CIE AUTOMOTIVE, S.A.
and Subsidiaries (Consolidated)

Consolidated Annual Accounts
and Consolidated Directors' Report
for the year ended
31 December 2004

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004 AND 2003
(Thousand euros)

A S S E T S	2004	2003
Fixed assets		
Formation expenses	2,167	2,687
Intangible fixed assets	24,808	21,826
Tangible fixed assets	371,670	352,216
Financial investments	39,516	44,385
	438,161	421,114
Goodwill	32,207	35,321
Deferred expenses	925	1,476
Current assets		
Inventories	100,943	80,637
Debtors	130,982	125,383
Current asset investments	47,959	5,360
Parent Company shares	728	2,654
Cash at bank and in hand	10,457	13,013
Prepayments and accrued income	443	2,500
	291,512	229,547
TOTAL ASSETS	762,805	687,458

L I A B I L I T I E S	2004	2003
Capital and reserves		
Share capital	23,028	23,028
Share premium	33,752	33,752
Revaluation reserve	-	152
Other Parent Company reserves	50,800	44,560
Reserves in companies fully consolidated	53,224	52,055
Reserves in companies equity consolidated	(2,501)	(3,899)
Currency translation diff.	(9,780)	(8,813)
Profit attributable to Parent Company	18,133	13,097
Interim dividend	(2,276)	(2,243)
	164,380	151,689
Minority shareholders	620	513
Negative consolidation differences	4,713	4,713
Deferred income		
Capital grants	10,778	7,410
Other deferred income	2,000	608
	12,778	8,018
Provisions for liabilities and charges	20,322	18,705
Creditors falling due after more than one year		
Bank loans	214,014	144,161
Other creditors	54,690	41,135
	268,704	185,296
Creditors falling due within one year		
Bank loans and overdrafts	82,873	129,700
Trade creditors	143,197	121,278
Other creditors	63,330	67,478
Accruals and deferred income	1,888	68
	291,288	318,524
TOTAL LIABILITIES	762,805	687,458

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003
(Thousand euros)

EXPENSES	2004	2003	INCOME	2004	2003
Materials consumed in operations			Net turnover	669,998	570,629
and other external expenses	318,827	250,411	Increase in inventories of		
Staff costs	168,115	153,170	finished goods and work in progress	9,941	4,825
Fixed asset depreciation	50,224	45,616	Own work capitalised	3,667	4,648
Change in trade provisions	2,649	(330)	Other operating income	3,011	2,136
Other operating charges	103,105	99,343			
	642,920	548,210		686,617	582,238
OPERATING PROFIT	43,697	34,028			
			NET FINANCIAL INCOME/EXPENSE	16,178	13,824
Amortisation of goodwill			Share in profits of		
on consolidation	3,271	2,876	companies consolidated		
			using equity method	652	1,398
			Reversal of negative		
			consolidation differences	-	2,248
PROFIT FROM ORDINARY ACTIVITIES	24,900	20,974			
			EXTRAORDINARY LOSS	3,408	3,681
CONSOLIDATED PROFIT BEFORE TAXES	21,492	17,293			
Corporate income tax	3,252	3,188			
CONSOLIDATED PROFIT FOR YEAR	18,240	14,105			
Profit attributed to minority interests	107	1,008			
PROFIT FOR THE YEAR ATTRIBUTED TO PARENT COMPANY	18,133	13,097			

CIE AUTOMOTIVE, S.A.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2004
(Thousand euros)

1. Group structure and activities

CIE Automotive, S.A. is the parent of an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automobile components and sub-units on the world market. It applies complementary technologies –aluminium, moulding, metals, plastics and steel- and a number of related processes: automation, welding, painting and assembly.

Its main facilities are located in Europe: Spain (Álava, Barcelona, Cádiz, Guipúzcoa, Orense and Vizcaya), Portugal and the Czech Republic, in Nafta: Mexico and South America: Brazil. The Company’s registered address for tax and mercantile purposes is located in Azkoitia (Guipúzcoa).

CIE Automotive, S.A. (a listed company) currently wholly owns the companies CIE Azkoitia, S.L., CIE Bérriz, S.L. and CIE Inversiones e Inmuebles, S.L.

Group structure

Set out below are details of subsidiaries and associated companies as at 31.12.04:

Company	Activity	Registered office	% shareholding Direct	Indirect
CIE Azkoitia, S.L. (*)	Holding company	Guipuzcoa	100%	-
GSB Acero, S.A.	Manuf. ofspecial steels	Guipuzcoa	-	100%
GSB Forja, S.A.	Manuf. of automobile components	Guipuzcoa	-	100%
GSB Galfor, S.A.	Manuf. of automobile components	Orense	-	93.02%
Belgium Forge, N.V.	Manuf. of automobile components	Belgium	-	100%
Stuka, S.A.	Manuf. of automobile components	Vizcaya	-	100%
CIE Mecauto, S.A.	Manuf. of automobile components	Alava	-	100%
Mecanizaciones del Sur-Mecasur, S.A.	Manuf. of automobile components	Cadiz	-	100%
Gameko Fabricación de Componentes, S.A.	Manuf. of automobile components	Vitoria	-	100%
GSB-TBK Automotive Components, S.L.	Manuf. of automobile components	Barcelona	-	75%
Grupo Componentes Vilanova, S.L. (*)	Manuf. of automobile components	Barcelona	-	100%
Tarabusi, S.A.	Manuf. of automobile components	Vizcaya	-	100%
Talleres Matrimold, S.L.	Manuf. of automobile components	Barcelona	-	100%
Fabricación de Componentes del Motor, S.L.	Manuf. of automobile components	Barcelona	-	100%
CIE Bérriz, S.L. (*)	Holding company	Vizcaya	100%	-
Egaña 2, S.L.	Manuf. of automobile components	Vizcaya	-	100%
Inyectametal, S.A.	Manuf. of automobile components	Vizcaya	-	100%
Orbelan Plásticos, S.A.	Manuf. of automobile components	Guipuzcoa	-	100%
Udalbide, S.A.	Manuf. of automobile components	Vizcaya	-	100%
Transformaciones Metalúrgicas Norma, S.A.	Manuf. of automobile components	Guipuzcoa	-	100%
Autokomp Ingeniería, S.A.	Services and installations	Vizcaya	-	100%
CIE Deutschland, GmbH	Services and installations	Germany	-	100%
CIE Celaya, S.A. de CV	Manuf. of automobile components	Mexico	-	100%
Plasfil Plásticos da Figueira, S.A.	Manuf. of automobile components	Portugal	-	100%
CIE Unitools Press CZ, a.s.	Manuf. of automobile components	Czech Rep.	-	100%
CIE Plasty CZ, s.r.o.	Manuf. of automobile components	Czech Rep.	-	100%
CIE Automotive USA, Inc.	Services and installations	U.S.A.	-	100%
CIE DESC Automotive, S.A. de C.V.	Manuf. of automobile components	Mexico	-	50%
CIE Inversiones e Inmuebles, S.L. (*)	Holding company	Vizcaya	100%	-
CIE Autometal, S.A. (*)	Holding company	Brazil	-.	100%
Autometal, S.A.	Manuf. of automobile components	Brazil	-	100%
Autometal Investimentos e Imóveis, Ltda	Investment company	Brazil	-	100%
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manuf. of automobile components	Brazil	-	100%
Muskaria Inversiones SICAV, S.A.	Investment management	Madrid	98.5%	-
Matxitxako Diversificada SICAV, S.A.	Investment management	Madrid	97.64%	-

(*) Parent of all the investee companies listed below it in the table.

2. Basis of presentation

a) True and fair view

The consolidated annual accounts have been drawn up on the basis of the accounting records of CIE Automotive, S.A. and the consolidated companies, and include all value and timing adjustments and reclassifications required for consistency with the Parent Company. These annual accounts are presented in accordance with the provisions of current mercantile legislation and the rules laid down in the General Accounting Plan and in Royal Decree 1815/1991, whereby the rules for the preparation of consolidated annual accounts were introduced, in order to give a true and fair view of the Consolidated Group's net worth, financial situation and results.

b) Consolidation principles

The consolidated annual accounts have been drawn up by applying the full consolidation method to the subsidiaries listed in Note 1, except for Muskaria Inversiones, S.I.C.A.V., S.A. and Matxitxako Diversificada, S.I.C.A.V., S.A., as their activities are not directly related to those of the rest of the group, and Belgium Forge NV, as its activity is being discontinued. The shareholdings in those companies have been valued using the equity method.

All the annual accounts of the Group companies used in the consolidation process relate to the year ended 31 December 2004.

During the consolidation process, the following basic full consolidation principles have been applied:

i) All significant balances and transactions between consolidated companies have been eliminated in the consolidation process.

ii) Third-party holdings in the net worth of the consolidated subsidiaries are recorded under Minority interests on the accompanying consolidated balance sheets and under Profit/(loss) attributed to minority interests in the consolidated profit and loss accounts, respectively.

iii) The restricted reserves of the consolidated subsidiaries have also been treated as restricted reserves in the consolidation process and indicated as such in the note on Capital and reserves.

iv) The accompanying consolidated annual accounts do not reflect any tax effect deriving from the distribution by the consolidated companies of accumulated reserves and profits that have not been distributed to the Parent Company.

v) The results of the operations of companies acquired or sold have been included since or until the date of purchase or sale.

vi) The annual accounts of subsidiaries that are denominated in foreign currency have been converted to euros using the year-end exchange rate for assets and liabilities, the historical exchange rate for share capital and the average exchange rate for the period for income and expense.

The resulting difference between translation on the basis of the above-mentioned methods and translation at the year-end exchange rate is stated in Currency translation differences on the consolidated balance sheet.

vii) The excess price paid for the acquisition of shares in subsidiaries over their proportional book value at the date of purchase by the Parent Company is recorded under Tangible fixed assets up to the market price of the shares at that date. The subsequent depreciation of those amounts for consolidation purposes is based on the restated figures.

Companies consolidated using the equity method are valued at their proportional net worth.

c) Comparability

The comparability of data for 2004 and 2003 has been ensured by reclassifying certain 2003 figures in the items “Provisions for liabilities and charges” and “Short-term liabilities”. These reclassifications have no significant effect.

In addition, in 2004 the companies Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda., which was acquired in February, and CIE DESC Automotive, S.A. de C.V., which was set up in December, have been included in the consolidation scope. The company Belgium Forge NV, which is now dormant and whose business activities are being discontinued, has been consolidated using the equity method.

d) Groupings of items

In order to facilitate the understanding of the consolidated balance sheet and profit and loss account, some items have been grouped together and all necessary analyses are included in the corresponding notes to the annual accounts.

3. Accounting policies

a) Goodwill on consolidation

The positive difference between the book value of the Parent Company's direct or indirect shareholdings in subsidiaries and the value of the portion of the subsidiaries' net worth which is attributable to those shareholdings, adjusted for any latent capital gains, is recorded in the consolidation process as Goodwill on consolidation.

Goodwill is amortised on a straight-line basis over a period of between 10 and 20 years, which is considered to be the average investment pay-back period. The amortisation period exceeds five years since the Directors consider that the difference between the acquisition price and the net value of the investment is recovered over this period.

b) Negative consolidation differences

The heading Negative consolidation differences on the consolidated balance sheets records the difference between the book value of the Parent Company's direct or indirect holding in the subsidiaries and the value of the subsidiaries' capital and reserves attributable to that holding, adjusted where necessary to account for any latent capital losses.

The negative consolidation difference may be transferred to the consolidated profit and loss account only when:

- It is based on losses recorded by the company concerned, or on a reasonable forecast of expenses relating to that company, insofar as the forecast is realised.

- It relates to a realised capital gain.

c) Uniformity

In order to facilitate a uniform presentation of the items making up the accompanying consolidated annual accounts, the Parent Company's accounting principles and standards have been applied to all the consolidated companies.

d) Formation expenses

Formation, start-up and share capital increase expenses have been capitalised at acquisition cost and are amortised on a straight-line basis over five years.

e) Intangible fixed assets

Intangible fixed assets are recorded at purchase or production cost. Amortization is calculated using the straight-line method.

Patents, trademarks and computer software are amortised over a maximum of five years.

Expenses relating to successful research and development projects are capitalised and written off over five years. If the circumstances which permitted the capitalisation of the expenditure change, the unamortised portion is expensed in the year of change.

The goodwill relates to the difference between the value of the assets and liabilities acquired by the subsidiary Udalbide, S.A. (Note 1), which is in bankruptcy. It is amortised over a period of ten years, the estimated time over which income is expected to be obtained.

Assets being acquired under finance leases are recorded under intangible fixed assets when the terms of the lease imply that the assets should be capitalised. They are depreciated over their useful lives at the same rates as those set for similar tangible fixed assets. Financial expense is charged to profit and loss over the term of the lease using a financial method.

Assets being acquired under finance leases are amortised at the same rates as those applied to tangible fixed assets.

f) Tangible fixed assets

Tangible fixed assets are stated at acquisition or production cost. Tangible fixed assets purchased prior to 31 December 1996 are stated at acquisition price plus any restatements recorded in accordance with the provisions of applicable legislation, such as Provincial Regulations 13/ 1990 (13 December) and Provincial Regulations 11/1996 (5 December), among others.

Tangible fixed assets owned by subsidiaries are stated at their cost for the Parent Company (Note 2b). They are depreciated on a straight-line basis over their estimated useful lives, as follows:

	Estimated years of useful life
Buildings	20 – 50
Plant and machinery	3 – 30
Fixtures, fittings, tools and equipment	3 – 15
Other fixed assets	3 – 15

In 2004, the useful lives of certain tangible fixed assets were increased from 10 to 15, 20 or 30 years, depending on their nature.

The gross effect on consolidated results for 2004 is a reduction of K€3,279 in the depreciation charge.

Improvements made to existing assets which extend the useful life of the assets concerned are capitalised. Repair and maintenance costs are expensed in the year in which they are incurred. Disposals and sales are recorded by eliminating the relevant cost and accumulated depreciation from the accounts.

g) Investments

Shareholdings in companies consolidated using the equity method are valued by replacing their book value with the proportional value of the investee company's net worth, excluding own shares.

Investments in mutual funds are stated at the lower of their purchase or market value, and market value is considered to be the cash value of the holdings at 31 December 2004. Any loss is stated as a reduction in the relevant balance sheet asset account and is taken to profit and loss account for the year. On the basis of the estimated period during which the investment in these funds will be held, the Directors classify the balances under "Financial investments" or "Current asset investments". Latent capital gains are not recorded until the holdings are sold.

The remaining investments are stated at the lower of cost and market value. The market value for each type of investment is calculated as follows:

- Officially listed securities: the lower of the average listed price for the last quarter of the financial year and the price at the year end.
- Unlisted securities: on the basis of the proportional book value of the holding as reflected in the latest available annual accounts.

Loans are recorded at their repayment value.

h) Own shares

Own shares are stated at the lower of their acquisition price or market value. The latter is considered to be the average share price during the final quarter of the year, the year-end share price or the consolidated proportional book value of the shares. When market value is less than purchase cost, a provision for the decline in value is charged to the profit and loss account.

i) Inventories

Inventories are stated at the lower of their cost or market value. Cost is basically calculated as follows:

- Goods purchased for resale: at acquisition cost, including certain direct costs incurred.
- Raw materials and other supplies: at the weighted average acquisition price.
- Finished products and work in progress: at pre-established costs, which do not reflect significant variances with respect to actual costs incurred (raw materials, labour and direct and indirect manufacturing expenses) during the manufacturing process.

Obsolete or slow-moving articles are written down to their realisable value.

j) Non-trade debtors

Non-trade debtor accounts are stated at the amount at which they are to be repaid and any discounted interest included either in their face value or their repayment value when maturing in more than one year is recorded under Deferred income. Such interest is expensed using a financial method.

k) Trade debtors and creditors

Short- and long-term debits and credits arising from the Company's trading activities are stated at their nominal value.

l) Transactions and balances denominated in foreign currency

Debits and credits denominated in foreign currency are stated at the year-end exchange rate. Transactions in foreign currencies are recorded in the profit and loss account at the exchange rate prevailing when the transactions are effected. All losses, as well as realised gains, are taken to profit and loss for the year, whereas unrealised gains are recorded under deferred income until they are realised.

m) Current asset investments

Current asset investments are stated at the lower of acquisition cost and market value. Market value of current asset investments is determined in the same manner as for fixed asset investments.

n) Severance indemnities

Severance indemnities which can be reasonably quantified are expensed in the year in which the related decision is taken.

o) Corporate income tax

Corporate income tax expense for the year is calculated based on profits before taxes, as adjusted for any permanent and/ or timing differences stipulated in corporate income tax legislation. Differences between corporate income tax payable and corporate income tax expense are recorded as deferred tax assets or liabilities, as appropriate.

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.

In accordance with current legislation, and bearing in mind the results forecast for coming years, the Company capitalises tax credits for tax-loss carryforwards (crediting the profit and loss account) derived from tax allowances and deductions to which it is entitled, provided that the profit forecasts for the coming years are sufficient to apply the tax credits within 10 years as from the year end.

The policy followed by the Company when recording these amounts consists of recording the tax credits at their nominal value under Financial investments – Other credits.

The Parent Company files consolidated tax returns together with the subsidiaries listed below:

- CIE Azkoitia, S.L.
- CIE Bérriz, S.L.
- CIE Inversiones e Inmuebles, S.L.
- Autokomp Ingeniería, S.A.
- CIE Mecauto, S.A.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.

- GSB Acero, S.A.
- GSB Forja, S.A.
- Inyectametal, S.A.
- Mecanizaciones para el Automóvil 2, S.A. (dissolved on merger in 2004)
- Orbelan Plásticos, S.A.
- Stuka, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Udalbide, S.A.

p) Capital grants

Capital grants are accounted for when officially approved, under the caption Deferred income. They are released to the profit and loss account at the same rate as the depreciation charged on the assets they finance.

New capital grants totalling K€5,892 relate to investments in research and development and other tangible fixed assets. The portion released to income for the year totals K€2,434.

q) Creditors

Short- and long-term loans are stated at the amount at which they are to be repaid and any discounted interest included either in their face value or repayment value is recorded under Deferred expenses. Such interest is expensed using a financial method.

r) Long-term assets and liabilities

Long-term assets and liabilities are those that fall due in more than one year.

s) Income and expense

Income and expense are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

For reasons of prudence, however, the Group only records profits realised at the year end, while foreseeable risks and potential losses arising in the year or in prior years are recorded as soon as they are known.

t) Environment

Costs incurred to purchase machinery, installations and other assets whose purpose is to protect and improve the environment are treated as investments in fixed assets.

Costs relating to the environment, other than those concerning the acquisition of fixed assets, are expensed in the year incurred.

4. Formation expenses

Movements in the accounts included under Formation expenses during the year are as follows:

	Thousand euros
Balance at 31.12.03	2,687
Other movements	(119)
Amortisation	(401)
Balance at 31.12.04	2,167

This heading is basically made up of share capital increase and start-up expenses.

5. Intangible fixed assets

Movements under the heading Intangible fixed assets are as follows:

	Thousand euros							
	R&D	Goodwill	Patents and trademarks	Computer software	Assets being acquired under finance leases	Prepay-ments	Other	Total
COST								
Balance at 31.12.03	9,256	2,344	369	5,605	19,831	339	157	37,901
Additions/disposals due to change in consolidation scope	-	-	-	-	-	-	-	-
Additions	1,197	-	3	85	-	159	249	1,693
Disposals	-	-	-	-	(123)	-	1	(122)
Transfers (*)	1,079	-	-	2,826	1,349	(425)	266	5,095
Balance at 31.12.04	11,532	2,344	372	8,516	21,057	73	673	44,567
AMORTISATION								
Balance at 31.12.03	4,586	1,640	198	3,908	5,726	-	17	16,075
Additions/disposals due to change in consolidation scope	-	-	-	-	-	-	-	-
Additions	1,091	158	35	1,076	1,190	-	6	3,556
Disposals	-	-	-	-	(43)	-	-	(43)
Transfers (*)	17	-	-	-	171	-	(17)	171
Balance at 31.12.04	5,694	1,798	233	4,984	7,044	-	6	19,759
NET BOOK VALUE								
Balance at 31.12.03	4,670	704	171	1,697	14,105	339	140	21,826
Balance at 31.12.04	5,838	546	139	3,532	14,013	73	667	24,808

(*) Deriving mainly from reclassifications in the presentation of tangible fixed assets.

a) Assets being acquired under finance leases

Assets being acquired under finance leases relate to leases expiring between 2005 and 2013. Instalments outstanding at 31 December 2004 total K€2,078.

6. Tangible fixed assets

Movements in Tangible fixed assets are set out below:

	Thousand euros						
	Balance at 31.12.03	Additions due to change in scope of consolid-ation	Additions	Disposals	Transfers	Other movements	Balance at 31.12.04
<u>Cost</u>							
Land and buildings	149,577	2,717	2,081	(5,277)	741	28	149,867
Plant and machinery	441,265	5,173	17,218	(12,847)	30,852	266	481,927
Fixtures, fittings, tools and equipment	83,181	136	7,839	(1,893)	600	286	90,149
Other fixed assets	11,383	662	1,388	(1,097)	786	359	13,481
Prepayments and tangible fixed assets in course of construction	25,038	127	41,880	(3,320)	(37,347)	(18)	26,360
	710,444	8,815	70,406	(24,434)	(4,368)	921	761,784
<u>Depreciation</u>							
Land and buildings	45,211	81	3,042	(879)	(407)	(138)	46,910
Plant and machinery	250,592	(257)	33,412	(11,148)	483	(295)	272,787
Fixtures, fittings, tools and equipment	54,395	-	9,198	(1,666)	-	13	61,940
Other fixed assets	7,873	142	1,250	(788)	(243)	93	8,327
	358,071	(34)	46,902	(14,481)	(167)	(327)	389,964
<u>Provisions</u>							
Plant and machinery	157	-	-	(7)	-	-	150
	157	-	-	(7)	-	-	150
<u>Net book value</u>	352,216						371,670

The heading Other movements basically includes the effect of currency exchange movements affecting tangible fixed assets at the foreign subsidiaries: CIE Autometal, S.A. (sub-group), CIE Unitools Press CZ, a.s., CIE Plasty CZ, s.r.o. and CIE Celaya, S.A. de C.V.

a) Revaluations

Net restatements accumulated at the year end by the Consolidated Group as permitted under Provincial Regulations 6/96 (21 November) and Provincial Regulations 11/96 (5 December) total €17 million. These restatements caused a K€310 increase in the depreciation charge for the year.

Furthermore, the tangible fixed assets of the subsidiary Grupo Componentes Vilanova, S.L. resulted from the contribution of a line of business on 25 June 2001 by Componentes Vilanova, S.L., then the Company's parent (subsequently dissolved and merged into CIE Azkoitia, S.L.). At the year end, net accumulated restatements resulting from this operation total K€6,571. These restatements resulted in a K€1,054 increase in the depreciation charge for the year.

b) Tangible fixed assets located abroad

As at 31 December 2004, the Consolidated Group records the following investments in tangible fixed assets located abroad:

	Thousand euros		
Fixed assets	Cost	Accumulated depreciation	Net book value
Land and buildings	17,730	2,298	15,432
Plant and machinery	56,412	23,585	32,827
Fixtures, fittings, tools and equipment	6,682	4,834	1,848
Other fixed assets	1,918	695	1,223
Prepayments and assets in course of construction	11,724	-	11,724
	94,466	31,412	63,054

c) Tangible fixed assets not used in operations

At 31 December 2004, tangible fixed assets with a net book value of K€423 were no longer used in operations. The management of Consolidated Group companies forecasts losses of approximately K€150 to be incurred on the sale of these items, for which the relevant provision has been recorded.

d) Fully-depreciated assets

At 31 December 2004, fully-depreciated tangible fixed assets with a book cost of K€174,139 are still in use.

e) Tangible assets given as security

At 31 December 2004 certain tangible fixed assets are pledged as security for debts with public institutions. A total of K€18,379 is pending payment at 31 December 2004.

f) Commitments

At 31 December 2004, the Consolidated Group companies have entered into contracts for the purchase of new machinery totalling K€2,694.

g) Insurance

The Consolidated Group has taken out a number of insurance policies to cover risks relating to tangible fixed assets. The coverage provided by these policies is considered to be sufficient.

7. Financial Investments

Movements in Financial investments are set out below:

	Thousand euros						
	Balance at 31.12.03	Additions due to change in consolidatio n scope	Additions	Disposals	Results from companies consolidated using equity method	Transfers and other	Balance at 31.12.04
Shareholdings consolidated using equity method	9,868	-	-	-	652	(10,414)	106
Other shareholdings	99	-	-	(10)	-	(8)	81
Mutual funds	5,512	-	-	-	-	(5,512)	-
Other loans	25,989	3,647	16,623	(11,414)	-	1,498	36,343
Long-term deposits and guarantees	2,917	135	3	(78)	-	9	2,986
	44,385	3,782	16,626	(11,502)	652	(14,427)	39,516

a) Shareholdings consolidated using the equity method

Set out below is an analysis showing movements in this account:

	Thousand euros			
Company	Balance at 31.12.03	Results from companies consolidated using equity method	Transfers and other	Balance at 31.12.04
Muskaria Inversiones S.I.C.A.V., S.A.	2,368	79	(2,447)	-
Matxitxako Diversificada S.I.C.A.V., S.A.	7,500	573	(8,073)	
Belgium Forge, N.V.	-	-	106	106
	9,868	652	(10,414)	106

As at 31 December 2003, this item included the holdings in Muskaria Inversiones S.I.C.A.V., S.A. and Matxitxako Diversificada S.I.C.A.V., S.A., which have been transferred to short term in 2004 and form part of Current asset investments (see Note 12). The Company plans to sell these holdings in 2005.

The balance under this heading at 31 December 2004 relates to the enter share capital of Belgium Forge, NV. In 2004, this subsidiary has been consolidated using the equity method due to being dormant and is to be liquidated and dissolved in 2005 (Note 2.c).

	Thousand euros
Cost	5,251
Provision	(5,145)
	106

b) Mutual funds

This items comprises the holding in Edesthal, F.I.M., which has been transferred to short-term for sale in 2005.

c) Other loans

This heading mainly relates to the balance with public institutions, consisting of tax credits for tax losses and corporate income tax credits and allowances recorded by some Group companies (Note 3.o), totalling K€29,208 at the year end.

d) Long-term deposits and guarantees

This heading relates mainly to long-term guarantee deposits provided by Autometal, S.A. as security for litigation involving the company and the Brazilian authorities.

8. Goodwill on consolidation

Movements in Goodwill on consolidation are as follows:

	Thousand euros
Balance at 31.12.03	35,321
Additions	157
Amortisation	(3,271)
Balance at 31.12.04	32,207

Set out below is a breakdown by company of the final balance of goodwill on consolidation:

Company	Thousand euros
Inyectametal, S.A.	1,175
Grupo Componentes Vilanova, S.L.	4,937
CIE Mecauto, S.A.	7,179
Stuka, S.A.	500
Transformaciones Metalúrgicas Norma, S.A.	1,923
Orbelan Plásticos, S.A.	757
Autometal, S.A.	6,805
CIE Unitools Press CZ, a.s.	944
Plasfil-Plásticos da Figueira, S.A	6,520
Gameko Fabricación de Componentes, S.A.	1,275
Talleres Matrimold, S.L.	192
	32,207

9. Own shares

Movements in this balance sheet heading in 2004 are as follows:

		Thousand euros		
	Number of shares	Cost	Provision	Net
Balance at 31.12.03	373,550	2,654	-	2,654
Acquisitions	55,439	631	-	631
Disposals	(360,000)	(2,557)	-	(2,557)
Balance at 31.12.04	68,989	728	-	728

10. Inventories

This heading breaks down as follows:

	Thousand euros	
	2004	2003
Raw materials and other supplies	42,810	32,895
Work in progress and semi-finished products	26,333	23,971
Finished products	30,532	23,174
Advances to suppliers	3,028	1,440
	102,703	81,480
Less: provisions	(1,760)	(843)
	100,943	80,637

11. Debtors

This heading breaks down as follows:

	Thousand euros	
	2004	2003
Trade debtors	119,452	108,247
Sundry debtors	3,341	4,615
Taxes refundable	13,459	17,701
	136,252	130,563
Less: provisions	(5,270)	(5,180)

	130,982	125,383

12. Current asset investments

This heading breaks down as follows:

	Thousand euros	
	2004	2003
Securities portfolio	50,300	4,761
Deposits	-	656
Provisions	(2,341)	(57)
	47,959	5,360

a) Securities portfolio

The securities portfolio is as follows at 31.12.04:

	Thousand euros
Shareholdings in companies consolidated using equity method (Note 7) (*)	10,520
Fixed-income securities (**)	27,501
FIM Edesthal (*)	5,512
Investment portfolio (***)	3,126
Money market funds	1,076
Other securities	2,565
	50,300

(*) Short-term owing to possible sale in 2005.

(**) Basically comprising government bonds.

(***) Securities portfolio managed by an investment company and invested basically in listed equities at 31 December 2004.

13. Capital and reserves

Movements in the accounts included under Capital and reserves are as follows:

	Thousand euros				
Account	Balance at 31.12.03	Distribution of 2003 results	Other movements	Profit for the year	Balance at 31.12.04
Share capital	23,028	-	-	-	23,028
Share premium	33,752	-	-	-	33,752
Revaluation reserve	152	-	(152)	-	-
Legal reserve	4,606	-	-	-	4,606
Reserve for Parent Company shares	2,654	-	(1,926)	-	728
Voluntary reserve	42,828	2,418	(742)	-	44,504
Prior-year losses	(2,820)	-	2,820	-	-
Other Parent Company reserves	(2,708)	3,670	-	-	962
Reserves in companies consolidated using full consolidation method	52,055	1,169	-	-	53,224
Reserves in companies consolidated using equity method	(3,899)	1,398	-	-	(2,501)
Currency translation differences	(8,813)	-	(967)	-	(9,780)
Profit/(loss) attributable to Parent Company	13,097	(13,097)	-	18,133	18,133
Interim dividend	(2,243)	2,243	(2,276)	-	(2,276)
	151,689	(*) (2,199)	(3,243)	18,133	164,380

(*) Additional dividend paid out.

The column Other movements relates basically to the variance in Currency translation differences and the interim dividend paid out during the year.

a) Share capital

The Parent Company's share capital is represented by 22,800,000 fully-paid ordinary bearer shares with a par value of €1.01 each, all listed on the Spanish stock market. The following companies hold a direct or indirect interest exceeding 10%:

	% shareholding
Instituto Sectorial de Promoción y Gestión de Empresas, S.A.	36.560%
Saltec, S.L.	12.985%

b) Share premium account

This reserve is freely available for distribution.

c) Revaluation reserves

The balance in this reserve, set up in accordance with Provincial Regulations 11/1996, may be used to offset book losses or increase share capital, or transferred to non-distributable reserves, without incurring any taxes, in the amount pending application. If the balance in the reserve is used for any purpose other than those defined by Provincial Regulations 11/1996, the relevant amount will be subject to tax.

d) Legal reserve

In accordance with the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital.

The legal reserve may be used to increase share capital subject to the portion of the balance that exceeds 10% of capital once increased.

Except for the above-mentioned purpose, until it exceeds 20% of share capital the legal reserve may only be used to offset losses, provided that available reserves are insufficient.

e) Reserve for Parent Company shares

The reserve for Parent Company shares is not freely distributable and must be maintained until the shares are sold or redeemed and in the same amount as the book acquisition cost of the shares(Note 9).

f) Other Parent Company reserves

This heading records the reserves attributed to the Parent Company and generated during the consolidation process.

g) Reserves in companies consolidated using the full consolidation method

A breakdown by company at 31 December 2004 is as follows:

	Thousand euros
CIE Azkoitia, S.L.	(7,342)
GSB Acero, S.A.	29,986
GSB Forja, S.A.	16,581
GSB Galfor, S.A.	3,178
Stuka, S.A.	3,398
CIE Mecauto, S.A.	(1,514)
Mecanizaciones del Sur-Mecasur, S.A.	(277)
Gameko Fabricación de Componentes, S.A.	931
GSB-TBK, Automotive Components, S.L.	81
Grupo Componentes Vilanova, S.L.	(24)
Tarabusi, S.A.	(5,904)
Talleres Matrimold, S.L.	(314)
Fabricación de Componentes del Motor, S.L.	91
CIE Bérriz, S.L.	(7,039)
Egaña 2, S.L.	3,394
Inyectametal, S.A.	7,799
Orbelan Plásticos, S.A.	1,426
Udalbide, S.A.	6,067
T.M. Norma, S.A.	(114)
Autokomp Ingeniería, S.A.	158
CIE Celaya, S.A. de C.V.	(1,761)
Plasfil-Plásticos da Figueira, S.A.	(100)
CIE Unitools Press CZ, a.s.	943
CIE Plasty CZ, s.r.o.	(209)
CIE Autometal, S.A. (Sub-group)	3,789
	53,224

Of total reserves in companies consolidated using the full consolidation method, K€18,659 relates to the legal reserve and is not freely distributed, and K€8,584 relates to the revaluation reserve (Provincial Regulations 11/1996).

h) Profit/(loss) attributed to the Parent Company

Each consolidated company's contribution to consolidated results is as follows:

	Thousand euros
CIE Automotive, S.A.	(563)
CIE Azkoitia, S.L.	(461)
GSB Acero, S.A.	8,605
GSB Forja, S.A.	(275)
GSB Galfor, S.A.	(1,888)
Stuka, S.A.	235
CIE Mecauto, S.A.	(1,534)
Mecanizaciones del Sur-Mecasur, S.A.	(155)
Gameko Fabricación de Componentes, S.A.	1,683
GSB-TBK, Automotive Components, S.L.	278
Grupo Componentes Vilanova, S.L.	(132)
Tarabusi, S.A.	(1,932)
Talleres Matrimold, S.L.	877
Fabricación de Componentes del Motor, S.L.	52
CIE Bérriz, S.L.	946
Egaña 2, S.L.	310
Inyectametal, S.A.	1,045
Orbelan Plásticos, S.A.	354
Udalbide, S.A.	1,248
T.M. Norma, S.A.	1,193
Autokomp Ingeniería, S.A.	157
CIE Celaya, S.A. de C.V.	(1,978)
Plasfil-Plásticos da Figueira, S.A.	(586)
CIE Unitools Press CZ, a.s.	1,594
CIE Plasty CZ, s.r.o.	(52)
CIE Inversiones e Inmuebles, S.L.	1,391
CIE Autometal, S.A. (Sub-group)	7,069
Muskaria Inversiones SICAV, S.A.	79
Matxitxako Diversificada SICAV, S.A.	573
	18,133

i) Profit for the year

The proposal for the distribution of the Parent Company's 2004 profits that will be presented to shareholders at the Annual General Meeting is as follows:

	Thousand euros
Available for distribution	
Profit for the year	10,754
Distribution	
To interim dividend	2,276
To additional dividend	3,192
To voluntary reserves	5,286
	10,754

j) Stock options

On 24 June 2002, the Parent Company's Annual General Meeting approved a remuneration system for certain executives that is indexed to the value of the Company's shares, entailing the issue of stock options.

In 2004, the beneficiaries of CIE Automotive, S.A.'s stock options plan have signed a document with the Company to terminate the stock option contracts and the rights recognised in those contracts have therefore been extinguished.

k) Interim dividend

On 25 November 2004, the Parent Company's Board of Directors agreed to pay out an interim dividend on account of 2004 profits. The gross dividend amounted to €0.10 per share, for a total of K€2,276, payable on 15 December 2004.

In compliance with Article 216 of the Spanish Companies Act, the Directors drew up a provisional statement of account showing that sufficient cash resources were available. The interim dividend was paid out on 15 December 2004.

14. Minority interests

Movements under the heading Minority interests in each subsidiary are as follows:

	Thousand euros		
Company	Balance at 31.12.03	Share in profits/losses	Balance at 31.12.04
GSB-TBK Automotive Components, S.L.	527	93	620
GSB Galfor, S.A.	(14)	14	-
	513	107	620

An analysis of the Group's shareholdings in these companies is included in Note 1.

An itemised breakdown of the closing balance is set out below:

	Thousand euros				
Company	Share capital	Legal reserve	Other reserves	Profit/loss	Total
GSB-TBK Automotive Components, S.L.	500	-	27	93	620
GSB Galfor, S.A.	540	39	(593)	14	-
	1,040	39	(566)	107	620

15. Negative consolidation differences

Negative consolidation differences showed no movements in 2004:

	Thousand euros	
	2004	2003
CIE Automotive, S.A.	3,709	3,709
GSB Galfor, S.A.	1,004	1,004
	4,713	4,713

The negative difference on consolidation attributed to CIE Automotive, S.A. arises from the difference relating to the shareholding in GSB Grupo Siderúrgico Vasco, S.A., which was dissolved after its assets had been transferred to CIE Automotive, S.A.

16. Provisions for liabilities and charges

The provision showed the following movements in 2004:

	Thousand euros
Balance at 31.12.03	18,705
Appropriation net of applications	7,152
Transfer to short term	(5,535)
Balance at 31.12.04	20,322

At 31 December 2004 this provision mainly includes the following items:

- A €1.5 million provision for the subsidiary GSB Acero, S.A., for the restructuring plan that was approved in 2002, commenced in 2003 and is due for completion in 2006. The aims of this plan include rightsizing the workforce to achieve similar ratios to those of other industry companies. The total cost estimated by the Company for executing this plan was €9.1 million. The short-term item “Non-trade creditors” includes €2.8 million which the Company expects to be required to pay in 2005.

- A €10.2 million provision, which mainly (€8.2 million) relates to the amount of tax deductions applied in accordance with current tax legislation but which have been questioned by various jurisdictional authorities.

- A €5 million provision to cover specific risks affecting the Brazilian subsidiaries.

- Provision of €1.5 million for the closure and liquidation of the Belgian subsidiary (Notes 1 and 2.c)).

17. Bank loans falling due after more than one year

a) Analysis by maturity date

Long-term bank loans fall due as follows:

Year	Thousand euros
2005	23,563
2006	90,257
2007	62,786
2008	26,133
2009	11,329
2010 and subsequent years	23,509
	237,577
Less: short-term portion	(23,563)
Total	214,014

a) Average interest rate

The annual interest rate accruing on these debts is a market rate indexed to the Euribor rate.

b) Credit lines

At 31 December 2004, the Group records long-term bank credit facilities totalling €107 million. The total limit on these credit lines is €133 million.

c) Secured loans

On 15 December 1999, CIE Automotive, S.A. arranged two credit lines with the Santander Central Hispano Group having a limit of K€6,010 each, maturing on 15 December 2004 and renewable to 15 December 2009, indexed to the EURIBOR. The credit lines were secured by means of a pledge on 862,400 shares in the company Matxitxako Diversificada SICAV, S.A. (Note 1).

In addition, on 9 December 1999 Deutsche Bank granted CIE Automotive, S.A. two credit lines with a total limit of K€11,119 maturing on 6 December 2004. In 2004 these facilities have been replaced by a new facility with a limit of K€10,000 maturing on 3 December 2005 and renewable to 3 December 2007, indexed to the EURIBOR. These credit lines are secured by a pledge on 705,083 shares in FIM Edelsthal (Note 6.c)) and on all the shares held in Muskaria Inversiones, SICAV, S.A. (Note 1).

18. Creditors falling due after more than one year

a) Breakdown by item

	Thousand euros	
	2004	2003
Taxes and social security payable	23,517	27,582
Other creditors	31,173	13,553
	54,690	41,135

b) Analysis by maturity date

Year	Thousand euros
2006	22,436
2007	10,908
2008	8,332
2009	6,378
2010 and subsequent years	6,636
Total long-term	54,690

c) The most significant portion (K€13,904) of the amounts owed to the public treasury relate to taxes payable to the provincial tax authority, social security contributions and late-payment interest, which were transferred to the company on 12 July 1993 by Patricio Echeverría Aceros, S.A., as part of the restructuring of several companies. In accordance with the payment agreement reached on 4 July 1994, the public institutions accepted the Company's subrogation to these debts, which gave rise to payment obligations totalling K€12,543 and K€13,024, respectively. The terms of the payment agreement call for progressively higher instalments to be paid (from 1% to 15%) on the debt over 15 years, and annual interest payments. The Company records this interest as it accrues and charges results in accordance with a financial accrual method.

The interest arising in 2004 on these debts totalled approximately K€172 and is recorded under the heading "Financial and similar expenses" in the accompanying profit and loss account.

Movements during the year are as follows:

	Thousand euros
Balance at 31 December 2003	16,479
Transfer to short term	(2,575)
	13,904

d) Other creditors

This item relates basically to lease instalments and other items arising from investments in tangible fixed assets.

19. Bank loans falling due within one year

This heading breaks down as follows:

	Thousand euros	
	2004	2003
Short-term loans and credit facilities	2,742	59,998
Short-term portion of long-term loans	23,563	5,446
Advances on customer invoices	36,192	41,687
Discounted bills pending maturing	20,376	22,569
	82,873	129,700

These debts accrue interest at market rates.

20. Corporate income tax and tax situation

With effect as from 2004, the Parent Company is authorised to file consolidated corporate income tax returns together with the following Group companies:

CIE Azkoitia, S.L.
CIE Bérriz, S.L.
CIE Inversiones e Inmuebles, S.L.
Autokomp Ingeniería, S.A.
CIE Mecauto, S.A.
Egaña 2, S.L.
Gameko Fabricación de Componentes, S.A.
GSB Acero, S.A.
GSB Forja, S.A.
Inyectametal, S.A.
Mecanizaciones para el Automóvil 2, S.A. (dissolved on merger in 2004)
Orbelan Plásticos, S.A.
Stuka, S.A.
Transformaciones Metalúrgicas Norma, S.A.
Udalbide, S.A.

The reconciliation of reported consolidated profit and the aggregate corporate income tax base is as follows:

	Thousand euros		
	Increases	Decreases	Total
Reported consolidated net profit for the year			18,133
Minority interests			107
Corporate income tax			3,252
Consolidated reported profit for the year before taxes			21,492
Consolidation adjustments			30,935
Aggregate consolidated profit before taxes			52,427
Permanent differences in individual companies	6,473	(31,273)	(24,800)
Timing differences in individual companies	4,942	(17,346)	(12,404)
Offset of tax-loss carryforwards			(1,219)
Taxable income			14,004

Movements in consolidated deferred tax assets and liabilities are as follows:

	Thousand euros			
	Balance at 31.12.03	Reversed	Generated	Balance at 31.12.04
Deferred tax liability	(5,033)	591	(53)	(4,495)
Deferred tax asset	5,079	(2,597)	707	3,189

The corporate income tax charge for the year is analysed below:

	Thousand euros
Corporate income tax payable for the year	3,241
Net change in deferred tax assets	1,890
Net change in deferred tax liabilities	(538)
Net change in tax credits capitalised	(2,727)
Provision for contingencies	1,386
	3,252

Current corporate income tax expense, calculated by applying the tax rate to each individual tax base, has been reduced by K€3,796 owing to the application of tax credits.

Tax credits for investments and job creation have yet to be applied and are mostly included in the capitalised tax credits. The amounts concerned and the application deadlines are as follows:

Year generated	Thousand euros	Available for offset until
1999	12	2009
1996	232	2011
1997	186	2012
1998	2,030	2013
1999	1,813	2014
2000	5,792	2015
2001	2,075	2016
2002	1,499	2017
2003	3,683	2018
2004	2,730	2019
	20,052	

The above tax credits do not include credits arising in accordance with Basque Regional corporate income tax legislation, as these deductions are being questioned before a number of courts.

Besides the tax-loss carryforwards recorded by some individual Group companies, the tax consolidated group records tax-loss carryforwards from 2002 totalling K€3,530 which are also included in capitalised tax credits.

In general, all tax returns for the years that have not become statute-barred in accordance with the various bodies of tax legislation applicable to each Group company are open to inspection.

In December 2004, the Supreme Court issued a ruling disallowing the appeals for reversal lodged by the regional authorities against the 1999 ruling issued by the Judicial Review Division of the Basque High Court which contested and rendered void certain corporate income tax regulations applied in the Basque Region, in addition to other articles of the same regulations.

The Company has applied prevailing tax regulations at all times and therefore any effect of this ruling, as from the issue date, on the figures set out in these annual accounts is considered to be remote.

21. Income and expense

a) Turnover

Net turnover from the consolidated Group's ordinary activities may be analysed geographically as follows:

Market	%
Domestic	32
Exports	68
	100

Net turnover is analysed below by production location:

Market	%
Spanish companies	83
Companies in other countries	17
	100

b) Materials consumed and other external expenses

Materials consumed in operations and other external expenses are analysed below:

	Thousand euros	
	2004	2003
Purchases	328,742	248,542
Difference between opening and closing inventories	(9,915)	1,869
	318,827	250,411

c) Staff costs

Staff costs are as follows:

	Thousand euros	
	2004	2003
Wages, salaries and similar remuneration	123,632	112,097
Staff welfare expenses	44,483	41,073
	168,115	153,170

22. Financial income and expense

Financial income and expense is analysed below:

	Thousand euros	
	2004	2003
Income:		
. Other interest and financial income	1,122	2,756
. Gains on exchange	404	287
	1,526	3,043
Less expense:		
. Financial and similar expenses	(16,099)	(15,722)
. Losses on exchange	(1,605)	(1,145)
	(17,704)	(16,867)
Net financial income/(expense)	(16,178)	(13,824)

23. Extraordinary items

Extraordinary items are analysed below:

	Thousand euros	
	2004	2003
Profit:		
. Profit on disposal of fixed assets	559	1,001
. Profit on dealings in own shares	454	-
. Capital grants released to income during year	2,434	1,956
. Extraordinary income and profits	1,774	5,020
. Prior-year income and profits	366	357
	5,587	8,334
Less losses:		
. Change in portfolio provisions	(1,330)	-
. Loss on disposal of fixed assets	(812)	(16)
. Extraordinary expenses	(5,861)	(10,802)
. Prior-year expenses	(992)	(1,197)
	(8,995)	(12,015)
Net extraordinary losses	(3,408)	(3,681)

Extraordinary income and expenses relate basically to the provision for liabilities and charges set up and reversed in respect of employee severance indemnities under workforce and operational restructuring plans at certain Group companies.

24. Other information

a) Average number of Group employees by category

Category	Number
Executives	188
Graduates, specialists and administrative personnel	1,059
Skilled workers	4,557
	5,804

b) Parent Company directors' remuneration

The members of the Parent Company's Board of Directors have not been provided with any guarantees, advances or loans and are not beneficiaries of any pension rights. Total remuneration paid to the entire Board of Directors, consisting of wages, per diems and other remuneration accrued during the year, was below 3% of the profit attributed to the Parent Company.

The members of the Parent Company's Board of Directors are not in any of the situations described in Article 127ter, paragraph 4 of the current Spanish Companies Act.

c) Audit fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for auditing the 2004 annual accounts total K€471. This amount includes the examination of the annual accounts of the individual companies and the consolidated annual accounts for 2004.

Fees for other services rendered by PricewaterhouseCoopers Auditores, S.L. totalled K€47.

25. Environment

a) The Parent Company and subsidiaries have adapted their production facilities to meet the requirements of environmental legislation in the countries in which they are located.

b) Tangible fixed assets include investments in assets intended to minimise environmental impact and to protect and improve the environment. In 2004, no significant environmental investments were made.

c) In 2004, no significant environmental expenses were incurred. The amounts incurred during the year relate basically to waste collection expenses.

d) There are no environmental risks or costs that should be covered by a provision.

e) There are no contingencies relating to the protection and improvement of the environment, future investment commitments concerning the environment, environmental liabilities or compensation receivable in this respect.

f) The Consolidated group has not received any significant environmental grants or income as a result of its environment-related activities.

g) The Azkoitia plant operated by GSB Acero, S.A. has obtained environmental certification and an environmental diagnosis has been performed in association with IHOBE at all plants in order to progress with the plant certification process in 2005. The following Group companies and plants have already obtained environmental certification:

- Autometal, S.A. (Bahía, Diadema and Taubaté plants)
- Grupo Componentes Vilanova, S.L.
- GSB Acero, S.A. (Legazpi and Azkoitia plants)
- GSB Forja, S.A.
- Orbelan Plásticos, S.A.
- Tarabusi, S.A.

26. Post-balance sheet events

On 25 November 2004, the General Meeting of GSB Galfor, S.A. agreed to carry out a capital increase of K€325. The capital increase was fully subscribed and paid up by the shareholder SODIGA GALICIA, S.C.R., S.A. on 25 January 2005, marking a return to the historical shareholder situation created in 1998. SODIGA has therefore acquired a further 3.73% of GSB Galfor and once again holds a stake of 10.71%. CIE Automotive holds the remaining 89.29% through its subsidiary CIE Azkoitia.

27. Statement of source and application of funds

The statements of source and application of funds for 2004 and 2003 are set out below (K€):

APPLICATIONS OF FUNDS	2004	2003	SOURCE OF FUNDS	2004	2003
Formation expenses	-	840	Funds generated from		
Purchases of fixed assets			operations		
Intangible fixed assets	2,416	7,520	Attributed to Parent		
Tangible fixed assets	70,405	91,839	Company	74,717	61,959
Financial investments	15,789	-	Attributed to minority interests	107	1,008
Deferred expenses	-	23	Minority shareholders	-	179
Goodwill	157	12,682	Deferred income	7,802	1,236
Dividends	4,475	2,243	Long-term debt	83,946	5,120
Reversal or reclassification to short			Disposal of fixed assets		
term of provisions for contingencies	5,535	9,037	Formation expenses	119	-
Minority shareholders	-	12,127	Intangible fixed assets	79	36
Net consolidated effect of			Tangible fixed assets	9,700	7,422
inclusion in scope of			Financial investments	25,187	6,018
consolidation	12,669	20,603	Deferred expenses	551	-
Other	1,561	-	Other	-	4,844
Total applications of funds	113,007	156,914	Total sources of funds	202,208	87,822
Surplus of sources over applications of funds (increase in working capital)	89,201		Surplus of applications over sources of funds (reduction in working capital)		69,092

The item "Other" relates basically to the effect of the change in exchange rates applied to fixed assets, formation expenses, capital and reserves and long-term debts recorded by the following foreign subsidiaries: CIE Autometal, S.A. (subgrupo), CIE Unitools Press CZ, a.s., CIE Plasty CZ, s.r.o. y CIE Celaya, S.A. de C.V.

a) Change in working capital

	Thousand euros			
	2004		2003	
	Increases	Decreases	Increases	Decreases
Inventories	20,306	-	2,112	-
Debtors	5,599	-	-	(25,639)
Creditors	27,236	-	-	(47,861)
Own shares, short-term	-	1,926	126	-
Current asset investments	42,599	-	99	-
Cash at bank and in hand	-	2,556	-	(166)
Prepayments, accruals and deferred income	-	2,057	2,237	-
Total	95,740	6,539	4,574	(73,666)
Change in working capital	89,201			(69,092)

b) Calculation of funds generated from/ (absorbed by) the Parent Company's operations.

	Thousand euros	
	2004	2003
Profit for the year	18,133	13,097
Increases:		
. Depreciation and amortisation	50,858	45,616
. Appropriations to provisions for liabilities and charges	7,152	11,839
. Change in provisions for fixed assets	119	-
. Loss on disposal of fixed assets	812	16
. Amortisation of goodwill	3,271	2,877
Total increases	62,212	60,348
Decreases:		
. Reversal of negative consolidation differences	-	(2,248)
. Profit from companies consolidated using equity method	652	(1,398)
. Profit on disposal of fixed assets	559	(1,101)
. Corporate income tax	1,375	(4,783)
. Capital grants and other deferred income	3,042	(1,956)
Total decreases	5,628	(11,486)
Total funds generated from operations	74,717	61,959

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT 2004

CHANGES IN THE SCOPE OF CONSOLIDATION

In the first half of 2004, the CIE Automotive's consolidation scope was increased on the acquisition of a new company, Autometal SBC, Injeção, Pintura e Cromação de Plásticos, Ltda. (formerly Maier do Brasil, Ltda.), with registered office at São Bernardo do Campo - São Paulo (Brazil). This company manufactures plastic injected components, with and without paint, for vehicle exteriors and interiors.

During 2004 the following changes were made to the shareholder structure in the CIE Automotive Group:

New companies

On 17 December 2004, the company CIE DESC Automotive, S.A. de C.V. was set up. Its registered office is in México D.F. (México) and the company is 50% owned by the CIE Automotive Group through its subsidiary CIE Bérriz, S.L. and by the Mexican Group DESC, through its subsidiary DESC Automotriz, S.A. de C.V.

Company merger

On 21 June 2004, the companies Mecanizaciones para el Automóvil, S.A. and Mecanizaciones para el Automóvil 2, S.A. agreed on a merger by absorption of the latter company by the former. On the same date, Mecanizaciones para el Automóvil, S.A. decided to move its registered office, within the town of Vitoria-Gasteiz, and changed its name to CIE Mecauto, S.A. Both changes were entered in the Álava Mercantile Register in 2004.

Equity method consolidation

In 2004, the subsidiary Belgium Forge, N.V., with registered office in Mechelen (Belgium), suspended payments and commenced the definitive discontinuance of business. Liquidation and dissolution is envisaged in 2005 and therefore its financial statements have not been fully consolidated but valued using the equity method.

Share capital increases

The following CIE Automotive Group companies carried out share capital increases during the year:

- CIE Inversiones e Inmuebles, S.A., with registered office in Bilbao (Spain), fully subscribed and paid up by the Parent Company CIE Automotive, S.A.
- GSB Galfor, S.A., with registered office in San Ciprián de Viñas, Ourense (Spain), has carried out two capital increases: the first was fully subscribed and paid by CIE Automotive through its subsidiary CIE Azkoitia, S.L., and the second was fully subscribed and paid up, in January 2005, by SODIGA GALICIA, S.C.R., S.A.

COMMERCIAL AND FINANCIAL ACTIVITIES

16% increase in turnover

In 2004, CIE Automotive's business grew considerably, aggregate sales having risen from €637.5 million to €740.7 million (consolidated turnover of €670 million), entailing a 16% increase on 2003.

This positive development of sales is mainly due to CIE Automotive's increased penetration into the automobile market as a result of new projects that are being industrialised and launched by the Group companies.

It should be noted that the CIE Automotive's Group's growth was driven largely by the companies in Brazil, Czech Republic and Mexico, which now account for 17% of consolidated turnover and 21% of the Group's total EBITDA, constituting the basis for CIE Automotive's future growth.

In accordance with CIE Automotive's internationalisation strategy, in February 2004 the Group increased its presence in Brazil, where it is now a market leader, by acquiring the entire share capital of Autometal SBC, Injeção, Pintura e Cromação de Plásticos, Ltda. (formerly Maier do Brasil, Ltda.).

BUSINESS EVOLUTION (K€)	**31/12/04**	**31/12/03**	**VARIATION**	**VARIATION %**
Aggregate turnover	740.714	637.541	103.173	16%
Consolidated turnover	669.998	570.629	99.369	17%
EBITDA	96.570	79.314	17.256	22%
EBIT	43.697	34.028	9.669	28%
EBT	21.492	17.293	4.198	24%
Profit net of minority interests	18.133	13.096	5.037	38%

Improvement in results: EBITDA 22%, EBIT 28%, Net profit 38%

Despite the sharp rise in raw material prices in 2004, the CIE Automotive Group both offset this effect and improved on 2003 results. At December 2004, EBITDA, EBIT and net profits rose by 22%, 28% and 38%, respectively, on December 2003, confirming the growth trend observed in recent years. This has been possible due to the following factors:

- Operational improvements designed to increase productivity and customer satisfaction, based on two policies: ongoing innovation in operations management and production investments to improve quality and financial efficiency.
- the high number of projects in the industrialisation and launch phases indicates that this positive trend will continue.

These improvements are also resulting in an increase in profits as a percentage of consolidated turnover as compared with 2003, EBITDA having improved from 14.4% to 13.9% and net profits from 2.7% to 2.3%.

Impact of raw materials

The raw material price rises are causing changes in the automobile industry that will have significant consequences in the coming years. Pressures to cut costs in order to maintain competitiveness have increased in an industry already accustomed to such circumstances.

CIE Automotive is in an excellent position to achieve cost improvements due to its diversified geographic presences and proven capacity to optimise operational efficiency. This is evidenced by the rise of 54% in turnover from foreign markets.

Prospects for 2005

The Group forecasts a 10% rise in turnover in 2005, without any noticeable market growth, and a 20% increase in EBIT.

INDUSTRIAL ACTIVITY

The pursuit of excellence in all the Group companies' operations of one of the mainstays of the CIE Automotive Group's strategy. Innovation in industrial activities is therefore a pre-requisite for improved business performance.

In 2004, considerable work was carried out by the Group to roll out an Operational Excellence programme across all Group companies.

The ultimate aim of this management programme, named AVANZA, is to obtain maximum customer satisfaction through product and service quality and financial efficiency that allows the Group to be cost competitive.

In this context, specific continuous improvement programmes have been launched, making CIE Automotive a leader in management policies. The following basic improvement activities have been deployed through all CIE Automotive's plants worldwide:

- The five Ss: Structurise, Systemise, Sanitise, Standardise and Self-discipline to improve job posts.
- Production management: based on management autonomy in the various production areas, focused on improving quality, cost and service.
- Management of industrialisation projects: with the objective of improving the management of our key process (industrialisation).

In addition, recent production capacity increases and improvements at certain plant have substantially improved results.

Action taken outside Spain:

- Acquisition and turn-around of the paint and plastic injection plant in Brazil making interior and exterior products.
- Launch of a new plastic injection plant, CIE Plasty CZ, in the Czech Republic, making interior and exterior products.
- Extension of the chassis and brake component stamping facilities by CIE Unitools (Czech Republic).
- Saturation of the new stamping, tube configuration and aluminium injection production facilities at the CIE Celaya plant in Mexico, which makes brake, steering and motor components.
- New plastic injection facilities making interior and exterior products, as well as new chassis, steering and drive train component automation lines in Brazil.
- Start of investments in a new automation plant in the Czech Republic for chassis and steering products.

Action taken in Spain:

- Increase in the aluminium injection and automation capacity for engine and drive train products and steering components.
- Investment in a fully automated line making engine and drive train components at CIE Mecauto's plant in Vitoria.
- A significant number of production processes have been automated and/ or robotised, having achieved considerable improvements in productivity.

HUMAN RESOURCES

The CIE Automotive Group's workforce has been brought into line with production needs and the Group ended 2004 with an average of 5,804 employees.

The main activities carried out in this area are as follows:

- Occupational hazard prevention: Occupational safety is a maximum priority for CIE Automotive. The Group's Prevention Departments continue to perform their activities with the ultimate aim of eradicating occupational accidents and continuously improving working conditions.

  In addition to specific actions that have brought about a substantial reduction in accidents, at out plants we have developed a new risk evaluation system, in association with Osalan, as a preventive tool that will allow a further reduction in accidents.
- A competency management programme has been rolled out across the Group. This measure complements our Career Development Programme.
- Development of a training plan at each Group company, devoting an average of 1% of total working hours to training.
- Launch of an executive training programme based on four modules: finance, environmental quality and prevention, executive career development and project management.

The improved results achieved in 2004 were possible thanks to the quality of CIE Automotive's workforce.

QUALITY AND ENVIRONMENT

In accordance with our quality, prevention and the environment commitment, the following activities were carried out in 2004:

As regards quality issues and in line with our management model, in 2004 all our plants obtained certification under the standard ISO/ TS 16949 (ed. 2002). The certification process was handled by Lloyd’s.

A number of intranet applications have also been developed to enhance plant efficiency, such as the incident manager, which will allow us to carry out systematic analyses to identify the causes and act accordingly.

In the environmental area, the Azkoitia plant operated by GSB Acero has obtained environmental certification and an environmental diagnosis has been performed in association with IHOBE at all plants in order to progress with the plant certification process in 2005. The following Group companies and plants have already obtained environmental certification: Autometal, S.A. (plants in Bahía, Diadema and Taubaté), Grupo Componentes Vilanova, S.L., GSB Acero, S.A. (plants in Legazpi and Azkoitia), GSB Forja, S.A., Orbelan Plásticos, S.A. and Tarabusi, S.A.

R&D ACTIVITIES

In 2004 a number of R&D&i objectives were defined, including the ones described below:

1. Consolidation of the technological strategy defined in 2003, which was designed to comply with the business model demanded by our customers and to increase our competitiveness and response capacity in terms of innovative products and services.

2. Further progress with specific products prioritised in the three vehicle areas (engine and drive chain, chassis and steering, interior and exterior products), on which we have decided to focus R&D&i projects.

3. Focus on projects in which multi-technology solutions play a prime role, at our Technology Centres, so as to take advantage of one of our main distinguishing features in the market.

Our R&D&i strategy defined in previous years and reflected in our strategic plan allowed us to develop a number of regional, national and European projects in 2004. Some of these projects are a logical continuation of ones presented in prior years and others are totally new. Our R&D&i efforts focus on materials (steels, new aluminium alloys, reinforced plastics, etc.), products (components made of alternative materials, multi-functional components, etc.) and processes (automation, selective laser repairs, artificial vision, etc.).

ACQUISITION OF OWN SHARES

At 31 December 2003, CIE Automotive, S.A. held 373,550 own shares. In 2004, the Company purchased 55,439 own shares for a total of €631,576.42 and sold €360,000 shares for a total of €3,596,383.60, having generated a gain of €1,046,133.30 on the sale. Of this amount, €453,837.61 has been recorded in the accounts as a profit for 2004 and the remaining €592,295.69 has been included in deferred income and will be taken to profits over the following four years. Consequently, CIE Automotive, S.A. holds 68,989 own shares at year-end 2004, representing 0.303% of share capital. The shares are stated at a cost of €727,839.65 and a share price of €776,126.25.

POST-BALANCE SHEET EVENTS

On 25 November 2004, the General Meeting of GSB Galfor, S.A. agreed to carry out a capital increase of K€325. The capital increase was fully subscribed and paid up by the shareholder SODIGA GALICIA, S.C.R., S.A. on 25 January 2005, marking a return to the historical shareholder situation created in 1998. SODIGA has therefore acquired a further 3.73% of GSB Galfor and once again holds a stake of 10.71%. CIE Automotive holds the remaining 89.29% through its subsidiary CIE Azkoitia.

ANNUAL REPORT ON ACTIONS TAKEN BY THE AUDIT AND COMPLIANCE COMMITTEE IN 2004

In accordance with Article 31 bis of the Articles of Association (article included through the amendment approved by the General Shareholders' Meeting on 24 June 2003), the Company's Board of Directors delegates duties to the Audit and Compliance Committee (as provided by Article 31 bis and Article 3 of the Audit and Compliance Committee's Regulations), which serves the Company's Board.

CIE Automotive, S.A.'s Board of Directors approved the Audit and Compliance Committee's Regulations and designated committee members at the meeting held on 24 June 2003.

The Committee met on 10 occasions in 2004 and has held one meeting in 2005 (21 February 2005), prior to the preparation of the 2004 annual accounts.

In 2004, the Committee's activities focused on two main issues, in addition to its ordinary activities: (i) monitoring of the Internal Control Plan implemented by the Company at the end of 2003, and (ii) analysing and monitoring the adaptation of the annual accounts to IAS/IFRS.

The Committee fulfilled all its duties in the first full year of activities and, specifically, addressed the matters listed below during its meetings. The table indicates the articles of the Committee's Regulations that provide for the duties performed:

Matters (Committee's duties)	Art.	Dates of meetings					
Preparation of the annual accounts	3(vi)	23/02/2004	18/05/2004				
Annual Report on Corporate Governance	3(x)	23/02/2004					
Committee's Activities Report	3(ix)	23/02/2004					
Internal risk control plan	3(iv)	23/02/2004	27/04/2004	21/06/2004	20/07/2004	25/11/2004	22/12/2004
Internal conduct control and monitoring	3(vii)	23/02/2004	21/06/2004				
Conflicts of interests	3(viii)	23/02/2004	21/06/2004				
IPP in markets	3(vi)	27/04/2004	18/05/2004	21/06/2004	20/07/2004	26/10/2004	
Amendment of corporate regulations	3(x)	27/04/2004					
Audit independence	3(iii)	10/06/2004					
Adaptation to IAS / IFRS	3(x)	10/06/2004	22/09/2004	26/10/2004	25/11/2004		
Audit of the annual accounts	3(v)	21/06/2004	20/07/2004	22/09/2004	26/10/2004	22/12/2004	

It may be observed that the Committee completed the following main actions in 2004:

(a) Analysis of Periodic Public information, prior to submission to the Spanish National Securities Market Commission (CNMV) and the governing companies of the Bilbao and Madrid Stock Markets, for the second half of 2003 (meeting of 23 February 2004), first quarter of 2004 (27 April 2004), first half of 2004 (20 July 2004) and third quarter of 2004 (26 October 2004).

Following the analysis, and in all cases, the Audit and Compliance Committee approved the mandatory report on the Periodic Public Information, which was submitted to the Board of Directors for approval and submission to the stock markets.

On 21 February 2005, the Committee also analysed the information for the second half of 2004.

(b) Analysis of the annual accounts (balance sheet, profit and loss account and notes to the accounts) and Directors' Report of CIE Automotive, S.A. and Consolidated Group for the year ended 31 December 2003 (meeting of 23 February 2004), and the proposal for the distribution of results.

Following the analysis, the Committee approved the mandatory report on the annual accounts (balance sheet, profit and loss account and notes to the accounts), which was submitted to the Board of Directors prior to the preparation of the accounts.

During the first meeting held in 2005, the Committee analysed the annual accounts for the year ended 31 December 2004 and issued the mandatory report on the accounts.

(c) Monitoring of external audit procedures: Meetings were held with the external auditors of CIE Automotive, S.A. and its subsidiaries so as to plan and analyse the procedures and results(preliminary and definitive) of the external audit of the year ended 31 December 2003, as well as to plan and analyse the preliminary procedures and results of the external audit of the year ended 31 December 2004. The Committee also reviewed the external auditors' recommendations relating to accounting issues, systems and financial data preparation and management procedures at each company of the CIE Automotive Group.

The external auditors of various subsidiaries were appointed, their fees were approved and independence was verified.

(d) Analysis and follow-up of internal audit processes, by overseeing the Company's Pluriannual Internal Control Plan and ensuring that the specific plans for 2004 incorporated the aims of the pluriannual plan. The 2004 plan was fully applied during the year.

In this regard, the Committee supervised the preparation of a Company risk map approved by the Board of Directors, allowing the definition of priority actions to minimise and, if possible, eliminate the risks detected. The Committee also participated actively in the definition of processes and sub-processes to be studied in each year of the pluriannual plan, the scope of the work to be carried out, the evaluation methodology to be used to monitor fulfilment of objectives and the status of controls over the risks detected, and the contracting of external consultants to assist the Company in developing its Internal Control Plan.

At the meeting held on 22 December 2004, the Committee supervised the specific work plan for 2005 proposed by the Company and reviewed the pluriannual plan. The initial order of processes was changed and the plan's term was extended for a further year.

(e) <u>Contracting, analysis and follow-up of the "Project to adapt the CIE Automotive Group to IAS/IFRS"</u>.

In 2004, the Committee supervised the work carried out to bring the accounting principles applied when preparing the consolidated annual accounts of CIE Automotive S.A. and subsidiaries to the International Financial Reporting Standards that must be applied by listed companies as from 2005.

In order to fulfil its supervision duty, the Committee has been assisted by the Company's external auditors, who have acted as technical advisors, guiding the Committee's analysis of the specific issues raised by the adaptation to the new accounting framework and assisting in the selection of methods to be proposed to the Board of Directors in connection with the alternatives provided by IFRS.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES
PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2004

In compliance with the provisions of Article 171.1 of the current Spanish Companies Act ("Ley de Sociedades Anónimas"), the Directors forming the Board of Directors of CIE AUTOMOTIVE, S.A. and SUBSIDIARIES have prepared the consolidated annual accounts and the consolidated Directors' Report of CIE AUTOMOTIVE, S.A. and SUBSIDIARIES for 2004, consisting of and identified as follows:

The balance sheet is printed on government-stamped paper, Class 8, number 0H2412669.

The profit and loss account is printed on government-stamped paper, Class 8, number 0H2412670.

The notes to the accounts are printed on government-stamped paper, Class 8, numbers 0H2412671 to 0H2412710.

The Directors' Report is printed on government-stamped paper, class 8, numbers 0H2412711 to 0H2412720.

In compliance with the provisions of Article 171.2, the Directors declare that they have personally signed each of the above-mentioned sheets, by signing this sheet of government-stamped paper, class 8, number 0H2412721.

In Bilbao, on 24 February 2005

SIGNATORIES

Mr. Antonio María Pradera Jáuregui (Chairman) ______________________

SALTEC, S.L., represented by
Mr. Cesáreo García Fernández (1st Vice Chairman) ______________________

Mr. José Antonio Marcotegui Ros (2nd Vice Chairman) ______________________

Mr. Ignacio Martín San Vicente (Managing Director) ______________________

SALTEC PARTICIPADAS, S.L., represented by
Mr. Pedro Echave Alberdi (Director) ______________________

INVERSIONES SECTORES VARIOS, S.L.,
represented by **Mr. Jesús Guibert Azcue** *(Director)* ______________________

IBERSUIZAS PARTICIPADAS, S.A., represented by
Mr. Juan Luis Ramírez Belaustegui (Director) ______________________

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A., represented by
Mr. Francisco José Riberas Mera (Director) ______________________

POOLBACK, S.A., represented by
Mr. Miguel Angel Planas Segurado (Director) ______________________

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.,
represented by Ms Goizalde Egaña Garitagoitia (Director) ______________________