

**CIE AUTOMOTIVE, S.A. AND  
SUBSIDIARIES**

Abbreviated consolidated interim financial statements  
for the six-month period  
ended 30 June 2014

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2014 AND 31 DECEMBER 2013  
(€'000)**

	<u>Note</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	811,082	774,960
Goodwill	5	420,624	378,463
Other intangible assets	5	36,346	31,704
Non-current financial assets	6	21,173	27,286
Investments in associates	6	10,356	19,385
Deferred tax assets	-	221,668	221,211
Other non-current assets	-	4,188	3,928
		<u>1,525,437</u>	<u>1,456,937</u>
<b>Current assets</b>			
Inventories	-	254,967	222,030
Trade and other receivables	-	278,270	185,538
Other current assets	-	3,865	6,490
Current tax assets	-	42,881	39,661
Other current financial assets	6	138,388	85,996
Cash and cash equivalents	7	302,242	326,960
		<u>1,020,613</u>	<u>866,675</u>
<b>Disposal group assets classified as held-for-sale</b>	<b>8</b>	<u>25,017</u>	<u>24,950</u>
<b>Total assets</b>		<u>2,571,067</u>	<u>2,348,562</u>

The accompanying notes to the interim financial statements set out on pages 7 to 54 form an integral part of these consolidated interim financial statements.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2014 AND 31 DECEMBER 2013  
(€'000)

	Note	30.06.2014	31.12.2013
<b>EQUITY</b>			
<b>Capital and reserves attributable to the parent company's shareholders</b>			
Share capital	9	32,250	29,705
Treasury shares	9	-	-
Share premium	9	152,171	61,467
Retained earnings	-	456,793	435,875
Interim dividend	-	-	(10,694)
Cumulative exchange differences	-	(83,136)	(95,400)
<b>Non-controlling interests</b>	-	153,124	139,531
<b>Total equity</b>		<b>711,202</b>	<b>560,484</b>
<b>Deferred income</b>	-	<b>18,279</b>	<b>18,836</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current provisions	11	71,123	64,058
Non-current borrowings	10	593,618	646,095
Deferred tax liabilities	-	68,595	61,292
Other non-current liabilities	-	107,951	103,484
		<b>841,287</b>	<b>874,929</b>
<b>Current liabilities</b>			
Current borrowings	10	348,875	331,395
Trade and other payables	-	508,645	433,780
Other current financial liabilities	6	5,619	8,051
Current provisions	11	10,117	9,214
Current tax liabilities	-	34,870	40,551
Other current liabilities	-	89,838	68,991
		<b>997,964</b>	<b>891,982</b>
<b>Disposal group liabilities classified as held for sale</b>	8	<b>2,335</b>	<b>2,331</b>
<b>Total liabilities</b>		<b>1,841,586</b>	<b>1,769,242</b>
<b>Total equity and liabilities</b>		<b>2,571,067</b>	<b>2,348,562</b>

The accompanying notes to the interim financial statements set out on pages 7 to 54 form an integral part of these consolidated interim financial statements.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014 AND 2013**  
(€'000)

	Note	Six month period to 30 June	
		2014	2013
<b>OPERATING INCOME</b>		<b>1,119,385</b>	<b>865,367</b>
Revenue	-	1,058,417	829,275
Other operating income	-	50,767	29,988
Change in inventories of finished goods and work in progress	-	10,201	6,104
<b>OPERATING EXPENSES</b>		<b>(1,032,379)</b>	<b>(786,752)</b>
Consumption of raw materials and secondary materials	-	(609,438)	(468,393)
Employee benefit expense	-	(243,173)	(184,283)
Depreciation and amortization	4/5	(53,382)	(42,454)
Other operating profit / (expenses)	-	(126,386)	(91,622)
<b>OPERATING PROFIT</b>		<b>87,006</b>	<b>78,615</b>
Financial income	-	12,095	9,235
Finance costs	-	(36,218)	(42,201)
Exchange differences	-	1,991	5,225
Share of profit/(loss) of associates	6	(1,575)	(902)
<b>PROFIT BEFORE TAX</b>		<b>63,299</b>	<b>49,972</b>
Income tax	12	(13,437)	(6,707)
<b>PROFIT FROM CONTINUING OPERATIONS AFTER TAXES</b>		<b>49,862</b>	<b>43,265</b>
<b>LOSS FROM DISCONTINUED OPERATIONS</b>	8	(99)	(240)
<b>PROFIT FOR THE PERIOD</b>		<b>49,763</b>	<b>43,025</b>
<b>ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	-	(10,262)	(10,206)
<b>PROFIT ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS</b>		<b>39,501</b>	<b>32,819</b>
Earnings per share attributable to Company's shareholders during the year (expressed in euro per share)			
- Basic earnings per share:	13	<b>0.329</b>	<b>0.317</b>
From continuing operations		0.330	0.319
From discontinued operations		(0.001)	(0.002)
- Diluted earnings per share:	13	<b>0.329</b>	<b>0.317</b>
From continuing operations		0.330	0.319
From discontinued operations		(0.001)	(0.002)

The accompanying notes to the interim financial statements set out on pages 7 to 54 form an integral part of these consolidated interim financial statements.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014 AND 2013 (€'000)

	Note	Six month period to 30 June	
		2014	2013
<b>PROFIT FOR THE PERIOD</b>		<b>49,763</b>	<b>43,025</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Entries that may be reclassified to profit or loss:			
- Cash flow hedges	6	2,410	(120)
- Net investment hedge	6	5,439	(20,797)
- Currency translation differences	-	17,422	(14,164)
- Available-for-sale financial assets	-	1,821	(7,174)
- Other comprehensive income for the period	-	(2,044)	(596)
- Tax effect	-	(2,624)	9,555
<b>Total entries that may be reclassified to profit or loss:</b>		<b>22,424</b>	<b>(33,296)</b>
Entries that may not be reclassified to profit or loss:			
- Actuarial gains and losses		(363)	-
- Tax effect		109	-
<b>Total entries that may not be reclassified to profit or loss:</b>		<b>(254)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>71,933</b>	<b>9,729</b>
<b>Attributable to:</b>			
- Owners of the parent		54,916	6,709
. Continuing operations		54,909	6,869
. Discontinued operations		7	(160)
- Non-controlling interests		17,017	3,020
		<b>71,933</b>	<b>9,729</b>

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014  
AND 2013  
(€'000)

	Attributable to the Parent Company's shareholders								Total equity
	Share capital (Note 9)	Treasury shares (Note 9)	Share premium (Note 9)	First-time IFRS- EU application reserve and other restatement reserves	Exchange Differences	Retained earnings	Interim dividend	Non- controlling interests	
Balance at 31 December 2012	28,500	(53,230)	33,752	48,258	(54,730)	353,271	(9,345)	158,991	505,467
<b>TOTAL COMPREHENSIVE INCOME for 2013</b>	-	-	-	(15,230)	(10,880)	32,819	-	3,020	9,729
Distribution of 2012 profit	-	-	-	-	-	(18,622)	9,345	-	(9,277)
Acquisition/sale of treasury shares	-	(4,277)	-	-	-	-	-	-	(4,277)
Business combinations (Note 17)	-	-	-	-	(79)	9,743	-	(10,669)	(1,005)
Consolidation scope changes (Note 1.1)	-	-	-	-	-	14,444	-	(14,444)	-
Other movements (*)	-	-	-	-	-	(212)	-	(5,133)	(5,345)
<b>Balance at 30 June 2013</b>	<b>28,500</b>	<b>(57,507)</b>	<b>33,752</b>	<b>33,028</b>	<b>(65,689)</b>	<b>391,443</b>	<b>-</b>	<b>131,765</b>	<b>495,292</b>

(\*) Basically relates to the distribution of dividends to non-controlling interests.

	Attributable to the parent company's shareholders								Total equity
	Share capital (Note 9)	Treasury shares (Note 9)	Share premium (Note 9)	First-time IFRS- EU application reserve and other restatement reserves	Exchange Differences	Retained earnings	Interim dividend	Non- controlling interests	
Balance at 31 December 2013	29,705	-	61,467	18,764	(95,400)	417,111	(10,694)	139,531	560,484
<b>TOTAL COMPREHENSIVE INCOME for 2014</b>	-	-	-	3,151	12,264	39,501	-	17,017	71,933
Distribution of 2013 profit	-	-	-	-	-	(22,304)	10,694	-	(11,610)
Increase in capital (Note 9)	2,545	-	90,704	-	-	(1,527)	-	-	91,722
Other movements (*)	-	-	-	-	-	2,097	-	(3,424)	(1,327)
<b>Balance at 30 June 2014</b>	<b>32,250</b>	<b>-</b>	<b>152,171</b>	<b>21,915</b>	<b>(83,136)</b>	<b>434,878</b>	<b>-</b>	<b>153,124</b>	<b>711,202</b>

(\*) Basically relates to the distribution of dividends to non-controlling interests.

The accompanying notes to the interim financial statements set out on pages 7 to 54 form an integral part of these consolidated interim financial statements.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**CONSOLIDATED CASH-FLOW STATEMENTS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014  
AND 2013  
(€'000)**

	Notes	Period ended 30 June	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash generated from continuing and discontinued operations	15	84,916	36,358
Interest paid	-	(31,054)	(31,592)
Interest received	-	9,488	1,094
Income tax paid	-	(9,821)	(6,658)
Net cash generated from operating activities	-	53,529	(798)
<b>Cash flows from investing activities</b>			
Acquisition/disposal of subsidiaries, net of cash acquired/transferred	17	(5,868)	-
Acquisition of property, plant and equipment	4	(55,677)	(45,768)
Proceeds from the sale of property, plant and equipment and intangible assets	15	1,444	3,042
Acquisition of intangible assets	5	(3,071)	(2,889)
Acquisitions/disposal of other non-current assets	-	(621)	(776)
Acquisition/disposal of financial assets	-	(36,369)	(37,558)
Net cash used in investing activities	-	(100,162)	(83,949)
<b>Cash flows from financing activities</b>			
(Acquisition)/disposal of treasury shares	9	-	(4,277)
Increase in Capital		91,722	
Proceeds from borrowings	10	69,800	47,000
Income (net of reimbursements) from high-rotation borrowings	10	(4,415)	(52,775)
Loan repayments	10	(130,300)	(40,500)
Grants received (net)	-	109	39
Dividends paid shareholders of the parent company	14	(10,694)	(9,345)
Other payments/income to/from non-controlling interests	-	(4,413)	(5,237)
Net cash (used in)/from financing activities	-	11,809	(65,095)
<b>Exchange gains/(losses) on cash and cash equivalents</b>	-	<b>10,106</b>	<b>(16,319)</b>
<b>Net (decrease)/increase in cash and cash equivalents and bank overdrafts</b>		<b>(24,718)</b>	<b>(166,161)</b>
Cash and cash equivalents at beginning of the year	7	326,960	468,656
<b>Cash and cash equivalents at end of the year</b>	<b>7</b>	<b>302,242</b>	<b>302,495</b>

The accompanying notes to the interim financial statements set out on pages 7 to 54 form an integral part of these consolidated interim financial statements.



## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

#### **1. General information and regulatory framework**

##### **1.1 CIE Automotive Group and activities**

The CIE Automotive Group carries out its activities in three different sectors: the Automotive sector, the Biofuel sector and the Technological Services and Solutions & EPCs sector, each of which 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 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 and Vizcaya), Germany, France, UK, Portugal, Czech Republic, Romania, Morocco, Lithuania, NAFTA (Mexico and the US), South America (Brazil), India, the People's Republic of China and Russia.

- Biofuel

The biofuel business encompasses several companies engaged in the production and distribution of biofuels. Note 1.2 to these half-yearly consolidated accounts summarises the main lines of the regulatory framework governing this developing business.

The principal facilities from which this activity is carried on are located in Spain (Álava, Madrid and Vizcaya) and Guatemala.

- Technological Services and Solutions & EPCs (TSS)

The Group, which has an international presence, develops its activities in the high-tech services and solutions end of the market and carries out cutting-edge technology projects, operating in various sectors and industries including the Telecommunications, Transport, Healthcare, Banking, Energy and Government/Public sectors. Its main facilities are located in Spain, Mexico, Brazil, Argentina, Chile and Peru.

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 flat".

#### **Group structure**

CIE Automotive, S.A. (publicly listed) currently holds a direct 100% stake in CIE Bériz, S.L., a 75% stake in CIE Automotive Nuevos Mercados, S.L., a 100% stake in R.S. Automotive, B.V., a 100% stake in Autokomp Ingeniería, S.A.U and finally a 94.43% stake in Global Dominion Access, S.A., holding companies to which the Group's productive companies report.

The list of subsidiaries and associates at 30 June 2014, together with information concerning them, is set out in the Appendix I to these Notes, which are part of these interim financial statements.

All of the subsidiaries under the control of CIE Automotive Group have been consolidated using the full consolidation method.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

Under IAS 28 "Investments in associates and joint ventures", after finalising the acquisition of 50% of the holding in R.S Automotive N.V. in February 2014, the holding in the Group in 2014 has been consolidated using the full consolidation method (Note 17). At the end of June and December 2013 the Group was involved in three joint ventures - the RS Automotive Group, the CIE Avtocom Group and CIE Hispamoldes, S.A. - in which it held a 50% interest in all cases. For purposes of comparison, therefore, in 2013 the consolidation system was changed from the proportionate method to the equity method (Note 2.5). Since February 2014, following the takeover, RS Automotive Group has been consolidated using the full consolidation method, while CIE Avtocom and CIE Automotive Hispamoldes, S.A. have continued to use the equity method in June 2014 (Note 19).

The associates consolidated under the equity method are as follows:

	% interest	
	30.06.2014	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%
CIE Hispamoldes Plastiques, S.A.R.L. d`au	50%	50%
Gescrap Autometal de México, S.A. de C.V.	30%	30%
CIE Automotive Rus, LLC. (2) (4)	100%	100%
Beroa Thermal Energy, S.L.	22.72%	22.72%
RS Automotive Group (3)	100%	50%
CIE Avtocom Group	50%	50%
CIE Automotive Hispamoldes, S.A.	50%	50%

(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.

#### Stock listing in Brazil

One of the Group's subsidiaries, the Brazilian company Autometal S.A., which is 74.76%-owned by the Group, trades on the Brazilian stock exchange (BMF&BOVESPA – Novo Mercado) since 7 February 2011. The Appendix itemises the subsidiaries of Autometal S.A.

On 7 April 2014, the parent company's Board of Directors approved the preparation of a takeover bid in order to discontinue trading on the Novo Mercado de BM&FBOVESPA the shares of the Brazilian company Autometal, S.A.

The bid is aimed at all outstanding Autometal shares (31,775,132 ordinary shares representing 25.24% of share capital).

The maximum price to be offered to shareholders of Autometal other than CIE Autometal will be BRL 19.11 per share, adjusted by the "Índice de Preços ao Consumidor Amplo (IPCA)". Autometal shareholders have received a complementary dividend of BRL 0.2292 per share paid out of 2013 profits. Therefore, the shares acquired in the takeover bid will be ex-dividend. The total amount of the operation is expected to be about €199 million.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

The bid is subject to the obtention of the relevant regulatory and corporate authorisations in Brazil, which include authorisation by the CVM-Comissao de Valores Mobiliarios and approval by non-controlling interests. Once authorisations have been obtained, the operation is expected to be completed in the second semester of 2014.

Autometal, S.A.'s share price on the Brazilian Stock Exchange at 30 June 2014 is BRL 19.00 (31 December: BRL 17.40).

#### **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 will result 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. (company listed on the Bombay Stock Exchange, its name having been changed to Mahindra CIE Automotive, Ltd.), Mahindra Composites, Ltd. (company listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (company listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd. (unlisted company) and Mahindra Gears & Transmissions Pvt, Ltd. (unlisted company).

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, 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 Mahindra CIE Automotive, Ltd. and in 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 Mahindra Hinoday Industries, Ltd. through a private transaction. The total price paid was INR 8,809 billion (equivalent to approximately Euros 110 million).

The shareholding acquired by Autometal, S.A. in those companies through its subsidiaries is 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.

In a second phase, Mahindra CIE Automotive, Ltd. (controlled at the time by CIE Automotive, S.A. through Autometal) initiated a merger by absorption of Mahindra Composites, Ltd. (company listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company Ltd. (company listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd. (unlisted company) and Mahindra Gears & Transmissions Pvt, Ltd. (unlisted company), as well as Participaciones Internacionales Autometal Tres, S.L., the holding company of CIE Automotive, S.A.'s european forged steel component manufacturing business, in order to integrate all these businesses.

As mentioned previously, the final outcome of this process in 2014 will be the creation of the MAHINDRA CIE Group, which will be parented by the Indian company Mahindra CIE Automotive, Ltd., listed on the Bombay Stock Exchange, in which CIE Automotive, S.A. will hold a controlling interest (around 53% of share capital) through its Brazilian subsidiary Autometal, S.A., and in which Mahindra & Mahindra will hold a 20% stake.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

As part of the global operation, in the second half of 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 4.06% (post the increase), at the price of €6 per share in both cases for a total price of €96,244,236.

The Mahindra & Mahindra operation 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.

In 2014 General shareholders meetings of companies involved have approved mergers in line with expectations.

The share prices of the companies currently listed on the Bombay Stock Exchange at 30 June 2014 are as follows:

- Mahindra CIE Automotive, Ltd (formerly Mahindra Forgings, Ltd.): 160.00 INR.
- Mahindra Ugine Steel Company, Ltd: 383.15 INR.
- Mahindra Composites, Ltd.: 117.05 INR.

This business combination is described in detail in Note 17.

#### **Changes in the scope of consolidation**

##### **Six-month period ended 30 June 2014**

###### **a) Automotive segment**

In February 2014, the parent company completed the acquisition of 50% of the holding owned by the Dutch fund VEP Fund I Holding Coöperatief W.A. ("VEP") in RS Automotive N.V. for € 10,766 thousand, plus, if appropriate, an additional amount related to the evolution of the EBITDA ratio of RS Automotive N.V. in 2014 and 2015, payable during the first half of 2016.

As a consequence of this acquisition, CIE Automotive became the owner of the 100% interest of the holding in RS Automotive N.V.

RS Automotive N.V. is the parent company of a corporate group with production facilities in France, Spain, Romania, China and Mexico used in the production of special automobile comfort systems, operating in the market under the name of Grupo ACS-Advanced Comfort Systems.

In 2014 CIE Automotive Rus L.L.C carried out an increase in capital, fully subscribed by CIE Automotive Nuevos Mercados, S.L., amounting to RUB 95 million, equivalent to €2 Million approximately.

##### **Six-month period ended 30 June 2013**

###### **a) Automotive segment**

CIE Hispamoldes Plásticos, S.A.R.L. D'AU, a Moroccan company, was formed on 9 January 2013 with a share capital of MAD 100 thousand (€10 thousand), which was fully subscribed by the Group through the subsidiary CIE Automotive Hispamoldes, S.A.

On 25 February 2013 the Group entered into a joint venture with the Antolin Irausa group whereby the parties agreed to incorporate a company in the Czech Republic called Antolín-CIE Czech Republic, s.r.o. The main objects of this company are the manufacture and sale of metallic structures and sub-assemblies to be assembled in automobile seats.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

Antolín-CIE Czech Republic, s.r.o. was set up with an initial capital of €1 million of which the Antolin Irausa Group subscribed 70% (€700 thousand) and the CIE group subscribed 30% (€300 thousand).

On 2 April 2013 the Spanish company Participaciones Internacionales Autometal Dos, S.L was incorporated with a capital of €112,330 thousand, 100% owned by the company Participaciones Internacionales Autometal, S.L.U., incorporated in 2012 and dependent in turn on Autometal, S.A., the Brazilian subsidiary of the Group. Subsequently, on 10 June 2013, a capital increase of €102,070 thousand was carried out, following which share capital stood at €214,400 thousand. This increase was subscribed by Participaciones Internacionales Autometal, S.L.U. (€42,070 thousand) and CIE Berriz, S.L. (Appendix I) (€60,000 thousand). As a result, the company ceased to be a single-shareholder entity.

On 6 May 2013 the Group, through its Mexican subsidiary CIE Autometal de México, S.A. de C.V., made a capital contribution of USD 302 thousand corresponding to 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., 100% owned by the group company Participaciones Internacionales Autometal Dos, S.L., with share capital of €3 thousand. Subsequently, on 11 June 2013 it carried out a capital increase which was fully subscribed by Participaciones Internacionales Autometal Dos, S.L. in the amount of €60 million.

On 10 June 2013, as part of the strategic operation arranged with the Mahindra group, the Group company CIE Galfor, S.A. acquired the Spanish company CIE Legazpi, S.A., which until then had been fully owned by the Group through the subsidiary CIE Berriz, S.L. and the Lithuanian company UAB CIE LT Forge, which until then had been fully owned by CIE Automotive Nuevos Mercados, S.L., in turn 75% owned by the CIE Automotive group. This operation, which was performed for individual reporting purposes at market value, did not impact the financial statements of the CIE Group, except the increase from 75% to 100% in the shareholding in UAB CIE LT Forge, which generated a decrease in retained earnings and increased the amount of non-controlling interests by €3 million.

On 12 June 2013 and also within the framework of the strategic operation with the Mahindra group, the wholly-owned company CIE Berriz, S.L. entered into a contract with Participaciones Internacionales Autometal Tres, S.L. for the purchase of 100% of the shares in CIE Galfor S.A., which in turn owned 100% of the shares in CIE Legazpi S.A. and UAB CIE LT Forge. Following this transaction and taking into account the shareholdings owned by CIE Automotive Group in these companies, which are subsidiaries of the group listed in Brazil, Autometal, in which CIE Automotive Group has a 74.76% interest, the Galfor subgroup became 81.82% owned by CIE Automotive Group. This operation was carried out at market price for individual reporting purposes and resulted in an increase in Group retained earnings and a reduction in non-controlling interests of €17 million.

#### **b) Technological Services and Solutions & EPCs (TSS) Segment**

Visual Line, S.L. was incorporated in 2013 with a share capital of euro 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 Gestión Personalizada, S.L., respectively, its telecommunications services related activities consisting on 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.

The idea of this transaction is to have better align business activities with 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.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

In December 2013, prior to the two capital increases carried out by the majority 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 their par value and €55,515 thousand to the share premium). As a result of these operations, its shareholding 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. If the purchase option is exercised, the Dominion Group will pay, over three years, an amount equal to the Beroa Group's EBITDA for each of the three years (2014, 2015 and 2016) multiplied by 7.5x, reduced by the corresponding financial debt. Both operations are carried out at market value in accordance with independent expert report.

The group parented by Beroa Thermal Energy, S.L. is engaged in the building of industrial facilities and related projects, technical assistance and advice for companies, particularly in relation to refractory and similar materials, as well as the construction of chimneys, preparation of plans and projects, and building of related industrial facilities, including the fitting of components in such facilities. It also prepares studies on the creation, structure and feasibility of companies and holds interests in trading companies through the acquisition of shares or interests, particularly in companies engaged in the assembly of refractory materials in facilities of all kinds.

The company's main facilities are located in Europe (Spain, Germany, France, Italy, United Kingdom, Poland and Denmark), as well as in Saudi Arabia, Persian Gulf countries (Oman, Qatar, UAE), United States, Latin America (Chile, Mexico and Argentina), and South Africa.

#### 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 30 June 2014 and 2013 are as follows (Note 9):

	% interest	
	30.06.2014	30.06.2013
Corporación Gestamp, S.L.	(*) 22.909%	(*) 25.923%
Mahindra & Mahindra, Ltd	(**) 12.435%	-
Elidoza Promoción de Empresas, S.L.	9.602%	10.865%

(\*) 9.808% directly and 13.101% indirectly through Risteel Corporation, B.V. (2013: 11.098% directly and 14.825% indirectly through Risteel Corporation, B.V.).

(\*\*) Indirectly through Mahindra Overseas Investment Company (Mauritius) Ltd.

#### Authorisation for interim financial statements

These abbreviated consolidated interim financial statements were authorised by the Board of Directors of the parent company on 28 July 2014.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### 1.2 Regulatory Framework

The Biofuel business is subject to a specific regulatory framework which covers several aspects of the business.

##### Buffer inventories

Royal Decree 1716/2004 came into effect on 27 August 2004, enacting the Hydrocarbons Act in relation to the obligations to maintain minimum inventory levels in the oil and natural gas sectors and to diversify natural gas supplies. This legislation defines the parties subject to these obligations, the content of the same, the amount, form and location of these inventories, reporting obligations and administrative competences relating to the inspection and control of these inventory obligations. This Royal Decree also regulates the operation of Corporación de Reservas Estratégicas de Productos Petrolíferos (hereinafter, CORES) and fossil fuel supply shortages.

In this respect, Group subsidiary VIA Operador Petrolífero, S.L.U., as an oil product operator, in accordance with Royal Decree 1716/2004, as amended by Royal Decree 1766/2007 (28 December), is subject to the obligation to maintain minimum inventory levels of oil products. Oil product operators are required to maintain minimum inventory levels equivalent to the days' sales stipulated by law, (92 days to the current date) of which CORES covers a mandatory 42 days and the operators the rest, of which 35 are maintained by CORES through a lease agreement concluded by the respective parties. Inspection and control of compliance with this obligation are handled by CORES, which was set up on 7 July 1995.

##### Mandatory

Order ITC/2877/2008 stipulates that the parties bound by the terms thereof certify annually the certification entity ownership of the minimum number of biofuel certificates required to enable them to comply with the binding biofuel targets (as modified by several decrees, those currently prevailing being Royal Decree 459/2011 (2 April) and Royal Decree 4/2013 (22 February)). Said certificates are understood to mean the document issued at the request of the party subject to the Order certifying that the latter has accredited sales or consumption of a tonne of oil equivalent (toe) of biofuels in a given year. Failure by these parties to certify the levels of consumption shown in the table below triggers a penalty of €350 per biofuel certificate not presented.

As noted above, Royal Decree 459/2011 was published on 2 April 2011, replacing Royal Decree 1783/2010; in the wake of the legislative amendments passed in 2013, this body of legislation establishes the following targets for biofuels in general and as substitutes for diesel in particular:

	<u>2014</u>	<u>2013</u>
Biofuel targets	4.1%	4.1%
	<u>2014</u>	<u>2013</u>
Biofuel mix targets for diesel	4.1%	4.1%

##### Sustainability

Royal Decree 1597/2011, published on 4 November 2011, regulates the sustainability criteria for biofuels and bioliquids, the National Sustainability Verification System and the double counting of some biofuels for computation purposes. This Royal Decree, which deems the CNE, Spain's energy regulator, the system manager, provides for the double counting of certain biofuels in terms of compliance with biofuel consumption and sales targets and the 10% renewable energy target for transportation for 2020.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

#### Legislative developments, 2013

Following submission of the corresponding allocation applications, the Secretary of State for Energy (SEE) of Ministry for Industry, Energy and Tourism (MINETUR) ultimately issued its resolution on 9 February 2013, effectively calling the new tender for allocating biodiesel quotas. The draft definitive list was published in the Official State Journal on 6 November 2013, triggering the period for presenting claims upon completion of which the definitive list will be published.

Elsewhere, Royal Decree 4/2013 on measures to support entrepreneurs and stimulate growth and job creation, published in the Official State Journal on 22 February 2013, reduced the biofuel target for 2013 to 4.1% but left the longer-term EU-imposed targets intact, implying significant growth in mandatory biofuel consumption in the years to come.

#### Legislative developments 2014

On 4 February 2014, the Ruling of 24 January 2014 from the Secretary of State for Energy was published in the Official State Gazette, containing the definitive list details of the biodiesel production plants or units, showing the volumes allocated for the calculation of mandatory biofuel objectives. In Appendix I, Biosur Transformación, S.L.U. and Bionor Berantevilla, S.L.U. were assigned an annual capacity of 240,000 tonnes and 60,000 tonnes, respectively.

On 5 May 2014 the so-called Quantities Order came into effect, whereby production quotas in the Spanish market were assigned to the plants that had filed the pertinent applications (up to 4.8 million tonnes). Both Bionor Berantevilla S.L.U. and Biosur Transformación S.L.U. have obtained allocations. The above-mentioned order works as a licence in the Spanish market and, although it is difficult to predict its impact on the market, the logical outcome should be an increase in competitiveness among the companies with allocated quotas compared with those that have not received any allocation.

## **2. Summary of the main accounting policies applied**

Except as indicated in Notes 2.1 and 2.5 below, the accounting policies applied to prepare these abbreviated consolidated interim financial statements for the six month period ended 30 June 2014 are consistent with those applied to prepare the 2013 consolidated annual accounts of CIE Automotive, S.A. and subsidiaries. These abbreviated consolidated interim financial statements for the six month period ended 30 June 2014 were prepared according to International Accounting Standards (IAS) 34, "Interim financial reporting" and should be read along with the consolidated annual accounts at 31 December 2013 which were prepared according to IFRS-EU for CIE Automotive, S.A. and subsidiaries.

### **2.1 Basis of presentation**

The Group's abbreviated consolidated interim financial statements for the six month period to 30 June 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 30 June 2014.

The consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit and loss.

The preparation of interim financial statements and the consolidated annual accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management exercise judgment in the process of applying the Company's accounting policies. The judgements and estimates made by management when preparing the consolidated interim financial statements at 30 June 2014 are consistent with those used to prepare the consolidated annual accounts at 31 December 2013 of CIE Automotive and subsidiaries.



## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

The effectiveness of certain International Financial Reporting Standards (IFRS-EU) from 1 January 2014, has prompted the Group to adapt its consolidated interim financial statements for those standards. The standards taking effect are detailed in Note 2.5 below.

The income statement for the first half of 2014 and 2013 does not include any unusual items that would require details and/or the reconciliations of figures.

#### **2.2 Consolidation principles**

Appendix I to these Notes identifies the subsidiaries included in the scope of consolidation.

The criteria used in the consolidation, except for those mentioned in Note 1 and 2.5, have not varied with respect to those used in the year ended 31 December 2013 by CIE Automotive, S.A. and subsidiaries.

The consolidation methods used are described in Note 1. The financial statements used in the consolidation process are, in all cases, those relating to the six month period to 30 June 2014 and 2013.

#### **2.3 Segment information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The highest decision-making body, which is responsible for allocating resources to and assessing the performance of the operating segments, has been identified as the Executive Steering Committee.

These segments are described in Note 5 to the 2013 consolidated annual accounts of CIE Automotive S.A. and subsidiaries.

#### **2.4 Accounting estimates and judgements**

The preparation of interim financial statements requires management to make judgments, estimates and assumptions affecting the application of accounting policies and the amounts presented under assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of these abbreviated interim financial statements, the important judgments made by management on applying the Group's accounting policies and the key sources of uncertainty in their estimation have been the same as those which were applied in the consolidated annual accounts for the year ended 31 December 2013.

##### **a) Income tax**

Income tax expense for the six month periods to 30 June 2014 and 2013 has been estimated based on profits before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation governing the corporate income tax base calculation. The tax is recognised in the income statement, except insofar as it relates to items recognised directly in equity, in which case, it is also recognised in equity.

Tax credits and deductions and the tax effect of applying tax-loss carryforwards that have not been capitalised are treated as a reduction in the corporate income tax expense for the year in which they are applied or offset.

The calculation of income tax expense did not require the use of significant estimates except in tax credits recognised in the year, which was at all times consistent with the annual financial statements. Bearing in mind the economic and time parameters used for the estimates, had the premises used been modified by 10%, it would not have had a significant positive or negative effect on the results for the six month period ended 30 June 2014.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### b) Estimated impairment loss on goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units basically which were determined on the basis of calculations of value in use did not give rise to impairment risks on the Group's goodwill at 31 December 2013.

The assumptions used in the analysis, the effects of the sensitivity analysis and other information on these impairment analyses are included in Note 7 of the consolidated annual accounts of CIE Automotive, S.A. and subsidiaries at 31 December 2013.

The performance of the different business lines of the CIE Automotive Group was positive in the first half of 2014 (Note 2.6), without indication of a risk of impairment which would modify the conclusions of the analyses and estimates made at 31 December 2013.

#### c) Estimate of 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.

#### d) Fair value of derivatives and other financial instruments

The fair value of the financial instruments used by the Group, primarily interest rate swaps and foreign currency insurance, is determined in the reports drafted by the Group's financial analysts and contrasted with those valuations received from the financial institutions with which the financial instruments were contracted.

Note 6.b) details the conditions, notional amounts and valuation of those instruments at the balance sheet date.

#### e) 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 of the consolidated annual accounts at 31 December 2013 of CIE Automotive, S.A. and subsidiaries contains further information and a sensitivity analysis for changes to the most significant estimates.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

#### f) Product warranty

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 Technological Services and Solutions & EPCs 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.

#### **2.5 New IFRS and IFRIC interpretations**

##### a) Mandatory standards, amendments and interpretations for all years starting as from 1 January 2014

At the date of signing of these financial statement for six month period, IASB and IFRS Interpretations Committee has published the mandatory standards, amendments and interpretations explained below and whose application is mandatory from the fiscal year 2014 and the Group has not early adopted.

##### **IFRS 10 "Consolidated financial statements"**

IFRS 10 introduces changes in the concept of control, which continues to be defined as the factor determining whether or not an entity should be included in the consolidated financial statements. IFRS 10 replaces the control and consolidation guidelines contained in SIC 27 "Consolidated and individual financial statements" and eliminates IAS 12 "Consolidation – special purpose entities".

The new standard is not expected to have any effect on the consolidated annual accounts.

##### **IFRS 11 "Joint arrangements"**

IFRS 11 addresses the accounting treatment of joint arrangements based on the rights and obligations arising from the agreement rather than the legal status. The types of joint arrangements are reduced to two: joint operations and joint ventures. Under a joint operation a member has direct rights over the assets and liabilities arising from the arrangement and therefore reflects its proportional interest in the assets, liabilities, income and expenses of the entity in which it participates. A joint venture is when a member is entitled to the profits or net assets of the entity in which it participates and therefore uses the equity method to account for its interest in the business. The proportional consolidation method is no longer permitted to account for interests held in joint ventures.

The effects of this standard are discussed below together with those relating to the amendment of IAS 28

##### **IFRS 12 "Disclosure of interests in other entities"**

IFRS 12 contains the disclosure requirements for entities reporting under the new IFRS 10 "Consolidated financial statements" and the new IFRS 11 "Joint arrangements".

The Group has taken this standard into consideration, without any impact on the half-yearly consolidated accounts.

##### **IAS 27 (Amendment) "Separate financial statements"**

The requirements formerly contained in IAS 27 regarding the preparation of consolidated financial statements are now contained in IFRS 10. Therefore, the scope of application of the former is now limited to accounting for investments in subsidiaries, joint ventures and associates in individual financial statements of the investing company under IFRS, which have not changed with regard to the previous version (i.e., cost or fair value accounting according to IFRS 9 requirements).

Although application of IAS 27, amended, was mandatory for all years starting on and after 1 January 2013, according to the date established for their entry into effect by the IASB, for EU purposes, these amendments come into effect in the years starting on and after 1 January 2014.

The new amendment has not had a significant effect on the consolidated annual accounts.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014  
(€'000)**

**IAS 28 (Amendment) "Investments in associates and joint ventures"**

IAS 28 has been updated to include references to joint ventures which, under the new IFRS 11 "Joint arrangements" must be accounted for using the equity method.

Although application of IAS 28, amended, was mandatory for all years starting on and after 1 January 2013, according to the date established for their entry into effect by the IASB, for EU purposes, these amendments come into effect in the years starting on and after 1 January 2014.

As mentioned in Note 1, at the end of June and December 2013 the Group was involved in three joint ventures - RS Automotive group, CIE Avtocom group and CIE Automotive Hispamoldes, S.A. - in which it held a 50% interest in all cases. For purposes of comparison, therefore, in 2013 the consolidation system was changed from the proportionate method to the equity method. With respect to the balance sheet at 31 December 2013 and the income statement at 30 June 2013, this change entails the elimination of the specific impacts of the assets, liabilities and profit/ (loss) items described below:

	<u>31.12.2013</u>	<u>01.01.2013</u>
<b>ASSETS</b>		
Non-current assets	17,847	17,164
Current assets	11,469	12,451
<b>Total assets</b>	<b><u>29,316</u></b>	<b><u>29,615</u></b>
	<u>31.12.2013</u>	<u>01.01.2013</u>
<b>Non-controlling interests</b>	<b><u>2,349</u></b>	<b><u>2,349</u></b>
<b>Deferred income</b>	<b><u>522</u></b>	<b><u>757</u></b>
Non-current liabilities	6,228	5,437
Current liabilities	11,785	10,915
<b>Total liabilities</b>	<b><u>18,013</u></b>	<b><u>16,352</u></b>
<b>Total liabilities and Non-controlling interests</b>	<b><u>20,884</u></b>	<b><u>19,458</u></b>

Due to the effect from the condition described, value of the equity has increased in €8,432 and 10,157 thousand at 31 December 2013 and at 1st January 2013, respectively (Note 6).

	<u>Six-month period ended 30 June 2013</u>
OPERATING INCOME	(21,296)
OPERATING EXPENSES	21,841
<b>OPERATING PROFIT</b>	<b><u>545</u></b>
FINANCIAL PROFIT	(663)
<b>PROFIT BEFORE TAXES</b>	<b><u>(118)</u></b>
Corporate income tax	118
<b>PROFIT FROM CONTINUING OPERATIONS AFTER TAXES</b>	<b><u>-</u></b>

In 2014, following the takeover, RS Automotive Group has been consolidated using the full consolidation method (Note 17) while CIE Avtocom Group and CIE Automotive Hispamoldes, S.A. have continued to use the equity method.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

#### **IAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities"**

In December 2011 the IASB issued an amendment of IAS 32 "Offsetting financial assets and financial liabilities", and an amendment of IFRS 7 "Disclosures - Offsetting financial assets and financial liabilities", as mentioned above.

In the amendment to IAS 32 "Financial instruments: Presentation" changes the Application Guidance of the standard to clarify some of the requirements for the offset of financial assets and financial liabilities on the balance sheet. The amendment does not alter the offset model already contained in IAS 32.

This amendment has no impact on 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 for IFRS 10, IFRS 11 and IFRS 12)"**

The IASB amended the transitional provisions of IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", and IFRS 12 "Disclosure of interests in other entities" in order to clarify that the date of first application is the first day of the first year in which IFRS is applied for the first time.

#### **IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 27 (Amendment) "Investment entities"**

The new amendment has not had a significant effect on the consolidated half-yearly accounts.

#### **IAS 36 (Amendment) "Disclosures of the recoverable amount of non-financial assets"**

The IASB has published a narrow scope amendment of IAS 36 "Impairment of assets", in relation to the information to be disclosed concerning the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal.

The new amendment has not had a significant effect on the consolidated half-yearly accounts.

#### **IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting"**

Under IAS 39, an entity is required to discontinue hedge accounting when a hedging instrument is novated to a central counterparty (CCP) since the original derivative ceases to exist. The new derivative with the CCP is recognised at the time of novation.

The IASB has amended IAS 39 in order to introduce a narrow-scope exception to the requirement to discontinue hedge accounting when the novation of a hedging instrument to a CCP meets certain requirements.

The new amendment has not had a significant effect on the consolidated half-yearly accounts.

#### **IFRIC 21 "Levies"**

IFRIC 21 "Levies" provides an interpretation of IAS 37 "Provisions, contingent assets and contingent liabilities" which covers the accounting treatment of levies imposed by the public administrations, other than income taxes and fines and penalties imposed owing to non-compliance with legislation. The main issue raised in this respect is when the entity should recognise a liability owing to the obligation to pay a levy accounted for in accordance with IAS 37. IAS 37 establishes the conditions for the recognition of a liability, one of which is that the entity has a present obligation as a result of a past event. The interpretation clarifies that the obligating event generating a liability to pay a levy is the activity described in pertinent legislation triggering its payment.

The new amendment is not expected to have a significant effect on the Group.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

- b) Mandatory standards, amendments and interpretation of the existing standard that can not be taken early or have not been adopted by European Union

As of the date of these financial statements for the six month period, IASB and IFRS Interpretation Committee has published the mandatory standards, amendments and interpretation explained below and have not been adopted by European Union.

#### **IAS 19 (Amendment) "Defined benefit plans: Employee contributions"**

This change is applicable to contributions by employees or third parties to defined benefit plans. The aim is to simplify the accounting treatment of the contributions which are independent of the number of years of service.

The new amendment is not expected to have a significant effect on the Group.

#### **IFRS 9 "Financial instruments"**

The publication of IFRS 9 "Financial instruments" in November 2009 was the first step in the process undertaken by IASB to replace IAS 39, "Financial instruments: Recognition and measurement". IFRS 9 simplifies the way in which financial assets are accounted for and introduces new classification and measurement requirements. It requires that financial assets which are held mainly to collect cash flows representing payment of the principal and interest should be carried at amortised cost while other financial assets, including those held for trading, should be carried at fair value.

The IASB published an amendment under which the entry into effect of IFRS 9 "Financial instruments" was postponed. Its application will be mandatory for the years starting on and after 1 January 2015.

The new standard is not expected to have a significant effect on the Group.

#### **IFRS 9 (Amendment) "Financial Instruments": hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39)"**

Within the IASB project to replace IAS 39 in its entirety by IFRS 9, it has published the document "IFRS 9: Financial Instruments - Hedge Accounting" which involves the incorporation of the requirements relating to hedge accounting into IFRS 9. These amendments to IFRS 9 represent a substantive reform of hedge accounting that more closely aligns hedge accounting and risk management, and should result in more useful information for decision-making by users of financial statements. These new requirements also establish an approach based more on principles than on rules for hedge accounting and address inconsistencies and weaknesses in the current IAS 39 model.

Additionally, as part of the modifications, even though it is not related to hedge accounting, IFRS9 is also modify to allow companies to adopt in advance the requirement of recognizing, in other comprehensive income, changes in fair value attributable to changes in entity's own credit risks (for financial liabilities that are measured at fair value). This can be applied without adapting the rest of IFRS 9.

Finally, date of entry into force of IFRS 9 (January 1, 2015) has been removed, although entities can still choose to apply IFRS 9 immediately but not for the purpose of IFRS since IFRS9 has not been yet approved by EU.

IFRS 9 is being applied retroactively. However, the hedge accounting will be applied prospectively.

The new amendment is not expected to have a significant effect on the Group.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### Improvement projects, 2010 – 2012 and 2011 – 2013 Cycles

In December 2013 the IASB published the Annual Improvements to IFRSs for the 2010-2012 and 2011-2013 cycles. The annual improvements process provides a vehicle for making non-urgent but necessary changes in IFRS. Some of these amendments result in changes to other IFRS. The amendments incorporated into these Annual Improvements are generally applicable to years starting on or after 1 July 2014; early application is permitted. A summary of these changes is set out below.

#### 2010-2012 Cycle:

- IFRS 2 "Share-based payments": The amendment clarifies the definition of a "vesting condition" and separately defines the terms "performance condition" and "service condition".
- IFRS 3 "Business combinations" It is clarified that the obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or an equity instrument based on the definitions contained in IAS 32, "Financial Instruments: Presentation". Additionally, it is clarified that any contingent consideration that does not meet the definition of an equity instrument, of both a financial and a non-financial nature, is valued at fair value at each balance sheet date, with changes in fair value recognised in the income statement.
- IFRS 8 "Operating segments": The rule is amended to require disclosure of the judgments made by management when adding operating segments. This includes a description of the segments have been aggregated and the economic indicators that have been evaluated in determining that the aggregate segments share similar economic characteristics. Additionally, if assets are disclosed by segment, a reconciliation between the assets assigned to the segments reported on and the enterprise's assets is required.
- IFRS 13 "Fair Value Measurement": As a result of the changes resulting from IFRS 9 and IAS 39 following the issue of IFRS 13, the references to the capacity to measure short-term accounts receivable and payable at nominal value when the effect of discounting is not significant were removed. The IASB has amended the basis of conclusions in IFRS 13 to clarify that it did not intend to eliminate such capacity.
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets": Both standards are amended to clarify how to treat the gross carrying amount and accumulated depreciation when an entity uses the revaluation model.
- IAS 24 "Related-Party Disclosures": The rule is amended to incorporate, as a related party, any entity that provides key personnel management services to the reporting entity or its parent ("management entity"). The reporting entity is not required to disclose the compensation paid by the management entity to its employees or directors, but would be required to disclose the amounts paid by the reporting entity to the management entity for services rendered.

#### 2011-2013 Cycle:

- IFRS 1 "First-time adoption of IFRS": The basis for conclusions in IFRS 1 is amended to clarify that, when the application of a new version of a standard is not yet mandatory but may be adopted early, a first-time adopter may use either the new or the old version of the rule, providing the same version is applied in all periods reported.
- IFRS 3 "Business combinations": It is clarified that IFRS 3 does not apply to the accounting for the formation of a joint arrangement under the scope of IFRS 11. The amendment also clarifies that this scope exemption applies only in the financial statements of the joint arrangement itself.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

- IFRS 13 "Fair Value Measurement": The amendment clarifies that the "portfolio exception" available under IFRS 13 which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9, including non-financial contracts.
- IAS 40 "Investment properties": The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive: IAS 40 provides guidelines to assist in the distinction between investment properties and owner-occupied properties. When necessary, we should refer to the contents of IFRS 3 to determine whether the acquisition of an investment property meets the definition of a business combination or not.

These amendments are not expected to have a significant effect on the Group.

#### **IFRS 14 "deferred regulatory accounts"**

The IASB has published IFRS 14 "Regulatory deferral accounts", an interim standard on the accounting treatment of certain balances arising in rate-regulated activities.

This is not applicable to the Group.

#### **IFRS 11 (Amendment) "Accounting for acquisitions of interests in joint ventures"**

The IASB has amended IFRS 11, "Joint Arrangements", to provide specific guidance on the accounting treatment of the acquisition of an interest in a joint venture which is a business.

The amendment requires an investor to apply the accounting principles for business combinations when it acquires an interest in a joint venture which is a business.

This amendment is applicable prospectively to years starting on or after 1 January 2016; early application is permitted.

The new amendment is not expected to have a significant effect for the Group.

#### **IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable depreciation and amortisation methods "**

The IASB has issued an amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" with regard to depreciation and amortisation. This amendment clarifies that it is not appropriate to use revenue-based methods to calculate the depreciation of an asset because the revenue generated by an activity that involves the use of an asset generally reflect factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that it is generally presumed that ordinary income is an inadequate basis for assessing the consumption of economic benefits embodied in an intangible asset.

This amendment will be effective for financial years beginning on or after 1 January 2016, and will be applied prospectively. Earlier application of the standard is allowed.

The new 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 (Financial Accounting Standards Board U.S.) jointly issued a converged standard regarding the recognition of revenue from contracts with customers. The new standard will affect most entities applying IFRS or U.S. GAAP, although entities that currently apply sector specific guidelines should expect a greater impact.



## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

Under this standard, revenue is recognised when a customer obtains control of the good or service sold. A customer obtains control when it has both the ability to direct the use and to obtain the benefits of the good or service. The transfer of control is not the same as the transfer of risks and rewards, and is not necessarily the same as the culmination of an earnings process as considered nowadays. Companies will also have to apply new guidelines to determine whether to recognize revenue over time or at a particular time.

Compared with current regulations, IFRS 15 requires extensive information to provide a greater understanding of both revenues that have already been recognised and revenues expected to be recognised in future in relation to existing contracts. Quantitative and qualitative information is also provided about the significant judgments made by management in determining recognised revenue, as well as any changes in these judgments.

IFRS 15 will be effective for financial years starting on or after 1 January 2017; early application is permitted. This standard will be applied using one of the following methods:

- Retroactively for each prior period for which information in accordance with IAS 8 is reported, subject to certain practical constraints; or
- Retroactively recognising the accumulated effect of initially applying this Standard on the date of initial application.

The new amendment is not expected to have a significant effect on the consolidated annual accounts.

#### 2.6 Seasonal nature of business and business volume

Because the Group's business is not seasonal in nature, its sales are distributed evenly throughout the year.

#### 2.7 Liquidity management and working capital

The management of financial risks and market, liquidity, credit and commodity price risks that affect the Group's financial position remains unchanged with respect to the information contained in the annual accounts of CIE Automotive, S.A. and subsidiaries for the year ended 31 December 2013.

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. Liquidity and net debt, which at 30 June 2014 and 31 December 2013 is calculated as follow:

	<u>30.06.2014</u>	<u>31.12.2013</u>
Cash and cash equivalents (Note 7)	302,242	326,960
Other current financial assets (Note 6)	138,388	85,996
Undrawn lines of credit (Note 10)	142,235	95,481
<b>Liquidity buffer</b>	<b><u>582,865</u></b>	<b><u>508,437</u></b>
Bank borrowings (Note 10)	942,493	977,490
Other current financial liabilities (Note 6)	5,619	8,051
Cash and cash equivalents (Note 7)	(302,242)	(326,960)
Other current financial assets (Note 6)	(138,388)	(85,996)
<b>Net current debt</b>	<b><u>507,482</u></b>	<b><u>572,585</u></b>

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

The main reason for the variation in net debt in the first half of 2014 is the payment made to the Dutch fund VEP Fund I Holding Coöperatief W.A. (VEP) for the acquisition, in February 2014, of the additional 50% in RS Automotive, N.V. and capital increase produced in June 2014 (Note 9).

The Group's Treasury Department believes that the initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated in the second half of 2014 and in 2015 will be sufficient to service the Group's payment obligations for the year without having to increase net debt, other than the increase in debt that will result from the first-time consolidation of the debt of the Mahindra Group companies in the process of being merged with Group company, Mahindra CIE Automotive, Ltd. (merge described in Note 1) and a P.T.B. for the Autometal shares describe in Note 1.

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.

Amounts payable to credit institutions in the short term include recurring loans:

- euro 42.0 million originating from the recurring discounting of commercial paper issued by Group customers (€35.4 million at 31 December 2013) (Note 10).
- euro 2.0 million originating from recurring import financing (€6.3 million at 31 December 2013) (Note 10).

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.

Note the existence at 30 June 2014 of €142.2 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 30 June 2014, on a comparative basis with that at 31 December 2013, indicating the relative significance of each of the headings that comprise it:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Inventories	254,967	222,030
Trade and other receivables	278,270	185,538
Other current assets	3,865	6,490
Current tax assets	42,881	39,661
<b>Current operating assets</b>	<b>579,983</b>	<b>453,719</b>
Other current financial assets	138,388	85,996
Cash and other liquid assets	302,242	326,960
<b>CURRENT ASSETS</b>	<b>1,020,613</b>	<b>866,675</b>
Trade and other payables	508,645	433,780
Current tax liabilities	34,870	40,551
Current provisions	10,117	9,214
Other current liabilities	89,838	68,991
<b>Current operating liabilities</b>	<b>643,470</b>	<b>552,536</b>
Current bank borrowings	348,875	331,395
Other financial liabilities	5,619	8,051
<b>CURRENT LIABILITIES</b>	<b>997,964</b>	<b>891,982</b>
<b>NET WORKING CAPITAL</b>	<b>22,649</b>	<b>(25,307)</b>

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

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. We also constantly optimise supplier payment periods by unifying policies and conditions throughout the Group.

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

#### Fair value estimation

In relation to the fair value measurement of its assets and liabilities, the Group complies with to the requirements of IFRS.

Based on the content of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group continues to estimate fair value by level in accordance with the following hierarchy:

- Quoted prices (unadjusted) in active markets for assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

#### **a) Level 1 financial instruments**

The fair value of financial instruments that are sold on official markets is based on market price at the balance sheet date. The listed price used for financial assets is current bid price. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent regularly occurring current market transactions 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.

The instruments included in Level 1 are primarily financial applications in Brazil documented in government securities whose interest rate is indexed to inflation (National Treasury Notes - NTN's) that are classified as financial assets available for sale and as financial assets at fair value with changes in income statement.

#### **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.

The specific valuation techniques for financial instruments include:

- The 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.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

- It is assumed that the carrying value of trade receivables and payables is similar to their fair value.
- The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The financial instruments included in Level 2 are derivative financial instruments (Note 6 b)).

If one or more of the significant inputs are not based on observable market data, the financial instrument is included in Level 3.

The Company at 31 December 2013 and 30 June 2014 has no Level-3 financial assets or agreements to offset financial assets against financial liabilities.

### 3. Segment reporting

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 both a geographical and product perspective.

The Group operates with three types of product families:

- Automotive
- Biofuel
- Technological Services and Solutions & EPCs (TSS)

#### Automotive segment

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 different 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, which is involved in the merger process described in Note 1, which will be completed in the second half of 2014, the CIE Automotive Group has begun to analyse the automotive operating segment on the basis of its management units, distinguishing the Autometal Group, without considering the new companies included in the Mahindra & Mahindra operation; the Autometal Group basically encompasses the automotive businesses in Brazil and México, Mahindra CIE and the other automotive companies, located mainly in Europe.

## **CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

### **NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

In fact, subsegments within automotive segment, are as follows:

- Autometal ExMahindra

This segment includes, basically, Autometal Group companies located in Brazil and NAFTA.

- Mahindra CIE (without Autometal)

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), also the companies that joined the group from 4 October 2013 (Note 1.1.), located in India and Europe.

- Rest of the Automotive segment

This segment includes all no dependent manufacturing businesses at 30 June 2014 of Autometal group, basically located in Europa.

Accordingly, the segments presented in June 2013 have been reorganised based on this new classification.

#### **Biofuel segment**

The Group's strategy is to manage the biofuel value chain from end to end.

This segment covers raw material procurement and the production and distribution of biofuels:

- Raw materials: the idea is to integrate activities that guarantee the competitive supply of raw materials, such as those deriving from recycled oils, animal fats, oleins and other waste.
- Production: production of biofuels from recycled and virgin oils.
- Distribution: sales, logistics and distribution network, both in Spain and abroad.

#### **Technological Services and Solutions & EPCs segment**

This operating segment is active in the high-tech services and solutions end of the market and carries out projects entailing cutting-edge technology. The Group operates in various sectors including the telecommunications, transport, healthcare, banking, energy and government/public sectors.

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 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 8). These items are analysed at the Group level since they are essentially managed in a centralised manner.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### a) Segment information

The earnings performance by segment:

	30.06.2014					Total
	Automotive			Biofuels	TSS	
	Autometal ExMahindra	Mahindra CIE (Rest of Autometal)	Rest of Automotive			
Revenue	328,944	283,070	316,451	51,170	78,782	1,058,417
Other operating expenses and income (excluding depreciation and amortisation)	(281,989)	(252,314)	(261,109)	(49,963)	(72,654)	(918,029)
Depreciation and amortisation	(12,239)	(13,504)	(22,892)	(1,585)	(3,162)	(53,382)
EBIT (operating profit)	34,716	17,252	32,450	(378)	2,966	87,006
EBITDA	46,955	30,756	55,342	1,207	6,128	140,388

	30.06.2013					Total
	Automotive			Biofuels	TSS	
	Autometal ExMahindra	Mahindra CIE (Rest of Autometal)	Rest of Automotive			
Revenue	370,113	82,362	244,347	64,838	67,615	829,275
Other operating expenses and income (excluding depreciation and amortisation)	(308,807)	(74,628)	(197,234)	(63,337)	(64,200)	(708,206)
Depreciation and amortisation	(12,325)	(3,753)	(22,934)	(1,835)	(1,607)	(42,454)
EBIT (operating profit)	48,981	3,981	24,179	(334)	1,808	78,615
EBITDA	61,306	7,734	47,113	1,501	3,415	121,069

Transfers or transactions between segments (which are not material) are carried out in the same terms and conditions as market commercial transactions with third parties.

Other profit and loss disclosures by segment:

	30.06.2014					Total
	Automotive			Biofuels	TSS	
	Autometal ExMahindra	Mahindra CIE (Rest of Autometal)	Rest of Automotive			
Depreciation/amortisation:	(12,239)	(13,504)	(22,892)	(1,585)	(3,162)	(53,382)
Property, plant and equipment (Note 4)	(11,497)	(13,274)	(20,075)	(1,584)	(1,245)	(47,675)
Intangible assets (Note 5)	(742)	(230)	(2,817)	(1)	(1,917)	(5,707)
Impairment						

  

	30.06.2013					Total
	Automotive			Biofuels	TSS	
	Autometal ExMahindra	Mahindra CIE (Rest of Autometal)	Rest of Automotive			
Depreciation/amortisation:	(12,325)	(3,753)	(22,934)	(1,835)	(1,607)	(42,454)
Property, plant and equipment (Note 4)	(11,814)	(3,680)	(20,411)	(1,598)	(1,106)	(38,609)
Intangible assets (Note 5)	(511)	(73)	(2,523)	(237)	(501)	(3,845)

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

The reconciliation of operating profit to profit attributable to parent company:

	<u>30.06.2014</u>	<u>30.06.2013</u>
Operating results	87,006	78,615
Financial income (expense)	(22,626)	(22,447)
Share in profits of associates	(1,575)	(902)
Profit/(loss) on financial assets at fair value	494	(5,294)
Income tax	(13,437)	(6,707)
Discontinued operations	(99)	(240)
Attributed to non-controlling interests	(10,262)	(10,206)
<b>Profit attributable to parent company</b>	<b><u>39,501</u></b>	<b><u>32,819</u></b>

There are no significant transactions between segments.

Segment assets and liabilities and investments in the year are as follows:

	<u>30.06.2014</u>					
	<u>Automotive</u>			<u>Biofuels</u>	<u>TSS</u>	<u>Total</u>
	<u>Autometal ExMahindra</u>	<u>Mahindra CIE (Rest of Autometal)</u>	<u>Rest of Automotive</u>			
Total assets (1)	937,292	472,945	800,128	137,312	198,373	2,546,050
Total liabilities	611,283	337,668	671,017	63,896	155,387	1,839,251
Fixed asset additions (Notes 4 and 5)	22,304	8,178	26,402	29	1,835	58,748
Disposal of assets net of depreciation and amortisation (Notes 4 and 5)	(48)	(224)	(815)	(22)	(121)	(1,230)
Net investments for the year (Notes 4 and 5) (2)	22,256	7,954	25,587	7	1,714	57,518

	<u>31.12.2013</u>					
	<u>Automotive</u>			<u>Biofuels</u>	<u>TSS</u>	<u>Total</u>
	<u>Autometal ExMahindra</u>	<u>Mahindra CIE (Rest of Autometal)</u>	<u>Rest of Automotive</u>			
Total assets (1)	810,062	501,413	706,636	135,594	169,907	2,323,612
Total liabilities	509,409	378,853	697,029	60,694	120,926	1,766,911
Fixed asset additions	56,805	5,532	28,699	574	15,390	107,000
Disposal of assets net of depreciation and amortisation	(541)	(102)	(3,126)	-	(2,669)	(6,438)
Net investments for year (2)	56,264	5,430	25,573	574	12,721	100,562

(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.

Investments in non-current assets include additions to property, plant and equipment (Note 4) and intangible assets (Note 5).

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

Revenues and non-current assets from continuing operations are disclosed in geographic areas or by country as follows:

	Revenue		Non-current assets (*)	
	30.06.2014	30.06.2013	30.06.2014	31.12.2013
<b>AUTOMOTIVE</b>				
Spain (**)	62,013	80,189	124,777	120,270
Rest of Europe	480,510	246,521	492,247	434,670
Brazil	126,982	181,131	234,368	218,391
Nafta	180,131	174,023	217,178	204,782
Asia (***)	78,829	14,958	109,395	112,636
<b>Total Automotive</b>	<b>928,465</b>	<b>696,822</b>	<b>1,177,965</b>	<b>1,090,749</b>
<b>BIOFUELS</b>				
Spain	51,170	64,838	56,857	58,210
<b>Total Biofuel</b>	<b>51,170</b>	<b>64,838</b>	<b>56,857</b>	<b>58,210</b>
<b>TECHNOLOGICAL SERVICES AND SOLUTIONS &amp; EPCS</b>				
Spain	32,934	28,675	30,907	22,880
America	45,848	38,940	16,867	17,217
<b>Total TSS Solutions</b>	<b>78,782</b>	<b>67,615</b>	<b>47,774</b>	<b>40,097</b>
<b>TOTAL</b>	<b>1,058,417</b>	<b>829,275</b>	<b>1,282,596</b>	<b>1,189,056</b>

(\*) Non-current assets that are not financial instruments, deferred tax assets and assets relating 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 that joined the Group during the year (Notes 1 and 17) (recognising the European companies in a separate line), moreover the Chinese Autometal Group companies.

#### b) Information on customers

The Group's sales policy limits its credit risk. In no instance does invoicing per customer or platform account for more than 10% of total revenue (2013, 11%).

## 4. Property, plant and equipment

Set out below is a breakdown of property, plant and equipment:

### 2014

	Balance at 31.12.2013	Incorporations/ (variations) in scope of consolidation (Note 17)	Additions	Disposals	(*) Transfers and other movements	Balance at 30.06.2014
Cost	1,921,720	38,636	55,677	(7,197)	26,302	2,035,138
Depreciation and amortisation	(1,144,782)	(24,078)	(47,675)	5,981	(11,547)	(1,222,101)
Provisions	(1,978)	-	-	-	23	(1,955)
<b>Carrying amount</b>	<b>774,960</b>					<b>811,082</b>

(\*) 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.



**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

**2013**

	Balance at 31.12.2012	Additions	Disposals	(*) Transfers and other movements	Balance at 30.06.2013
Cost	1,557,841	45,768	(7,981)	(18,705)	1,576,923
Depreciation and amortisation	(884,304)	(38,609)	5,212	9,021	(908,680)
Provisions	(2,544)	-	83	(26)	(2,487)
<b>Carrying amount</b>	<b>670,993</b>				<b>665,756</b>

(\*) 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.

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 30 June 2014 and 31 December 2013:

	Million euro					
	30.06.2014			31.12.2013		
	Cost	Accumulated depreciation/ amortisation	Carrying amount	Cost	Accumulated depreciation/ amortisation	Carrying amount
America	558	(277)	281	516	(256)	260
Europe	1,334	(894)	440	1,267	(842)	425
Asia	143	(53)	90	137	(47)	90
	<b>2,035</b>	<b>(1,224)</b>	<b>811</b>	<b>1,920</b>	<b>(1,145)</b>	<b>775</b>

b) Property, plant and equipment not in active use

At 30 June 2014 and 31 December 2013 no items of property, plant and equipment are not in active use.

c) Property, plant and equipment subject to restrictions on title

At 30 June 2014 items of property, plant and equipment (land and buildings) with a carrying amount of €83.7 million (year-end 2013: €94.6 million) are pledged to guarantee debts with government bodies and financial institutions with outstanding balances at that date of €46.2 million (year-end 2013: €90.5 million).

d) Insurance

The Group has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

e) Finance leases

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

	30.06.2014	31.12.2013
Cost capitalised finance leases	19,919	16,833
Accumulated depreciation	(6,518)	(3,632)
<b>Net Carrying value</b>	<b>13,401</b>	<b>13,201</b>

The amounts payable under finance leases are carried under Other Liabilities.

f) Capitalisation of interest

No significant amounts from interest has been capitalised during the six month period ended at 30 June 2014 and 2013.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

**5. Intangible assets**

Set out below are the details and movements of the main classes of intangible assets:

**2014:**

	Balance at 31/12/2013	Incorporations/ (variations) in scope of consolidation (Note 17)	Additions	Disposals	(*) Transfers and other movements	Balance at 30/06/2014
<b>Cost</b>						
Goodwill on consolidation	378,463	32,218	-	-	9,943	420,624
Other intangible assets	100,816	18,852	3,071	(18)	2,036	124,757
	479,279	51,070	3,071	(18)	11,979	545,381
<b>Accumulated amortisation</b>	(69,112)	(11,467)	(5,707)	4	(2,129)	(88,411)
<b>Carrying amount</b>	410,167					456,970

(\*) Basically includes the effect of currency exchange fluctuations on the intangible assets of foreign subsidiaries.

**2013:**

	Balance at 31.12.12	Incorporations/ (variations) in scope of consolidation (Note 17)	Additions	Disposals	(*) Transfers and other movements	Balance at 30.06.2013
<b>Cost</b>						
Goodwill on consolidation	306,568	1,005	-	-	(5,672)	301,901
Other intangible assets	88,332	-	2,889	(817)	(648)	89,756
	394,900	1,005	2,889	(817)	(6,320)	391,657
<b>Accumulated amortisation</b>	(61,869)	-	(3,845)	749	485	(64,480)
<b>Carrying amount</b>	333,031					327,177

(\*) Basically includes the effect of currency exchange fluctuations on the intangible assets of foreign subsidiaries.

Additions to goodwill due to change in consolidation scope are as follows (Note 17):

Segment	30.06.2014	30.06.2013
Automotive	32,218	1,005
	<b>32,218</b>	<b>1,005</b>

a) **Goodwill Impairment testing**

Goodwill has been assigned to the Group's cash generating units (CGU's) 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, in 2013 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), plus the companies that joined the Group as from 4 October 2013 (Note 17), i.e. Mahindra Forgings, Ltd. (now Mahindra CIE Automotive, Ltd) and its subsidiaries (Appendix I), Mahindra Composites, Ltd. and Mahindra Hinoday Industries, Ltd.

As a result, the goodwill relating to CIE's forging companies was reclassified to the new Mahindra CIE CGU in 2013.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

The breakdown of goodwill at the resulting CGU level is set out below:

<u>Cash-generating units</u>	Goodwill	
	30.06.2014	31.12.2013
<b>Automotive segment:</b>		
Rest of Automotive (Europe)	129,491	85,006
Autometal – Brazil	78,699	85,959
Autometal – Nafta	75,905	75,353
Mahindra-CIE	98,919	94,677
<b>Biofuel segment</b>		
Biofuel business	16,622	16,601
<b>Technological Services and Solutions &amp; EPCs segment</b>		
TSS	20,988	20,867
	<b>420,624</b>	<b>378,463</b>

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 at 31 December 2013:

The discount rate before taxes applied to cash flow projections are:

	2013
<b>Automotive</b>	
Rest of Automotive (Europe)	8.17%-12.76%
Autometal – Brazil	11.02%
Autometal - Nafta	8.03%-10.53%
Mahindra-CIE	8.17% - 14.40%
<b>Biofuels</b>	8.33% - 13.17%
<b>TSS</b>	9.78%-11.99%

This discount rate is after taxes and reflects the specific risks associated with the relevant segments.

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. These margins vary by type of business as follows:

	% of revenue
	2013
Automotive	9% - 31%
Biofuels	6% - 28%
TSS	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.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

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 maintenance investment required to achieve the organic growth levels for these growthings.

#### c) Results of the analysis

The Group verified that in 2013 goodwill had not suffered any impairment loss. Additionally, if the revised estimated discount rate which is applied to discounted cash flows were 10% higher than management's estimates, the Group would still not need to reduce the carrying value of goodwill.

The recoverable amounts in cash generating units are determined based on calculations of the value in use, requiring the utilisation of certain estimates. To calculate the value in use at 31 December 2013, the future cash flow assumptions used were in accordance with the global situation of the markets where the Group operates and their forecast performance. The assumptions used in the calculations at 31 December 2013 for 2014 and subsequent years would be totally valid for calculating the value in use at 30 June 2014. Therefore, considering the positive development of business profitability in the first half of 2014, it is not believed that conditions have emerged in the CGUs that would pose a risk of impairment of goodwill.

## 6. Financial assets

Movements in the Group's financial assets are as follows:

### 2014

	Financial assets held to maturity	Available-for-sale financial assets	Financial assets at fair value with changes in income statement	Derivative financial instruments (**)	Investments in associates (***)	Total
<b>At 31 December 2013</b>	<b>81,582</b>	<b>25,477</b>	<b>6,105</b>	<b>(**) (7,933)</b>	<b>(***) 17,849</b>	<b>123,080</b>
Inclusions to /(changes in) consolidation scope	1,147	-	-	-	(****) (7,369)	(6,222)
Additions	58,466	-	-	-	-	58,466
Disposals	(12,424)	(785)	(6,167)	(114)	-	(19,490)
Transfers and other movements (*) (*)	938	3,225	62	(362)	(85)	3,778
Fair value adjustment						
- Results	44	-	-	450	-	494
- Equity	-	1,821	-	2,410	-	4,231
Associates' results	-	-	-	-	(1,575)	(1,575)
<b>At 30 June 2014</b>	<b>129,753</b>	<b>29,738</b>	<b>-</b>	<b>(**) (5,549)</b>	<b>(***) 8,820</b>	<b>162,762</b>
Non-Current	21,173	-	-	-	-	21,173
Current	108,580	29,738	-	70	-	138,388
Investments in associates	-	-	-	-	10,356	10,356

(\*) Basically includes the effect of exchange rate fluctuations in the currencies in which assets of foreign subsidiaries are denominated and transfers.

(\*\*) This total is net of €5,619 thousand (31 December 2013: €8,051 thousand) relating to financial liabilities for derivatives recorded under liabilities on the consolidated balance sheet.

(\*\*\*) Of this amount, €1,536 thousand (31 December 2013: €1,536 thousand) is recorded as a non-current provision under liabilities on the balance sheet in order to prevent a negative balance in respect of the cost of the investment in this segment (Note 11). Investments in associates, basically includes a 21.45% interest on Beroa Thermal Energy, S.L.. At 30 June 2014 investment accounted value is €8.6 million.

(\*\*\*\*) This movement includes the equity value of RS Group that has been offset from investments in associates due to the integration on the group by global method of consolidation (Notes 1 and 17).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014  
(€'000)

2013

	Financial assets held to maturity	Available-for-sale financial assets	Financial assets at fair value with changes in income statement	Derivative financial instruments(***)	Investments in associates (**)	Total
<b>At 31 December 2012</b>	<b>80,810</b>	<b>13,246</b>	<b>-</b>	<b>(***) 3,654</b>	<b>(**) (117)</b>	<b>97,593</b>
Inclusions to /(changes in) consolidation scope	-	-	-	-	-	-
Additions	9,768	52,616	43,580	95	919	106,978
Disposals	(7,588)	(13,856)	(34,723)	(4,845)	-	(61,012)
Transfers and other movements (*)	(1,142)	(837)	(135)	(305)	(132)	(2,551)
Fair value adjustment						
- Results	(4,036)	-	(746)	(512)	-	(5,294)
- Equity		(7,174)		(71)	-	(7,245)
Associates' results	-	-	-	-	(902)	(902)
<b>At 30 June 2013</b>	<b>77,812</b>	<b>43,995</b>	<b>7,976</b>	<b>(***) (1,984)</b>	<b>(**) (232)</b>	<b>127,567</b>
Non-Current	30,790	-	-	-	-	30,790
Current	47,022	43,995	7,976	1,818	-	100,811
Investments in associates	-	-	-	-	10,435	10,435

(\*) Basically includes the effect of exchange fluctuations in the currencies in which assets of foreign subsidiaries are denominated.

(\*\*) This amount is shown net of €10,667 thousand (31 December 2012: €10,667 thousand) for provisions recorded under liabilities on the balance sheet. The value of the interests in associates on the asset side of the balance sheet would therefore be €10,435 thousand (31 December 2012: €10,550 thousand).

(\*\*\*) This total is disclosed net, with €3,802 thousand (31 December 2012: €1,488 thousand) relating to financial liabilities for derivatives recorded under consolidated liabilities (Note 6 b).

All assets carried at fair value are traded on an active market from where the values at each date are taken.

All financial assets held by the Group at 30 June 2014 and 31 December 2013 which have not matured and have not sustained losses due to impairment are deemed to be high quality and show no evidence of impairment loss, except for the cases mentioned in Note 6.a).

a) Held-to-maturity loans and financial assets

	30.06.2014	31.12.2013
Term deposits	28,635	28,888
Short-term loans	92,718	37,321
Long-term loans	8,400	15,373
	<b>129,753</b>	<b>81,582</b>

Term deposits and loans accrue interest at a market interest rate of the country where the financial asset is held.

No financial asset held to maturity has been reclassified.

Financial assets held to maturity include an impairment loss of € 11.3 million generated in 2012 and 2013 due to a liquidity issue in a Brazilian financial institution with which the Group worked.

Maximum credit risk exposure at the reporting date is the carrying value of assets.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### b) Derivative financial instruments

	30.06.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Swaps (interest rate and other)				
- cash flow hedges	-	(1,442)	-	(1,095)
- trading	70	-	118	(373)
Hedge of a net investment in foreign operations	-	(4,177)	-	(6,583)
<b>Total</b>	<b>70</b>	<b>(5,619)</b>	<b>118</b>	<b>(8,051)</b>

- Swaps (interest rate and other)

The notional principal on interest rate swaps (variable to fixed) outstanding at 30 June 2014 amounts to EUR 65.0 million and USD 40.0 million (2013: € 47.5 million and USD 40 million), which are classified as hedging instruments.

At 30 June 2014 fixed interest rates vary between 0.50% and 4.48% (2013: between 0.62% and 4.48%) while the principal variable interest rates are EURIBOR and LIBOR.

Further, in financial year 2013, the group has a loan denominated in dollar arranged by one of its Brazilian subsidiaries, which was arranged with an interest rate swap. This loan has been closed out in the first half of 2014. The notional principal of this loan was classified under non-hedging instrument (2013: € 775 thousand).

- Hedge of a net investment in a foreign operation

The Group, through its Brazilian subsidiaries Autometal, S.A. and CIE Autometal, S.A., manages the exchange rate risk attached to the net assets of its Mexican and European automotive companies, denominated in US dollars and euro, respectively, by hedging through loans and exchange rate derivatives.

Part of the Group's borrowings denominated in US dollars amounting to €59.1million is designed as a hedge of a net investment in the group's automotive segment subsidiaries in the Nafta automotive segment (31 December 2013: €62.8 million). Part of the Group's borrowings denominated in euro through swap operations amounting to €90.4 million is classified as a hedge of a net investment in the subsidiaries of Autometal in the automotive segment of Mahindra CIE located in Europe (31 December 2013: €89.6 million).

The positive effect of foreign exchange differences, amounting to €5.4 million, arising on the translation of the debt into euro at the balance sheet date is recognised in equity in the Consolidated Comprehensive Income Statement (2013: € (32.3) million).

#### c) Available-for-sale financial assets

The amount recognised under this heading, €29.7 million (2013: €25.5 million), relates to financial assets in Brazil documented in government securities with interest rates indexed to inflation (National Treasury Notes-NTN).

## 7. Cash and other cash equivalents

Cash and other cash equivalents at 30 June 2014 and 31 December 2013 break down as follows:

	30.06.2014	31.12.2013
Cash and banks	78,598	164,578
Short-term bank deposits	223,644	162,382
	<b>302,242</b>	<b>326,960</b>

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

Short-term bank deposits relate to investments of cash surplus maturing in less than three months or available immediately.

Annual interest rate on these deposits has ranged depending on the currency concerned, between 0.5% and 11.03% (2013: 0.75 % to 8.49 %).

The carrying value of the Group's cash is denominated in the following currencies:

	<u>30.06.2014</u>	<u>31.12.2013</u>
Euro	76,968	129,855
Brazilian real	180,357	121,197
Indian rupee	992	491
US dollars	27,098	55,869
Mexican pesos	6,503	10,056
Chinese yuan renminbi	5,519	5,046
Czech koruna	334	1,062
Other	4,471	3,384
	<u>302,242</u>	<u>326,960</u>

#### 8. Disposal group assets, classified as held-for-sale and discontinued operations

##### Items classified as held for sale and discontinued operations in the Biofuel segment

In December 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 2013 and in the first half of 2014, the commitment to sales plan is maintained because the delay was caused by circumstances beyond the Group. These activities can be clearly distinguished operationally and for financial reporting purposes. They represent a separate line of business within the Biofuel segment and correspond to separate legal entities.

##### **Assets of the disposal group classified as held for sale**

	<u>30.06.2014</u>	<u>31.12.2013</u>
Fixed assets	23,358	23,188
Inventories	192	192
Other assets	1,467	1,552
Cash and cash equivalents	-	18
<b>Total</b>	<u>25,017</u>	<u>24,950</u>

##### **Liabilities of disposal group classified as held for sale**

	<u>30.06.2014</u>	<u>31.12.2013</u>
Government grants	986	986
Deferred tax liabilities	423	423
Borrowings	119	204
Trade and other payables	560	510
Other current liabilities	247	208
<b>Total</b>	<u>2,335</u>	<u>2,331</u>

These figures include the impairment losses estimated of the recoverable value of each asset.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

Until 2012, the recoverable value of these net productive assets had been estimated by a discount of expected business flows, as there was a business plan based on the obtainment of market shares. However, in view of market uncertainty and doubts regarding the profit to be obtained from the market share achieved, the Group has decided in the second half of 2013 to value the business based on the recovery value of the company's net assets.

A reputable independent expert was commissioned to perform this study. Each of the assets included in the appraisal was classified based on its qualitative characteristics and sized based on its quantitative characteristics. After analysing these characteristics, the recoverable amount of the asset has been determined.

Identified assets value was calculated according to quoted prices of the most relevant markets in each case.

The independent expert study shows no significant limitations that could raise doubts as to the validity of the findings and was performed in accordance with international appraisal standards.

The result of this analysis and the performance of sensitivity analysis, varying the key variable by +/- 10% yielded an impairment loss of between €18.5 million and €34.5 million. The impairment loss recognised was €12.3 million in the second half of 2013.

There have been no changes in Management's estimate in the first half of 2014.

#### Discontinued operations in the Automotive segment

In December 2012 the Group decided to abandon the only line of production, namely that devoted to the design, manufacture and supply of certain automotive parts for the 'engine equipment' market, in which Group subsidiary Tarabusi, S.A.U. (merged into Alcasting Legutiano, S.L.U. in 2013) acted as TIER 1 supplier, with a direct relationship with the OEMs. This activity is a separate identifiable activity within Tarabusi, S.A.U. (merged into Alcasting Legutiano, S.L.U. in 2013). Its net assets were measured at their recoverable amount.

Analysis of the result of the discontinued operations, and the result recognised on the remeasurement of assets or disposal groups, is as follows:

	<u>30.06.2014</u>	<u>30.06.2013</u>
Income	48	2,136
Expenses	(147)	(2,376)
<b>Profit/(loss) before tax on discontinued operations</b>	<b>(99)</b>	<b>(240)</b>
Tax	-	-
<b>Profit/(loss) after tax on discontinued operations</b>	<b>(99)</b>	<b>(240)</b>

Cash flows generated by these discontinued operations are as follows:

	<u>30.06.2014</u>	<u>30.06.2013</u>
Operating cash flows	132	(874)
Investing cash flows	(65)	1,056
Financing cash flows	(85)	(102)
<b>Total cash flows</b>	<b>(18)</b>	<b>80</b>

Cash flows from operating activities break down as follows:

	<u>30.06.2014</u>	<u>30.06.2013</u>
Profit/(loss) before tax	(99)	(240)
Depreciation and amortisation	45	54
Changes in working capital	186	(688)
<b>Net cash flows from/(used in) operating activities</b>	<b>132</b>	<b>(874)</b>



**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

**9. Share capital and premium**

	No. of shares (thousand)	Share capital	Share premium	Treasury shares	Total
At 31 December 2012	114,000	28,500	33,752	(53,230)	9,022
Acquisition/sale of treasury shares	-	-	-	(4,277)	(4,277)
At 30 June 2013	<b>114,000</b>	<b>28,500</b>	<b>33,752</b>	<b>(57,507)</b>	<b>4,745</b>
At 31 December 2013	118,820	29,705	61,467	-	91,172
Acquisition/sale of treasury shares	10,180	2,545	90,704	-	93,249
At 30 June 2014	<b>129,000</b>	<b>32,250</b>	<b>152,171</b>	-	<b>184,421</b>

a) Share capital

In 2014, has been agreed 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 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.

In accordance with the above, the share capital of CIE Automotive, S.A. at 30 June 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 market (year-end 2013: 118,820,046 and at 30 June 2013: 114,000,000 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	
	30.06.2014	30.06.2013
Corporación Gestamp, S.L.	(*) 22.909%	(*) 25.923%
Mahindra & Mahindra, Ltd	(**) 12.435%	-
Elidoza Promoción de Empresas, S.L.	9.602%	10.865%

(\*) 9.808% directly and 13.101% indirectly through Risteel Copotation, B.V. (2013: 11.098% directly and 14.825% indirectly through Risteel Corporation, B.V.).

(\*\*) Indirectly through Mahindra Overseas Investment Company Mauritius, Ltd.

b) Share premium account

This reserve is freely available for distribution.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### c) Treasury shares

The movement in treasury shares during the six months period ended 30 June 2013 breaks down as follows:

	30.06.2013	
	Number of shares	Amount (thousand euro)
Opening balance	10,164,617	53,230
Acquisitions	756,043	4,277
<b>Closing balance</b>	<b>10,920,660</b>	<b>57,507</b>

At 30 June 2014 and 31 December 2013 the Company did not hold any treasury shares, there were no movements during 2014.

The balance in treasury shares held by CIE Automotive, S.A. at 30 June 2013 was 10,920,660 shares, which represents 9.58% of the share capital and a carrying value of €57,507 thousand, with a quoted value at 30 June 2013 of €65,524 thousand.

During the year and up to 4 October 2013, the parent company has acquired a total of 1,056,043 shares (0.926% of total voting rights existing prior to the capital increase carried out with effect from 4 October 2013) and sold all the 11,220,660 shares (9.843% of mentioned total voting rights) which it owned at that date to the Mahindra Group. 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 is considered appropriate shares in CIE Automotive, S.A., through any legal means, including acquisition with change to profits 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.

#### 10. Borrowings

	30.06.2014	31.12.2013
<b>Non-Current</b>		
Bank borrowings (*)	593,618	646,095
	<b>593,618</b>	<b>646,095</b>
<b>Current</b>		
Bank borrowings (*)	304,886	289,714
Import trade finance (*)	1,953	6,254
Discounted bills pending maturity and prepayments of export bills	42,036	35,427
	<b>348,875</b>	<b>331,395</b>
	<b>942,493</b>	<b>977,490</b>

The Group's policy is to diversify its financing sources. There is no concentration risk in respect of its bank borrowings as it works with multiple entities.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014  
(€'000)**

The exposure of the Group's bank borrowings (\*) to interest rate changes is as follows:

	<u>Current balance</u>	<u>At 6 months</u>	<u>At 1 year</u>	<u>At 5 years</u>
<b>At 31 December 2013</b>				
Total borrowings (*)	942,063	879,710	646,095	29,206
Effect of interest rate swaps	(76,504)	(94,004)	(90,296)	(9,668)
<b>Exposure</b>	<b>865,559</b>	<b>785,706</b>	<b>555,799</b>	<b>19,538</b>
<b>At 30 June 2014</b>				
Total borrowings (*)	900,457	807,085	593,618	33,261
Effect of interest rate swaps	(94,004)	(90,296)	(86,269)	(7,252)
<b>Exposure</b>	<b>806,453</b>	<b>716,789</b>	<b>507,349</b>	<b>26,009</b>

Non-current borrowings have the following maturities:

	<u>30.06.2014</u>	<u>31.12.2013</u>
Between 1 and 2 years	330,844	344,451
Between 3 and 5 years	229,515	273,183
More than 5 years	33,259	28,461
	<b>593,618</b>	<b>646,095</b>

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 175 and 500 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 Note 6.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<u>30.06.2014</u>	<u>31.12.2013</u>
Euro	576,049	606,412
Brazilian real	129,105	116,656
US dollar	222,328	236,149
Other	15,011	18,273
	<b>942,493</b>	<b>977,490</b>

At 30 June 2014, the Group had drawn down € 173 million of the available credit with financial institutions (31 December 2013: €153 million). The total limit on said credit lines stands at € 245 million (31 December 2013: €248 million).

The Group has the following undrawn credit facilities:

	<u>30.06.2014</u>	<u>31.12.2013</u>
Floating rate:		
– maturing in less than one year	48,519	44,429
– maturing in more than 1 year	93,716	51,052
	<b>142,235</b>	<b>95,481</b>

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

On 14 July 2011, CIE Automotive, S.A. obtained a syndicated loan from 17 leading financial institutions for €350 million. The financing raised, which was oversubscribed by more than 50%, effectively diversifies the Group's pool of banks by bringing Brazilian and French financial institutions into the Group's creditor ranks. The loan was structured with a 5-year maturity date, effectively extending the due date for a significant portion of the Group's debt at the time, on terms in line with prevailing market conditions. This loan commits the parent company to complying with covenants related to Net Debt, EBITDA, Equity and Interest Expense, as defined in the loan agreement, which are customary in agreements of this kind. At 30 June 2014 and 31 December 2013 the Company complied with these financial ratios. At 30 June 2014, the balance stood at € 253.8 million (31 December 2013: € 242.5 million). After the closing date of these interim financial statements, the Group has obtained a new syndicated loan (Note 20).

On 23 June 2014 CIE Automotive, S.A. has signed a loan contract with European Investment Bank amounting to euro 70 million with a repayment term of 7 years, with the objective of financing research and development of automotive activities of Group. At 30 June 2014 there are no withdrawals.

The interest rate of the above financing is linked to the Euribor plus a variable margin based on the Net Debt/EBITDA ratio.

In the first half of 2012 the Group carried out a non-convertible bond issue through its subsidiary Autometal, S.A. amounting to BRL 250 million. The nominal unit value of each bond will be paid in three annual consecutive instalments. The first payment will be made in 2015 (33%), the second in 2016 (33%), and the third and last in 2017 (34%). At 30 June 2014, the balance was equivalent to € 86.6 million (31 December 2013: € 80.4 million). On 6 June 2014, the Company communicate to the market its intention of carry out and early depreciation of these bonds, which were cancelled on 15 July 2014 (Note 20).

These financing are subject to compliance with certain ratios, usual in the market for these contracts. At 30 June 2014 and 31 December 2013 these ratios have been met.

In the second half of 2013, through its Mexican subsidiary CIE Autometal de México, S.A.P.I. de C.V., the Group concluded a bilateral loan agreement with a Mexican financial institution for USD 120 million, repayable in seven years including a one-year grace period, at a variable interest rate linked to the LIBOR in conditions based on the current price parameters applied in the market. At 30 June 2014, the loan stood at € 87.5 million (31 December 2013: € 86.7 million).

Additionally, the Group has various loans denominated in US dollars and Brazilian real amounting to €176 million (31 December 2013: €181 million) with the last maturities in 2017.

During the first half of 2014, € 130.3 million was repaid for the credit facility and loan accounts (2013: €280 million) and new loans and credit accounts in addition to the foregoing have been recorded for € 74.7 million (2013: €257 million), of which € 4.9 million (€2013: €79 million) derive from companies included in the consolidation scope due to the business combination carried out during the year (Note 17).

These repayments are largely due to debt refinancing in which maturities have been improved.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### 11. Provisions

The breakdown of the movements in the Company's provisions in the first half of 2013 and 2014 are as follows:

##### 2014

	<u>Non-Current</u>	<u>Current</u>
<b>At 31 December 2013</b>	<b>64,058</b>	<b>9,214</b>
Incorporation in the scope of consolidation (Note 17)	4,603	-
- Provisions/(reversals)	5,035	1,675
- Applications	(3,243)	(1,302)
- Transfers and other movements (*)	670	530
<b>At 30 June 2014</b>	<b>71,123</b>	<b>10,117</b>

(\*) Basically refers to the effects of exchange rates of foreign subsidiaries.

##### 2013

	<u>Non-Current</u>	<u>Current</u>
<b>At 31 December 2012</b>	<b>43,037</b>	<b>8,185</b>
- Provisions/(reversals)	1,472	901
- Applications	(7,445)	(2,501)
- Transfers and other movements (*)	(567)	(34)
<b>At 30 June 2013</b>	<b>36,497</b>	<b>6,551</b>

(\*) Basically refers to the effects of exchange rates of foreign subsidiaries.

Non-current provisions at 30 June 2014 mainly include the following:

- Provision of € 9.5 million (31 December 2013: €8.8 million) corresponding almost entirely to tax contingencies in Brazil, of which € 6.1 million was deposited in court pending the resolution of litigation (2013: €6 million).
- Provision of € 1.7 million created as security in the sale of assets and closure and liquidation of companies (31 December 2013: €1.7 million).
- Provision for other employee liabilities of €36.2 million (31 December 2013: €33.7 million), including €26.1 million relating to pension plans (31 December 2013: €26.1 million) in German and Indian companies that joined the Group with effect from 4 October 2013 and provision of €1.8 million of the RS Group companies incorporated in the first half 2014 under global consolidation (Note 17).
- Provision of €23.7 million (31 December 2013: €19.7 million) for coverage of operational business risks considered enforceable in the long term.

Provisions for employee benefit obligations are basically related to obligations with employees taken on in the context of the operation with Mahindra & Mahindra (Note 1).

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)**

**Post-employment benefits:**

The movement in the defined benefit obligation during 2014 is as follows:

	<u>2014</u>
<b>At 31 December 2013</b>	<b>23,841</b>
Current service cost	235
Interest costs/(receipts)	189
Recalculation of valuations:	
- Gains/(losses) on changes in financial assumptions	71
- Gains/(losses) due to experience	222
Benefit payments	(390)
Exchange differences	61
<b>At 30 June 2014</b>	<b>24,229</b>

The balance of benefits consists of €22,403 thousand (€22,107 thousand at 31 December 2013) for lifetime retirement pensions in German companies and €1,826 thousand (€1,734 thousand at 31 December 2013) relating to lifetime retirement pensions, retirement bonuses externally funded through external insurance contracts and retirement bonuses on termination of employment in Indian companies.

**Long-term employee benefits:**

The movement in the defined benefit obligation and provision during 2014 is as follows:

	<u>2014</u>
<b>At 31 December 2013</b>	<b>2,235</b>
Current service cost	14
Interest costs/(receipts)	9
Recalculation of valuations:	
- Gains/(losses) on changes in financial assumptions	61
Benefit payments	(176)
<b>At 30 June 2014</b>	<b>2,143</b>

The balance in long-term employee benefits is due to length-of-service awards and supplements derived from partial retirement agreements in German companies.

The breakdown by country of provisions for employee benefits, all for the automotive segment, is as follows:

<b><u>Breakdown by country</u></b>	<u>30.06.2014</u>	<u>31.12.2013</u>
Germany	24,546	24,342
India	1,826	1,734
<b>Total</b>	<b>26,372</b>	<b>26,076</b>

There are no significant changes in financial and actuarial assumptions from described in 2013 CIE Group Consolidated Annual Accounts.

The current provisions at 30 June 2014 are intended primarily to adapt the productive structures of companies in Spain (2014: € 1.7 million; 2013: €1.7 million), as well as to cover operational business risks in various Group companies considered enforceable in the short term (2014: € 6.3 million; 2013: € 5.7 million). They also include risks for tax contingencies and claims from customers in some of the subsidiaries (2014: € 2.1 million; 2013: € 1.9 million).

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### 12. Corporate income tax

	<u>30.06.2014</u>	<u>30.06.2013</u>
Current year tax	12,436	9,580
Deferred taxes	1,001	(2,873)
Tax expense	<u>13,437</u>	<u>6,707</u>

The theoretical tax rates vary in accordance with the various tax domiciles, the most important of which are as follows:

	<u>Nominal rate</u>
Basque Country	28%
Rest of Spain	30%
Nafta	30%
Brazil	34%
Rest of Europe (average rate)	19% - 35%
China	25%
America	18.50%-30%
India	30%-32%

Deferred tax assets and liabilities are only offset if the Group has a legally enforceable right to set off the recognised amounts and when they relate to income taxes levied by the same taxation authority on a single tax subject/entity, or in the event of different tax subjects/entities, when the Group intends to realise the asset and settle the liability on a net basis.

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.
- 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.
- Tarabusi, S.A.U. (merged with Alcasting Legutiano, S.L.U. in 2013)
- 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.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

- Global Dominion Access, S.A.
- Dominion Investigación y Desarrollo, S.L.U.
- Dominion Instalaciones y Montajes, S.A.U (included in fiscal Group in 2014)
- ECI Telecom Ibérica, S.A. (included in fiscal Group in 2014)

Group subsidiary CIE Legazpi, S.A.U., no longer meets requirements to form part of the tax group with effect in the 2013 tax period.

The other 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 to each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filing tax returns passes.

The corporate income tax legislation applicable to the parent company in 2014 is that relating to Bizkaia Regional Regulation 11/2013 (5 December). In 2013, the legislation applicable is the 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 the first half of 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 annual financial statements taken as a whole.

#### 13. 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 9).

	<u>30.06.2014</u>	<u>30.06.2013</u>
Profit attributable to owners of the parent (thousand euro)	39,501	32,819
Weighted average number of ordinary shares in issue (thousand)	119,936	103,633
<b>Basic earnings:</b>	<b><u>0.329</u></b>	<b><u>0.317</u></b>
- Basic earnings per share from continuing operations (euro per share)	0.330	0.319
- Basic earnings per share from discontinued operations (euro per share)	(0.001)	(0.002)

##### b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The parent has no dilutive potential ordinary shares.

#### 14. Dividend per share

On 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.



## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

On 16 December 2013 the Board of Directors approved the payment of an interim dividend on account of profits for 2013 of gross amount of €0.09 per share, carrying dividend rights, which represented a total of €10,694 thousand. The payment was made on 03 January 2014.

On 30 April 2013 the General Shareholders' Meeting of CIE Automotive, S.A. agreed to distribute individual profits for 2012 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 €9,277 thousand. Payment was made on 3 July 2013.

On 19 December 2012 the Board of Directors approved the payment of an interim dividend on account of profits for 2012 of gross amount of €0.09 per share, carrying dividend rights, which represented a total of € 9,345 thousand. Payment was made on 03 January 2013.

#### 15. Cash generated from operations

	<u>30.06.2014</u>	<u>30.06.2013</u>
<b>Profit for the year</b>	<b>49,763</b>	<b>43,025</b>
Adjustments:		
- Taxes (Note 12)	12,436	9,580
- Deferred taxes	1,001	(2,873)
- Grants released to income	(1,269)	(1,603)
- Depreciation of property, plant and equipment (Note 4)	47,675	38,609
- Amortisation of intangible assets (Note 5)	5,707	3,845
- (Profit)/loss on disposal of property, plant and equipment (see below)	(214)	(288)
- Net change in provisions (Note 11)	6,710	(7,559)
- Net (gains)/losses of revaluation to fair value of derivative financial instruments (Note 6)	(494)	5,294
- Exchange differences	(1,991)	(5,225)
- Interest income	(12,095)	(9,235)
- Interest expense	36,218	37,892
- Participation in loss/(gain) at associates (Note 6)	1,575	902
Variations in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- Inventories	(21,466)	(8,339)
- Trade and other receivables	(77,690)	(41,779)
- Trade and other payables	39,050	(25,888)
<b>Cash generated by continuing operations and discontinued operations</b>	<b>84,916</b>	<b>36,358</b>

In the cash flow statement, revenues from the sale of property, plant and equipment and intangible assets include:

	<u>30.06.2014</u>	<u>30.06.2013</u>
Carrying value (Notes 4 and 5)	1,230	2,754
Gain/(loss) on the sale of property, plant and equipment	214	288
<b>Amount collected on the sale of property, plant and equipment</b>	<b>1,444</b>	<b>3,042</b>

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### 16. Commitments

##### a) Fixed asset purchase commitments

At 30 June 2014, the committed investments (not incurred) amounted to € 18.3 million (31 December 2013: €12.2 million).

	<u>30.06.2014</u>	<u>31.12.2013</u>
Property, plant and equipment	18,299	12,235

These investments are financed primarily through the cash generated by the Group from its operations, under payment agreements with suppliers and equipment providers and other assets and also by bank financing where necessary.

##### b) Operating lease commitments

The Group has leased various offices and warehouses under irrevocable operating lease contracts. These contracts are for five to ten years and most are renewable upon maturity under market conditions. The Group also leases installations and machinery under revocable operating lease agreements. The Group is required to provide six months' advance notice before terminating these contracts.

The total minimum future payments for irrevocable operating leases are as follows:

	<u>30.06.2014</u>	<u>31.12.2013</u>
Less than one year	12,340	13,043
Between one and five years	28,188	33,499
More than five years	18,961	18,927
	<u>59,489</u>	<u>65,469</u>

##### c) Other information

The Technological Services and Solutions & EPCs (TSS) Segment has posted bonds to guarantees to secure works and services provided to customers and commercial guarantees amounting to approximately € 38.7 million (at 31 December 2013: approximately €14.4 million).

#### 17. Business combinations

##### 2014

Changes in the consolidation scope are described in Note 1.

##### Automotive segment

On 17 February 2014 the Group acquired the 50% interest held by the Dutch fund VEP Fund I Holding Coöperatief W.A. in "Joint Venture" RS Automotive Group (Appendix I). CIE Automotive Group thus became the subsidiary's only shareholder.

The price paid of the acquisition was €10,766 thousand, plus, if appropriate, an additional amount (contingent return) related to the evolution of the EBITDA ratio of RS Automotive Group in 2014 and 2015, payable during the first half of 2016.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

This business combination taking place in phases, means that in 2014 a profit totalling €14,252 thousand was recorded in the consolidated income statement. This result is the consequence of the fair value recognition (€ 21,621 thousand) of the prior 50% share capital that the Group held in the equity of the acquired company (€ 7,369 thousand, Note 6) and calculated at the time control was obtained.

The fair value of the prior shareholding is equivalent to the purchase price of the additional 50% stake acquired in 2014, that includes amount initially paid and estimation of contingent return mentioned before.

As a result of the above, the business combination resulting in the taking of control over R.S. Automotive Group in February 2014 and, therefore, referring to 100% of the shareholding, is summarised as follows:

	<u>Amount</u>
Acquisition price	43,241
Fair value of the net assets acquired	<u>(11,023)</u>
<b>Goodwill (Note 5)</b>	<b><u>32,218</u></b>

This goodwill has been attributed to the future profitability of the business acquired and the significant synergies that are expected to arise following the acquisition by the Group.

The amount of the total compensation paid for the controlling stake is as follows:

	<u>Amount</u>
Fair value of the prior shareholding	21,621
Purchase price of the 50% stake acquired during the year	<u>21,620</u>
<b>Total compensation paid</b>	<b><u>43,241</u></b>

The assets and liabilities arising on the acquisition were as follows:

	<u>Fair value of the net assets acquired</u>
Fixed assets (Notes 4 and 5)	21,943
Other non current assets (Note 6)	1,147
Deferred tax liabilities	3,734
Inventories	6,934
Receivables	8,963
Cash and cash equivalents	4,898
<b>Assets acquired</b>	<b><u>47,619</u></b>
Non-controlling interests	4,699
Deferred income	1,044
Bank loans	4,896
Provisions	4,603
Accounts payable	15,658
Deferred tax liabilities	2,279
Other liabilities	<u>3,417</u>
<b>Acquired liabilities</b>	<b><u>36,596</u></b>
<b>Net Assets adquired</b>	<b><u>11,023</u></b>

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

It is not expected fair value of the net assets acquired will differ significantly from the RS Group accounting figures. The Group believes that there are no intangible assets that meet the conditions to be recognized separately or any separate contingent liabilities or accounting assets or liabilities with fair value different from accounting value. At the date of preparation of these interim financial accounts, this business combination is in the final stage closed for the purposes of adjusting the amounts at which the combination was recognized, considering that there are no significant adjustments to figures detailed before.

The movement in cash funds on the operation is as follows:

Payment made	10,766
Cash and cash equivalents in the subsidiary acquired	(4,898)
<b>Outflow of cash on the acquisition</b>	<b>5,868</b>

Sales and result amount of RS Group at 30 June 2014 rise 46,994 and 3,451 thousand euros respectively.

#### 2013

##### Automotive segment

In the 12 months after its acquisition, the liabilities of the acquiree Nanjing Forging Co, Ltd were restated in an amount of €2,010 thousand, leading to a change in the values of the business combination published in 2012 and resulting in an increase in goodwill of €1,005 thousand (Note 5).

The net assets acquired, after the completion of the analysis process of the business combination carried out in the first half of 2013, and the resulting goodwill break down as follows:

	<b>Amount</b>
Cost of the business combination	17,188
Fair value of the net assets acquired	(15,187)
<b>Goodwill</b>	<b>2,001</b>

After the end of the analysis of the business combination of the company acquired on 4 October 2012, Century Plastics, LLC, the net asset values assigned to each shareholder were restated, with the corresponding impact on equity for the period (€9.7 million).

As part of the strategic agreement described in Note 1, aimed at integrating the auto component manufacturing business, on 4 October the Group, through subsidiaries of its Brazilian subsidiary Autometal, S.A., completed the first stage of the operation acquiring a controlling interest in Mahindra Forgings Ltd. (now Mahindra CIE Automotive, Ltd), Mahindra Composites, Ltd. and Mahindra Hinoday Industries, Ltd. The total price paid was INR 8,809 million (equivalent to approx. €110 million).

The shareholding of Autometal, S.A. through its subsidiaries in said companies currently stands at 79.16% in the case of Mahindra CIE Automotive, Ltd., 61.74% in the case of Mahindra Composites, Ltd. and 64.96% in the case of Mahindra Hinoday Industries, Ltd.

The net assets acquired and goodwill break down as follows:

	<b>Amount</b>
Cost of the business combination	110,576
Fair value of the net assets acquired	(12,309)
<b>Goodwill</b>	<b>98,267</b>

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014  
(€'000)

	Fair value			Total
	Mahindra Forgings Limited	Hinoday	Mahindra Composites	
Fixed assets	85,636	45,364	1,144	132,144
Inventories	41,549	8,859	702	51,110
Receivables	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
<b>Assets acquired</b>	<b>164,322</b>	<b>67,676</b>	<b>4,528</b>	<b>236,526</b>
Deferred income	600	282	-	882
Bank loans	62,542	15,138	983	78,663
Provisions	41,141	2,657	53	43,851
Accounts payable	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
<b>Acquired liabilities</b>	<b>170,207</b>	<b>41,861</b>	<b>2,751</b>	<b>214,819</b>
<b>Assets - liabilities</b>	<b>(5,885)</b>	<b>25,815</b>	<b>1,777</b>	<b>21,707</b>
Stock options included in equity	(1,114)	-	(22)	(1,136)
<b>Total net assets</b>	<b>(6,999)</b>	<b>25,815</b>	<b>1,755</b>	<b>20,571</b>
<b>Total net assets acquired</b>	<b>(5,544)</b>	<b>16,769</b>	<b>1,084</b>	<b>12,309</b>

The fair values of fixed assets are set according to appraisals performed by independent experts familiar with knowledge of the European and Indian markets, whose estimates, which did not include any additional limitations or risks to be taken into consideration, were based on market prices for purchases or construction, and considering the residual useful lives of the concerned assets.

Pre-existing contingent liabilities were recognised in the acquired businesses and attested to in a document signed by the former owner of these businesses for €7.5 million. These contingencies related to certain lawsuits brought by customers, employees and other third parties, for which an unfavourable outcome is expected. The Group estimated the amount of all potential undiscounted future payments that might have to make in the event of an unfavourable ruling.

The movement in cash funds on the operation is as follows:

	Amount
Total consideration on acquisition (*)	110,576
Cash and cash equivalents in the subsidiary acquired (*)	(2,321)
<b>Outflow of cash on the acquisition (*)</b>	<b>108,255</b>

(\*) Figures in Indian rupees and pounds sterling converted to euro at the exchange rate on the transaction date.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

This business combination contributed sales of approximately €90 million and a loss of €2.5 million during the year, and would have contributed sales of approximately €390 million in the event it had been effective from 1 January 2013 .

The business volume associated with the Mahindra Systech companies (Note 1) that joined the CIE Automotive, S.A. consolidation group within the second stage of the operation amounts to approximately €150 million, although it is estimated that the transaction will become effective in the middle of the year.

The analysis of the business combination and the allocation of the acquisition price to the net assets acquired is almost completed and no significant changes are expected.

#### 18. Related-party transactions

The direct shareholders of the CIE Automotive Group (including minority shareholders), the directors and key management staff and close relatives are considered related parties.

The following transactions were carried out with related parties:

- Compensation and loans to the Parent Company's Directors and Senior management personnel

Total remuneration paid to the members of the Board of Directors, consisting of salaries, per diems and other remuneration during the six month period ended 30 June 2014 was € 716 thousand (30 June 2013: €505 thousand).

The members of the Board of Directors have received no remuneration in respect of premiums or shares in profits. Nor have they received shares, or sold or exercised stock options or other rights related to pension plans or insurance policies in their favour.

The total remuneration paid in the six month period ended 30 June 2014 to senior management staff of the CIE Automotive Group, excluding the amounts included in the section on the remuneration paid to the members of the Board of Directors, was € 148 thousand (30 June 2013: €4,662 thousand).

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

At 30 June 2014, there is an amount receivable (at present value) of € 1,188 thousand arising from other transactions with this related parties (30 June 2013: €1,190 thousand), classified in current assets.

- Long-term complementary incentive based on an increase in value of CIE Automotive, S.A. shares

The shareholders, at the general meeting held on 30 April 2014, approved a long-term incentive based on an increase in the value of the shares of CIE Automotive, S.A. in favour of the Chief Executive Officer and certain executives and other persons, due to their special relationship with the Company.

Under this arrangement, the number of shares to be delivered will be 1,800,000 shares. This incentive will be settled on 31 March 2018.

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014 (€'000)

#### Other related-party balances and transactions

	<u>30.06.2014</u>	<u>31.12.2013</u>
Balances:		
- Accounts receivable from related parties	98,884	50,575
-Accounts payable to related parties	7,761	7,116
- Dividend payable	11,610	10,694
	<u>30.06.2014</u>	<u>30.06.2013</u>
Commercial transactions:		
- Services received	1,647	38
- Services provided	-	311
- Purchases	6,537	-
- Sales	21,765	-

#### **19. Joint ventures**

On 1 September 2009, a Dutch joint venture named RS Automotive was created with the Dutch investment fund VEP Fund I Holding Cooperative W.A., administered by Value Enhancement Partners, in which both partners hold a 50% interest. In September 2009, this joint venture carried out its first corporate transaction with the acquisition of a group of companies.

In February 2014 the parent company completed the acquisition of a 50% interest and therefore in the financial statements at 30 June 2014 it has been fully consolidated (Note 18). For comparative purposes, in accordance with the application of IAS 28, at 31 December 2013 they have been consolidated by the equity method.

On 10 June 2010, CIE Automotive, S.A. along with the Russian companies SAM LTD LLC and JSC KZAE founded the companies CIE Avtocom, LLC and CIE Avtocom Kaluga, LLC. CIE Automotive initially owned 35% of these companies while the Russian companies owned the remaining 65%. In 2012, the CIE Group acquired an additional 15% interest in the aforementioned companies.

On 20 July 2007, together with the company Plásticos de Palencia, CIE Hispamoldes, S.A. was incorporated with an initial share capital of €250 thousand, 50% owned by CIE Automotive, S.A. and 50% owned by Plásticos de Palencia. Subsequently, on 28 December 2011 a capital increase amounting to €250 thousand was carried out, which was 50% subscribed by CIE Automotive, S.A.

At 31 December 2013 and 30 June 2014, they are consolidated using the equity method (Notes 1.1, 2.5 and 6).

#### **20. Events after the balance sheet date**

On 6 June 2014, the subsidiary Autometal, S.A. expressed their decision related to the early depreciation of bonds. This process has concluded on the 15 of July 2014, with total bond redemption and offer settlement. The settled amount has come to R\$ 264 million, € 88 million approximately, corresponding to 25,000 bonds.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED  
30 JUNE 2014  
(€'000)**

As well, on 28 July 2014, CIE Automotive, S.A. has signed a new syndicated loan with 6 bank entities for the amount of € 450 million. This amount will be assigned to:

- Early voluntary depreciation of the loans at pending principal entitled to the financial requirement of 2011 (Note 10).
- Finance any payment in favor of non-controlling interest of Autometal, S.A., caused by the tender launched by the company so as to delist shares from Brazilian market quotation (Note 1.1.)
- Payment of debentures issued in Brasil.
- Other cash and Group investments.

The repayment terms of loan is 5 years and an average life is 4.7 years.



## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### APPENDICES TO THE NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014 AND 2013

#### APPENDIX I: LIST OF SUBSIDIARIES AND ASSOCIATES AT 30 JUNE 2014

Company	Parent company	Activity	Address	% Effective Shareholding CIE Automotive	
				Direct	Indirect
<b>CIE Berriz, S.L. (*) (merged with CIE Inversiones Inmuebles, S.L.U. and CIE Automotivo Bioenergía, S.L.U. in 2012)</b>	CIE Automotive, S.A.	Holding company	Vizcaya	100.00%	-
Antolin – CIE Czech Republic s.r.o.	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	30.00%
Belgium Forge, N.V. (in liquidation)	CIE Berriz, S.L.	Manufacture of automobile components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automobile components	Vizcaya	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automobile components	Alava	-	100.00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of automobile components	Alava	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automobile components	Alava	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automobile components	Barcelona	-	100.00%
Alfa Deco, S.A.U.	CIE Berriz, S.L.	Manufacture of automobile components	Guipúzcoa	-	100.00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of automobile components	Vizcaya	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automobile components	Alava	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automobile components	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automobile components	Alava	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automobile components	Guipúzcoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U. (merged with Tarabusi, S.A.U. in 2013)	CIE Berriz, S.L.	Manufacture of automobile components	Alava	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automobile components	Vizcaya	-	100.00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of automobile components	Vizcaya	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automobile components	Guipúzcoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automobile components	Guipúzcoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*) <i>ApoloBlue Tratamentos, Lda</i>	CIE Berriz, S.L.	Manufacture of automobile components	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	Plasfil Plásticos da Figueira, S.A.	Manufacture of automobile components	Portugal	-	55.00%
	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automobile components	Morocco	-	100.00%
CIE Praga Louny, a.s. (*) <i>Praga Service, s.r.o.</i>	CIE Berriz, S.L.	Manufacture of automobile components	Czech Republic	-	100.00%
	CIE Praga Louny, a.s.	Plant	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Services and installations	Germany	-	100.00%
Leaz Valorización, S.L.U. (dormant)	CIE Berriz, S.L.	Waste management and valuation	Vizcaya	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automobile components	France	-	100.00%
CIE Automotive Hispamoldes, S.A. (*) <i>CIE Hispamoldes Plásticas, s.a.r.l. d'au</i>	CIE Berriz, S.L.	Holding company	Vizcaya	-	50.00%
	CIE Automotive Hispamoldes, S.A.	Manufacture of automobile components	Morocco	-	50.00%
CIE Autometal, S.A. (*) <i>Naturol Combustíveis Renováveis, S.A.</i>	CIE Berriz, S.L.	Holding company	Brazil	-	100.00%
	CIE Autometal, S.A.	Biofuel production and sale	Brazil	-	100.00%
<i>Bicauto Participacoes, S.A. U (*)</i>	CIE Autometal, S.A.	Holding company	Brazil	-	75.00%
Bioauto MT Agroindustrial, Ltda.	Bioauto Participações, S.A.	Agro-biotechnology	Brazil	-	75.00%

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

### APPENDICES TO THE NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2014 AND 2013

#### APPENDIX I: LIST OF SUBSIDIARIES AND ASSOCIATES AT 30 JUNE 2014

Company	Parent company	Activity	Address	% Effective Shareholding CIE Automotive	
				Direct	Indirect
Biojan MG Agroindustrial, Ltda. (dormant)	Bioauto Participações, S.A.	Agro-biotechnology	Brazil	-	75.00%
<i>Autometal, S.A. (*)</i>	CIE Autometal, S.A.	Manufacture of automobile components	Brazil	-	74.76%
Nanjing Automotive Forging Co., Ltd.	Autometal, S.A.	Manufacture of automobile components	China	-	37.38%
Durametel, S.A.	Autometal, S.A.	Manufacture of automobile components	Brazil	-	37.38%
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (*)	Autometal, S.A.	Manufacture of automobile components	Brazil	-	74.76%
<i>Autocromo Cromação de Plásticos Ltda</i>	Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automobile components	Brazil	-	74.76%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Services and installations	Brazil	-	74.76%
<i>Gescrap – Autometal Comercio de Sucatas Ltda</i>	Autometal Investimentos e Imóveis, Ltda.	Scrap business	Brazil	-	22.43%
Componentes Automotivos Taubaté, Ltda. (*)	Autometal, S.A.	Holding company	Brazil	-	74.76%
<i>Autoforjas, Ltda.</i>	Componentes Automotivos Taubaté, Ltda.	Manufacture of automobile components	Brazil	-	74.76%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automobile components	Brazil	-	74.76%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automobile components	Brazil	-	74.76%
Participaciones Internacionales Autometal, S.L.U. (*)	Autometal, S.A.	Holding company	Spain	-	74.76%
<i>CIE Autometal de México, S.A.P.I. de C.V. (*)</i>	Participaciones Internacionales Autometal, S.L.U.	Holding company	Mexico	-	74.76%
Pintura y Ensamblaje de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	74.76%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	74.76%
Gescrap Autometal de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	22.43%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	74.76%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	74.76%
CIE Bériz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	74.76%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	74.76%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	74.76%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	74.76%
Inmobiliaria El Puente, S.A. de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Services	Mexico	-	74.76%
Forjas de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	74.76%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Services and installations	USA	-	74.76%
Century Plastics, LLC	CIE Automotive, USA Inc	Manufacture of automobile components	USA	-	48.59%
<i>Participaciones Internacionales Autometal Dos S.L. (*)</i>	Participaciones Internacionales Autometal, S.L.U.	Holding company	Spain	-	81.82%
Participaciones Internacionales Autometal Tres S.L. (*)	Participaciones Internacionales Autometal Dos S.L.	Holding company	Spain	-	81.82%
CIE Galfor, S.A.U. (*)	Participaciones Internacionales Autometal Tres S.L.	Manufacture of automobile components	Spain	-	81.82%
CIE Legazpi, S.A.	CIE Galfor, S.A.U.	Manufacture of automobile components	Spain	-	81.82%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automobile components	Lithuania	-	81.82%

## CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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#### APPENDIX I: LIST OF SUBSIDIARIES AND ASSOCIATES AT 30 JUNE 2014

Company	Parent company	Activity	Address	% Effective Shareholding CIE Automotive	
				Direct	Indirect
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Spain	-	40.91%
Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Limited) (*)	Participaciones Internacionales Autometal Tres S.L.	Manufacture of automobile components	India	-	64.77%
Stokes Group Limited (*)	Mahindra CIE Automotive Ltd.	Manufacture of automobile components	UK	-	64.77%
Stokes Forgings Limited	Stokes Group Limited	Manufacture of automobile components	UK	-	64.77%
Stokes Forgings Dudley Limited	Stokes Group Limited	Manufacture of automobile components	UK	-	64.77%
Mahindra Forging Global	Mahindra CIE Automotive Ltd.	Holding company	República de Mauricio	-	64.77%
Mahindra Forgings International Limited (*)	Mahindra CIE Automotive Ltd.	Holding company	República de Mauricio	-	64.77%
Mahindra Forgings Europe AG(*)	Mahindra Forgings International Limited	Holding company	Germany	-	64.77%
Gesensschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automobile components	Germany	-	64.77%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automobile components	Germany	-	64.77%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automobile components	Germany	-	64.77%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automobile components	Germany	-	64.77%
Mahindra Hinoday Industries Limited	Participaciones Internacionales Autometal Tres S.L.	Manufacture of automobile components	India	-	53.15%
Mahindra Composites Limited	Participaciones Internacionales Autometal Tres S.L.	Manufacture of automobile components	India	-	50.52%
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	Alava	-	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. (dormant)	Comlube s.r.l.	Glycerine production and sale	Italy	-	40.80%
Biocombustibles de Guatemala, S.A.	Bionor Transformación, S.A.U.	Agro-biotechnology	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.	Glycerine production and sale	Barcelona	-	40.00%
Via Operador Petrolífero S.L.U.	Bionor Transformación, S.A.U.	Biofuel production and sale	Vizcaya	-	100.00%
Gestión de Aceites Vegetales, S.L. (GAVE) (*)	Bionor Transformación, S.A.U.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (Resigras)	Gestión de Aceites Vegetales, S.L.(GAVE)	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U.	Bionor Transformación, S.A.U.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresma, S.L. (Rema)	Bionor Transformación, S.A.U.	Marketing of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.	Bionor Transformación, S.A.U.	Biofuel production and sale	Alicante	-	100.00%
<b>RS Automotive B.V. (*) (1)</b>	CIE Automotive, S.A.	Holding company	Netherlands	100.00%	-
Advanced Comfort Systems International B.V. (*)	RS Automotive B.V.	Holding company	Netherlands	-	100.00%
Advanced Comfort Systems Ibérica, S.L.U.	Advanced Comfort Systems International B.V.	Manufacture of automobile components	Orense	-	100.00%
Advanced Comfort Systems France, S.A.S. (*)	Advanced Comfort Systems International B.V.	Manufacture of automobile components	France	-	100.00%
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of automobile components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of automobile components	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd.	Advanced Comfort Systems France, S.A.S.	Manufacture of automobile components	China	-	100.00%
<b>CIE Automotive Nuevos Mercados, S.L. (*) (2)</b>	CIE Automotive, S.A.	Holding company	Vizcaya	75.00%	-
CIE-Avtocom Kaluga, LLC	CIE Automotive Nuevos Mercados,	Holding company	Russia	-	37.50%

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#### APPENDIX I: LIST OF SUBSIDIARIES AND ASSOCIATES AT 30 JUNE 2014

Company	Parent company	Activity	Address	% Effective Shareholding CIE Automotive	
				Direct	Indirect
	S.L.				
CIE-Avtocom, LLC (*)	CIE Automotive Nuevos Mercados, S.L.	Holding company	Russia	-	37.50%
<i>Kinelagroplast, LLC (merged with Plastik, LLC in 2012)</i>	CIE-Avtocom, LLC	Manufacture of automobile components	Russia	-	37.50%
SC CIE Matricon, S.A.	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automobile components	Romania	-	75.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automobile components	China	-	75.00%
CIE Automotive Rus, LLC	CIE Automotive Nuevos Mercados, S.L.	Manufacture of automobile components	Russia	-	75.00%
<b>Global Dominion Access, S.A. (*)</b>	CIE Automotive, S.A.	Holding company / Technological Services and Solutions & EPCs (TSS)	Bilbao	94.43%	-
Dominion Instalaciones y Montajes, S.A.U. (*)	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Zamudio	-	94.43%
<i>Dominion Networks, S.L.</i>	Dominion Instalaciones y Montajes, S.A.U.	Technological Services and Solutions & EPCs (TSS)	Madrid	-	94.43%
<i>Dominion Centro de Gestión Personalizada, S.L.</i>	Dominion Instalaciones y Montajes, S.A.U.	Technological Services and Solutions & EPCs (TSS)	Madrid	-	94.43%
<i>E.C.I. Telecom Ibérica, S.A.</i>	Dominion Instalaciones y Montajes, S.A.U.	Technological Services and Solutions & EPCs (TSS)	Madrid	-	76.49%
Dominion Investigación y Desarrollo S.L.U.	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Bilbao	-	94.43%
Prosat Comunicações, Ltda.	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Brazil	-	94.43%
Global Dominion Brasil Participações, Ltda. (*)	Global Dominion Access, S.A.	Holding company	Brazil	-	94.43%
<i>Halógica Tecnologia, S.A.</i>	Global Dominion Brasil Participações, Ltda.	Technological Services and Solutions & EPCs (TSS)	Brazil	-	94.43%
<i>Dominion Instalações e Montagnes do Brasil Ltda.</i>	Global Dominion Brasil Participações, Ltda.	Technological Services and Solutions & EPCs (TSS)	Brazil	-	94.43%
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Mexico	-	94.43%
<i>Dominion TI México, S.A. de CV</i>	Mexicana de Electrónica Industrial, S.A. de C.V.	Technological Services and Solutions & EPCs (TSS)	Mexico	-	94.43%
Dominion Baires, S.A.	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Argentina	-	89.71%
Dominion Limitada Ltda.	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Chile	-	93.49%
Dominion Perú Soluciones y Servicios S.A.C.	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Peru	-	94.43%
Visual Line, S.L.	Global Dominion Access, S.A.	Technological Services and Solutions & EPCs (TSS)	Bilbao	-	51.94%
Beroa Thermal Energy, S.L. (3)	Global Dominion Access, S.A.	Holding company	Vizcaya	-	21.45%
<b>Autokomp Ingeniería, S.A.U.</b>	CIE Automotive, S.A.	Services and installations	Vizcaya	100.00%	-

(1) 100% acquired in 2013

(2) 100% acquired in 2014.

(3) The ownership of the share capital of CIE Automotive Nuevos Mercados, S.L. is broken down as follows: 26.96% is owned by CIE Automotive, S.A and 48.04% by CIE Bériz, S.L.. The Group controls a total of 75%.

(4) Beroa group parent company (Note 1)

(\*) Parent of all investee companies appearing subsequently in the table.

**CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

Pursuant to current legislation, all the directors who, as of today's date, make up the Board of Directors of CIE Automotive, S.A. have drafted the abbreviated interim consolidated financial statements for the six month period ended 30 June 2014 and have signed this document in witness whereof.

Similarly, the Directors declare that, to the best of their knowledge, the abbreviated interim consolidated financial statements prepared in accordance with applicable accounting principles present fairly the financial position and results of the issuer and companies included in the consolidation taken as a whole and include a fair analysis of the performance and results of the business and position of the issuer and companies included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties which they face.

In Bilbao, on 28 July 2014