the phases of the chain value of sectors with good long-term projection such as biofuel and information and communications technologies.
- We grow on a supported and profitable way to position ourselves as partner of reference across the satisfaction of our clients with integral, innovative and high value-added competitive solutions.
- We Look for the excellence on the following commitments:
    - The continued improvement of processes and its efficient management.
    - The promotion of participation, implication and teamwork in an pleasant and sure environment.
    - The transparency and integrity in all our actions.
    - Respect for the enviroment.

Vision

- We aspire to turn into an industrial group of reference specialist in high value-added processes.
- We propose to be:
    - Reference of quality, technology, innovation, design and supplies.
    - Excellent in the management.
    - Paradigm of sustainable company.

Values

- Orientation to external and internal client and service attitude.
- Respect to people its capacity, creativity and innovation, the participation and teamwork.
- Aptitude to reach goals and added value.
- Positive attitude to change and constant improvement.
- Responsibility and completeness of the people in their commitment to a well done job.

1.3 Business units:

Automotive components

CIE Automotive is a supplier of completeness services, components and sub-assemblies for the automotive market.

The Group develops all its line of products across seven basic processes or technologies: forging, machining, aluminium, stamping, plastic, iron smelting and painting. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and sets of direction, and exterior and interior of the vehicle.

The customer portfolio is divided into two big categories: vehicle´s manufacturers and suppliers of the first level. Both categories represent, to equal parts, 50% of total sales.

Since its creation, the company has been gaining managerial volume in a sustainable way thanks to a unique business model, capable of avoiding adverse economic cycles and of increasing the profitability for its shareholders every year.

Five differential features support CIE Automotive's business:

- Multilocation
- Diversification
- Multitechnology
- Management creating value
- Investments control

Applied Innovation

The Group CIE Automotive develops an autonomous and independent applied innovation project across it subsidiary Dominion. This multisectorial group, with more than 6,000 employees in 28 countries, offers solutions and technological services to 1,000 clients to make its productive processes more efficient applying knowledge and innovation.

In an environment as the current one, where the digital revolution is altering the status quo in all the economic sectors, Dominion focuses on turning the whole flow of information into intelligence to the service of the own operational efficiency and of his clients.

With a history that starts more than 15 years ago in the telecommunications sector; Dominion includes nowadays two lines of activity: services and solutions.

2.- EVOLUTION OF THE BUSINESS:

2. 1 Summary of the year

During 2014, Europe's growth has been slow, but with an positive increasing evolution. The signs of recovery of the market have helped us to reach the Operational Excellence in our companies, which are placed in a position of excellent profitability prepared for the complete recovery of the economy.

In Germany, in 2014 we have focused our efforts on the viability of the subgroup Mahindra Forgings. We are sure to have put the bases for a successful future.

A new project has started in Russia, establishing the foundations of our next factory of aluminium injection.

With the goal of consolidating a significant quota on Asian market, the first forging press for crankshafts has started in Nanjing.

The evolution of NAFTA market is really optimistic and the Group CIE is prepared to deal new projects. The Group has three Greenfields in construction in Mexico, and many opportunities of integration in the first world economic power.

Finally, we focus on giving a new magnitude to our businesses in India, promoting the multinational equipments.

With the acquisition of Beroa Group, world leader in projects in the area of the applied energy, with more than hundred years of history in its center of engineering in Germany, besides incorporations of Bilcan Global Services, S.L., dedicated to the development of commercial services and Global Near, S.L., focused on the development of digital solutions, Dominion not only reaches a size adapted to develop as an autonomous and independent CIE Automotive's project, but it consolidates its multisectorial capacity and strategic orientation directed to the digitalization of the productive activities across the application of the knowledge and the innovation to achieve efficiency.

This year has been very relevant, provided that they have been put on all the essentials of our Strategic Plan, to turn into one of the principal worldwide groups of automotive components.

2.2 Financial indicators

CONSOLIDATED GROUP:

(Thousand euro)	2014	2013
Consolidated revenue	2,209,516	1,722,548
Adjusted consolidated revenue (*)	2,160,318	1,658,085
Gross operating profit/(loss)-EBITDA	290,863	237,719
Net operating profit/(loss)-EBIT	172,183	150,963
Profit/(loss) before taxes cont. act.-EBT	137,137	83,730
Profit/(loss) for the year cont. act.	98,465	87,507
Profit/(loss) on discontinued operations	(355)	(9,621)
Profit/(loss) atributable to non-controlling interests	(17,062)	(17,761)
Profit/(loss) attributable to parent Company	81,048	60,125

(*) Date proforma deducting the sales of diesel oil for mixture.

Business performance:

- Excellent results with historical Record of Sales, EBITDA and Net profit.
- Thus, net income is the recurring of the Group given that during the year the non- recurring positive and negative effects have been compensated in profit and loss account.
- An excellent situation is kept in each market and plant of CIE Group in relation to margins.

The financial information of the CIE Automotive Group is segmented into Automotive and Solutions and Services (Smart Innovation).Then the evolution of the business is detailed differentiating already both activities:

AUTOMOTIVE:

	AUTOMOCIÓN	
(Thousand euro)	2014	2013
Consolidated revenue	1,916,757	1,566,259
Adjusted consolidated revenue (*)	1,867,559	1,501,796
Gross operating profit/(loss)-EBITDA	268,606	224,557
%EBITDA adjusted/consolidated revenue	14.4%	15.0%
Net operating profit/(loss)-EBIT	160,622	142,798
%EBIT/Consolidated revenue	8.6%	9.5%

(*) Date proforma deducting sales of diesel oil for mixture.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2014
(Thousand euro)

Market evolution:

- Recovery of the European business and strength of emergent.
- The behavior of the NAFTA market and the excellent level of operative profitability of the Mexican and European plants have contributed to offset the bad situation of the Brazilian market and the lower margins of the plants of the group Mahindra integrated to 2013.
- In 2014, the project of automotive, with an EBITDA of €268.6 million and a margin EBITDA of 14.4%, has represented 92.3% of the EBITDA of the Group CIE.
- Considering same perimeter of consolidation and exchange rate, the growth in sales reaches 6%, over the market.

SOLUTIONS AND SERVICES (Smart Innovation):

	DOMINION	
(Thousand euro)	2014	2013
Consolidated revenue	292,759	156,289
Gross operating profit/(loss)-EBITDA	22,257	13,162
Net operating profit/(loss) –EBIT	11,561	8,165

Business performance:

- With the incorporations of the group Beroa in July and Bilcan Global Services, S.L. and Global Near, S.L. in December, 2014, Dominion completes its global offer adding the businesses of industrial services, commercial services and digital solutions respectively, and reaching with its goals to consolidate a multisectorial company of the environment of € 500 million per year of turnover.
- Historical record of sales after the second complete semester with Beroa incorporated into the perimeter, still pending to include in income statement the sales of the new business of Solutions and Services acquired in December, 2014.
- Margins EBITDA and EBIT recurrents of 9% and 7% respectively, in line with the Plan 2015, adjusted in the semester for effect of the measures of efficiency applied to Beroa's incorporation.

These figures come to confirm the validity of the strategic plan initiated by Dominion in 2010, orientated to consolidating it as a global model as multisectorial supplier of solutions and technological services.

This strategic vision has been reinforced, at the end of 2013, with the agreement with Beroa Group across which Dominion acquired 22.72% of the Beroa Thermal Energy´s shares in the exercise 2013, for an amount of €10 million, and the sign off a contract of additional call option of additional 50% that has been executed in July, 2014.

In order to be measured adequately for this investing process, Dominion has reinforced its balance sheet with capital increase, during 2013 and 2014.

2.3 Predictable evolution of the Group

CIE Automotive established in 2013 a roadmap to guarantee its profitable growth creating value for the shareholder: the Strategic Plan 2013-2017.

The plan establishes the aim to duplicate the sales in five years up to reaching €3,000 million. It projects, likewise, an EBIT on sales higher than 9% and a level of debt not superior to 1.5 times the EBITDA.

As for the investments, the Group estimates the growth reaching €1,000 million, of which €500 million will be destined to maintenance, €250 million to greenfields and other €250 million to inorganic growth. The company maintains a strict control of the investments, approving only those with a RONA superior to 20%.

In order to reach these goals, the plan indicates three lines of action:

- To increase significantly the presence in Asia, this will represent 32% of Group´s sales.
- To promote a strategy of growth across greenfields, contributing the know-how of the company, with strategic products orientated to the reduction of the consumptions and to the increase of the safety and comfort.
- To keep a solid financial position joined to a model of management who believes that generates value.

In the area of applied innovation, the group put as aim to consolidate a project independent from the holding company, Dominion, with a model of business based on the following parameters:

- Generation of value across the knowledge.
- Multilocal and multisectorial offer.
- Management orientated to the efficiency.
- Aptitude to lead processes of managerial concentration.

The Strategic Plan of Dominion's management was including the period 2012-2016, though the process has culminated successfully in 2014.

Level of implementation of the 2014 Strategic Plan

Thanks to the commitment of the management team and the joint labor of the operative divisions and of the corporate network, at the closing of the exercise 2014, CIE Automotive's already had fulfilled great part of plan.

Mahindra CIE's integration, which was closed in December, 2014, supposed the entry in the Asian market across the India.

- The company continued his investing politics with the development of greenfields in Mexico and Russia and using its know how to optimize the European and Brazilian plants, apart from beginning to work at the profitability of the Indian centers.

- CIE Automotive reached successfully the process of capture of financial resources for the next five years, allowing an improvement of the debt and of the cash position.

Dominion reinforced its strategy of consolidation with the purchase in 2014 of the totality of the Group Beroa, leader in technology private in the sector of the applied energy, and designed a new Strategic Plan 2015-2019 independently, that was presented in January, 2015.

Perspectives

After the excellent execution of the plan in 2013 and 2014, CIE Automotive hopes that in 2015 the results come even more closer the goals of the plan. According to forecasts, the turnover will grow up to € 2,700 million.

The key factors for the attainment of these goals in 2015 are:

- Recovery of the european market reaching operational excellence.
- Performance of NAFTA greenfields.
- Results of Germany's action plan and gradual improvement in India.
- Adaptation of productive means in Brazil.
- Launch of the applied innovation project.

From the evolution and reached development, release a future that offers positive perspectives.

3.- QUALITY AND ENVIRONMENT

The Group CIE Automotive, as company with vision of future, in correspondence with the principle of sustainable development, is permanently committed with respect to the environment in all its activities. This commitment, clearly explicit in its declaration of mission, vision and values, is fully integrated to our management model.

The Group supports his bet for being kept as leader of ecodesign of products for the market of automotive, in the same way that Dominion is a bet decided on the sustainability and for promoting businesses that try an improvement of different aspects the reduction of the environmental fingerprint and consumptions of matters of the companies for that it develops projects, as well as a major job safety and the support to the social development in the zones in which it has presence.

The Group works to support the necessary balance between its industrial activity and its environment. With our attitude of systematic review we manage to anticipate and to minimize the environmental impact of our activities from the design of the product. Likewise our knowledge about productive processes allows us to decide on what aspects we must focus our efforts to optimize our consumption of raw materials, energy, water....

CIE Automotive has a last generation system of recycling what allows to re-use internally, like example, thousands of tons of shaving aluminium proceeding from the processes of machining, for the smelting of new pieces or also the scrap, raw material for the fusor towers.

The water is other of the resources with a more intensive use in the production of pieces that need the processing of materials at high temperatures. CIE Automotive has own facilities for its treatment and recovery in different qualities to reduce to the maximum its spillages.

Last generation products with sustainable vocation

CIE Automotive does not bet only for the sustainability in its processes, its commitment is also implicit in its products in which is working for the substitution of metallic materials for plastic substitute, which lightens the weight and in consequence, reduces the consumption of the engines. The Group continues investigating the management of the fluids in the environment of the engine to meet with the protocols of gas emission to the atmosphere.

In this respect, there are projects underway to develop eco-efficient pieces of engine as the lid of butt with a system of blowby gas of the combustion.

The sustantibility in CIE Automotive´s business

CIE Automotive contemplates the goal to turn into paradigm of the sustainability into the sector of the automotive. This market is going to face serious challenges in the future as the progressive incorporation of ecological engines as response of the increase of the oil price and the increase of the environmental requirements in the cities. In these new engines, CIE Automotive has much to contribute.

CIE Automotive is a specialist group in the management of high value-added industrial processes, with a differenciated model of business based on the multitechnology. With presence on the principal emerging markets in whole world, this position of leadership is translated also in effective procedures not only for the production also in aspects relative to the sustainability and corporate social responsibility. The Group looks in all his actions for a rational growth and compromised with the social and environmental environment where it locates its activity.

The organization is constantly working within each of its plants to improve different aspects such as reducing the impact on the environment, increase security in work and social action support in those most disadvantaged areas.

Continuous improvement

The basic indicators included in the model besides giving us a quick view of the situation of each plant, makes possible a constant process of benchmarking.

In this process, each plant can see its strong and weak points or rather, opportunities of improvement. And knowing the one who is that one that better it does the adjournment of the improvements is simpler and faster, therefore, more effective.

Certifications

As usual in the automotive market, during the year we have been audited and certified by our clients and by external entities of certification.

(Thousand euro)

In the following table, we expose the condition of certification of our plants in 3 areas, quality (ISO/TS 16949), environment (ISO 14000) and job safety (OSHAS 18000).

Automotive

Certificates	Cie plants	Certified plants	%
ISO TS 16949	60	60	100
ISO 14000	60	51	85
OSHAS 18000	60	28	47
ISCC	1	100	100

Recognition

OEMs awards

CIE Automotive has been awarded and recognized during 2014 as best supplier by several leading builders of the market. These awards are the result of the effort that the Group makes both in innovation of processes and products and in the resources used.

- Fiat-Chrysler has awarded CIE PEMSA (Mexico) as "Best supplier 2014 ".
- Volkswagen has recognized the metal plant CIE Norma (Spain) as supplier A.
- General Motors has distinguished the metal plant CIE Egaña (Spain) as excellent supplier and has awarded the plant of aluminium CIE Inyectametal (Spain) for excellence.
- PSA has recognized the plant of mechining CIE Recytec (Spain) as "Best supply Plant“.
- Ford has awarded the plant of Aluminium CIE Matricon (Romania) with the Q1.
- General Motors has recognized our plant Autometal Diadema (Brazil) with the "Enterprise Quality management Program".

Tier’s 1 award

CIE Automotive received two recognitions during the past convention of suppliers celebrated in Detroit (USA) last June:

- The company KYB awarded the plant of Aluminium CIE Alcasting (Spain) as "Best supplier 2013".
- Faurecia Interior System awarded CIE's Metal division as strategic supplier.

Raw material recycling

CIE Automotive tries to recycle all those "wastes" that take place during its productive process:

- The division of aluminium has recycled 28,033 Tm.
- The division of biofuels is nourished exclusively of recycled material. During 2014 they have sued 23,720 Tm of secondhand oil.

4.- HUMAN RESOURCES

CIE Automotive is aware that its human capital is the base on what to construct its strategy and the management key of the success of the Group.

CIE Automotive is formed by a great team of more than 23,000 people, with a continued growth, and to be facing always new challenges, have turned us into an organization:

- Dynamic, innovative, orientated to the change and in constant improvement.

- Plural, where there have content people with all academic levels and experience, from newly titled to the most experienced.
- Formed for people with passion for learning, creating and innovating, looking always for a better way of doing things. For this, people are our major assets. They are those who lead the change, assuming his vital and professional project. In consequence, we promote the Professional Development in our organization with personalized career plans at all the levels.
- Bets on the Permanent training and adapted to our programs of development.

The Group CIE Automotive is characterized by the importance granted to people in the company. Their growth, professional and personal developments are key for us. We consider the formation and the development to be one of the Props of the Company and a basic process in the management of the Human Resources.

Because of it, we have a Professional Development Program (PDP) in which the Formation and Evaluation is an essential tool to advance towards our Vision.

Through the Professional Development Program, the Group offers all the tools and possible opportunities of professional growth to its employees, and this one is also the axis around which revolves the Model of Persons' Management, with which are defined profiles and skills of its staff, it is evaluated the management of the executives, controls and technical staff, simultaneously the areas of improvement and the career plans and formation are designed.

Again in 2014, from the Management Learning Center the different programs of professional development have been developed in which it has been given more than thousand hours of class, with a high participation, implication and satisfaction of those who have attended to the formation meetings in areas as finance, prevention, quality or management development.

- At the same time, these activities have been analyzed constantly to support a strict quality control and verify the efficiency of the same ones. The knowledge acquired by the participants not only are evaluated during the courses, but later, in their working places, when a second checking is realized to corroborate the utilization of the learned concepts.
- In this way, the training work promoted by CIE Automotive has always the guarantee to be aligned not only with the staff needs, but also with the organization objectives.

Zero Risk

An industrial activity like CIE Automotive needs to observe the most demanding procedure of prevention of labor risks. The Group demonstrates this priority through one of its goals of quality, that of zero accidents.
In 2014, as in previous years, the area of Prevention of Labor Risks has stood out for its formative and prevention effort in areas such as the safety and ergonomics, with special focus on high-level training for the middle management in which was given numerous hours of class organized in diverse courses.

At the same time it has been kept a strict internal audit of the systems of management of labor risks in the plants, observing some standards over the legal requirements established by the authorities. The same level of exigency has been applied at the moment of valuing, coordinating and certifying the contracts and auxiliary companies that have access to CIE Automotive's facilities, considered in this respect with the same responsibility toward prevention of risks as any other member of the Group.

CIE Automotive's plants have continued developing its own plans of prevention of labor risks, main tool and of proven efficiency, to observe the fulfillment of the corrector actions, of reduction of labor accident rate and optimization of the preventive actions.

All this activity has been reflected in a reduction of work accidents and the increase of the plants of the Group that have a certification OSHAS, a total of 28, which is a test of their commitment and efficiency in the prevention of labor risks.

As every year, CIE Automotive continues taking part actively and is a distinguished member of one of the more important associations and forums dedicated to the prevention of labor risks, as the Forum Guipuzcoa of Prevention of Labour Risks (ADEGI) or the Committee of Prevention of the employer from Alava (SEA).

(Thousand euro)

Internal communication

In the same way CIE Automotive supports a transparent communication with the sector, the authorities and the company, internally it has different tools that allow, not only to transmit the news and relevant facts of its activity between its own personnel, but to share a corporate common culture, based on the same values and aims, as well as the best practices.

Not only through satisfaction surveys, tool that allows the direction to know the efficiency of the policies developed in different areas, but also through the Portal CIE Automotive, that continues being a fundamental element for the internal communication, and an internal magazine "Noticias", which provides every six months the innovations of the company, the company has supported its effort for having all its professionals informed about its activities of training, new techniques and technologies, as well as on the international experience of the Group.

Number of employees

The number of employees of the group CIE has doubled in the last 5 years, being the numbers to closing of each exercise:

2010	12,352
2011	14,335
2012	16,284
2013	18,435
2014	23,528

The distribution of sexes is, to the closing of 2014:

Men	85%
Woman	15%

5.- FINANCIAL RISK MANAGEMENT

CIE Automotive has a policy of identification and management of risks, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity which, in case of materializing, might difficulty attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces - between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology COSO II, one process of constant cycle in five phases: identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favorable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavorable environment.

a) Market Risk

(i) Foreign Exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, CIE Automotive Group uses a serie of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

CIE Automotive Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by denominating borrowings in these currencies.

In 2014 CIE Automotive Group acquired majority shareholdings in companies located in India, so that from this year on, the trend in the Indian Rupee will be monitored in the same manner as other international Group investments denominated in currencies other than the euro.

(ii) Price risk

CIE Automotive Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total CIE Automotive Group assets and equity means that this risk factor is not material.

iii) Interest rate risk

CIE Automotive Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materializes in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognized in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement and which principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may be qualified as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate of a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

b) Liquidity Risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net financial debt.

The movement in the net financial debt in 2014 is largely due to the payment made to the Dutch fund VEP Fund I Holding Coöperatief W.A. (VEP) on the acquisition in February 2014 of the additional 50% stake in RS Automotive, B.V., the completion of the take-over bid described in Note 1 and the rise as a result of consolidation of the debt in the Mahindra group companies merged into the Group company Mahindra CIE Automotive, Ltd and the inclusion of the Beroa Group, the Bilcan Group and the Global Near Group (Note 1), compensated, these increments, partly, because of the capital increase in the parent company carried out in June 2014 (Note 14)

The Group's Finance Department believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, it is estimated that cash generated in 2015 will enable payments for the year to be settled with no need to increase the net financial debt.

The Group's Finance Department monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

In addition, the Group is strategically diversifying the financial markets and financing sources as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to the Brazilian, Mexican and Indian financial markets.

There are no restrictions regarding the use of cash/cash equivalents.

Noteworthy is the existence at 31 December 2014 of €116.3 million of undrawn credit lines and loans.

Although the standalone figure for working capital is not a key parameter for the understanding of the Group financial statements, the Group actively manages working capital through net operating working and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group's strategies is to ensure the optimization and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to minimize inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers. Supplier payment periods are also constantly optimized by unifying policies and conditions throughout the Group.

As a consequence of the above, there are no risks affecting the Company's liquidity situation.

During 2014 the maturities of the debt have been extended, beside improving its cost in a substantial way.

Taking advantage of this moment, with low interest rates, volume of fixed interest rate debt has been increased, reaching to 40% of structural debt.

In relation to the exhibition of the debt to the currency, the Group works for reaching an ideal balance and minimizing the risks. Nowadays, 77% of the debt is in Euros, 18% in Dollars, 3% in Brazilian reals and 2% in other coins.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognizes impairment provisions as warranted (Note 8.a)).

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer-specifics.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment, present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these societies when the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to financing prices agreements to customers or by closing the purchase and sale of these products simultaneously (diesel).

6.- R&D ACTIVITES

During the year 2014, CIE Automotive has focused its R&D activities on the products and processes defined in the Group´s strategic plan.

With the last review of the strategy, the subject matters in which we are developing our work are focused principally on the following areas:

- Reduction in vehicles weight.
- Reduction in consumptions and emissions.
- Increase of active and passive security.
- Customization and increase of the users´ Comfort.
- Factories of the future.

In any of these environments we have developed our projects, some in an internal way and others leading or assuming the responsibility of a specific thematic area in consortia that later have presented its projects to the different R&D financing windows.

Our bet for Europe is clear, and fits perfectly with the fact that our priority areas of R&D are reflected in the European programs as:

- Mobility for Growth, (MfG)
- Green Vehicles, (GV)
- Factories of the Future, (FoF)
- Sustainable Process Industry, (SPIRE)

But Europe is not our only public - private environment of collaboration, many of the projects have been developed at both Regional level, principally in Galicia and the Basque Country, and National as well as International level in Latin America and other Countries out of EU 28 environment, without any doubt, the convergence of these programs with the H2020 has facilitated the development of these activities.

CIE Automotive's bet to get first-hand knowledge on which are going to be the work programs of next years and which is the vision of both the OEM and TIER 1, forces us to increase our presence in the different regional and national forums in order to keep CIE Automotive in the first technological level surrounded by our products and strategic processes.

At international level CIE Automotive takes active part in different technological Platforms such as ERTRAC, CLEPA and EGVIA that works in the innovation applied to the priority areas of investigation from the vision, up to the cooperation and the definition of the work programs.

The direct or indirect participation of CIE Automotive in the Task Force of these platforms, allows us to take part in the definition of the strategic agendas that later will be presented as recommendations to the Commission in order to be reflected in the work programs of the different calls of the H2020.

7.- TRADING IN TREASURY SHARES

At 31 December 2014, the parent Company does not have treasury shares and no movements have taken place in 2014.

The mandate awarded by the Shareholders' General Meeting celebrated on 30 April 2014, is valid until 30 April 2019 whereby the Shareholders' General Meeting of the Company is authorized to acquire CIE Automotive S.A. shares, at any time, and whenever considered appropriate through any of the means accepted by the law even charged to the income statement and/or unrestricted reserves, or being sold or amortized thereafter in accordance with article 146 and its regulations from the Law on Corporations.

8.- STOCK EXCHANGE INFORMATION

Constant growth close to the business

CIE Automotive's share has been mirroring the improvement of the results of the business and the efficiency of the Strategic Plan 2013-2017 actions, supporting an upward trend during the year.

In a year marked by the volatility of the principal markets, CIE Automotive's shares were revalued in a 42.1% reaching a price of 11.265 Euros. Starting from a value of 8 € per share in 2013 and after a stable first quarter, the next 6 months brought a rise to a maximum of 12.2 euros per share. In October, there has been a slight decrease to 9.5 euros per share and a recovery in the last two months of the year closing at 11.265 euros per share at 31 December 2014. With this double digit increase higher to the 3.66% registered by Ibex 35, investors rewarded the excellent results and the Company´s strategy on growth. At 31 December 2014, CIE Automotive´s market capitalization was of €1,453.8 million.

With priority goal to provide major liquidity to the share, the Company fulfilled at 6 June a capital increase by means of a private intensive placement of 10,179,954 shares, 7.89% of the share capital´s total, with exclusion of the right of preferential subscription. This capital increase supposed an entry of resources of more than €93 million and caused a negotiation growth in the second semester of the year.

Dividend

CIE Automotive maintains its politics to remunerate one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2014 of €0.10 per share. Disbursement was effective January 5, 2015.

9.- EVENTS AFTER THE BALANCE SHEET DATE

On February 2015, the reverse merger between the holding of the Group companies placed in Brazil, CIE Autometal S.A., and the operative company of the Brazilian group, Autometal S.A., which was the absorbent company that survived, was carried out.

With date January 15, 2015, the Company has realized an additional disposal of €25 million of the loan with the European Bank of Investments (BEI) signed in June, 2014, reaching the current disposal of €70 million (Note 20).

No additional significant circumstances have taken place after the closing of the exercise.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2014

In compliance with the provisions of article 253 of the prevailing Spanish Companies Act 2010 , the directors comprising the full Board of Directors of CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES as of this date have authorised the consolidated annual accounts and directors' report of CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES for 2014, made up of the documents itemised and identified below, for issue:

- The table of contents, printed on class 8 state-stamped paper, sheet numbers _________ to _________.
- The balance sheet, printed on class 8 state-stamped paper, sheet numbers _________ to _________.
- The income statement, printed on class 8 state-stamped paper, sheet number _________.
- The statement of comprehensive income, printed on class 8 state-stamped paper, sheet number _________.
- The statement of changes in equity, printed on class 8 state-stamped paper, sheet numbers _________ to _________.
- The statement of cash flows, printed on class 8 state-stamped paper, sheet number _________.
- The notes to the annual accounts, printed on class 8 state-stamped paper, sheet numbers __________ to ___________.
- The Directors' Report (appended to which are the Annual Corporate Governance Report and Audit Report regarding the required disclosures on the Internal Control over Financial Reporting System), printed on class 8 state-stamped paper, sheet numbers ___________ to ___________.
- In compliance with the provisions of the abovementioned Article 253, the directors declare that they have signed each and every one of the above-listed documents in their own hand by witnessing these class 8 state-stamped sheets, specifically sheet numbers __________, ___________ and __________.

The directors of the parent company also declare that, to the best of their knowledge, the annual accounts prepared under prevailing accounting principles provide a true and fair view of the equity, financial position and financial performance of the issuer and the consolidated companies taken as a whole, and that the Directors' Report includes a true and fair analysis of the business performance and results and financial situation of the issuer and the consolidated companies taken as a whole, together with the description of the main risks and uncertainties they face.

In Bilbao, on 25 February 2015

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2014

UNDERSIGNED

Antonio María Pradera Jáuregui
(Chairman)

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L., represented by
Ms Goizalde Egaña Garitagoitia *(Vice Chair)*

Jesús María Herrera Barandiaran
(Chief Executive Officer)

Ángel Ochoa Crespo
(Member)

Carlos Solchaga Catalán
(Member)

Francisco J. Riberas Mera
(Member)

Juan M. Riberas Mera
(Member)

Fermín del Río Sanz de Acedo
(Member)

Hemant Luthra
(Member)

Vankipuram Parthasarathy
(Member)

ADDVALIA CAPITAL, S.A., represented by
María Teresa Salegui Arbizu *(Member)*

CORPORACIÓN GESTAMP, S.L., represented by
Francisco López Peña *(Member)*

QMC DIRECTORSHIPS, S.L., represented by
Jacobo Llanza Figueroa *(Member)*

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF ENTITY

CLOSING DATE PERIOD OF REFERENCE:	12/31/2014

C.I.F.	A-20014452

BUSINESS NAME
CIE AUTOMOTIVE, S.A.

REGISTERED OFFICE
ALAMEDA MAZARREDO, 69 - 8º - 48009 BILBAO (VIZCAYA)

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. - STRUCTURE OF OWNERSHIP

A.1 Complete the following table on the company's capital:

Date of latest modification	Share capital (€)	Number of shares	Number of voting rights
06/06/2014	32,250,000.00	129,000,000	129,000,000

State whether there are different classes of shares with different associated rights:

YES [ ] NO [X]

A.2 Give details on the direct and indirect holders of significant interest in your company at the year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MAHINDRA MAHINDRA	0	16,040,706	12.43%
QMC II IBERIAN CAPITAL FUND, FIL	4,518,659	0	3.50%
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	0	6,480,671	5.02%
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	0	6,460,000	5.01%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	8,984,650	0	6.96%
RISTEEL CORPORATION, B.V.	16,900,021	0	13.10%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MAHINDRA MAHINDRA	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	16,040,706
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	OTHER SHAREHOLDERS	6,480,671
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	LA FUENTE SALADA, S.L.	6,460,000

List the most significant changes in the shareholder structure during the year:

Name of shareholder	Date of the transaction	Description of the transaction
AUSTRAL, B.V.	03/07/2014	Decrease a 3% of share capital

A.3 Complete the following tables on members of the Board Directors´ voting rights at the company:

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MR. FERMIN DEL RIO SANZ DE ACEDO	25,000	0	0.02%
MR. ANTONIO MARIA PRADERA JAUREGUI	6,450,009	8,984,650	11.97%
MR. JESUS MARIA HERRERA BARANDIARAN	450,000	0	0.35%
ADDVALIA CAPITAL, S.A.	6,450,208	0	5.00%
MR. HEMANT LUTHRA	5	0	0.00%
MR. VANKIPURAM PARTHASARATHY	5	0	0.00%
CORPORACION GESTAMP, S.L.	12,652,182	16,900,021	22.91%

ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	9.60%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of voting rights
MR ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	8,984,650
CORPORACION GESTAMP, S.L.	RISTEEL CORPORATION, B.V.	16,900,021

% total of voting rights held by the Board of Directors	42.88 %

Complete the following tables on members of the Board of Directors who hold rights about shares in the Company.

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6 Indicate any shareholders' agreements of which the Company has been notified in pursuance of Articles 530 and 531 of the Spanish Companies Law. Describe briefly, if any, indicating the shareholders bound by the agreement:

YES [ ] NO [X]

Indicate any concerted actions among Company shareholders of which the Company is aware. Describe briefly, if any:

YES [ ] NO [X]

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that have taken place during the year:

Not applicable

A.7 Indicate any individuals or entities that exercise or may exercise control over the Company in pursuance of Article 4 of the Stock Market Act. Identify any that exist:

YES [ ] NO [X]

OBSERVATIONS

A.8 Complete the following tables on the Company's treasury stock:

At the close of the financial year:

Number of direct shares	Number of indirect shares (*)	% total of share capital
0	0	0.00%

(*) Through:

Give details on any significant variations during the year, according to the established in Royal Decree 1362/2007:

A.9 Indicate the terms and conditions of the authorization granted by the General Meeting to the Board of Directors to issue, repurchase or sell treasury shares.

It is valid until April 30, 2019, inclusive, the mandate given by the General Meeting of Shareholders held on April 30, 2014, whereby the Board of Directors of the Company is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotive, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

A.10 Indicate whether there are any restrictions on the transfer of securities and / or any restrictions on voting rights. In particular, the existence of any restrictions that may impede the acquisition of control of the company through the purchase of shares in the market will be communicated.

YES [ ] NO [X]

A.11 Indicate whether the General Shareholders' Meeting has resulted in measures to neutralize a takeover bid under Law 6/2007.

YES [X] NO [ ]

If so, explain the measures approved and the terms under which the restrictions would become ineffective.

At the General Shareholders' Meeting of CIE Automotive, S.A. held on 23 April 2008, the following arrangement was adopted as a result of point three of the agenda:

SIX.- Approval of the exclusion of limitations on the action to be taken by the Company's governing and management bodies, and those within its group, in the terms established by Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July.

In accordance with the provisions of Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July, on the public bidding system to acquire shares, stipulate that the limitations referred to by Article 60.bis.2 and Article 28.5 of Royal Decree 1066/2007, of 27 July, will not be applicable to the governing bodies at the Company and the Group in the event that the Company is the target of a public share offering presented by a Company that is not domiciled in Spain and is not subject to these regulations or their equivalent, including those referring to the rules necessary for the General Meeting to adopt resolutions or, by an entity directly or indirectly controlled by such a company, in accordance with the provisions of Article 4 of Law 24/1988, of 28 July, on the Stock Market.

A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.

YES [ ] NO [X]

If so, indicate the different classes of shares and, for each one, the rights and obligations conferred.

B. - SHAREHOLDERS' MEETING

B.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Spanish Companies Law and, if appropriate, explain.

YES [X] NO [ ]

	% quorum different than that established under Article 193 SCL for general cases	% quorum different than that established under Article 194 SCL for special cases defined by Article 194 SCL
Quorum required for 1st call	50.00%	0.00%
Quorum required for 2nd call	0.00%	0.00%

Description of the differences
Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call the Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call. As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).

B.2 Indicate and explain, if appropriate, if there are any differences between the system used for adopting corporate resolutions in the system stipulated in the Spanish Companies Law (SCL):

YES [ ] NO [X]

Describe how it differs from the system contemplated in the Spanish Companies Law.

B.3 State the rules applicable to the amendment of the Articles of Association. In particular, the majorities provided for amending the Articles to will be communicated and, where appropriate, the rules laid down for the protection of the rights of the partners in the amendment of the Articles.

Regulations applicable to the amendment of the articles of association is captured by the Spanish Companies Law not existing in the Articles of Association different majorities of applicable law or rules laid down for the protection of members others than those set out in the rules of general nature.

B.4 Detail the figures of attendance at the Shareholders Meetings held during the reporting year and the previous year:

Attendance figures					
Date of the General Meeting	% physically present	% represented by proxy	% distance voters		Total
			Electronic voting	Other	
04/30/2014	53.92%	33.08%	0.00%	0.00%	87.00%

B.5 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

YES [ ] NO [X]

B.6 Indicate if it is agreed that certain decisions involving a structural change in the company ("affiliation", sale of key operating assets, equivalent operations to the liquidation of the company ...) must be submitted to the approval of the General Shareholder´s Meeting, although not expressly required under company law.

YES [X] NO [ ]

B.7 Indicate the address and means of access to the company website to information on corporate governance and other information on General Meetings to be made available to shareholders via the website of the Company.

The items that must be published in accordance with Law 26/2003, of 17 July, on the transparency of listed public limited liability companies, enabling Order ECO/3722/2003, of 26 December, and those required by CNMV Circular 1/2004, of 17 March, on the Annual Corporate Governance Reports for listed public companies are directly accessible at twww.cieautomotive.com/inversores/index.php?lang=_esp.

C. - STRUCTURE OF GOVERNANCE AT THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum number of Directors stipulated in the Articles of Association:

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2. Complete the following table with the names of the Board members:

Name of the Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN MARIA RIBERAS MERA		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMIN DEL RIO SANZ DE ACEDO		BOARD MEMBER	12/21/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. ANTONIO MARIA PRADERAJAUREGUI		CHAIRMAN	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARIA HERRERA BARANDIARAN		CHIEF EXECUTIVE OFFICER	01/21/2013	04/30/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR ÁNGEL MANUEL OCHOA CRESPO		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FRANCISCO JOSE RIBERAS MERA		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARIA TERESA SALEGUI ARBIZU	BOARD MEMBER	04/26/2007	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. HEMANT LUTHRA		BOARD MEMBER	10/04/2013	04/30/2014	GENERAL

Name of the Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
					SHAREHOLDERS' MEETING AGREEMENT
MR. VANKIPURAM PARTHASARATHY		BOARD MEMBER	10/04/2013	04/30/2014	GENERAL SHAREHOLDERS' MEETING AGREEMENT
CORPORACION GESTAMP, S.L.	MR. FRANCISCO LOPEZ PEÑA	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	BOARD MEMBER	05/12/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCION DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	1st VICE CHAIR	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Total number of Directors	13

Indicate the ceases that have occurred in the Board of Directors during the year:

Name of the Director	Status of the Director at the time of exit	Exit date
AUSTRAL, B.V	Institutional Outside Director	03/10/2014

C.1.3. Complete the following tables about Board members and their classification:

EXECUTIVE DIRECTORS

Name of the Director	Nominating Committee	Position in Company's organization
MR. ANTONIO MARIA PRADERA JAUREGUI	NOMINATIONS AND COMPENSATION COMMITTEE	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	NOMINATIONS AND COMPENSATION COMMITTEE	CHIEF EXECUTIVE OFFICER

Total number of executive Directors	2
Total percent of the Board	15.38%

INSTITUTIONAL OUTSIDE DIRECTORS

Name of the Director	Nominating Committee	Name of the significant shareholder represented or that proposed the appointment
MR. JUAN MARIA RIBERAS MERA	NOMINATIONS AND COMPENSATION COMMITTEE	CORPORACION GESTAMP, S.L.
MR. FRANCISCO JOSE RIBERAS MERA	NOMINATIONS AND COMPENSATION COMMITTEE	CORPORACION GESTAMP, S.L.
ADDVALIA CAPITAL, S.A.	NOMINATIONS AND COMPENSATION COMMITTEE	ADDVALIA CAPITAL, S.A.
MR. HEMANT LUTHRA	NOMINATIONS AND COMPENSATION COMMITTEE	MAHINDRA MAHINDRA
MR. VANKIPURAM PARTHASARATHY	NOMINATIONS AND COMPENSATION COMMITTEE	MAHINDRA MAHINDRA
CORPORACION GESTAMP, S.L.	NOMINATIONS AND COMPENSATION COMMITTEE	CORPORACION GESTAMP, S.L.
QMC DIRECTORSHIPS, S.L.	NOMINATIONS AND COMPENSATION COMMITTEE	NMAS1 ASSET MANAGEMENT, SGIIC, S.A.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	NOMINATIONS AND COMPENSATION COMMITTEE	ELIDOZA PROMOCION DE EMPRESAS, S.L.
MR. FERMIN DEL RIO SANZ DE ACEDO	NOMINATIONS AND COMPENSATION COMMITTEE	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.

Total number of Institutional Directors	9
Total percent of the Board	69.23%

INDEPENDENT OUTSIDE DIRECTORS

Name of the Director

MR. CARLOS SOLCHAGA CATALÁN

Profile

Degree in Economics and Business from Universidad Complutense de Madrid. Post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.). In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-1994. Member of the Basque Government prior to the approval of the Euskadi Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (1991-1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Finance (1985-1993). He is currently an International Consultant and Partner-Director of Solchaga Recio Asociados (Consultancy). Chair of Fundacion Euroamerica, Vice-Chair of Real Patronato del Museo Nacional Centro de Arte Reina Sofia, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of other Advisory Boards and Boards of Directors.

Name of the Director

MR ÁNGEL MANUEL OCHOA CRESPO

Profile

Degree in Economics and Business from Universidad del Pais Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA, currently EAFI (Empresa de Asesoramiento Financiero) and a Director of Islopan, S.A.. With more than 16 years' experience in the financial field, he has held, among others, the post of Director for the Basque Country and Cantabria at Banco Sabadell Atlantico; Senior Vice-President of Banque Privee Edmond de Rothschild Europe, Sucursal en Espana, and participated in the implementation and development of the bank since it opened in Spain and formed part of its Management Committee; Account Manager and Deputy Director of Corporate Banking at Lloyds Bank; and an Account Executive and Manager in the Multinational Department at Barclays Bank. He has also been a member of the Board of Directors of several SICAV funds.

Total number of independent Directors	2
Total percent of the Board	15.38%

Indicate whether any Board member qualified as an independent perceives from the company or its group, any amount or benefit for a concept other than of remuneration, or maintains or has maintained during the last year, a business relationship with the society or any group company, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or had such a relationship.

Not applicable

If so, a reasoned statement of the board on the reasons why it considers that the Director can perform its functions as an independent Director should be included.

OTHER OUTSIDE DIRECTORS

State the reasons why they cannot be considered institutional or independent directors and their association with either the Company, executives or shareholders.

Indicate any variations during the year in the type of each Director:

C.1.4 Complete the following table with information on the number of female Directors for the past 4 years, and the nature of such female Directors:

	Number of female directors				% over each kind of directors			
	Year ended 2014	Year ended 2013	Year ended 2012	Year ended 2011	Year ended 2014	Year ended 2013	Year ended 2012	Year ended 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Institutional	2	2	2	2	22.22%	20.00%	22.22%	22.22%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Outsiders	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	2	2	15.38%	14.29%	16.66%	15.38%

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men:

Explanation of the measures

In the exercise of its functions, the Nominations and Compensation Committee must submit their proposals to ensure that is taken into consideration people who possess the qualifications and skills required for the position, and that the process of selection of candidates does not suffer from implicit biases that hinder the selection of persons of either sex.

C.1.6 Explain the measures, if any, had agreed the Nominations Committee for that selection procedures do not suffer from implicit biases that hinder the selection of female directors and the company deliberately search and include among the potential candidates, women who meet the professional profile searched for:

Explanation of the measures

Nominations and Compensation Committee must ensure that people of both sexes who possess the qualifications and ability required for the position are taken into consideration.

When, despite the measures, if any, have been taken, the number of female directors are few or no, explain the reasons justifying:

Explanation of the measures

The nomination of new directors depends in large measure on the appearance of vacancies within the Board, which does not happen often. At this time the people who are part of the Board meet the required conditions, ensuring so that in future appointments, there are no bias whatsoever in the selection of directors.

C.1.7 Explain how is the representation on the board of the controlling shareholders:

Controlling shareholders (see heading A.2 of this Report) have appointed institutional outside directors on the Board of Directors. Detail of institutional outside directors is provided in the preceding heading C.1.3.

C.1.8 Explain why institutional directors have been appointed at the instance of shareholders with less than 5% interest in the Company, if appropriate:

Indicate whether any formal requests for a presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request institutional directors have been appointed. If appropriate, explain why such requests were denied.

YES [ ] NO [X]

C.1.9 State whether or not any Director has left the position before the end of the term, if the Director provided an explanation, and how, to the Board and, in the event this was done in writing to the entire Board, explained at least the reasons provided:

Name of the Director

AUSTRAL, B.V.

Reason for exit

The Director has disposed its interest in the Company.

C.1.10 State the powers, if any, delegated to the managing director(s):

Name of the Director

MR. JESUS MARIA HERRERA BARANDIARAN

Brief description

The Chief Executive Officer has all the functions of the Board except those that cannot be delegated.

C.1.11 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director	Name of the Group company	Position
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO, S.A. DE C.V.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIRMAN
MR. FERMIN DEL RIO SANZ DE ACEDO	CIE AUTOMETAL, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE AUTOMETAL, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE NUEVOS MERCADOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALFA DECO, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALURECY, S.A	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADOS ECOLOGICOS DE RESIDUOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	VIA OPERADOR PETROLIFERO, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE MECAUTO, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCION RECYTEC, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE DIRECCION RECYLAN, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	GAMEKO FABRICACION DE COMPONENTES, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	NOVA RECYD, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ORBELAN PLASTICOS, S.A.	BOARD

Name of the Director	Name of the Group company	Position
		MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	PLASFIL PLASTICOS DA FIGUEIRA, S.A.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	RECYDE, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	TRANSFORMACIONES METALURGICAS NORMA, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMETAL DE MEXICO, S.A.P.I. DE C.V.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ MEXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	INMOBILIARIA EL PUENTE S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	PERCASER DE MEXICO S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MEXICO, S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TECNICOS S.A. DE C.V.	CHAIRMAM
MR. JESUS MARIA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER
MR. HEMANT LUTHRA	MAHINDRA CIE AUTOMOTIVE, LTD	CHAIRMAM
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOKOMP INGENIERIA, S.A.	CHAIRMAN
MR. HEMANT LUTHRA	METALCASTELLO SPA	CHAIRMAN
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ, S.L; CIE AUTOMETAL, S.A.; CIE GALFOR, S.A.U; CIE LEGAZPI S.A.U; AUTOKOMP INGENIERÍA, S.A.	BOARD MEMBER

C.1.12 Name company directors, if any, on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of the Director	Name of the listed company	Position
MR. CARLOS SOLCHAGA CATALÁN	DURO FELGUERA. S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	ZELTIA, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	BOARD MEMBER

C.1.13 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its Directors may sit:

YES [ ] NO [X]

C.1.14 Indicate the general policies and strategies at the Company which must be approved by the full Board:

	YES	NOT
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Compensation and evaluation of senior management	X	
Risk control and management, and periodic monitoring of internal information and control systems	X	
The policy for dividends, as well as treasury stock and, in particular, their limits.	X	

C.1.15 Indicate the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousand euros)	3,027
Amount of the global remuneration corresponding to the benefits accrued by the directors on pensions (thousand euros)	0
Global remuneration of the Board of Directors (thousand euros)	3,027

C.1.16 List the members of senior management who are not executive directors and show the total compensation earned by them during the year:

Name	Position
MR. MIKEL FELIX BARANDIARAN LANDIN	GENERAL DIRECTOR OF IT SERVICES AND SOLUTIONS
MR. AITOR ZAZPE GOÑI	DIRECTOR OF PLASTIC, BIOFUEL, HUMAN RESOURCES AND SYSTEMS DIVISIONS
MR. JUSTINO UNAMUNO URCELAY	DIRECTOR OF FORGE, METAL AND PURCHASE DIVISIONS
MR. ANDER ARENAZA ALVAREZ	DIRECTOR OF ALUMINIUM, MACHINING ENGINEERING AND QUALITY DIVISIONS

Total senior management compensation (thousand euros)	1,342

C.1.17 Name any Board Members who are also directors of companies holding significant interest in the company and/or companies pertaining to its Group:

Name of the Director	Name of the significant shareholder	Position
MR. ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	CHAIR
MR. FRANCISCO JOSÉ RIBERAS MERA	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	BOARD MEMBER

Describe any significant relationships other than those contemplated in the previous section between Board of Directors´ Members and significant shareholders and/or companies pertaining to their Group:

C.1.18 Indicate whether any modifications have been made during the year to the Board of Directors' Regulations:

YES [ ] NO [X]

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing Directors. Describe the competent bodies, procedures to be followed and the criteria applied in each of the procedures.

The appointment of the members of the Board of Directors is the responsibility of the General Shareholders' Meeting, without prejudice to the power of the Board to designate members by co-optation in the event of vacancies.

To this effect, Article 23 of the Articles of Association lays down that:

´2. In order to be appointed a member of the administrative body, it is not required to be a shareholder.

3. The members of the administrative body shall hold office for five years and may be re-elected once or more times for equivalent periods.

4. The members of the administrative body designated by co-optation shall hold their position until the first General Shareholders' Meeting.

5. The members of the administrative body shall cease to hold office when so decided by the General Shareholders' Meeting, when they report their resignation to the Company and when the period of their appointment elapses. In this latter case, their resignation shall be take effect on the day on which the following General Shareholders' Meeting is held or once the legal term for holding the Meeting to approve the previous year's annual accounts elapses."

Similarly, Article 18 of the regulations of the Board of Directors lays down the following:

Article 18. Appointment of Directors.

1.- The Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors in accordance with the Spanish Companies Law.

2.- The proposal for the appointment of Directors submitted by the Board of Directors to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to it shall be preceded by the relevant report from the Nominations and Compensation Committee. When the Board disagrees with said report, it shall set out the reasons for its decision and place them on record.

C.1.20 Indicate whether the Board of Directors has proceeded during the year to make an assessment of their activities.

YES [X] NO [ ]

If so, explain to what extent the self assessment has led to major changes in its internal organization and the procedures applicable to its activities:

Description of modifications

Not applicable

C.1.21 Indicate cases in which Directors are obliged to resign.

Article 22 of the Regulations of the Board of Directors CIE AUTOMOTIVE, S.A indicates that:

Article 22. Removal of Directors

1.- The resignation of one or more of the Directors shall take place in the terms of applicable legislation.

2.- Directors hold their positions at the pleasure of the Board of Directors and, if deemed appropriate, must present their resignations in the following cases:

a) in the case of Institutional Outside Directors, when he or the shareholder that he represents transfers his shareholding in the company.

b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.

c) When they are involved in a legal conflict of interest.

d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.

C.1.22 Indicate whether the CEO is also Chair of the Board of Directors. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

YES		NO	X

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board for the inclusion of new items on the agenda, to coordinate and echo the concerns of outside Directors and to direct evaluation by the Board of Directors.

YES		NO	X

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES		NO	X

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES		NO	X

C.1.25 State whether the Chair has a casting vote:

YES		NO	X

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES	X	NO	

Age limit for Chair: 65 years old.
Age limit for CEO:
Age limit Board Member:

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES [ ] NO [X]

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 17 of the Board Regulations of CIE Automotive, S.A. reads as follows:

´2.- Directors will make every effort to attend meetings of the board and, if they cannot do it personally, may delegate their proxy to another Director, not limited the number of representations held by each member to the assistance to the Board. Without prejudice to the foregoing, the Directors shall seek to confer representation to a fellow board member of the same group to which it belongs and where possible include appropriate instructions. Representation may be conferred by any written means.

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

Number of Board meetings	7
Number of Board meetings without the Chair	0

Indicate the number of meetings held during the year by the various Board Committees:

Delegate Executive Committee	4
Audit and Compliance Committee	6
Nominations and Compensation Committee	3

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

Number of Director assistances during the year	106
% Number of assistances compared with the total votes cast during the year	100%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES		NO	X

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

Article 3 of the Audit and Compliance Committee Regulations stipulates the following, among other things:

(ii)Propose the appointment of the external auditors referred to by Article 204 of the Spanish Companies Law to the Board of Directors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.

(iii)Supervise the internal audit services.

(iv)Receive information regarding the financial information process and internal control systems at the Company and the group of companies.

(v)Maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

(vi)Review the annual accounts before presentation to the Board of Directors, as well as any 6-month and quarterly financial statements that must be filed with regulatory bodies or market supervisors.

C.1.33 Is the Secretary of the Board a Director?:

YES		NO	X

C.1.34 Explain the procedures for appointing and removing the Secretary of the Board, indicating whether or not the appointment and removal have been reported by the Nominations Committee and approved by the full Board of Directors.

Procedure for appointment and removal

Article 25.2 of the Articles of Association stipulate that the Board of Directors will appoint a Secretary and, if appropriate, a Vice Secretary, and the appointment may involve persons that are not Directors, in which case they will have the right to be heard but not to vote. The Vice Secretary will substitute the Secretary in the event of any absence, illness, disability or vacancy.

Similarly, Article 10 of the regulations of the Board of Directors lays down the following:

1.- The Secretary of the Board of Directors may or may not be a Director, as determined at any given moment by the Board.
2.- The Secretary assists the Board with its duties and must ensure the proper operation of the Board, especially providing the advisory services requested, duly reflecting the meetings in the minutes and certifying the Resolutions adopted.
3.- The Secretary will handle the material and formal legalities concerning Board action and compliance with its procedures and rules of governance.
4.- The Secretary will perform the office of Expert Legal Adviser of the Board, provided that holds the condition of attorney.

	YES	NOT
Does the Nominations Committee report the nomination?	X	
Does the Nominations Committee report removals?	X	
Does the full Board approve the nomination?	X	

Does the full Board approve the removal?	X	

Does the Secretary of the Board have the responsibility of specifically monitoring Good Governance recommendations?

YES [ ] NO [X]

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 41 of the Regulations of the Board of Directors governs the relationships with external auditors:

"Article 41. Relations with the Auditors"

1.- The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.

2.- The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.

3.- Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES [ ] NO [X]

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES [X] NO [ ]

	Company	**Group**	**Total**
Sum of services other than auditing (thousand euro)	29	132	161
Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)	11.00%	6.00%	6.50%

C.1.38 State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES [ ] NO [X]

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	13	13
Number of years audited by the present audit firm / Number of years the company has been audited (%)	41.94%	41.94%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES [X] NO [ ]

Procedure details

Article 25 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:

Article 25. Expert advice

1.- In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.
2.- The request must be made through the Chair of the Board of Directors and may be vetoed by the Board of Directors if it is considered that: a) such assistance is not required for the adequate performance of the duties with which Directors are charged; b) the related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues; c) the assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company; or d) may give rise to a risk to the confidentiality of the information that must be disclosed.

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES [X] NO [ ]

Procedure details

Article 24 of the Regulations of the Board of Directors governs the procedure for Members of the Board of Directors to obtain information regarding the issues to be deliberated:

Article 24. Disclosure procedure.
1.- A Director may request the information reasonably needed regarding the Company, provided that it is required by the duties being fulfilled. The right to information extends to domestic and foreign subsidiaries.
2 - In order to not disturb the ordinary management of the Company, information requests will be made through the Chair, who will attend to Directors' requests by either providing the information directly, identifying the appropriate contacts within the Company, or providing the measures so that the requested information may be examined and inspected.
3 - The Board of Directors may deny the request for information if, in its judgment, the request might harm corporate interests, notwithstanding any provisions of the Spanish Companies Law.

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES [X] NO [ ]

Explain the rules

In accordance with the established in Article 22.2 of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any Board Member that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES [ ] NO [X]

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries: 0

Type of beneficiary

Not applicable

Description of the arrangement

Not applicable

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	General Shareholders Meeting
Board authorizing clauses	YES	NO

	YES	NO
Is the General Meeting reported about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of Institutional and independent Outside Directors that form it:

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Type
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	INSTITUTIONAL
MR ANTONIO MARIA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. JESUS MARIA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
MR. HEMANT LUTHRA	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL

% of executive members	33.00%
% of institutional members	67.00%
% of independent members	0.00%
% of other outsiders	0.00%

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L	BOARD MEMBER	INSTITUTIONAL

% of executive members	0.00%
% of institutional members	67.00%
% of independent members	33.00%
% of other outsiders	0.00%

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	INSTITUTIONAL
MR. CARLOS SOLCHAGA CATALÁN	CHAIRMAN	INDEPENDENT
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL

% of executive members	0.00%
% of institutional members	67.00%
% of independent members	33.00%
% of other outsiders	0.00%

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2014		Year ended 2013		Year ended 2012		Year ended 2011	
	Number	%	Number	%	Number	%	Number	%
DELEGATED EXECUTIVE COMMITTEE	1	16.66%	1	16.66%	1	20.00%	1	25.00%
AUDIT AND COMPLIANCE COMMITTEE	2	66.66%	1	33.33%	1	33.33%	1	33.33%
NOMINATIONS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 State whether or not the following duties fall to the Audit Committee.

	YES	NOT
Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.	X	
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.	X	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	X	
Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	X	
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of the engagement.	X	
Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.	X	
Ensure the independence of the external auditors	X	

C.2.4. Describe the rules of organization and operation and the responsibilities of each of the Board committees.

NOMINATIONS AND COMPENSATION COMMITTEE

The Nominations and Compensation Committee is governed by Article 15 of the Regulations of the Board of Directors and is formed by a minimum of three (3) Directors. Executive Directors or Members of the Audit and Compliance Committee cannot be Members of this Committee. Notwithstanding other duties assigned by the Board of Directors, the Nominations and Compensation Committee will have the following basic duties:

i) Prepare and review the criteria that must be followed when appointing the Board of Directors and the selection of candidates;

ii) Inform about Director nomination proposals as well as examine or organize, in the manner it deems appropriate, the succession of the Chairman and the Chief Executive so that the handover takes place in an orderly and well-planned form.

iii) Propose the members of each Committee to the Board.

iv) Propose the annual compensation system and amount for Directors and, in particular, for the Chair of the Audit and Compliance Committee due to the special dedication, to the Board of Directors.

v) Propose the compensation system and amount for senior management.

vi) Review regularly the compensation programmes, weighting their adequacy and performance.

vii) Ensure the transparency of the compensation process.

viii) Report on the appointment of the persons that will represent the Company at Board of Directors' Meetings at the most relevant subsidiaries and investee companies, as determined by the Board of Directors.

ix) Report on the appointment or removal of executives that report directly to the Board, the Chair, the Delegated Committee or the CEO.

The Nomination and Remuneration Committee will meet whenever it is convenient for the performance of their duties and will appoint among its members a Chairman and a Secretary who will not have to be a director. Regarding specific performance standards, will apply with the necessary modifications established for the Board of Directors.

AUDIT COMMITTEE

The Audit Committee Regulations (by remission to Article 14 of the Regulations of the Board of Directors) establishes the duties and rules for organising and operating of the Audit and Compliance Committee.

The Audit and Compliance Committee will consist of a minimum of three members and a maximum of five, which will be designated by the Company's Board of Directors. The Members of the Committee will be all of them external directors and will be appointed for terms of four years, notwithstanding possible re-election. The renewal, re-election and removal of Members will fall to the Board of Directors.

The Audit Committee will also designate a Chair from among its members. The Chair must be replaced every four years and may be re-elected again after one year elapses after leaving the position. In addition, the Audit and Compliance Committee will designate the Secretary to the Committee, which should not be a Director.

The duties of the Audit and Compliance Committee are:

i) Inform the General Meeting of issues raised by shareholders with respect to matters within the Committee's sphere of competence.

ii) Propose to the Board of Directors the appointment of the external auditors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.

iii) Supervise internal audit services.

iv) Be aware of the financial information process and internal control systems.

v) Maintain relations with external auditors to receive information regarding issues that may put their independence into question and any other issues relating to the audit of the accounts.

vi) Review the annual, biannual and quarterly financial accounts before presentation to the Board of Directors.

vii) Supervise compliance with the Internal Conduct Regulations with respect to the Stock Market and the Internal Code of Professional Conduct of Group executives and employees.

viii) Report about transactions that mean or could mean there is a conflict of interest.

ix) Prepare an annual report on the Committee's activities.

x) Any other duties that may be assigned by the Company's Board of Directors.

DELEGATED EXECUTIVE COMMITTEE

According to Article 13 of the Regulations of the Board of Directors, as representation of Board of Directors, and with a nature of standing body, the Delegated Executive Committee will have - unless the Board of Directors determines otherwise - all the powers inherent to the Board of Directors, except for those that cannot be delegated by law and statutorily and those specifically reserved to the Board.

The Delegated Executive Committee will meet at least once (1) per month and few others deemed appropriate by the Chair, who may also suspend one or more of the ordinary meetings when deemed appropriate in its sole judgment. It will also meet when requested by two (2) of the Directors of the Committee. The Delegated Executive Committee will deal with all matters concerning to the Board, which in the opinion of the Committee itself, should be resolved without further delay, with the only exceptions of accountability, presentation of financial statements to the General Meeting, the powers which are given to the Board without authorizing its delegation and the powers of the Board of Directors that are not delegable by law and statutorily.

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Regulation of the Audit and Compliance Committee is available for consultation on the website of CIE AUTOMOTIVE. This Committee prepares an annual report of its activities. The operation of other committees is regulated by the rules of the Board of Directors

C.2.6 State whether the composition of the Executive Committee reflects the participation in the Board of Directors of the various directors depending on their category:

YES [X] NO [ ]

D. - RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, where appropriate, the procedure for approval of transactions with related parties and intragroup.

Competent body

Board of Directors

Procedure for approval of transactions with related parties

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the board or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

Explain whether the approval of transactions with related parties has been delegated, indicating, where appropriate, the body or persons to whom the authority has been delegated.

Not applicable

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders.:

Name of Significant Shareholder	Group Company	Nature of the Relationship	Type of Transaction	Amount (thousand €)
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Sale of goods	108,904
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Purchase of goods	50,297
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Services	3,133

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

Name of Directors	Name of Related Party	Link	Type of transaction	Amount (thousand €)
MR. FERMIN DEL RIO SANZ DE ACEDO	CIE AUTOMOTIVE AND SUBSIDIARIES (CIE AUTOMOTIVE GROUP)	Contractual	Services	438
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	1,212
CORPORACIÓN GESTAMP, S.L	MAHINDRA CIE AUTOMOTIVE LTD	Contractual	Sale of goods	9,145

D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered tax haven will be informed.

D.5 Provide the amount of transactions with other related parties.

€65,154 Tthousand

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 30 of the Regulations of the Board of Directors lays down the following:

Article 30.- Conflicts of Interest.

1.- A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person.

For the purposes of these Regulations, persons related to a Director are considered to be:

1.- The Director's spouse or persons with a similar relationship.

2.- Ascendants, descendants and siblings of the Director or his/her spouse.

3.- The spouses of the Director's ascendants, descendants and siblings.

4.- Companies in which the Director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related persons are considered to be the following with respect to a legal person Director.

1.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4.- Persons who, with respect to the legal person Director, are considered to be related to the Directors in accordance with this section.

2.- The following rules will be applicable to conflict of interest situations:

a) Communication: the Director must report to the Board of Directors and the Audit and Compliance Committee, through the Chair or the Secretary, any conflict of interest that arises.

b) Abstention: the Director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Institutional Outside Directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.

c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving Directors that has been reported by the affected party or by any other means.

D.7 Are more than one of the Group's companies listed in Spain?

YES [ ] NO [X]

Identify the subsidiaries listed in Spain:

Subsidiary listed

Indicate if they have defined publicly accurately the respective areas of activity and eventual relations of business between them, as well as those of the listed subsidiary company with other group companies;

Define the eventual relations of business between the head company and the listed subsidiary company, and between this one and other group companies.

Identify the mechanisms planned to solve the eventual conflicts of interests between the listed subsidiary and other group companies:

Mechanisms to solve the eventual conflicts of interest

E. - RISK CONTROL AND MANAGING SYSTEMS

E.1 Explain the scope of the Risk Management System of the Company.

CIE Automotive is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one.
Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee.
The overall process for managing corporate risks at CIE Automotive is based on the COSO II method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives;

II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls;

III. Establish a response to each one;

IV. Monitor the action taken; and

V. Report the results of the analysis performed.

E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:

Audit and Compliance Committee

E.3 Describe the main risks that may affect the achievement of business objectives.

The main risks to which CIE Automotive is exposed to are as follows:

a) Market risk

i) Foreign exchange risk

ii) Price Risk

iii) Interest Rates

b) Liquidity Risk

c) Credit Risk

d) Market risk and commodities price risk

E.4 Identify whether the entity has a level of risk tolerance.

See heading E.3. about the different levels of analysis of business risks and tolerance

E.5 Indicate which risks have materialized during the year. Indicate whether any of the different types of risks has been materialized during the year.

During the year 2014 actions related to the review and definition of the map risk has been taken what has improves if any detection and minimizing policies of the existing risks. Thanks to the policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by different group companies, having the control systems worked adequately and not having produced significant impacts on the consolidated financial statements 2014.

E.6 Explain the response and supervision plans held for the company's major risks.

See heading E.3. about every risk identified.

F. - DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

F.1 Company control environment.

Report, noting the main features of at least:

F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognised corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the SICFR.

On the other hand, the Management of CIE is responsible for defining and implementing the SICFR and, in general, for the entire Internal Control System of the Group, overseeing the definition and design of the internal control procedures which need to be implemented in the Group's operations, as well as compliance with legal rules, internal policies, and established procedures.

The CIE Audit and Compliance Committee (hereinafter the ACC) is the body responsible for the supervision of the efficacy of the Company's internal control system, the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit. In relation to financial information, this Committee must be familiar with the process for its preparation, and with the controls in place for its approval. The supervision of the SICFR is therefore the responsibility of the ACC.

F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with:
  (i) the design and review of the organisational structure. The Board of Directors is the body ultimately responsible for defining and periodically reviewing the organisational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources.With regard to the process for the preparation of financial information, there exists an interrelated global financial department which reports to the CIE Corporate Finance Management team.

  (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions. The responsibilities and functions of all persons directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

  (iii) ensuring that there are sufficient procedures in place for this information - particularly that relating to the process for the preparation of financial information – to be correctly disseminated within the Company. There are internal protocols which guarantee that information on any change taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this connection.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analysing breaches of such code and proposing corrective action and penalties.

  CIE currently has an "Internal Code of Conduct" and "Internal Regulations on Conduct in relation to Securities Markets". Both these documents are published on the CIE web site and are distributed to all personnel affected through the communication channels established for this purpose.

  In either case, the body responsible for their definition and approval is the CIE Board of Directors.

  The Code lays down basic rules and principles whose purpose is to ensure that there is commitment and transparency in relations and operations with customers, suppliers and employees, that the shareholders' investments are protected and optimised, and that there is adequate surveillance of health, safety and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

  It contains a specific section on the reliability of financial information, which lays down a series of specific rules applicable to all persons involved in the process for the preparation of financial information.

  The functions of the ACC include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organisation, indicating, where appropriate, the confidential nature of such information.

  CIE has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

  There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, the wishes of the whistle-blower with respect to confidentiality being respected at all times.

  The Regulations governing the CIE whistle-blowing channel appoint a Management Committee and establish a protocol indicating the steps to be taken for the analysis of reports received, and for their communication to the ACC for supervision purposes.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

  As well as a variety of staff training programmes, CIE has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information:

  - There is a CIE Accounting Policies Manual, which is updated on an on-going basis.
  - There is an Accounting Policies Function, whose tasks is to resolve any doubts regarding the interpretation of the Accounting Policies Manual, and provide advice regarding the treatment of complex transactions.
  - There are divisional/regional controllers who are involved in the support provided to all persons forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.
  - When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
  - Advice is received from external advisors in relation to changes in accounting, legal and tax rules which may affect the Company.

F.2 Risk assessment of financial information.

Report at least:

F.2.1 What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

  The process of identification and assessment of financial information risks forms part of CIE's global Corporate Risks Management process. It is based on the COSO II methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar.

  The risk management process is based on a continuous cycle comprising five phases:

  I.- the identification of key risks which may affect the fulfilment of the Organisation's objectives, including all financial information control objectives;
  II.-the evaluation of such risks based on the probability of occurrence and their impact on the organisation, and based on the existence of controls;
  III.-determination of the required response for each such risk;
  IV.-monitoring of the agreed courses of action; and
  V.-reporting of the results of the analysis made.

  The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Internal Audit acting as coordinator in this process.

  The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks.

  The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Internal Audit department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

  As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information which may have a material impact on its reliability. The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialised management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

  As has been mentioned above, the model is based on the COSO II methodology and therefore, taking as its starting point the Organisation's objectives, it seeks to identify and manage all risks which may have an impact on the achievement of results.

  Risks are classed specifically as Strategic Risks, Operational Risks, Reporting Risks and Compliance Risks.

- The governing body which supervises the process.

  This entire process is reviewed and approved by the ACC, which is the body which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient..

F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Documentation describing the flows of activities and controls (including those related to the risk of fraud) for the different types of transactions which may have a material impact on the financial statements, including the closure-of-accounts procedure and the specific review of significant judgements, estimates, measurements and projections.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE has control procedures and activities taking place in other key areas of the company (purchases, inventory management, sales, and so on), the purpose of which is to ensure that transactions are properly recorded, measured, presented and broken down, and to prevent and detect fraud.

For this purpose CIE has, at process level (including the closure-of-accounts process), descriptions (in the form of narratives), and risk and control matrices.

For the review of judgements, estimates, measurements and projections, the Accounting Policies Manual defines the application criteria prevailing in CIE, and specific controls in the aforementioned risk and control matrices.

The aforementioned significant transactions are reviewed by the CIE Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and judgements used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE has internal control policies and procedures in place in respect of information systems which support its significant processes, including the process for the preparation and review of financial information.

CIE uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE identifies the systems and applications which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those which are used directly in the preparation of financial information, and those which are relevant to the efficacy of controls which reduce the risk of misstatement in such information.

CIE has "Systems Security Policies", defined at corporate level, which are designed to meet its defined general security objectives.

The objective is to adopt the pertinent measures of an organisational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes
- Back-up and recovery
- Physical security
- Control of subcontractors

F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts which may have a material impact on the financial statements.

CIE has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties which have a significant impact on the financial information prepared by CIE.

Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of CIE is the Information Systems area. In this respect, CIE has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.

In addition, there are control activities taking place periodically in CIE (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within the Company, specific monitoring work being required to guarantee their reliability.

F.4 Communication and information.

Report, noting their main features, if you have at least:

F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies guide communicated to the units through which the entity operates.

The Role of CIE Accounting Policies is assumed by the Audit and Compliance department, which depends directly from the Chief Executive Officer.

In performing this function, the Audit and Compliance department assumes the following responsibilities:

- Maintenance the CIE Accounting Policy Manual (Continuous Update) and dissemination to other companies group.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individual or consolidated level) in the interpretation of the rules to be applied.

F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information evenly.

This system is used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the preparation of the financial statements and notes that require a detailed breakdown, CIE has defined reporting format, which allows the units to disclosure financial data reported through the reporting system. These forms are requested twice a year, and are reported to Corporate Controlling department for analysis, being as well validated by financial auditor.

F.5 System performance monitory.

Report, noting its main features, at least:

F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

CIE has a Corporate Internal Audit Department, which reports to the ACC, and coordinates the Internal Auditing teams in Europe, Mexico, Brazil and India. The members of the internal audit department are exclusively dedicated to these functions.

Among the functions of Internal Audit, aspects concerning identification and risk assessment are included, as well as the review of controls oriented to reliability of financial reporting and actions related to fraud risk management.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

F.6 Other relevant information.

F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotive has submitted for review by the external auditor the Company’s ICFR operating description, where no significant impact have been detected. Audit opinion report is included as appendix.

G. - COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation won’t be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See headings: A.10, B.1, B.2, C.1.23 and C.1.24.

Comply	X	Explain	

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;

   b) The mechanisms in place to resolve possible conflicts of interest.

See headings: D.4 and D.7

Comply		Partially comply		Explain		Not applicable	X

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

   a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e., reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

   b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

   c) Operations that effectively add up to the company's liquidation.

See headings: B.6

Comply	X	Partially comply		Explain	

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 2, should be made available at the same time as the publication of the Meeting notice.

Comply		Explain	X

The documents relating to the General Shareholders' Meeting, including the detailed proposals for resolutions to be adopted are made available to shareholders at the time the relevant General Meeting is called and on the website maintained by CIE Automotive, S.A. and in the Shareholder forum for the time between the call and the date of the General Meeting.

As to the content of information on the directors referred to in Recommendation 27, we understand that the information contained in this report (which is accessible at all times via Web Page) is more than sufficient for the purposes that proposed and in connection with the profiles of the members of the Board of Directors.

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;
b) Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.

Comply	X	Partially comply		Explain	

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Comply	X	Explain	

7. The Board of Directors should perform its duties with unity of purpose and independent judgment, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximize its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply	X	Partially comply		Explain	

8. The Board should see, as core components of its mission, to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

a) The Company's general policies and strategies and, in particular:

i) The strategic or business plan, management targets and annual budgets
ii) Investment and financing policy
iii) Design of the structure of the corporate group;
iv) Corporate governance policy
v) Corporate social responsibility policy;
vi) Compensation and evaluation of senior officers;
vii) Risk control and management, and periodic monitoring of internal information and control systems
viii) The policy for dividends, as well as treasury stock and, in particular, their limits.

See headings: C.1.14, C.1.16 and E.2

b) The following decisions:

i) Upon recommendation by the CEO, the appointment and possible removal of senior management and any indemnity clauses.

ii) Directors' compensation and, in the case of Executive Directors, additional compensation for their management duties and other contractual conditions.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorization is not required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full Board.

See headings: D.1 and D.6

Comply	X	Partially comply		Explain	

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See heading: C.1.2

Comply	X	Explain	

10. External directors, institutional and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See headings: A.3 and C.1.3.

Comply [X] Partially comply [ ] Explain [ ]

11. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by institutional directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of institutional directors is greater than would strictly correspond to the total percentage of the capital they represent:

1. **In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**

2. **In companies with a plurality of shareholders represented on the Board but not otherwise related.**

See headings: A.2 and A.3 and C.1.3

Comply [X] Explain [ ]

12. The number of independent directors should represent at least one third of all Board members.

See heading: C.1.3

Comply [ ] Explain [X]

CIE Automotive considers that the number of independent Directors correctly reflects the company's shareholder composition and, in particular, the proportion of the free float capital that currently exists. The Board has the intention of making a proposal at the General Meeting for the appointment of new independent Directors in the event that these proportions vary significantly.

13. Such determination should subsequently be explained by the Board to the General Meeting and be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of institutional directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for an institutional directorship.

See headings: C.1.3 and C.1.8

Comply [X] Partially comply [ ] Explain [ ]

14. When female directors are few or non-existent, the Nomination Committee should take steps to ensure that:

a) **The process of filling Board vacancies has no implicit bias against female candidates;**
b) **The company makes a conscious effort to include women with the target profile among the candidates for Board places.**

See headings: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Comply	X	Partially comply		Explain		Not applicable	

15. The Chair, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See heading: C.1.19 and C.1.41

Comply	X	Partially comply		Explain	

16. When a company's Chair is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chair.

See heading: C.1.22

Comply		Partially comply		Explain	X	Not applicable	

According the applicable mercantile law, on the first Board of Directors´ Meeting of 2015, it is going to be appointed the nomination of an independent coordinator Director, who will have the functions mentioned in the epigraph.

17. The Secretary should take care to ensure that the Board's actions:

a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
b) **Comply with the company Articles of Association and the regulations of the General Shareholders' Meeting, the Board of Directors and others;**
c) **Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting, the relevant appointment and removal procedures being spelled out in the Board's regulations.

See heading: C.1.34

Comply	X	Partially comply		Explain	

18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See heading: C.1.29

Comply	X	Partially comply		Explain	

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See headings: C.1.28, C.1.29 and C.1.30

Comply	X	Partially comply		Explain	

20. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board, at the request of the person who is expressing them, they should be recorded on the minutes.

Comply	X	Partially comply		Explain		Not applicable	

21. The Board in full should evaluate the following points on a yearly basis:

a) **The quality and efficiency of the Board's operation;**

b) **Starting from a report submitted by the Nomination Committee, how well the Chair and chief executive have carried out their duties;**

c) **The performance of its committees on the basis of the reports furnished by the same.**

See heading: C.1.19 and C.1.20

Comply	X	Partially comply		Explain	

22. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Articles of Association or Board regulations indicate otherwise, such requests should be addressed to the Chair or Secretary.

See heading: C.1.41

Comply	X	Explain	

23. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See heading: C.1.40

Comply	X	Explain	

24. Companies should organize induction programmers for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply	X	Partially comply		Explain	

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
b) Companies should lay down rules about the number of directorships their Board members can hold.

See headings: C.1.12, C.1.13 and C.1.17

Comply		Partially comply		Explain	X

As a result of the composition of the Company's Board of Directors, which is a direct reflection of the make-up of its shareholders, the aforementioned obligations for its Members are not necessary.

26. The proposal for the appointment or renewal of directors that the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-optation, should be approved by the Board:

a) On the proposal of the Nomination Committee, in the case of independent directors.
b) Subject to a report from the Nomination Committee in all other cases.

See heading: C.1.3

Comply	X	Partially comply		Explain	

27. Companies should post the following directorship particulars on their websites and keep them permanently updated:

a) Professional experience and background;
b) Directorships held in other companies, listed or otherwise;
c) An indication of the director's classification as appropriate, stating, in the case of institutional directors, the shareholder they represent or are associated with.
d) The date of their first and subsequent appointments as a company director, and;
e) Shares held in the company and any options on the same.

Comply		Partially comply	X	Explain	

Our understanding is that the information set out in this report (which is accessible at all times through the website) already maintains up-to-date the necessary information regarding Directors, in line with the items requested in Recommendation 27.

28. Institutional directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to institutional directors, the latter's number should be reduced accordingly.

See headings: A.2, A.3 and C.1.2

Comply	X	Partially comply		Explain	

29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, it is understood that there is just cause when the director has breached the duties inherent in his position or comes under any of the circumstances making it lose its independent status in accordance with the provisions of the Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See headings: C.1.2, C.1.9, C.1.19 and C.1.27

Comply	X	Explain	

30. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a Director is indicted or tried for any of the crimes stated in article 213 of the Spanish Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See headings: C.1.42 and C.1.43

Comply	X	Partially comply		Explain	

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary to the Board, whether a Director or not.

Comply	X	Partially comply		Explain		Not applicable	

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See heading: C.1.9

Comply	X	Partially comply		Explain		Not applicable	

33. Compensation comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

Comply	X	Partially comply		Explain		Not applicable	

34. External directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply	X	Explain		Not applicable	

35. In the case of compensation linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply	X	Explain		Not applicable	

36. In the case of variable awards, compensation policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply	X	Explain		Not applicable	

37. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Delegate Committee.

See headings: C.2.1 and C.2.6

Comply	X	Partially comply		Explain		Not applicable	

38. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Comply	X	Explain		Not applicable	

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Compensation.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Compensation should be set forth in the Board regulations, and include the following:

a) **The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;**
b) **These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**
c) **Committees should be chaired by an independent director.**
d) **They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
e) **Meeting proceedings should be minuted and a copy sent to all Board members.**

See headings: C.2.1 and C.2.4

Comply	X	Partially comply		Explain	

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See headings: C.2.3 and C.2.4

Comply	X	Explain	

41. All members of the Audit Committee, particularly its Chair, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply	X	Explain	

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See headings: C.2.3

Comply	X	Explain	

43. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply	X	Partially comply		Explain	

44. Control and risk management policy should specify at least:

a) **The different types of risk (operational, technological, financial, legal, reputational…) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**

b) **The establishment of the risk level that the Company considers acceptable;**

c) **Measures in place to mitigate the impact of risk events should they occur;**

d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See headings: E

Comply	X	Partially comply		Explain	

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a) That the main risks identified as a result of monitoring the effectiveness of internal control of the company and the internal audit function, if any, are managed and properly disclosed.

b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

a) Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.

b) Monitor the independence of the external auditor, to which end:

   i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

   ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See headings: C.1.36, C.2.3, C.2.4 and E.2

Comply	X	Partially comply		Explain	

46. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply	X	Explain	

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) **The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**

b) **The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**

c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See headings: C.2.3 and C.2.4

Comply	X	Partially comply		Explain	

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chair of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See heading: C.1.38

Comply	X	Partially comply		Explain	

49. The majority of Nomination Committee members – or Nominations and Compensation Committee members as the case may be – should be independent directors.

See heading: C.2.1

Comply		Explain	X	Not applicable	

Due to the composition and type of the Board of Directors, which reflects the composition of the Company's shareholders, the understanding is that it is not necessary to comply with the content of Recommendation 49.

50. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) **Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**

b) **Examine or organize, in appropriate form, the succession of the Chair and the chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.**

c) **Report on the senior officer appointments and removals which the chief executive proposes to the Board.**

d) **Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See heading: C.2.4

Comply	X	Partially comply		Explain		Not applicable	

51. The Nomination Committee should consult with the company's Chair and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply	X	Partially comply		Explain		Not applicable	

52. The Compensation Committee should have the following functions in addition to those stated in earlier recommendations:

a) **Make proposals to the Board of Directors regarding:**

i) The compensation policy for Directors and senior management;
ii) The individual compensation and other contractual conditions of executive directors.
iii) The standard conditions for senior management employment contracts.

b) **Oversee compliance with the compensation policy set by the company.**

See headings: C.2.4

Comply	X	Partially comply		Explain		Not applicable	

53. The Compensation Committee should consult with the Chair and chief executive, especially on matters relating to executive directors and senior officers.

Comply	X	Partially comply		Explain	

H. - OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.

2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

   Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

D.5 OTHER RELATED PARTY TRANSACTIONS

The Company and certain of its subsidiaries maintain contractual relationships with INSTITUTO SECTORIALDE PROMOCIÓN Y GESTIÓN DE EMPRESAS DOS, S.A. (INSSEC 2) and various subsidiaries of this company, with which significant shareholders common shares, being the amounts and the following concepts:

Company of CIE Automotive Group/Related Party/Nature/Operation/Thousand Euro

- CIE Automotive and subsidiaries-INSSEC 2 and Subsidiaries- Financing Agreements: Trade Receivables (Non current) 1,640.
- CIE Automotive -INSSEC 2 - Financing Agreements: Trade Receivables (current) 38,657.

Trade accounts balance 40,297

- CIE Automotive and subsidiaries-INSSEC 2 and Subsidiaries- Financing Agreements: Accounts Payable (Non current) 5,970.
- CIE Automotive and subsidiaries-INSSEC 2 and Subsidiaries- Financing Agreements: Accounts Payable (Current) 7,101.
- CIE Automotive and subsidiaries-INSSEC 2- Financing Agreements: Accounts Payable 10.627.

Payable accounts balance 23,698

Net receivable balance: 16,599

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/25/2015.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES [ ] NO [X]

(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

REPORT OF THE AUDITOR RELATING TO THE INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)

To the Directors of CIE Automotive, S.A.:

At the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and pursuant to our letter of proposal dated 9 December 2014, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2014, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable - not absolute - degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal financial reporting control system.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2014 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law enacted by Royal Decree 1/2011 of 1 July, we do not express an audit opinion in the terms envisaged in said Law.

PricewaterhouseCoopers Auditores, S.L., Plaza de Euskadi, 5, 48009 Bilbao, España
Tel.: +34 944 288 800 / +34 902 021 111, Fax: +34 944 288 805, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª.
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 5/2013 dated 12 June 2013.

2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.

4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.

6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2014, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by the Capital Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July, amended by Law 31/2014 of 3 December, on the Sustainable Economy, and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013 for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

25 February 2015