CIE Automotive, S.A.

Audit Report,
Annual accounts at 31 December 2015
and directors' Report for 2015

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

INDEPENDENT AUDITOR´S REPORT ON ANNUAL ACCOUNTS

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

Report on the Annual Accounts

We have audited the accompanying annual accounts of CIE Automotive, S.A., which comprise the balance sheet as at December 31, 2015, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Annual Accounts

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of CIE Automotive, S.A. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

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

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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Report on Other Legal and Regulatory Requirements

The accompanying directors' Report for 2015 contains the explanations which the directors consider appropriate regarding the situation of CIE Automotive, S.A., the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the annual accounts for 2015.Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the company´s accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

24 February 2016

CIE AUTOMOTIVE, S.A.

CONTENT OF ANNUAL ACCOUNTS

CIE AUTOMOTIVE, S.A.

CONTENT OF ANNUAL ACCOUNTS

CIE AUTOMOTIVE, S.A.

BALANCE SHEET AT 31 DECEMBER 2015
(Thousand euro)

	Note	At 31 December 2015	At 31 December 2014
NON-CURRENT ASSETS			
Intangible assets	5	28,904	29,284
Property, plant and equipment	6	884	965
Non-current investments in group companies and associates	7-8	1,160,295	1,134,237
Equity instruments		335,825	347,986
Loans to companies		824,470	786,251
Non-current financial investments	7	82	79
Equity instruments		62	62
Other financial assets		20	17
Deferred tax assets	18	17,626	19,730
Total non-current assets		1,207,791	1,184,295
CURRENT ASSETS			
Trade and other receivables	7-9	18,239	1,652
Trade receivables		8	-
Receivables from Group companies and associates		17,200	666
Other receivables		23	24
Current tax assets		1,008	962
Current investments in group companies and associates	7-8	3,469	26,294
Loans to companies		3,469	26,294
Current financial investments	7	45,901	41,098
Loans to third parties		806	1,664
Derivatives	10	5,771	180
Other financial assets		39,324	39,254
Prepaid expenses		6	4
Cash and cash equivalents	7-11	30,494	13,322
Total current assets		98,109	82,370
TOTAL ASSETS		1,305,900	1,266,665

CIE AUTOMOTIVE, S.A.

BALANCE SHEET AT 31 DECEMBER 2015
(Thousand euro)

	Note	At 31 December 2015	2014
EQUITY			
Capital and reserves		488,494	429,225
Share capital	12	32,250	32,250
Share premium	12	152,171	152,171
Reserves	13	231,904	208,726
Profit /(loss) for the year	14	92,809	48,978
Interim dividend	14	(20,640)	(12,900)
Valuation adjustments	10	(4,777)	(2,062)
Hedging transactions		(4,777)	(2,062)
Grants, donations and bequests received	15	-	15
Total equity		483,717	427,178
NON-CURRENT LIABILITIES			
Non-current provisions	17	12,056	5,696
Long-term employee benefits		12,056	5,696
Long-term payables	7-16	575,852	541,965
Bank borrowings		575,852	541,965
Group companies and associates, non-current	7-16	152,128	154,976
Deferred tax liabilities	18	-	6
Other non-current payables	7-16	8,906	20,776
Other non-current payables		8,906	20,776
Total non-current liabilities		748,942	723,419
CURRENT LIABILITIES			
Current provisions	17	-	967
Current borrowings		34,903	69,574
Bank borrowings	7-16	27,713	66,124
Derivatives	7-10-16	7,190	3,450
Group companies and associates, current	7-16	9,921	23,227
Other short term liabilities	7-16	1,250	-
Other short term liabilities		1,250	-
Trade and other payables	7-16	27,167	22,300
Trade payables		1,855	2,940
Group suppliers		23	-
Other payables		20,855	13,302
Fixed asset suppliers		84	90
Accrued wages and salaries		1,647	3,499
Current tax liabilities		2,703	2,469
Total current liabilities		73,241	116,068
TOTAL EQUITY AND LIABILITIES		1,305,900	1,266,665

CIE AUTOMOTIVE, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

CONTINUING OPERATIONS	Note	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	19	106,316	92,064
Services rendered and other income		106,316	92,064
Other operating income	19	346	309
Non-trading and other operating income		346	309
Employee benefit expense	19	(12,279)	(10,800)
Wages and salaries		(11,638)	(10,192)
Social security		(641)	(608)
Other operating expenses	19	(2,952)	(7,786)
Taxes		(10)	(11)
Other expenses		(2,942)	(7,775)
Depreciation and amortization	5-6	(714)	(1,044)
Non-financial and other capital grants	15	21	70
Impairment and profit/(loss) on fixed asset disposals	8	19,967	-
OPERATING PROFIT		110,705	72,813
Finance income	21	1	48
Finance expense	21	(21,102)	(23,514)
Change in fair value of financial instruments	21	5,688	(399)
Net exchange differences	21	701	-
Change in fair value of assets and liabilities taken to income statement	16-21	4,017	-
FINANCIAL RESULTS		(10,695)	(23,865)
PROFIT BEFORE TAX		100,010	48,948
Income tax	20	(7,201)	30
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		92,809	48,978
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		92,809	48,978

CIE AUTOMOTIVE, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Note	2015	2014
Profit for the year	14	92,809	48,978
Income and expense recognised directly in equity			
Cash flow hedges	10	(3,771)	(2,294)
Tax effect		1,056	642
		(2,715)	(1,652)
Amounts transferred to the income statement			
Grants, donations and bequests received	15	(21)	(70)
Tax effect	18	6	20
		(15)	(50)
TOTAL RECOGNIZED INCOME AND EXPENSE		90,079	47,276

CIE AUTOMOTIVE, S.A.

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (Thousand euro)

	Share capital (Note 12)	Share premium (Note 12)	Reserves (Note 13)	Profit for the year (Note 14)	Interim dividend (Note 14)	Valuation adjustments (Note 10)	Grants, donations and bequests received (Note 15)	Total
Closing balance, 2013	**29,705**	**61,467**	**196,159**	**37,110**	**(10,694)**	**(410)**	**65**	**313,402**
Total recognized income and expense	-	-	-	48,978	-	(1,652)	(50)	47,276
Transactions with shareholders and owners:								
- Capital increase (Note 12)	2,545	90,704	(1,602)	-	-	-	-	91,647
- Distribution of profit	-	-	14,806	(37,110)	10,694	-	-	(11,610)
- Interim dividend (Note 14)	-	-	-	-	(12,900)	-	-	(12,900)
- Other changes	-	-	(637)	-	-	-	-	(637)
Closing balance, 2014	**32,250**	**152,171**	**208,726**	**48,978**	**(12,900)**	**(2,062)**	**15**	**427,178**
Total recognized income and expense	-	-	-	92,809	-	(2,715)	(15)	90,079
Transactions with shareholders and owners:								
- Distribution of profit	-	-	23,178	(48,978)	12,900	-	-	(12,900)
- Interim dividend (Note 14)	-	-	-	-	(20,640)	-	-	(20,640)
Closing balance, 2015	**32,250**	**152,171**	**231,904**	**92,809**	**(20,640)**	**(4,777)**	**-**	**483,717**

CIE AUTOMOTIVE, S.A.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

	Note	Year ended 31 December 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES	22		
Profit for the year before tax		100,010	48,948
Adjustments		(47,216)	(32,577)
Changes in working capital		(19,992)	495
Other cash flows from operating activities		26,578	35,277
Cash flows from/(used in) operating activities		59,380	52,143
CASH FLOWS FROM INVESTING ACTIVITIES	23		
Payments for investments		(262)	(11,032)
Proceeds from disposals		32,986	500
Cash flows from/ (used in) investing activities		32,724	(10,532)
CASH FLOWS FROM FINANCING ACTIVITIES	24		
Proceeds from and payments for equity instruments		-	91,646
Proceeds from and payment of financial liabilities		(49,132)	(119,887)
Dividends and payments on other equity instruments		(25,800)	(22,304)
Cash flows from /(used in) financing activities		(74,932)	(50,545)
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,172	(8,934)
Cash and cash equivalents at beginning of period		13,322	22,256
Cash and cash equivalents at end of period	11	30,494	13,322

CIE AUTOMOTIVE, S.A.

NOTES TO THE 2015 ANNUAL ACCOUNTS
(Thousand euro)

1. General information

Composition and principal activities of CIE Automotive Group

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

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

CIE Automotive Group operates two core business lines:

- Automotive

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

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

- Solutions and Services (Smart Innovation)

  The Group, through a group of companies, leading by the company Global Dominion Access, S.A., and with stable presence in 28 countries and more than 5,000 employees, supported on a business model which combines knowledge and technology, develops its activities, offering Solutions and Services that actively contribute to make more efficient the productive processes of its clients. With a global and multisectorial approach, this subgroup operates, among others, in the sectors of Industry, Energy, Bank, Health, Education and Technology, in both private and public fields.

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

The parent's registered office is located at "Calle Alameda Mazarredo 69, 8º piso", Bilbao.

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in: CIE Berriz, S.L.; R.S. Automotive, B.V., and Autokomp Ingeniería, S.A.U. and, lastly, 62.95% stake in Global Dominion Access, S.A., holding companies to which the Group's productive companies report.

The list of subsidiaries and associates at 31 December 2015, together with the information concerning them, is set out in Appendix I to these annual accounts.

These annual accounts were prepared by the Board of Directors on 24 February 2016.

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

One of the Group's subsidiaries, the Brazilian company Autometal S.A. (Appendix), which was 74.76%-owned by the Group, was in previous years traded on the Brazilian stock exchange (BMF&BOVESPA – Novo Mercado). In September 2014 the formalities connected to the takeover bid were successfully completed in order to exclude of negotiation of the above mentioned Company in the Brazilian Stock Exchange, acquiring the remaining 25.24% of its share capital.

After the completion of the different phases of the operation, CIE Automotive, S.A. became the owner of 100% of the shares of Autometal, S.A. (through its subsidiary CIE Autometal, S.A.). The operation amounted to approximately €203 million (approximately BRL617 million).

After the public offering, the Group started a restructuring process of CIE Automotive Group in Brazil by (a) the sale of all business units located abroad, to CIE Berriz, S.L., ended in 2014, and (b) the reverse merger in February 2015 of the parent company of the Group companies located in Brazil, CIE Autometal, S.A. and its operational parent, Autometal, S.A. the absorbing company that lives on.

Strategic alliance with the Mahindra group

On 15 June 2013, through its Brazilian subsidiary Autometal, S.A. and several of its subsidiaries CIE Automotive, S.A. entered into a strategic agreement for the integration of the automotive parts manufacturing business of Mahindra & Mahindra and the forged parts manufacturing business of CIE Automotive, SA, the final outcome of which was the formation of the MAHINDRA CIE Group, parented by the Indian company CIE Automotive, Ltd. listed on the Bombay Stock Exchange.

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

On 4 October 2013, after obtaining authorisation from the competition authorities in India, Germany and Brazil, as well as other regulatory approvals, CIE Automotive, S.A. completed this first phase by acquiring a controlling interest in the listed companies Mahindra CIE Automotive, Ltd. and 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 non-listed company Mahindra Hinoday Industries, Ltd. The total price paid was INR 8.809 million (equivalent at the time of the operation, to approximately €110 million).

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

Mahindra & Mahindra´s transaction was ratified by the General Meeting of Autometal, S.A. held on 8 July 2013, pursuant to Article 256 of Law 6,404/76, as amended by Law 10,303/01.

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

During a second phase, in the second half of 2014 Mahindra CIE Automotive, Ltd. (at the time indirectly controlled by CIE Automotive, S.A. initiated at the merger by absorption, in December 2014, of Mahindra Composites Ltd. (listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd. Mahindra Investments India Private Limited, Mahindra Gears International Limited and the company holding the European forged component manufacturing business of CIE Automotive, S.A., Participaciones Internacionales Autometal Tres, S.L., integrating all these businesses.

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

As mentioned above, the final outcome of the process in 2014 was the creation of the MAHINDRA CIE group, parented by the Indian company Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings, Ltd.), listed on the Bombay Stock Exchange, in which CIE Automotive, S.A. through its subsidiary CIE Berriz, S.L. and several subsidiaries owns a controlling interest of 53.21% and in which Mahindra & Mahindra holds around 20% of share capital.

The share price at 31 December 2015 of Mahindra CIE Automotive, Ltd. currently listed on the Bombay Stock Exchange has been INR 250.60 (2014, INR 212.75).

Additionally, Board of Directors of the subsidiary Global Dominion Access, S.A. maintain several actions related to a potencial placement and admission of company´s shares to official Spanish stock exchange listing. At 31 December 2015 there are no significant costs accrued in relation to that process, either variable remuneration subjected to that process.

CIE AUTOMOTIVE, S.A.

NOTES TO THE 2015 ANNUAL ACCOUNTS
(Thousand euro)

Consolidated annual accounts of CIE Automotive Group

Under Spanish Royal Decree 1,815/1,991 of 20 December, the Company is obliged to present consolidated annual accounts.

On 24 February 2016, the Company authorised the issuance of the consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31 December 2015, which presented profit for the year attributable to owners of the parent of €129,064 thousand and equity, including profit for the year and non-controlling interests, of €884,990 thousand (2014: €81,048 thousand and €861,632 thousand, respectively).

Those consolidated annual accounts were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). Appendix II, attached, includes the Group's consolidated 2015 and 2014 balance sheets and income statements under IFRS-EU.

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

Regulatory Framework

Certain companies of the automotive segment develop their activity in the production and sale of biofuel which is a specific sector with a particular regulatory framework (hydrocarbon sector). Among the obligations that are determined by this regulation include the maintenance of minimum safety stock levels of petroleum products and the annual accreditation of the Spanish Securities & Exchange Commission (CNMV) regarding the ownership of the minimum quantity of certificates of biofuels.

The biofuel production plants are granted with the capacity of production to operate in this activity according to the allocation made by the Secretary of State of Energy.

2. Basis of presentation

2.1 Fair presentation

The accompanying annual accounts were prepared from the Company's accounting records and are presented in accordance with the Spanish General Accounting Plan, enacted by Spanish Royal Decree 1,514/2,007, as amended by Royal Decree 1,159/2,010, of 17 September, in order to give a true and fair view of the Company's equity and financial position at the year end and of its financial performance and cash flows for the year then ended. These annual accounts were authorised for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2014 annual accounts were approved at the Annual General Meeting held on 30 april 2015.

2.2 Key sources of estimation uncertainty

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

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

Impairment of investments in Group companies and associates

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

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

(Thousand euro)

With respect to the assumptions used to determine the CGUs' EBITDA (operating profit plus depreciation and amortization, used as a starting point to calculate free cash flows) and future growth, the most reasonable scenario has been considered, such that negative distortions of this gross margin are unlikely to arise. Nonetheless simulations applying different growth rates or 10% changes to the EBITDA figures show no risk of impairment in 2015 or 2014.

Using other growth rates or 10% variations in EBITDA, there is no indication of the need for impairment charges in either 2015 or 2014.

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

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

CGUs	2015	2014
Automotive segment		
Brazil	11.31%	11.40%
NAFTA	6.89%-8.44%	7.31% - 9.95%
Mahindra-CIE	5.9%-13.14%	7.07% - 15.62%
Rest of Automotive (Europe)	5.92%-13.51%	7.09% - 15.67%
Solutions and Services (Smart Innovation)		
Solutions	6.5%-12%	9.00% - 11.00%
T&T Services	7%-15%	9.00% - 11.00%
Industry Services	6%-10%	9.00% - 11.00%
Commercial Services	7%	9%

The applied WACC ranges are derived from the cash flows that are generated in different countries with different country risks characteristics.

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

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

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

	% of revenue	
	2015	2014
Automotive	5.49%-32.58%	7.78%-34.2%
Solution and Services (Smart Innovation)	6.5%-10.4%	3.9%-17.2%

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

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

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 0% and 4%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve these growth levels. For purposes of the calculation of the residual value, an annual flow standard is updated considering the discount rate used in the projections deducted from the growth rate considered.

Fair value of derivatives or other financial instruments

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

Income tax

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

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

If the final outcome (on judgment areas) differs by 10% from management estimates, deferred assets would decrease and income tax would increase by approximately €2.4 million (2014 : €0.2 million), if these were not favorable and contrary in an amount of approximately €0.9 million (2014: no effect) if the difference was favorable.

Employee benefits

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

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

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

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

2.3 Aggregation

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

2.4 Presentation currency

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

3. Accounting policies

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

3.1. Intangible assets

Goodwill

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

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

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

Goodwill impairment losses cannot be reversed in future reporting periods.

Computer applications

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

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

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed 6 years and the time it begins to be amortized once is capitalized is no longer than one year.

3.2. Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.3. Impairment of non-financial assets

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

On 22 December 2015, Royal Decree project is published by which General Accounting Published is amended. This Royal Decree will take effect from 1 January 2016. Since that date, intangible assets will be considered as assets with a defined useful life and must be subject to systematic amortization in the period during which it is expected, reasonably, that the economic benefits inherent to the asset produce income for the company. When the useful life of these assets cannot be reliably estimated they will be amortized in ten years using the straight-live method. On the other hand, goodwill is amortized over its useful life which unless proven otherwise, is presumed to be ten years and it will also be amortized using the straight-live method.

In accordance with the transitional arrangements of Royal Decree, amortization of intangible will be prospective from January 1, 2016 with a charge to profit and loss, or retrospective from the date of acquisition and amortized over ten years with a charge to reserves for which will be given the appropriate comparative information.

At the date of preparation of these annual accounts for the year 2015, the Company has not taken any decision regarding the transitional arrangement that has to be used with regard to the goodwill that the Company has recorded under "intangible assets". The new regulatory change will involve a greater cost of amortization of goodwill of €2.8 million annually and if the Company applies the transitional arrangement retrospectively, it will be charged a depreciation from the date of acquisition in reserves with effect 1 January 2016. The depreciation would amount to €14 million.

3.4. Exchanges of assets

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

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

3.5. Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.6. Derivative financial instruments and accounting hedge

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

The Company designates certain derivatives as either:

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

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

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

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

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

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

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

3.7. Cash and cash equivalents

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

3.8. Equity

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

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

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

3.9. Financial liabilities

Debts and payables

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

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

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

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

3.10. Grants received

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

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

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

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

3.11. Current and deferred income tax

The Company files is taxe under the consolidated tax system as the parent of a group of companies (Note 20). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Vizcaya provincial tax laws, in 2015 are as follows:

- CIE Berriz, S.L. (Absorbing company in 2015 of CIE Automotive Nuevos Mercados, S.L., Bionor Transformación, S.A.U., CIE Automotive Hispamoldes, S.L. and Participaciones Internacionales Autometal, S.L.U. Note 1)
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A.U.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Berantevilla, S.L.U.
- Bionor Transformación, S.A.U., dissolved in 2015 due to the merge by acquisition by CIE Berriz, S.L.
- Vía Operador Petrolífero, S.L.U. (liquidated in the year 2015)
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Nuevos Mercados, S.L. dissolved in 2015 due to the merge by acquisition by CIE Berriz, S.L.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.

- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal, S.L.U., dissolved in 2015 due to the merge by acquisition by CIE Berriz, S.L.
- Participaciones Internacionales Autometal Dos, S.L.U.

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

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

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

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

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

3.12. Employee benefit

a) Profit-sharing and bonus plans

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

b) Termination benefits

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

c) Share-based payments

At 31 December 2015 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra-CIE Automotive Ltd., listed on Indian stock market (Appendix I).

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

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

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

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

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

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

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

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

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

3.13. Provisions and contingent liabilities

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

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

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

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

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

3.14. Business combinations

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

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

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

3.15. Joint operations

Jointly-controlled entities

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

3.16. Revenue recognition

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

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

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

a) Sales of services

The Company invoices CIE Automotive Group companies for sales commission, for providing general management and administration services, as well as services in the field of IT, according to contracts with each.

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

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

b) Interest income

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

c) Dividend income

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

3.17. Operating leases

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

3.18. Foreign currency transactions

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

3.19. Related-party transactions

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

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

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

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

3.20. Dividend distribution

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

4. Financial risk management

4.1. Financial risk factors

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

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

a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

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

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

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

If at 31 December 2015, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €77,932/47,552 thousand, respectively (2014: increased/decreased by €82,690/€67,656 thousand) due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average rate of exchange of the euro had been depreciated/appreciated by 10% in 2015 with respect to all functional currencies other than the euro, all other variables being equal, profit after tax for the year would have been €1.030/2.027 thousand higher/higher, respectively (2014: €5,453/€4,461 thousand higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

(ii) Price risk

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

(iii) Interest rate risk

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

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

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

(Thousand euro)

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

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

If during 2015 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables being equal, profit after tax for the year would have been €752 thousand (2014: €704 thousand) lower/higher, largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity for the Group consolidation purposes by €1,278/€1,779 thousand, respectively (2014: a €556/€874 thousand increase/decrease, respectively) except for the impact deriving from profit for the year. The impact on profit for the year would have been 24/22 (2014: 50/50).

b) Liquidity risk

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

Management monitors CIE Automotive Group's forecast liquidity requirements together with the trend in net debt. The liquidity and net debt at 31 December 2015 and 2014 are set out below:

	2015	2014
Cash and cash equivalents	261,011	297,699
Other current financial assets	85,702	96,258
Undrawn lines of credit	145,955	116,335
Liquidity buffer	**492,668**	**510,292**
Bank borrowings	1,000,754	1,104,077
Other current financial liabilities	16,078	10,489
Cash and cash equivalents	(261,011)	(297,699)
Other current financial assets	(85,702)	(96,258)
Net debt	**670,119**	**720,609**

Net financial debt reduction during the year is due to to the cash generation, as well as due to intensive work done to increase working capital.

Group´s financial department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2016 will allow facing all year payments without increasing net financial debt.

Group´s financial department monitors Group´s liquidity needs previsions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

(Thousand euro)

The Group is strategically diversifying the financial markets and financing sources it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool, reduzing Spanish and Brazilian banks burden.

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

- €14.1 million originating from the recurring discounting of commercial paper issued by Group customers (€35.2 million at 31 December 2014).
- €0.6 originating from recurring import financing (€3.0 million at 31 December 2014).

Note the existence at 31 December 2015 of €146 million of undrawn credit lines and loans (31 December 2014: €116.3 million) at the consolidated CIE Automotive Group level.

The following table shows a breakdown of working capital in CIE Automotive, S.A.'s balance sheet at 31 December 2015 as compared with 31 December 2014:

	2015	2014
Inventories	293,754	288,909
Trade and other receivables	365,061	292,653
Other current assets	6,181	7,170
Current tax assets	60,432	58,558
Current operating assets	**725,428**	**647,290**
Other current financial assets	85,702	96,258
Cash and other cash equivalents	261,011	297,699
CURRENT ASSETS	**1,072,141**	**1,041,247**
Trade and other payables	815,320	630,193
Current tax liabilities	56,780	57,200
Current provisions	11,108	11,386
Other current liabilities	199,098	126,822
Current operating liabilities	**1,082,306**	**825,601**
Short-term bank borrowings	172,489	254,180
Other financial liabilities	16,078	10,489
CURRENT LIABILITIES	**1,270,873**	**1,090,270**
NET WORKING CAPITAL	**(198,732)**	**(49,023)**

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

One of the Group's strategies is to ensure the optimization and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables and to optimize the accounts payable, with the support of bank operational mobilization of resources, as well as to minimize inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

The negative working capital has increased in 2015 mainly due to the management of payment terms to suppliers, unifying policies and conditions throughout the Group, and the transfer to short term for the liabilities of the acquisition of the participation of CIE Automotive Nuevos Mercados, S.L. (now merged with CIE Berriz, SL) to Ekarpen, SPE, SA, and the rights granted to the minority of the subsidiary acquired in 2012, Century Plastics LLC., through the granting of an option selling to them.

However, the Group management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2016 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

(Thousand euro)

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

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

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At 31 December 2015				
Bank borrowings (Note 16)	27,713	29,852	527,000	19,000
Derivatives	7,190	-	-	-
Other debts	1,250	2,500	6,406	-
Trade and other payables (*)	34,385	-	152,128	-
At 31 December 2014				
Bank borrowings (Note 16)	66,124	75,401	466,564	-
Derivatives	3,450	-	-	-
Other debts	-	11,870	8,906	-
Trade and other payables (*)	43,058	-	154,976	-

(*) Excluding balances payable to public administration due to current tax.

Derivative financial instruments qualified as hedges are settled net; their maturities are detailed in Note 16 for interest rate swaps (Note 10).

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

c) Credit risk

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

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

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

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

d) Commodity Price Risk

The Group is not significantly exposed to variation of commodity prices. In societies where this risk may appear in specific market situations (Automotive segment plants that use raw materials with quoted prices), the risk is managed through price financing transmission agreement.

4.2. Hedge accounting

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

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

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

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

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

b) Cash flow hedges

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

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

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

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

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

c) Net investment hedges

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

Foreign exchange exposure arising on the net assets of these foreign operations was until October 2014 partly managed by means of loans denominated in US dollars and euros, which are arranged by Autometal, S.A. and CIE Autometal, S.A (merged in 2015, Note 1), as well as by arranging specific derivatives.

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

At 31 December 2015 and 2014 the Group maintains investments whose net assets were exposed to foreign currency translation risk, denominated in dollars through CIE Berriz, S.L. and borrowings denominated in US dollars used as a hedge are formalized by Autometal, S.A. and CIE Autometal S.A. (merged in 2015)

d) Derivatives that do not qualify for hedge accounting

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

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

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

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

(Thousand euro)

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

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

4.3. Valuation method (Fair value estimation)

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

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

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

4.4. Capital risk management

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

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

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

During 2015, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.5. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
Borrowings	1,000,754	1,104,077
Current financial liabilities	16,078	10,489
Less: cash, cash equivalents and current financial assets	(346,713)	(393,957)
Net debt	670,119	720,609
Equity	884,990	861,632
Total capital employed	1,555,109	1,582,241
Gearing ratio	**0.43**	**0.46**

At 31 December 2015 and 2014, the Group has agreements formalized for credit and bank loans that oblige it to comply with certain covenants (Note 16).

5. Intangible assets

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

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

(Thousand euro)

	Computer applications	Goodwill	Total
Cost			
Balance at 31 December 2013	16,023	27,718	43,741
Additions	189	-	189
Balance at 31 December 2014	16,212	27,718	43,930
Additions	238	-	238
Balance at 31 December 2015	16,450	27,718	44,168
Accumulated amortization			
Balance at 31 December 2013	(13,696)	-	(13,696)
Additions	(950)	-	(950)
Balance at 31 December 2014	(14,646)	-	(14,646)
Additions	(618)	-	(618)
Balance at 31 December 2015	(15,264)	-	(15,264)
Carrying amount			
Balance at 31 December 2013	2,327	27,718	30,045
Balance at 31 December 2014	1,566	27,718	29,284
Balance at 31 December 2015	1,186	27,718	28,904

a) Goodwill

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

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

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

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

CIE Automotive Group has verified that neither its goodwill nor its investments in Group companies (Note 8) suffered any impairment loss in either 2015 or 2014.

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

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortization, the starting point for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Nevertheless, simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment charges in either 2015 or 2014.

b) Fully-amortized intangible assets

At 31 December 2015, there are fully-amortized items of intangible assets still in use with an original cost of €13,646 thousand (2014: €11,891 thousand).

(Thousand euro)

6. Property, plant and equipment

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

2014	Balance at 31.12.2013	Additions	Transfers	Balance at 31.12.2014
COST				
Buildings	758	-	-	758
Other plant and furniture	395	-	507	902
Other fixed assets	2,994	8	-	3,002
PPE under construction	501	10	(507)	4
	4,648	18	-	4,666
ACCUMULATED DEPRECIATION				
Buildings	(304)	(22)	-	(326)
Other plant and furniture	(368)	(48)	-	(416)
Other fixed assets	(2,935)	(24)	-	(2,959)
	(3,607)	(94)	-	(3,701)
CARRYING AMOUNT	1,041			965

2015	Balance at 31.12.2014	Additions	Transfers	Balance at 31.12.2015
COST				
Buildings	758	-	-	758
Other plant and furniture	902	7	-	909
Other fixed assets	3,002	5	-	3,007
PPE under construction	4	3	-	7
	4,666	15	-	4,681
ACCUMULATED DEPRECIATION				
Buildings	(326)	(23)	-	(349)
Other plant and furniture	(416)	(53)	-	(469)
Other fixed assets	(2,959)	(20)	-	(2,979)
	(3,701)	(96)	-	(3,797)
CARRYING AMOUNT	965			884

a) Impairment losses

The Company neither recognized new impairment losses nor reversed previously recognized impairment losses on any individual item of property, plant and equipment in either 2015 or 2014.

b) Fully- depreciated assets

At 31 December 2015, there are fully-depreciated items of property, plant and equipment still in use with an original cost of €3.3 million (2014: €3.2 million). These break down as follows:

	2015	2014
Other fixed assets	2,930	2,867
Other plant and furniture	374	374
	3,304	3,241

(Thousand euro)

c) Assets held under operating lease

The 2015 income statement recognizes operating lease expenses related to employee vehicle leases in the amount of €262 thousand (2014: €213 thousand).

d) Grants received

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

e) Insurance

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

f) Commitments

At 31 December 2015 and 2014, the Company had no material contractual commitments for the acquisition of property, plant and equipment.

7. Analysis of financial instruments

7.1. Analysis by category

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

	Equity instruments		Loans		Derivatives and others	
	2015	2014	2015	2014	2015	2014
Financial assets						
Non-current						
- Balances with group companies						
. Investments in group companies (Note 8.a))	335,825	347,986	-	-	-	-
. Loans to group companies (Note 8.b))	-	-	824,470	786,251	-	-
- Other investments (Note 7.4)	62	62	-	-	-	-
- Other financial assets (Note 7.6)	-	-	-	-	20	17
	335,887	348,048	824,470	786,251	20	17
Current						
- Trade and other receivables (Note 9)	-	-	17,231	690	-	-
- Loans to group companies (Note 8.b))	-	-	3,469	26,294	-	-
- Loans to third parties (Note 7.5)	-	-	806	1,664	-	-
- Other financial assets (Note 7.6)	-	-	-	-	45,095	39,434
- Cash and other cash equivalents (Note 11)	-	-	-	-	30,494	13,322
	-	-	21,506	28,648	75,589	52,756

	Debts and payables		Derivatives and others	
	2015	2014	2015	2014
Financial liabilities				
Non-current				
- Borrowings received (Note 16)	575,852	541,965	-	-
- Borrowings from group companies (Note 16)	152,128	154,976	-	-
- Other debts (Note 16)	8,906	20,776	-	-
	736,886	717,717	-	-
Current				
- Borrowings received (Note 16)	27,713	66,124	-	-
- Borrowings from group companies (Note 16)	9,921	23,227	-	-
- Other current financial assets (Derivatives) (Note 10)	-	-	7,190	3,450
- Trade and other payables (Note 16)	24,464	19,831	-	-
- Other debts (Note 16)	1,250	-	-	-
	63,348	109,182	7,190	3,450

(Thousand euro)

7.2. Classification by maturity

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

	Financial assets						
	2016	2017	2018	2019	2020	Subsequent years	Total
Investments in group companies and associates:							
Loans to companies	3,469	-	-	-	-	(*) 824,470	827,939
Other financial investments:							
Trade and other receivables	17,231	-	-	-	-	-	17,231
Loans to third parties	806	-	-	-	-	-	806
Derivatives	5,771	-	-	-	-	-	5,771
Other financial assets	39,324	-	-	-	-	20	39,344
	66,601	-	-	-	-	824,490	891,091

	Financial liabilities						
	2016	2017	2018	2019	2020	Subsequent years	Total
Borrowings from group companies and associates	9,921	-	-	-	-	(*) 152,128	162,049
Other financial liabilities:							
Bank borrowings	27,713	29,852	84,833	68,167	374,000	19,000	603,565
Derivatives	7,190	-	-	-	-	-	7,190
Other liabilities	1,250	2,500	2,500	2,500	1,250	156	10,156
Trade and other payables	24,464	-	-	-	-	-	24,464
	70,538	32,352	87,333	70,667	375,250	171,284	807,424

(*) The loans extended to group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed one year before its maturity for additional periods of one year unless it exists a cancellation previous to the established maturity. See Note 8.b).

7.3. Credit quality of financial assets

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

7.4. Other investments

At 31 December 2014 and 2015, the Company was still an investor in CIE R&D in its capacity as founding trustee, having given an initial (and unchanged) endowment of €60 thousand.

7.5. Loans to third parties

	Balance at 31.12.2013	Additions	Balance at 31.12.2014	Additions	Balance at 31.12.2015
Loans to employees (Note 26)	1,164	48	1,212	(606)	606
Other	201	251	452	(252)	200
	1,365	299	1,664	(858)	806

7.6. Other non-current and current financial assets

The Company records a current account with INSSEC DOS for a renewable six-month term, bearing a market interest rate. At 31 December 2015, the balance in the current account stood at €30,924 thousand (€30,254 thousand at 31 December 2014).

(Thousand euro)

In 2013 the Company subscribed an agreement with INSECC DOS for recognition of €8,400 thousand which came from its previous contractual relations, which maturity is in 2018. The Company at 31 December 2014 reclassified this amount into short term; finally it is expected to be settled in 2016 according to the new agreement reached between parties.

At 6 August 2014, the Company has arranged a derivative related to the share market price of CIE Automotive. The underlying of the operation with 1.25 million shares, with a starting value of €11.121 per share. This instrument is classified as non-hedge and throws at 31 December 2015 a valuation of €5,411 thousand (31 December 2014, €180 thousand) (Note 10)

At 31 December 2014, the Company held a pledge account for certain financial hedges in the amount of €600 thousand classified as short term which was settled during the year 2015.

8. Investments in and loans to group companies

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

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

			% of total voting rights held directly	
Name and registered office	Legal structure	Activity	2015	2014
Group companies and jointly-controlled entities 2015 & 2014				
CIE Berriz, S.L. (Vizcaya)	S.L.	Holding company	100%	100%
RS Automotive, B.V. (Netherlands)	B.V.	Holding company	100%	100%
CIE Automotive Nuevos Mercados, S.L. (Vizcaya)(**)	S.L.	Holding company	-	(*) 26.96%
Global Dominion Access, S.A. (Vizcaya)	S.A.	Holding company/IT and Communication Services	62.95%	62.95%
Autokomp Ingeniería, S.A.U. (Vizcaya)	S.A.	Services and installations	100%	100%

(*) Directly and indirectly, through CIE Berriz, the Company held in 2014 a 100% shareholding.

(**) Its ownership interest has been sold to Cie Berriz, S.L. and after that the company merged, effect for accounting purposes 1 January 2015, with CIE Berriz., S.L. CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U. and Participaciones Internacionales Autometal, S.L.U.

2015

In June 2015, CIE Automotive, S.A. sold to CIE Berriz, S.L. 12,160,201 shares of €1 per share, representing 26.96% of the share capital of CIE Automotive Nuevos Mercados, S.L. amounting to 32,128 thousand euros, generating a profit of 19,967 thousand euros, classified in impairment and profit/(loss) on fixed asset disposals. This transfer had has no effect in the consolidation of the group.

In August 2015, CIE Berriz, S.L. as sole shareholder of the companies Bionor Transformation, S.A.U., CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L. and Participaciones Internacionales Autometal, S.L.U. has proceeded to carry out a merger by acquisition, with accounting effect 1 January 2015, of the above mentioned companies through the transfer of all the assets of the absorbed companies in favour of CIE Berriz, S.L., the acquiring company, as universal successor. This merger has comprised all the assets and liabilities of Bionor Transformation S.A.U., CIE Automotive Hispamoldes, S.L., CIE Automotive Nuevos Mercados, S.L., and Participaciones Internaciones Autometal, S.L.U., being the acquiring company subrogated to all rights and obligations of the companies absorbed in accordance with the common merger proposal deposited in the Mercantile Registry of Bizkaia dated 19 June 2015. This transfer had has no effect in the consolidation of the group.

Movements and changes made by entities in which the Company maintains a direct interest in 2015 have been as follows:

- On 16 March 2015 CIE Berriz, S.L. acquired 125 shares of CIE Automotive Hispamoldes, S.L., for €250 thousand, representing 50% of its share capital and thus becoming its sole shareholder and terminating the Investment Agreement entered in 2011 with the Hispamoldes Group for the company's constitution.
- On 13 April 2015, CIE Berriz , SL, as sole shareholder of the company Leaz Valuation , SLU, has decided to approve and carry out a capital contribution of €111 thousand, in order to rebalance the financial position of the company.

- On 13 April 2015, the General Shareholders Meeting of the company Transformaciones Metalurgicas Norma, S.A. has decided to approve and carry out a capital increase of €2,013 thousand, with the aim of restoring the financial position of the company, thereby performing CIE Berriz , SL a contribution of €2,013 thousand.
- In June 2015, Participaciones Internacionales Autometal, S.L.U. sold 468,121 shares of CIE Autometal México, S.A.P.I. de C.V. to CIE Berriz, S.L., representing 24.9% of the company's share capital. This transfer had has no effect in the consolidation of the group.
- In June 2015, Antolín CIE Czech Republic, s.r.o. increased its capital by CZK 82,230 thousand (approximately €3 million). This capital increase was fully subscribed by CIE Berriz, S.L. (CZK 24,669 thousand) and Antolín Group (CZK 57,561 thousand). After this transaction, the CIE Automotive Group's ownership share has stayed at 30%.
- In February 2015 Global Dominion Access, S.A. acquired 4,500 shares in the newly founded company Chile Salud Siglo XXI, S.A., of Chilean nationality, for CLP 5,247 million, equivalent to approximately €7.5 million, with an inherent goodwill in the acquisition of Chilean pesos 1,367 million, equivalent to €1.9 million (Note 1) in the date of adquisition.. As a result, Global Dominion Access, S.A. owns a 30% interest in that company.
- In October 2015, Global Dominion Access, S.A. acquired, at fair value, the interest that the subsidiary Dominion Instalaciones y Montajes S.A.U. had in Bilcan Global Services, S.L. As a result, Global Dominion Access, S.A. has a direct interest of 100% in that company. This transfer had has no effect in the consolidation of the group.

Movements and changes in group entities in which the company maintains an indirect interest in 2015 have been as follows:

- In February 2015 the reverse merger occurred of the holding company, parent of the group companies in Brazil, CIE Autometal, S.A. and its operational parent, Autometal, S.A., the absorbing company that lives on. This transfer had has no effect in the consolidation of the group.
- On 26 February 2015 the General Meeting of the subsidiary Metalcastello, S.p.A., approved the restoration of the company's share capital, with negative equity, to the value of €10 million. None of the non-controlling shareholders come to the capital increase and therefore the Group, through the holding company Mahindra Gears Global Ltd., has become the owner of 53.21% of the share capital of Metalcastello, S.p.A. (50.87% in 2014).
- In October 2015, Plasfil Plásticos da Figueira, S.A. acquired 72,500 shares of ApoloBlue Tratamentos, Ltda. for €700 thousand, representing 45% of its share capital and becoming its sole shareholder.
- On 15 October 2015, CIE Autometal de México, S.A.P.I de C.V. sold to Autokomp Ingeniería, S.A.U., 211,779 shares of Forjas de Celaya, S.A. de C.V. for USD 13,673 thousand (approximately €12,034 thousand), representing 100% of the company's capital. This transfer had has no effect in the consolidation of the group.
- In December 2015, the subsidiary parent company of Beroa subgroup, Beroa Thermal Energy, S.L. (BTE) has signed some call and put options with minority shareholders who have the 20% of Chimneys and Refractories International, S.R.L., Italian company (Appendix I). The put option granted to these minority shareholders has a fix price payable in cash and will be able to be exercised in case the subsidiary accumulated earnings in the coming 5 years (from 2015 to 2019) reach or exceed the amount of €12.18 million. It will also be able to be exercised during 2020 or before if this amount is reached in an earlier date. The call option in favour of BTE has exactly the same terms as the put option and the same fix price payable in cash. This agreement involves a purchase commitment of an additional 20% of the Italian subsidiary.
- On 10 November 2014, the dependent company Dominion Instalaciones y Montajes, S.A.U. constituted with other third partner the society Interbox Technology, S.L., being the 60% of share capital subscribed by Dominion Group. The corporate object of the established entity is to offer commercial agency and marketing services for operators and OEMs from telecommunication sector. The activity os this dependent company has begun in 2015.
- Additionally, in 2015 with effect for accounting purposes 1 January 2015, it has been formalised the merger of Your Phone, S.L.U. (the acquiring company) and Tiendas Conexión, S.L. (the merged company) modifying the corporate name of the acquiring company to Tiendas Conexión, S.L.U., and the merger of Sur conexión, S.L (the acquiring company) and Your Phone Franquicias, S.L.U. (the merged company). And the merger of Bilcan Global Services, S.L. (the acquiring company) and Servicios al Operador Móvil 21, S.L. (the merged company). This transfer had has no effect in the consolidation of the group.

2014

Movements and changes made by entities in which the Company maintains a direct interest in 2014 have been as follows:

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

  As a result of this acquisition, CIE Automotive owned a 100% stake in RS Automotive B.V., the parent of a group of companies with production facilities in France, Spain, Romania, China and Mexico, devoted to the manufacture of special automotive comfort systems and operating on the market under the name Grupo ACS-Advanced Comfort Systems.

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

- Global Dominion Access, S.A. signed in 2013 a call option contract reserving the entitle to acquire during 2014 an additionally 50% of the capital of Beroa Thermal Energy, S.L., option that was exercised in July 2014, being the effective date of taking control. In this respect and as was envisaged, Dominion Group would pay for the percentage acquired an amount of €42 million approximately, in three years, an equivalent amount to EBITDA of the Beroa Group in 2014, 2015 and 2016, multiplied by 7.5x, less the pertinent financial costs, over three years.

- Additionally, Global Dominion Access, S.A. acquired form non-controlling shareholders the minority interests they had, by the way the company owns the 100% of the share capital in Beroa. As a counterpart, the shareholders underwroten a capital increase of 7.69% in the capital of Global Dominion Access, S.A. Both operations were carried out at market value in accordance with a report of an independent expert report.

- In December 2014 Global Dominion Access, S.A. carried out another capital increase amounting to approximately €3,184 thousand with a share premium of €38,250 thousand by issuing and circulating 264,947 new shares subscribed and paid in through no-cash contributions fully subscribed by shareholders other than CIE Automotive, S.A. As previously and as a result of the decision by CIE Automotive, S.A. not to take part, its ownership interest decreased to 62.95%.

  Such non-cash consideration comprises shares making up 100% of the share capital of Bilcan Global Services, S.L. and 89.246% of the share capital of Global Near,S.L.

Movements and changes in group entities in which the company maintains an indirect interest in 2014 have been as follows:

- At 2 April 2014, the Group made a capital contribution of USD4,187 thousand, through its Mexican subsidiary CIE Autometal de México, S.A. de C.V., to the Mexican company Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.

- In May 2014, the Russian company CIE Automotive Rus, LLC increased capital by RUB70 million equal to approximately €2,138 thousand. This capital increase was fully subscribed and paid in by CIE Automotive Nuevos Mercados, S.L.

- At 20 May 2014, Global Dominion Access, S.A. subscribed a capital increase in Visual Line, S.L. amounting to €35 thousand, representing 55% of share capital. As a result, there was no change in its ownership interest compared with the previous year.

- Capital increase in July 2014 in Cie Matricon, S.A. amounting to RON8,790 thousand, equal to €2,047 thousand by increasing the par value of the shares.

- On August 2014, CIE Berriz, S.L. acquired the shares representing 25% of CIE Automotive Nuevos Mercados, S.L. from Ekarpen SPE, S.A. by approximately €30 million, payable monthly as from the transaction date to January 2016. As a result, CIE Group owns 100% of the Company. This transaction resulted in a decrease (including non-controlling interests) of €24 million from the Group's reserves.

- Capital increase in September 2014 in Forjas de Celaya, S.A. de C.V. amounting to $12,500 thousand equal to €9,672 thousand.

- Capital increase in September 2014 in Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V. amounting to $5,500 thousand, equal to €4,256 thousand.
- On September 2014, following the successful completion of the formalities connected with the public offering of shares in order to discontinue the trading of all shares in Autometal, S.A. (31,775,132 ordinary shares, representing 25.24% of share capital) on the Novo Mercado de BM&FBovespa-Bolsa de Valores, Mercadorias e Futuros and subsequent agreements, CIE Automotive, S.A., through its subsidiary CIE Autometal, S.A., became the owner of a 100% stake in Autometal, S.A.
- In October 2014, the Group completed the corporate restructuring of the Brazilian subsidiary Autometal, S.A., reducing the company's equity by approximately BRL968 million by contributing to the company's sole shareholder, CIE Autometal, S.A. the interest in the Spanish company Participaciones Internacionales Autometal, S.L.U. at consolidation value at 31 October 2014 (approximately BRL968 thousand, equal to approximately €317 thousand).
- On that same date, CIE Autometal, S.A. sold its 100% stake in the Spanish company Participaciones Internacionales Autometal, S.L.U. to CIE Berriz, S.L. This transaction had no effect on the Group at consolidation level.
- Likewise, at 30 November 2014, Autometal, S.A. sold its stake in Nanjing Automotive Forging Co. Ltd. to the Group's company CIE Berriz, S.L. This transaction has had no effect on the Group at consolidation level.
- On 16 December, CIE Autometal, S.A. sold its 50% stake in the Chinese company Nanjing Automotive Forging, Co, Ltd. to CIE Berriz, S.L. This transaction has had no effect on the Group at consolidation level.
- In December 2014 Global Dominion Participaçoes Ltd.a increased share capital by approximately €15,090 thousand, which was fully subscribed by Global Dominion Access, S.A. and Dominion Instalaçoes e Montagens do Brasil Ltd.a increased share capital by €15,090 thousand, which was fully subscribed by Dominion Participaçoes Ltd.a.
- In December 2014 CIE Automotive Nuevos Mercados, S.L. sold its stake in CIE Avtocom Kaluga, LLC (merged in 2014 with CIE Avtocom, LLC) amounting to €1, generating a loss of €1,359 thousand in CIE Automotive Nuevos Mercados, S.L., thus at 31 December 2014 the company did not participate in any of the Russian companies described above.
- Furthermore, in December 2014, as mentioned above, completed the process of merger and integration of the companies related to the strategic alliance with the Mahindra Group (Note 1).

The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at 31 December 2014 and 2015, are as follows:

(Thousand euro)

	Euro					
	Equity					
Company	Capital	Reserves	Operating profit	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 19)
2014:						
CIE Berriz, S.L. (Vizcaya)	60,101	241,825	23,811	19,384	251,874	40,000
CIE Automotive Nuevos Mercados, S.L. (Vizcaya)(*)	45,099	15,076	428	4,643	12,161	-
RS Automotive, B.V. (Netherlands)	18	5,303	-	-	23,733	-
Global Dominion Access, S.A. (Vizcaya)	13,177	119,934	1,567	2,401	60,000	-
Autokomp Ingeniería, S.A.U. (Vizcaya)	180	33	8	(30)	218	-
					347,986	40,000
2015:						
CIE Berriz, S.L. (Vizcaya) (**)	60,101	304,207	29,931	22,136	251,874	20,427
RS Automotive, B.V. (Netherlands)	18	5,303	191	191	23,733	-
Global Dominion Access, S.A. (Vizcaya)	13,177	122,335	6,399	1,837	60,000	-
Autokomp Ingeniería, S.A.U. (Vizcaya)	180	3	(8)	35	218	-
					335,825	20,427

(*) Its ownership interest has been sold to Cie Berriz, S.L. and after that the company merged, effect for accounting purposes 1 January 2015, with CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U. and Participaciones Internacionales Autometal, S.L.U.

(**) Included dividends paid by CIE Automotive Nuevos Mercados, S.L. for €1,127 thousand (Note 19).

b) Loans to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. They accrue interest at market rates benchmarked to Euribor. Cancellation of the loans must be notified by the parties with one year's notice, which is why €824,470 thousand is recognized as non-current loans at the 2015 year end (2014: €786,251 thousand).

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

The opening balance of current loans to group companies includes the interest due on these credit accounts as well as income tax due from CIE Automotive Group companies under the consolidated tax regime in an aggregate amount of €3,469 thousand (2014: €26,294 thousand).

The detail of the non-current credits to other group companies at 31 December 2015 and 2014 is as follows:

	31.12.15	31.12.14
Alcasting Legutiano, S.L.U.	14,317	9,823
Autokomp Ingeniería, S.A.U.	28,434	-
Biosur Transformación, S.L.U.	2,869	2,325
CIE Berriz, S.L.	756,343	660,931
CIE Mecauto, S.A.U.	12,101	10,395
CIE Compiegne, S.A.S	3,422	2,012
Grupo Componentes Vilanova, S.L.	828	5,504
Global Domion Access, S.A.	-	58,594
Transformaciones Metalúrgicas Norma, S.A.	2,469	4,851
Vía Operador Petrolífero, S.L.U.	-	26,761
Other (less than €10 million balances)	3,687	5,055
	824,470	786,251

(Thousand euro)

In 2015, it has been cancelled and collected the credit that the company had with Global Dominion Access, S.A. and it has been subrogated the credit that the company held with Via Operador Petrolifero, S.L.U. to the company CIE Berriz, S.L.

Additionally, it has been granted a credit to the group company Autokomp Ingenieria, S.A.U. with the same conditions as the rest of the companies of the group.

c) Movements in investments in CIE Automotive Group companies

The movements in 2014 are summarized below:

	Balance at 31.12.2013	Additions	Balance at 31.12.2014
Investments in group companies and jointly-controlled entities			
CIE Berriz, S.L.	251,874	-	251,874
RS Automotive, B.V.	2,107	21,626	23,733
CIE Automotive Nuevos Mercados, S.L.	12,161	-	12,161
Global Dominion Access, S.A.	60,000	-	60,000
Autokomp Ingeniería, S.A.U.	218	-	218
	326,360	21,626	347,986

The movements in 2015 are summarized below:

	Balance at 31.12.2014	Retirements	Balance at 31.12.2015
Investments in group companies and jointly controlled entities			
CIE Berriz, S.L. (*)	251,874	-	251,874
RS Automotive, B.V.	23,733	-	23,733
CIE Automotive Nuevos Mercados, S.L.	12,161	(12,161)	-
Global Dominion Access, S.A.	60,000	-	60,000
Autokomp Ingeniería, S.A.U.	218	-	218
	347,986	(12,161)	335,825

(*) Merged, with effect for accounting purposes 1 January 2015, with CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U. and Participaciones Internacionales Autometal, S.L.U.

The Company does not maintain provisions for the impairments in their investments at December 31, 2015 and 2014.

9. Loans and receivables

	2015	2014
Current loans and receivables		
- Receivables from group companies and associates	17,200	666
- Other receivables	23	24
- Trade receivables	8	-
	17,231	690

The balances recognized as receivable from CIE Automotive Group companies reflect balances from certain subsidiaries that do not have a credit account with the parent are as follows:

	2015	2014
Century Plastics, LLC	11,073	52
Pintura, Estampado y Montaje, S.A. de C.V.	1,448	-
Pintura y Ensambles de México, S.A. de C.V.	1,376	
CIE Celaya, S.A. de C.V.	1,261	-
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	749	-
Others (less than a €500 thousand)	1,293	614
	17,200	666

(Thousand euro)

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

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

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at 31 December 2015 and 2014. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

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

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

10. Derivative financial instruments

	Assets	
	2015	2014
Equity swap:		
- Non cash-flow hedges	5,411	180
Interest rate swaps:		
- Non cash-flow hedges	360	-
	5,771	180

	Liabilities	
	2015	2014
Interest rate swaps:		
- Non cash-flow hedges	555	586
- Cash-flow hedges	6,635	2,864
	7,190	3,450

Derivatives are classified as a current asset or liability. The total fair value of a hedging derivative is classified as non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and as current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months of that date.

The non-effective part, recognized in the income statement originated from cash-flow hedges is a gain of €5,622 thousand (2014: €406 thousand of loss) (Note 21).

Having been tested for effectiveness, all of the Company's hedging derivatives were considered effective at 31 December 2014 and 2015 (Note 3.6).

Equity swap

At 6 August 2014, the Company has arranged a derivative related to the share market price of CIE Automotive. The underlying of the operation with 1.25 million shares, with a starting value of €11.121 per share. This instrument is classified as non-hedge and throws at 31 December 2015 a valuation of €5,411 thousand (31 December 2014, €180 thousand) (Note 7.6)

Interest rate swaps (from variable to fixed)

The notional amounts of the outstanding interest rate swap contracts at 31 December 2015 totaled €505 million (2014 year end: €180 million). The part of the balance was designated as a hedging instrument.

(Thousand euro)

In 2015 fixed interest rates, without margin, vary between 0.24% and 1.68% (2014: 0.52% and 1.68%) and the main reference variable rate is the EURIBOR. Gains/losses recognized in equity under "Adjustments for value changes" on interest rate swaps at 31 December 2015 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

Interest rate swaps

The notional principal of foreign currency forward contracts outstanding at 31 December 2015 amounts to 30 million US dollars and are classified as non-hedging instruments. At 31 December 2014 the company had no outstanding contracts of this type. It is expected that future transactions highly probable covered, denominated in foreign currency, occur at several dates within the next 12 months.

11. Cash and cash equivalents

	2015	2014
Cash	28,661	1,555
Cash equivalents	1,833	11,767
	30,494	13,322

Other liquidity assets correspond to investments of cash surplus, maturing in less than 3 months or with immediate availability.

12. Share capital and premium

a) Share capital

In 2014, it was 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 the trading and on 11 June 2014 contracting of the new shares has been effective.

In 2015 there were no movements in the share capital of the Company.

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2015 and 2014 is represented by 129,000,000 fully paid ordinary bearer shares with a par value of €0.25 each, all listed on the Spanish Stock Exchange. 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:

	Percentage interest	
	2015	2014
Acek Desarrollo y Gestión Industrial, S.L. (***)	(*) 22.909%	(*) 22.909%
Mahindra & Mahindra, Ltd.	(**) 12.435%	(**) 12.435%

(*) 9.808% directly and indirectly through Risteel Corporation, B.V. the remaining 13.101%.
(**) Indirectly through Mahindra Overseas Investment Company Mauritius, Ltd.
(***) Formerly Corporacion Gestamp, S.L.

The share price of CIE Automotive, S.A. listed in the Madrid Stock Exchange was €15.45 at 31 December 2015.

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

At 31 December 2015 and 2014, the parent company has no treasury shares and nor are there any movements on treasury shares in 2015 and 2014.

(Thousand euro)

Similarly, the mandate conferred by the General Shareholders' Meeting of 30 April 2015 is in effect until 30 April 2020, whereby the Company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A., through any legal means, including acquisition with a change to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with Article 146 et seq. of the Spanish Companies Act 2010.

13. Reserves and retained earnings

a) Reserves

	2015	2014
Legal and statutory reserves:		
- Legal reserve	6,450	5,941
	6,450	5,941
Other reserves:		
- Voluntary reserves	159,151	136,482
- Merger reserve	66,303	66,303
	225,454	202,785
	231,904	**208,726**

Legal reserve

In accordance with Article 274 of the Spanish Companies Act, the 10% of profits must be endowed to the legal reserve until it reaches at least 20% of the share capital. At 31 December 2014 after the capital increase completed during the year, the reserve once again failed to reach this limit. Subsequently, after the distribution of 2014 profit, the reserve has reached the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

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

Merger reserve

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

The merger reserve is available for distribution.

14. Profit /(loss) for year

a) Proposed distribution of profit

The proposed distribution of 2015 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 30 April 2015 in respect of 2014 profit is shown below:

	2015	2014
Available for distribution		
Profit for the period	92,809	48,978
	92,809	**48,978**
Distribution:		
Interim dividend	20,640	12,900
Final dividend	21,930	12,900
Legal reserve	-	509
Voluntary reserves	50,239	22,669
	92,809	**48,978**

(Thousand euro)

b) Dividends paid

At 15 December 2015, the Board of Directors approved the payment of an interim dividend from 2015 profit of €0.16 gross per share carrying dividend rights, implying a total payout of €20,640 thousand. Payment was made on 4 January 2016.

The amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to Article 227 of Spain Corporate Enterprise Act.

The provisional accounting statement at 31 October 2015 which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows:

Provisional cash-flow statement	Amount
Profit forecast:	
- Available net profit of year 2015	83,382
To deduct:	
- Legal reserve	-
Maximum amount to distribute	83,382
Amount distribution proposal	(20,640)
Treasury forecast for one year	131,021
Treasury forecast before dividend payment	55,889
Interim dividend	(20,640)

At 30 April 2015, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2014 profit (individual) as well as the distribution of a final dividend of €0.1 (gross) per share carrying dividend rights, amounted to a total payment of €12,900 thousand. The payment was made on 3 July 2015.

At 17 December 2014 the Board of Directors approved the payment of an interim dividend on account of profits for 2014 of a gross amount of €0.1 per share carrying dividend rights, which represented a total of €12,900 thousand. The payment was made on 5 January 2015.

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

At 30 April 2014, the parent company's shareholders in general meeting agreed the motion for the distribution of 2013 profit (individual) approving the distribution of a final dividend of €0.09 per share carrying dividend rights, amounting to a total payment of €11,610 thousand. The payment was made on 3 July 2014.

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

15. Grants, donations and bequests received

a) Analysis by category

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

	2015	2014
Pre-tax amount		
Capital grants	-	21
Tax effect	-	(6)
After-tax amount	**-**	**15**

(Thousand euro)

Movements during the year

The reconciliation of the before-tax amounts at the beginning and end of 2015 and 2014 is as follows:

	2015	2014
Opening balance	21	91
Taken to income	(21)	(70)
Closing balance	-	21

b) Capital grants

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

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

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

16. Debts and payables

	2015	2014
Non-current debts and payables		
- Bank borrowings (Note 16.a))	575,648	525,430
- Credit account drawdowns (Note 16.a))	204	16,535
CIE Automotive Group companies and associates, non-current (Note 16.b))	152,128	154,976
Other non-current payables		
- Other non-current payables (Note 16.c))	8,906	20,776
	736,886	717,717
Current debts and payables		
- Bank borrowings (current portion of non-current borrowings) (Note 16.a))	27,502	24,812
- Credit account drawdown (Note 16.a))	211	41,312
- Payables to CIE Automotive Group companies (Note 16.b))	9,921	23,227
- Other short term liabilities (Note 16.c))	1,250	-
- Trade payables	1,855	2,940
- Group suppliers	23	-
- Fixed asset creditors	84	90
- Sundry payables	215	402
- Accrued wages and salaries	1,647	3,499
- Dividend payable (Note 14)	20,640	12,900
	63,348	109,182

a) Bank loans and credit facilities

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

	Balance at 31 December	At 1 year	At 5 years
At 31 December 2014			
Total borrowings	608,089	541,965	-
Effect of interest rate swaps (Note 10)	(180,000)	(180,000)	-
Exposure	428,089	361, 965	-
At 31 December 2015			
Total borrowings	603,565	575,852	-
Effect of interest rate swaps (Note 10)	(205,000)	(150,000)	-
Exposure	398,565	425,852	-

(Thousand euro)

Non-current borrowings mature as follows:

	2015	2014
Between 1 and 2 years	72,958	75,401
Between 3 and 5 years	502,894	466,564
Over 5 years	-	-
	575,852	541,965

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest that ranged between 1% and 1.75% in 2015 (2014: 2.5% and 3.5%).

The Company has the following undrawn credit lines:

	2015	2014
Maturing within one year	57,289	15,620
Maturing in more than one year	57,351	24,802
	114,640	40,422

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

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

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

In 2015 the Company repaid €96,468 thousand under these financing agreements (2014: €304,462 thousand) and raised new funding in the amount of €91,612 thousand (2014: €522,721 thousand).

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

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

The amortization period of this new financing arrangement stands at 5 years, with an average term of 4.7 years. This improves the average term of the Group´s financing and also improves the economic terms and conditions of the syndicated financing in effect. The balance at 31 December 2015 amounts to €450 million (31 December 2014 €450 million) and the interest date is bench marked to Euribor plus a variable spread based on the Net Financing Debt/EBITDA ratio.

At 13 April 2015 the syndicated loan was readjusted and a decrease in the initially negotiated margin was agreed. Similarly, it was agreed to extend the maturity periods to the new final maturity date of 13 April 2020. Moreover, it was considered the possibility of delaying final maturity for a further one year to 13 April 2021, approving will be received by 13 April 2016.

At 23 June 2014, the Company entered into a financing contract with the European Investment Bank for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2015, the drawndown balance amounts to €70 million at a fixed interest rate (€45 million at 31 December 2014).

Likewise, at 31 December 2014 the Group support two additional long-term lendings with the European Investment Bank (EIB) formed in 2010 and 2012 for a total amount pending of repayment of €30 million. These lendings have an interest rate indexed to the Euribor. In the year 2015 these loans have been canceled by mutual agreement due to the high economic cost of that funding.

In addition, other borrowings are subject to compliance with certain ratios that are customary in the market for these types of contracts. At 31 December 2015 and 2014, there was no risk of non-compliance with these covenants.

(Thousand euro)

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

b) Payables to CIE Automotive Group companies

The payables with CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. They accrue interest at market rates benchmarked to Euribor. The cancellation must be notified between the parts with a year of anticipation, for that reason are registered as non-current debts, €152,128 thousand (€154,976 thousand at 31 December 2014).

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

The breakdown of non-current payables to CIE Automotive Group Companies, at 31 December 2015 and 2014, is as follows:

	31.12.15	31.12.14
Bionor Transformación, S.A.U. (*)	-	(5,606)
CIE Automotive Nuevos Mercados, S.L. (*)	-	(17,921)
CIE Udalbide,S.A.U.	(4,909)	(3,285)
Egaña 2, S.L	(6,446)	(5,608)
Gameko Fabricación de Componentes, S.A.	(24,872)	(26,472)
CIE Galfor, S.A.U	(7,499)	(29,283)
Inyectametal, S.A.	(18,807)	(12,241)
Mecanizaciones del Sur-Mecasur, S.A.	(4,558)	(3,975)
Nova Recyd, S.A.U.	(5,951)	(5,496)
Orbelán Plásticos, S.A.	(4,268)	(5,387)
Plasfil Plásticos de Figueira, S.A.	(728)	(815)
CIE Praga Louny, a.s.	(8,646)	(5,089)
Recyde, S.A.U.	(10,331)	(10,415)
CIE Zdanice, s.r.o	(17,609)	(8,226)
CIE Metal CZ, s.r.o.	(7,335)	-
CIE Unitools Press CZ, a.s.	(5,529)	-
Participaciones Internacionales Autometal Dos, S.L	(11,034)	-
Other less significant balances	(13,606)	(15,157)
	(152,128)	**(154,976)**

(*) On 1 January 2015 due to the merger of CIE Berriz., S.L., CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U. and Participaciones Internacionales Autometal, S.L.U., the balances have been cancelled (Note 8).

The balance included in the epigraph debts with group companies in the short term includes the interests of the credit accounts and debts with subsidiaries of the group CIE Automotive associated with the liquidation of the tax of companies in regime of fiscal consolidation for amount of €9,921 thousand (2014: €3,227 thousand).

Additionally, the short-term balances include at 31 December 2014 a loan granted by CIE Automotive Nuevos Mercados, S.L. in previous years with maturity corresponded to 2015 amounting to €20,000 thousand. In 2015, after the merger of CIE Berriz, S.L. with CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U and Participaciones Internacionales Autometal, S.L.U., all the balances that the Company had with merged companies have been compensated. The outstanding balance at 31 December 2015 amounts to 4.812 thousand euros, which are classified as group companies and associates, current liabilities.

c) Other long-term debts

At 31 December 2014 in the long-term debts heading gathered a contingent liability to the Fund I Holding Coöperatief W. A. VEP Dutch group derivative for purchase of remaining 50% of the participation in the group RS Automotive that expire in 2016 (Note 8). The amount at fair value still outstanding payment was 31 December 2014 for amount of €10,620 thousand.

In April 2015, a final agreement has been reached with VEP in order to advance the payment of the part outstanding and thereby settle all the rights and obligations of the contract. This operation has resulted in a final disbursement of €6.8 million, generating a profit of €4 million with respect to the contingent liability previously recognized at fair value registered as "Change in fair value of assets and liabilities taken to income statement" (Note 21).

Additionally, it includes €10 million loan granted to financing investment projects received of a public entity in 2014 to amortize in 8 semi-annual quotas and whose first maturity is in 2016 classified in the short term for an amount of €1,250 thousand. The loan bears an interest rate bench marked to Euribor plus a margin of market.

The breakdown of trade payables settled during the year and those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

	Days
Average payment period to suppliers.	49
Paid operations ratio.	55
Outstanding operations ratio.	45

	Thousand of euros
Total payments	10.776
Total outstanding payments	22.710

17. Provisions

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

	2015	2014
Non-current provisions	12,056	5,696
Current provisions	-	967
	12,056	6,663

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

18. Deferred taxes

The analysis of deferred taxes is as follows:

	2015	2014
Deferred tax assets:		
- Deductible temporary differences	5,491	3,148
- Tax credits (capital expenditure)	12,135	16,582
	17,626	19,730
Deferred tax liabilities:		
- Taxable temporary differences	-	6
	-	6
Net deferred tax assets/(liabilities)	17,626	19,724

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

(Thousand euro)

The net movement in the deferred income tax account in 2015 and 2014 is as follows:

	2015	2014
Opening balance	19,724	18,705
(Charged)/credited to the income statement (Note 20)	(3,161)	357
Tax recognized directly in equity	1,063	662
Closing balance	17,626	19,724

The movements in deferred tax assets and liabilities in 2015 and 2014 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
Balance at 31 December 2013	125	1,677	16,928	18,730
(Charged)/credited to the income statement	-	703	(346)	357
(Charged)/credited directly to equity	643	-	-	643
Balance at 31 December 2014	768	2,380	16,582	19,730
(Charged)/credited to the income statement	-	1,286	(4,447)	(3,161)
(Charged)/credited to equity	1,057	-	-	1,057
Balance at 31 December 2015	1,825	3,666	12,135	17,626

Deferred tax liabilities	Grants	Total
Balance at 31 December 2013	25	25
Charged/(credited) to equity	(19)	(19)
Balance at 31 December 2014	6	6
Charged/(credited) to equity	(6)	(6)
Balance at 31 December 2015	-	-

Deferred taxes charged to equity in 2015 are as follows:

	2015	2014
Cash flow hedges	1,057	643
Grants	6	19
	1,063	662

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

At 31 December 2015 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is parent (Note 3.11):

Year generated	Amount
2010	10,658
2011	3,969
2012	18,721
2013	26,019
	59,367

(Thousand euro)

The tax-loss carryforwards are allocated to each of the companies that generated them for the purposes of possible recognition as deferred tax assets. A total of €7,744 thousand of the tax-loss carryforwards pertains to CIE Automotive, S.A.

At 31 December 2015, the Company do not maintain individual tax loses pending compensation generated previous to its integration to the fiscal Group.

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

Year generated	Amount
1996	134
1997	86
1998	102
1999	83
2000	2,660
2001	238
2002	34
2003	45
2004	323
2005	30
2006	7,140
2007	2,595
2008	1,829
2009	586
2010	92
2011	118
2012	118
2013	241
2014	267
2015	27
	16,748

From the previous amount, a total of €5,034 thousand of the tax credits derives from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A.

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

19. Income and expense

a) Revenue

Revenue breaks down as follows:

	2015	2014
Rendering of services	62,224	29,693
Dividend income (Note 8.a))	20,427	40,000
Interest on loans	23,665	22,371
	106,316	92,064

(Thousand euro)

a.1) Rendering of services

The geographic breakdown of revenue from the core business of rendering corporate services to CIE Automotive Group companies (Note 1 and Appendix I), totaling €62,224 thousand (2014: €29,693 thousand), based on the locations of the receiving companies, is as follows:

Market	% 2015	% 2014
Spain	27	52
America	54	15
Rest of the world	19	33
	100	100

a.2) Dividends received from CIE Automotive Group companies

In 2015, the Annual Meetings of shareholders of the subsidiary CIE Berriz, S.L held on 25 June 2015 approved the distribution of dividends against 2014 profits in the amount of €19,300 thousand. These dividends were collected by the Company in 2015.

In addition, on 25 June 2015 , the General Meeting of Shareholders of the company CIE Automotive Nuevos Mercados, S.L. (Merged into CIE Berriz, S.L. with effect 1 January 2015) approved the distribution of dividends against income for the year 2014 by €4,178 thousand. The Company collected the amount corresponding to its share amounting to €1,127 thousand.

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

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

At 31 December 2015 the Company accrued interest income on loans to CIE Automotive Group companies in the amount of €23,665 thousand (2014: €22,371 thousand).

b) Other operating income

The breakdown of this heading is as follows:

	2015	2014
Operating grants	7	18
Income from sundry services	339	191
Other income	-	100
	346	309

c) Employee benefit expense

	2015	2014
Wages and salaries	3,933	7,985
Share-based payments	7,705	1,735
Termination benefits	-	472
Social security costs		
- Social security	641	608
	12,279	10,800

(Thousand euro)

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

	Headcount	
	2015	2014
Executives	11	6
University graduates and specialists	47	47
	58	53

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

	2015			2014		
	Women	Men	Total	Women	Men	Total
Directors	2	11	13	2	11	13
Executives	-	8	8	-	4	4
University graduates and specialists	27	24	51	24	23	47
	29	43	72	26	38	64

Other operating expenses

Other operating expenses break down as follows:

	2015	2014
Travel expenses	893	855
Repairs and maintenance	944	941
Business entertainment	1	72
Independent professional services and other services	549	4.927
Leases	444	398
Insurance premiums	110	104
Offices (abroad)	-	478
Other	11	11
	2.952	7.786

20. Income tax and tax matters

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

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

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

2015

	Income statement			Income and expense recognized directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year	-	-	92,809	-	-	-
Income tax	-	-	7,201	-	-	-
Permanent differences	161	(69,840)	(69,679)	-	-	-
Temporary differences:						
- originated in current year	6,859	-	6,859	-	-	-
- originated in previous years	-	(2,267)	(2,267)	-	-	-
			34,923			-
Taxable income/(tax loss)			34,923			

(Thousand euro)

2014

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

Permanent differences relate mainly to incentives included in the tax base under applicable tax legislation, to the elimination of gains regarding interest values (Note 8) and to the elimination of Group dividends (Note 8). Temporary differences relate to the different allocation methods used to calculate the tax base.

In 2015, the current income tax is calculated by applying a 28% tax rate to the individual tax base, net of negative tax bases generated in previous years and after the entry of the Company to the fiscal Group, amounting to €10,457 thousand and €1,051 thousand respectively, and net of the effect of double taxation deductions which are pending to be compensated by an amount of €2,584 thousand.

In 2014, the current income tax is calculated by applying a 28% tax rate to the individual tax base, net of negative tax bases generated in previously to the entry of the Company to the fiscal Group by an amount of €2,332 thousand and net of the effect of double taxation deductions which are pending to be compensated by an amount of €117 thousand.

The calculation is itemized in the following table:

	2015	2014
Individual taxable incometax base	34,923	2,332
Tax group taxable income	(11,508)	(2,332)
Current tax payable	23,415	-
Tax losses to be offset of tax group	6,556	-
Current tax	(2,584)	(117)
	3,972	(117)

The breakdown of income tax expense is as follows:

	2015	2014
Current tax	3,972	(117)
Deferred tax (Note 18)	(1,286)	(703)
Tax credits (reversal) (Note 18)	4,447	346
	7,133	(474)
Correction of prior-year CIT	-	179
Income tax withholdings (retained abroad)	68	265
	7,201	(30)

No corporate income tax was payable to the Tax Administration in 2015 and 2014 (Note 16).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are 2011, 2012, 2013, 2014 and 2015.

As a result, among other things, of the different interpretations of current tax law, additional liabilities could arise as a result of an inspection. In any event, the Directors consider that any such liabilities that may arise will not have a significant impact on the annual accounts for 2015 or 2014.

(Thousand euro)

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

The corporate income tax legislation applicable to the parent company in 2015 and 2014 is that relating to Bizkaia Regional Regulation 11/2,013 (5 December).

21. Finance income/expense

	2015	2014
Finance income:		
Marketable securities & other financial instruments		
- Third parties	1	48
	1	48
Finance expense:		
Borrowings from group companies (Note 27)	(3,863)	(5,690)
Third-party borrowings	(17,239)	(17,824)
	(21,102)	(23,514)
Change in fair value of financial instruments:		
Gains/(losses) recognized regarding financial instruments	5,688	(399)
	5,688	(399)
Net exchange differences	701	-
Change in fair value of assets and liabilities taken to income statement (Note 16.c))	4,017	-
Finance income/expense	(10,695)	(23,865)

22. Cash flows from operating activities

	2015	2014
Profit for the year before tax	100,010	48,948
Adjustments for:		
- Depreciation (Notes 5 and 6)	714	1,044
- Change in provisions	5,454	4,955
- Grants recognized in the income statement (Note 15)	(21)	(70)
- Impairment and Gains or Losses on Disposals of Non-Current Assets (Note 8)	(19,967)	-
- Finance income (Note 21), dividend income and interest income from CIE Automotive Group companies (Note 19)	(44,092)	(62,419)
- Finance expense (Note 21)	21,102	23,514
- Exchange rate differences (Note 21)	(701)	-
- Change in fair value of financial instruments (Note 21)	(5,688)	399
- Change in the fair value of assets and liabilities taken to income statement (Note 21)	(4,017)	-
	(47,216)	(32,577)
Changes in working capital:		
- Trade and other receivables	(15,778)	1,979
- Trade and other payables	(1,015)	(1,098)
- Other current and non–current liabilities	(3,199)	(386)
	(19,992)	495
Other cash flows from operating activities:		
- Interests paid	(19,038)	(26,302)
- Dividends received	20,427	40,000
- Interests received	24,366	21,380
- Income tax received (paid)	823	199
	26,578	35,277
Cash flows from operating activities	59,380	52,143

(Thousand euro)

23. Cash flows from investing activities

	2015	2014
Payments for investments:		
- Group companies and associates	-	(10,766)
- Intangible assets	(259)	(248)
- Property, plant and equipment (Note 6)	-	(18)
- Other financial assets	(3)	-
	(262)	(11,032)
Proceeds from disposals:		
- Other financial assets	32,986	500
	32,986	500
Cash flows from investing activities	32,724	(10,532)

24. Cash flows from financing activities

	2015	2014
Proceeds from and payments for equity instruments:		
- Issue of equity instruments	-	91,646
	-	91,646
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 16)	90,028	588,845
- Repayment and depreciation of:		
- Bank borrowings (Note 16)	(96,509)	(365,539)
- Net change in other borrowings (Note 16)	(6,710)	10,000
- Net change in loans to/from group companies and associates (*)	(35,941)	(353,193)
	(49,132)	(119,887)
Payment of dividends and remuneration of other equity instruments:		
- Payment of dividends (Note 14.b))	(25,800)	(22,304)
	(25,800)	(22,304)
Cash flows from financing activities	(74,932)	(50,545)

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

25. Contingencies

Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed in Note 16 at 31 December 2015 and 2014.

26. Director and key management compensation

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

Total compensation paid to the members of the Board of Directors has amounted to €3,483 thousand in 2015 (2014: €3,027 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At year-end 2015, there is a balance receivable (at present value) of €606 thousand arising from other transactions with these related parties (2014: €1,212 thousand), classified in current assets.

(Thousand euro)

The Group has not entered into obligations relating to pensions or other types of complementary retirement remuneration with senior management personnel.

b) Compensation and loans to key management personnel

Total remuneration paid to Group key management in 2015, excluding people included in the previous section on Board remuneration, amounted to €1,503 thousand (2014: there was no remuneration paid to group key management).

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

At 2015 and 2014 year-end, there is no balance relating to transactions with these related parties.

c) Article 228 of the Spanish Companies Act.

In the duty to avoid situations of conflict of interest of the parent Company, during the exercise 2015 the administrators who have occupied charges in the Board of Directors have expired with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm, except in the cases in which the corresponding authorisation has been obtained.

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

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

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

The individual assignment of these rights was determined in 2014 by the Appointments and Remuneration Committee of the parent company and their settlement will probably be paid once in cash on 31 March 2018 as a decision of the Group.

The incentive depends on two conditions:

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

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

At 31 December 2015, the estimated amount of the extraordinary remuneration has resulted in an accrued expense in 2015 of €8,164 thousand (31 December 2014, €2,041 thousand). The liability is classified in Non-current provisions (Note 17).

27. Transactions with CIE Automotive Group companies and related parties

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

The breakdown of the transactions conducted with CIE Automotive Group companies in 2015 and 2014 is provided below:

	2015	2014
Services rendered (Note 19):	**106,316**	**92,064**
- Dividends received (Note 8)	20,427	40,000
- Corporate services (Note 19)	62,224	29,693
- Financial services (Note 19)	23,665	22,371
Interest:		
- Interest paid (Note 21)	**(3,863)**	**(5,690)**

Closing balances at the 2015 and 2014 year ends derived from the transactions described above are set out in Notes 7.5, 7.6, 8, 9 and 16.b) above. Additionally, at 31 December 2015, the interim dividend agreed in December 2015 was pending payment (Notes 14 and 16).

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2015 and 2014 is provided in Note 8.b) and Note 16.b).

In 2015, no provision was required for the impairment of loans granted to Group companies.

28. Information on the environment

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

The Company did not incur any expenses of an environmental nature in either 2015 or 2014.

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

29. Auditor fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for the audit services of the Company's accounts (including the Company's consolidated annual accounts) and other assessment services amounted to €154 thousand (2014: €232 thousand).

In addition, fees charged during the year by other firms that use the PricewaterhouseCoopers trademark for other services rendered to the Company totalled €134 thousand (2014: €30 thousand).

30. Events after the balance sheet date

In 10 February 2016, the Group through its subsidiary Global Dominion Access S.A. has submitted a bid within the bankruptcy requested by Abantia Empresarial S.L. and its subsidiaries (hereinafter the "Abantia Group"), to acquire production units of facilities, maintenance, industrial and promotion of renewable energies, which represent most of the current business of Abantia Group.

The bid means for the acquisition of assets, the deposit of a price of €2 million approximately, as well as the assumption, according to the current law, only strictly certain labor liabilities and social security.

Once the transaction is fulfilled, it is considered the implementation of a plan to ensure the maintenance in the medium and long term the activities that are subject to the bid as well as the employment associated to the assets that are subject to the bid. For this reason, is expected that Dominion will perform a financial injection in the business of at least €25 million.

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APPENDIX I

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive: Direct	Indirect
CIE Berriz, S.L. (*) (merged in 2015 with CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U., Participaciones Internacionales Autometal, S.L.U., CIE Automotive Nuevos Mercados, S.L.)	CIE Automotive, S.A.	Holding company	Vizcaya	100,00%	-
Antolin-CIE Czech Republic s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	30,00%
Belgium Forge, N.V. (in liquidation)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100,00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100,00%
Alfa Deco, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarre	-	100,00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100,00%
ApoloBlue Tratamentos, Lda	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	100,00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100,00%
CIE Praga Louny, a.s. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
Praga Service, s.r.o.	CIE Praga Louny, a.s.	Facilities	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 recovery	Vizcaya	-	100,00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100,00%
CIE Hispamoldes Plastiques, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100,00%
Nanjing Automotive Forging Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	50,00%
Autometal, S.A. (*) (4)	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100,00%
Naturoil Combustíveis Renováveis, S.A.	Autometal, S.A.	Biofuel production and sale	Brazil	-	100,00%
Bioauto Participações, S.A. (*)	Autometal, S.A.	Holding company	Brazil	-	75,00%
Bioauto MT Agroindustrial, Ltda.	Bioauto Participações, S.A.	Agro-biotechnology	Brazil	-	75,00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	50,00%
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (*)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100,00%
Autocromo Cromaçao de Plásticos Ltda	Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automotive components	Brazil	-	100,00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Services and installations	Brazil	-	100,00%
Gescrap – Autometal Comercio de Sucatas Ltda	Autometal Investimentos e Imóveis, Ltda.	Sale of scrap	Brazil	-	30,00%

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Componentes Automotivos Taubaté, Ltda. (*)	Autometal, S.A.	Holding company	Brazil	-	100,00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100,00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100,00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100,00%
CIE Autometal de México, S.A. de C.V. (*) (5)	CIE Berriz, S.L.	Holding company	Mexico	-	100,00%
Pintura y Ensambles de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
Gescrap Autometal de Mexico, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Sale of scrap	Mexico	-	30,00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Services and installations	Mexico	-	30,00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100,00%
Nugar, S.A .de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100,00%
Servicat S. Cont., Adm. Y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100,00%
Inmobiliaria El Puente, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services	Mexico	-	100,00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Services and installations	USA	-	100,00%
Century Plastics, Llc	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	65,00%
Participaciones Internacionales Autometal Dos S.L. (*)	CIE Berriz, S.L.	Holding company	Spain	-	100,00%
Mahindra CIE Automotive Ltd.(2) (*)	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India	-	53,21%
Stokes Group Limited (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	UK	-	53,21%
Stokes Forgings Limited	Stokes Group Limited	Manufacture of automotive components	UK	-	53,21%
Stokes Forgings Dudley Limited	Stokes Group Limited	Manufacture of automotive components	UK	-	53,21%
Mahindra Forging Global	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53,21%
Mahindra Forgings International Limited (*)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53,21%
Mahindra Forgings Europe AG (*)	Mahindra Forgings International Limited	Holding company	Germany	-	53,21%
Gesenkschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Spain	-	53,21%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	-	53,21%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	53,21%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Production and marketing of electricity	Spain	-	26,61%
Mahindra Gears Global Ltd (1)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53,21%
Metalcastello S.p.A. (1)	Mahindra Gears Global Ltd	Manufacture of automotive components	Italy	-	53,21%
Crest Geartech Ltd (1)	Metalcastello S.p.A.	Manufacture of automotive components	India	-	53,21%
Mahindra Gears Transmission Private Ltd (1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India		53,21%
Bionor Berantevilla, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Alava	-	100,00%
Biosur Transformación, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100,00%
Comlube s.r.l. (*) (in liquidation)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80,00%
Glycoleo s.r.l. (dormant)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40,80%
Biocombustibles de Guatemala, S.A.	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51,00%
Biocombustibles La Seda, S.L. (in liquidation)	CIE Berriz, S.L.	Production and marketing of glycerine	Barcelona	-	40,00%
Gestión de Aceites Vegetales, S.L.(GAVE) (*)	CIE Berriz, S.L.	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.	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100,00%
Recogida de Aceites y Grasas Maresma, S.L. (Rema)	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51,00%
Biodiesel Mediterráneo, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100,00%
RS Automotive B.V. (*) (1)	CIE Automotive, S.A.	Holding company	Netherlands	100,00%	-
Advanced Comfort Systems International B.V. (*) (1)	RS Automotive B.V.	Holding company	Netherlands	-	100,00%
Advanced Comfort Systems Ibérica, S.L.U. (1)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	Orense	-	100,00%

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Advanced Comfort Systems France, S.A.S. (*) (1)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	France	-	100,00%
Advanced Comfort Systems Romania, S.R.L. (1)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100,00%
Advanced Comfort Systems México, S.A. de C.V. (1)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Mexico	-	100,00%
Advanced Comfort Systems Shanghai Co. Ltd (1)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100,00%
SC CIE Matricon, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Romania	-	100,00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	100,00%
CIE Automotive Rus, LLC	CIE Berriz, S.L.	Manufacture of automotive components	Russia		100,00%
Global Dominion Access, S.A. (*)	CIE Automotive, S.A.	Holding company/ Technological Solutions and Services	Bilbao	62,95%	-
Dominion Instalaciones y Montajes, S.A.U. *(*)*	Global Dominion Access, S.A.	Technological solutions	Bilbao	-	62,95%
E.C.I. Telecom Ibérica, S.A.	Dominion Instalaciones y Montajes, S.A.U.	Technological solutions	Bilbao	-	62,95%
Interbox Technology, S.L.	Dominion Instalaciones y Montajes, S.A.U.	Comercial services	Bilbao	-	37,77%
Dominion Investigación y Desarrollo S.L.U.	Global Dominion Access, S.A.	Technological Solutions and Services	Bilbao	-	62,95%
Prosat Comunicaçoes, Ltda.	Global Dominion Access, S.A.	Technological Solutions and Services	Brazil	-	62,95%
Global Dominion Brazil Participaçoes, Ltda. (*)	Global Dominion Access, S.A.	Holding company	Brazil	-	62,95%
Halógica Tecnología, S.A.	Global Dominion Brazil Participaçoes, Ltda.	Technological Solutions and Services	Brazil	-	62,95%
Dominion Instalaçoes e Montagnes do Brazil Ltda.	Global Dominion Brazil Participaçoes, Ltda.	Technological Solutions and Services	Brazil	-	62,95%
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Mexico	-	62,95%
Dominion Tecnologías de la Información México, S.A. de CV	Mexicana de Electrónica Industrial, S.A. de C.V.	Technological Solutions and Services	Mexico	-	62,94%
Dominion Baires, S.A.	Global Dominion Access, S.A.	Technological Solutions and Services	Argentina	-	59,80%
Dominion SPA	Global Dominion Access, S.A.	Technological Solutions and Services	Chile	-	62,95%
Dominion Perú Soluciones y Servicios S.A.C.	Global Dominion Access, S.A.	Technological Solutions and Services	Peru	-	62,95%
Visual Line, S.L.	Global Dominion Access, S.A.	Technological Solutions and Services	Bilbao	-	34,62%
Sociedad concesionaria Chile Salud Siglo XXI S.A.	Global Dominion Access, S.A.	Technological Solutions and Services	Chile	-	18,89%
Beroa Thermal Energy, S.L. (*) (1)	Global Dominion Access, S.A.	Holding company	Bilbao	-	62,95%
Beroa France S.A.S.	Beroa Thermal Energy, S.L.	Industrial services	France	-	62,95%
Steelcon Chimneys Esbjerg A/S (*)	Beroa Thermal Energy, S.L.	Industrial solutions	Denmark	-	62,95%
Steelcon Slovakia s.r.o	Steelcon Chimneys Esbjerg A/S	Industrial solutions	Slovakia	-	62,95%
Dominion Global Pty,Ltd (formerly Beroa Australia Pty. Ltd)	Beroa Thermal Energy, S.L.	Industrial solutions and services	Australia	-	62,95%
Beroa Corporation LLC (*)	Beroa Thermal Energy, S.L.	Holding company	USA	-	62,95%
Beroa US LLC (formerly Karrena Refractory Linings LLC)	Beroa Corporation LLC	Industrial solutions	USA	-	62,95%
Karrena International LLC (*)	Beroa Corporation LLC	Industrial solutions	USA	-	56,66%
Karrena International Chimneys LLC	Karrena International LLC	Industrial solutions	USA	-	56,66%
Beroa Ibéria S.A.(*)	Beroa Thermal Energy, S.L.	Industrial solutions and services	Bilbao	-	62,95%
Dominion Industry México, S.A. de C.V. (formerly Karrenamex, S.A.)	Beroa Ibéria S.A.	Industrial services	Mexico	-	62,94%
Dominion SRL (formerly Beroa de Argentina SRL)	Beroa Ibéria S.A.	Industrial services	Argentina	-	56,66%
Altac South Africa Proprietary Limited	Beroa Ibéria S.A.	Industrial solutions	South Africa	-	62,95%
Chimneys and Refractories Intern. S.R.L.(*)	Beroa Thermal Energy, S.L.	Industrial solutions	Italy	-	56,66%
Chimneys and Refractories Intern. S.P.A.	Chimneys and Refractories Intern. S.R.L.	Industrial solutions (dormant)	Chile	-	56,66%
Dominion-Uniseven Industrial Services Pvt, Ltd. (formerly Beroa Uniseven Refractory Services Pvt Ltd.)	Beroa Thermal Energy, S.L.	Industrial services	India	-	32,10%
Refractories & Chimneys Construction Co. Ltda. (3)	Beroa Thermal Energy, S.L.	Industrial solutions	Saudi Arabia	-	61,69%
Beroa Technology Group GmbH (*)	Beroa Thermal Energy, S.L.	Holding company	Germany	-	62,95%
Karrena Betonanlagen und Fahrmischer GmbH (*)(in liquidation)	Beroa Technology Group GmbH	Construction and sale of cement mixers (dormant)	Germany	-	62,95%
HIT-Industrietechnik GmbH	Karrena Betonanlagen und Fahrmischer GmbH	Metal welding	Germany	-	32,73%
Bierrum International Ltd.	Beroa Technology Group GmbH	Industrial solutions	UK	-	62,95%
Beroa NovoCOS GmbH	Beroa Technology Group GmbH	Industrial services	Germany	-	62,95%
Beroa International Co. L.L.C.	Beroa Technology Group GmbH	Industrial services	Oman	-	44,07%
Beroa Refractory & Insulation L.L.C	Beroa Technology Group GmbH	Industrial services	United Arab Emirates	-	30,85%
Beroa Nexus Company LLC	Beroa Technology Group GmbH	Industrial services	Qatar	-	30,85%

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Beroa Abu Obaid Industrial Insulation Company Co. W.L.L.	Beroa Technology Group GmbH	Industrial services	Bahrain	-	28,33%
Beroa Deutschland GmbH (*)	Beroa Technology Group GmbH	Industrial solutions and services	Germany	-	62,95%
Karrena S.r.l. (in liquidation)	Beroa Deutschland GmbH	Industrial services (dormant)	Italy	-	62,95%
Karrena Construction Thérmique S.A.	Beroa Deutschland GmbH	Industrial services (dormant)	France	-	62,95%
Beroa Polska Sp. z o.o.	Beroa Deutschland GmbH	Industrial solutions and services	Poland	-	62,95%
Karrena Arabia Co. Ltd.	Beroa Deutschland GmbH	Industrial solutions and services	Saudi Arabia	-	34,62%
BeroaChile Limitada	Beroa Deutschland GmbH	Industrial services (dormant)	Chile	-	62,94%
Burwitz Montageservice GmbH	Beroa Deutschland GmbH	Industrial solutions and services	Germany	-	62,95%
F&S Feuerfestbau GmbH & Co. KG	Beroa Deutschland GmbH	Industrial solutions and services	Germany	-	32,10%
F&S Beteiligungs GmbH	Beroa Deutschland GmbH	Holding company	Germany	-	32,10%
Global Near, S.L. (*) (1)	Global Dominion Access, S.A.	Holding company	Bilbao	-	56,18%
Near Technologies, S.L.U.	Global Near, S.L.	Technological solutions	Bilbao	-	56,18%
Tapquo, S.L.	Near Technologies, S.L.U.	Technological solutions	Bilbao	-	30,45%
Advanced Flight Systems, S.L.	Near Technologies, S.L.U.	Technological solutions	Bilbao	-	16,85%
Centro Near Servicios Financieros, S.L.	Global Near, S.L.	Technological solutions	Bilbao	-	12,92%
DM Informática, S.A. de C.V.	Global Near, S.L.	Technological solutions	Mexico	-	56,18%
Near Technologies Mexico, S.A. de C.V.	Global Near, S.L.	Technological solutions	Mexico	-	56,09%
NXT Solutions Inc	Global Near, S.L.	Technological solutions	Panama	-	28,09%
Dominion Ampliffica, S.L.	Global Dominion Access, S.A.	Holding company	Bilbao	-	62,95%
Bilcan Global Services, S.L. (*) (1) (5)	Global Dominion Access, S.A.	Holding company	Cantabria	-	62,95%
Eurologística Directa Móvil 21, S.L.U.	Bilcan Global Services, S.L.	Comercial services	Madrid	-	62,95%
Tiendas Conexión, S.L.U. (6)	Bilcan Global Services, S.L.	Comercial services	Cantabria	-	62,95%
Sur Conexión, S.L. (7)	Bilcan Global Services, S.L.	Comercial services	Cantabria	-	62,95%
Global Ampliffica, S.L.(*)	Bilcan Global Services, S.L.	Holding company	Bilbao	-	50,36%
Ampliffica Mexico, S.A. de C.V.	Global Ampliffica, S.L.	Technological solutions	Mexico	-	50,35%
Ampliffica, S.L.U.	Global Ampliffica, S.L.	Technological solutions	Bilbao	-	50,36%
Wiseconversion, S.L.	Global Ampliffica, S.L.	Technological solutions	Madrid	-	32,75%
Ampliffica de Istmo, S.A.	Global Ampliffica, S.L.	Technological solutions	Panama	-	30,22%
Dominion Networks, S.L.U.	Bilcan Global Services, S.L.	Technology services	Madrid	-	62,95%
Dominion Centro de Control, S.L.U.	Bilcan Global Services, S.L.	Technology services	Madrid	-	62,95%
Autokomp Ingeniería, S.A.U. (*)	CIE Automotive, S.A.	Services and installations	Vizcaya	100,00%	
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	Mexico	-	100,00%

(1) Companies added to consolidation scope in 2014 together with their subsidiaries.
(2) Merged in 2014 with Participaciones Internacionales Autometal Tres S.L., Mahindra Hinoday Industries Limited, Mahindra Composites Limited, Mahindra Ugine Steel Company Ltd, Mahindra Investments India private Limited and Mahindra Gears International Limited.
(3) The shares of Refractories & Chimneys Construction Co. Ltd. are 17% owned by Chimneys and Refractories Intern. S.R.L. and 83% by Beroa Technology Group GmbH, giving the group a total ownership interest of 59.74%.
(4) Merged in 2015 with CIE Autometal SA.
(5) Result of the merger between Bilcan Global Services, S.L. and Servicios Al Operador Móvil, S.L.
(6) Result of the merger between Your Phone, S.L. and Tiendas Conexión, S.L.
(7) Result of the merger between Sur Conexión, S.L. and Your Phone Franquicias, S.L.U.

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

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2015 AND 2014
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)
(Thousand euro)

	At 31 December	
	2015	2014
ASSETS		
Non-current assets		
Property, plant and equipment	971,521	927,961
Goodwill	905,802	897,410
Other intangible assets	45,598	48,544
Non-current financial assets	11,985	13,868
Investments in associates	9,545	1,497
Deferred tax assets	223,310	230,702
Other non-current assets	5,471	5,375
	2,173,232	2,125,357
Current assets		
Inventories	293,754	288,909
Trade and other receivables	365,061	292,653
Other current assets	6,181	7,170
Current tax assets	60,432	58,558
Other current financial assets	85,702	96,258
Cash and cash equivalents	261,011	297,699
	1,072,141	1,041,247
Disposal group assets classified as held-for-sale	24,776	24,638
Total assets	3,270,149	3,191,242

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015 AND 2014
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)
(Thousand euro)

	At 31 December	
	2015	2014
EQUITY		
Capital and reserves attributable to the parent company´s shareholders		
Share capital	32,250	32,250
Share premium	152,171	152,171
Retained earnings	511,177	460,888
Interim dividend	(20,640)	(12,900)
Cumulative exchange differences	(97,869)	(70,590)
Non-controlling interests	307,901	299,813
Total equity	884,990	861,632
Deferred income	17,765	17,004
LIABILITIES		
Non-current liabilities		
Non-current provisions	110,861	117,322
Non-current borrowings	828,265	849,897
Deferred tax liabilities	71,615	75,963
Other non-current liabilities	81,755	176,787
	1,092,496	1,219,969
Current liabilities		
Current borrowings	172,489	254,180
Trade and other payables	815,320	630,193
Other current financial liabilities	16,078	10,489
Current tax liabilities	56,780	57,200
Current provisions	11,108	11,386
Other current liabilities	199,098	126,822
	1,270,873	1,090,270
Disposal group liabilities classified as held-for-sale	4,025	2,367
Total liabilities	2,367,394	2,312,606
Total equity and liabilities	3,270,149	3,191,242

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)
(Thousand euro)

	Year ended 31 December	
	2015	2014
OPERATING REVENUE	2,725,224	2,318,651
Revenue	2,631,520	2,209,516
Other operating income	90,493	102,472
Change in inventories of finished goods and work in progress	3,211	6,663
OPERATING EXPENSES	(2,480,918)	(2,146,468)
Consumption of raw materials and secondary materials	(1,470,442)	(1,272,102)
Employee benefit expense	(600,378)	(514,164)
Depreciation and amortization	(121,168)	(118,680)
Other operating income/(expenses)	(288,930)	(241,522)
OPERATING PROFIT	244,306	172,183
Finance income	14,760	36,881
Finance costs	(53,438)	(79,908)
Net exchange differences	10,310	10,834
Change in fair value of assets and liabilities taken to income statement	(30,431)	176
Share of profit/(loss) of associates	1,163	(3,029)
PROFIT BEFORE TAX	186,670	137,137
Income tax	(40,092)	(38,672)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	146,578	98,465
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(763)	(355)
PROFIT FOR THE YEAR	145,815	98,110
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(16,751)	(17,062)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	129,064	81,048
Earnings per share from continuing and discontinued operations attributable to shareholders of the parent (expressed in euro per share)		
- Basic earnings per share:	1.00	0.65
From continuing operations	1.01	0.65
From discontinued operations	(0.01)	(0.00)
- Diluted earnings per share:	1.00	0.65
From continuing operations	1.01	0.65
From discontinued operations	(0.01)	(0.00)

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2015
(Thousand euro)

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the group

CIE Automotive (from now on, "CIE" or "The Group", interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in two business areas: automotive components and applied innovation.

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

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

1.2 Mission, vision, and values

Mission

We are an Industrial Group specialist in management of high value-added processes.

- We have devoted this concept of being a supplier of components and sub-assemblies for the global automotive market, with an action based on the utilization of complementary technologies and diverse associate processes.
- We apply this conception in the management, with an overall view in all the phases of the chain value.

We grow on a supported and profitable way to position ourselves as partner of reference across the satisfaction of our clients with integral, innovative and high value-added competitive solutions.

We Look for the excellence on the following commitments:

- The continued improvement of processes and its efficient management.
- The promotion of participation, implication and teamwork in an pleasant and sure environment.
- The transparency and integrity in all our actions.
- Respect for the enviroment.

Vision

We aspire to be an:

- Industrial Group of reference specialist in high value-added processes.

Become the example of a socially responsible company by our commitment to:

- People and their fundamental right.
- Environment, encouraging initiatives to promote greater environmental responsibility
- Value creation
- Collaboration with stakeholders
- Excellence in management

Be a benchmark within the value chain for:

- Quality
- Technology
- Service
- Innovation
- Eco design

Values

People

- Respecting their fundamental rights
- Providing fair working conditions
- Encouraging
  - Their initiative, creativity and innovativeness
  - Participation and teamwork
  - Their Capacity to attain goals and create value
  - Positive attitude to change and continuous improvement

Environment:

- Maintaining a precautionary approach
  - Working to minimize any negative impact.

Transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.
- Making public clearly all relevant data of our activity so that they are known and understood.

Stakeholders:

- Promoting honest relationships.
- Respecting their rights.

Legality:

- Respecting national and international standards.

Honesty, fairness and integrity are the foundation of our values.

1.3 Business units

Automotive components

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

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

The customer portfolio is divided into two big categories: vehicle´s manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent, to equal parts, 50% of total sales.

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

Five differential features support CIE Automotive's business:

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

Applied Innovation

The Group CIE Automotive develops an autonomous and independent applied innovation project across it subsidiary Dominion. This multisectorial group, with more than 5,000 employees in 28 countries, offers solutions and technological services to 1,000 clients to make its productive processes more efficient applying knowledge and innovation.

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

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

Multi-Technology Services ("Services")

Offers value-added services such as designing, implementation, updating and maintenance of fixed and mobile telecommunications networks, management of sales and distribution processes for telecommunications companies and provision of inspection, maintenance, repair and renewal services for industrial and energy companies.

Overall, the segment Dominion Services undertakes management of complete business processes on behalf of its customers through outsourcing and contracts signed by this segment usually have a duration of several years, generating recurring revenues.

Solutions and specialized engineering (“Solutions”)

Solutions area execute unique projects designed to offer integral solutions or to improve specific business processes of customers. Performs the following activities:

- The execution of turnkey projects or EPC (Engineering Procurement Construction): projects to design, build and operate a specialized infrastructure, such as hospitals, civil protection projects and industrial plants.
- Construction, repairment and renovation of facilities related to heat management in industrial processes (eg, refractory for industrial furnaces, chimneys and cooling towers coatings).
- Improvement processes and other technology and business solutions for clients in selected markets.

2. EVOLUTION OF THE BUSINESS

2. 1 Summary of the year

Europe:

During 2015, Europe's growth has been slow, but with a positive increasing evolution. The group is taking advantage of the recovery of European market thanks to the specialization of its factories, the automatization of processes, the commitment to innovation and continuous improvement of plants. Example of this is the inauguration in June 2015 of the fifth production line of forged cranks of the factory of CIE Galfor, S.A.U. in Ourense.

In June 2015 the construction of the plant Togliatti in Russia was completed, dedicated to the manufacture of injected and machined aluminum pieces. His first project is the manufacture of seven references to the new gasoline engine that Renault will produce in Russia and Turkey. The installed capacity will allow the company to supply components for 150,000 engines per year, capacity that will be expanded gradually according to the demand.

In European plants of integrated forging after an alliance with the Mahindra group, Mahindra Forgings Europe (MFE), the group has established an action plan to match the profitability of these centres to the rest of the group. The plan includes, among other measures, the optimization of flows and the increased of production efficiency, the automatization of certain processes, the outsourcing of the non-essential and the renegotiation of prices. In this line, the company decided in February the gradual closure of its plant in Gevelsberg (Germany) in 2015 and the transfer of equipment and production to other centers of MFE in the country.

NAFTA

In 2015, it fulfilled twelve years of CIE Automotive's presence in Mexico, and since then, the group has expanded gradually its plants to attend the requirements of manufacturers to become market leader. Throughout the year, it continued developing four greenfields (projects from scratch) in the areas of machining, forging, stamping and aluminum in Mexico, which will report combined sales of approximately €150 million in the next years.

NAFTA area is one of the areas with the greatest growth potential in the world, while the US is still recovering and entrenched its position as second-largest global vehicles manufacturer, Mexico is key for the high volume of production of vehicles and the Europeanization of the car in the area.

In the future, the company plans to further investment and increase its technological offer in Mexico, where there is not still enough installed capacity to attend demand and returns are elevated.

Asia

The partnership with the Mahindra group signed in 2013 allowed to CIE Automotive enter into India and strengthen its presence in Asia, priority goal.

India has emerged as the development engine in the region, with an expected growth from 3 to 10 million units annually in the next decade. The main segment objective of India Mahindra CIE are passenger cars and tractors.

In its centers in India, the group manufactures forgings, casting, magnetic products, printing and composites.

Currently is working on increasing the profitability of their plants and on developing a business relationship with major global clients in the group. Additionally, it is being studied the opportunity to bring those products that have a leading position in other regions to China as well as the possibility of introducing new technologies such as injection of plastic or aluminum.

In this regard, it plans to continue its expansion in other Southeast Asian countries such as Thailand and Indonesia, as fastest way to gain a greater commercial presence among Japanese and Korean customers that dominate these markets.

In China, currently the largest car manufacturer in the world, CIE Automotive has an important niche market that comes from Europe.

Brazil:

The Brazilian market continues to have a significant group sales. Although the automotive industry is undergoing a restructuring process due to the devaluation of the real, Brazil remains being the seventh largest producer of cars and the potential for growth is enormous, considering that the ratio of vehicle per person is below comparing to the more developed countries.

In 2015, Brazilian plants of CIE Automotive continued to increase its efficiency by automating processes and specializing in value-added products.

Solutions and services:

In reference to Solutions and Services segment the most important fact is that 2015 is the first full year after the integration of Beroa, Bilcan and Near in 2014. The results are the result of of the success of rationalization efforts, unification of cultures, integration of teams and taking advantage of opportunities, although we believe that the potential of all this work still has to give best results.

Going into greater detail on specific activities regarding services for T&T the behavior of the various countries has been heterogeneous; Spain and Peru have evolved excellently while Brazil has not achieved all its objectives.

It is noteworthy the beginning of operations in a new country, Chile, the consolidation of a client as Jazztel, the opening of new areas such as Barcelona, or new activities, such as fitness for 4G. They all are clear examples of the potential of cross-selling and cross-cutting of the Dominion Group.

2.2 Financial indicators:

CONSOLIDATED GROUP:

(Thousand euro)	2015	2014
Consolidated revenue	2,631,520	2,209,516
Adjusted consolidated revenue (*)	2,631,520	2,160,318
Gross operating profit/(loss)-EBITDA	365,474	290,863
Net operating profit/(loss)-EBIT	244,306	172,183
Profit/(loss) before taxes cont. act.-EBT	186,670	137,137
Profit/(loss) for the year cont. act.	146,578	98,465
Profit/(loss) on discontinued operations	(763)	(355)
Profit/(loss) atributable to non-controlling interests	(16,751)	(17,062)
Profit/(loss) attributable to parent Company	129,064	81,048

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

Business performance:

Entire period with the new scope of consolidation of the Group. Again, record sales, EBITDA and Net result. Adjusted sales grew by 22% over the same period last year, EBITDA by 26% and Net income totaled €129 million, 59% more than in 2014.

This growth has been due in part to the increase in our consolidation, in addition to excellent margin growth in Europe and Nafta, where also the evolution of the exchange rate conversion has been favorable.

It is noteworthy, the existence in the year 2015 in some areas, as much as expenditure and income are considered not recurrent. The main ones are:

- Restructuring costs, mainly personnel costs, associated with the closure process of one plant that CIE Group owns in Germany, amounting €14.5 million that have been partially compensated by positive effects of the operative part of the income statement. The Net effect has caused an effect of an EBIT lower 9 million euros.
- Increased expense by the estimated contingent consideration associated with the granted option to the non-controlling partners on the remaining 35% stake in Century Plastics, LLC by €34.4 million, and the net effect, after non-controlling interests, of €22.4 million.
- Income of €4 million arising from early termination of contingent liabilities with VEP group buying a 50% of the group RS in February 2014, and has been recognized under "Change in fair value assets and liabilities allocation results "in the income statement for 2015.

With these effects, the recurring pro forma EBIT would be higher by about €2.5million. In contrast, in the inoperative part of the income statement (financial, tax, etc.) there is a non-recurring net income of approximately €2.2million. Therefore, the net result given in the year is recurrent in CIE's Group because positive and negative non-recurrent net effects have been compensated.

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

AUTOMOTIVE:

	AUTOMOCIÓN	
(Thousand euro)	2015	2014
Consolidated revenue	2,106,499	1,916,757
Adjusted consolidated revenue (*)	2,106,499	1,867,559
Gross operating profit/(loss)-EBITDA	323,921	268,606
%EBITDA adjusted/consolidated revenue	15.4%	14.4%
Net operating profit/(loss)-EBIT	215,126	160,622
%EBIT/Consolidated revenue	10.2%	8.6%

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

Market evolution:

- The behavior of the NAFTA market and the excellent level of operative profitability of the Mexican and European plants have contributed to offset the bad situation of the Brazilian market and the lower margins of the plants of the group Mahindra.
- The recovery of the EBIT margin stands out, having Reached double digits.

SOLUTIONS AND SERVICES (Smart Innovation):

	DOMINION	
(Thousand euro)	2015	2014
Consolidated revenue	525,021	292,759
Gross operating profit/(loss)-EBITDA	41,553	22,257
Net operating profit/(loss) –EBIT	29,180	11,561

The previous year has been very positive in terms of revenues, evolving from the €293 million to €525 million reached in 2015, and in terms of contribution margin (calculated as the operating profit without considering the amortization, probable impairments, neither the structure expenses not charged directly to segments), which evolves from €31 million to €64.5 million. However, the most important was that the evolution was similar in both segments: Services and Solutions.

The analysis of the results from the contribution margin to the consolidated profit confirms this improvement from €5.6 million to €18 million.

2.3 Predictable evolution of the Group

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

The plan established some goals, indicated three lines of action:

- To increase significantly the presence in Asia, this will represent 32% of Group´s sales.
- To promote a strategy of growth across greenfields, contributing the know-how of the company, with strategic products orientated to the reduction of the consumptions and to the increase of the safety and comfort.
- To keep a solid financial position joined to a model of management who believes that generates value.

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

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

The Strategic Plan of Dominion's management included the period 2012-2016, though the process has been successfully completed in 2015.

Level of implementation of the 2015 Strategic Plan

After the excellent execution of the plan in 2013, in 2014 CIE Automotive announced that in 2015 the results would be closer to the goals of the plan.

The key factors for the achievement of these goals in 2015 have been:

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

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

Furthermore, the company continued his investing politics with the development of greenfields in Mexico and Russia and using its know how to optimize the European and Brazilian plants, apart from beginning to work at the profitability of the Indian centers.

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

Thanks to the commitment of the management team and the joint labor of the operative divisions and of the corporate network, at the closing of the exercise 2015, CIE Automotive has already fulfilled the goals of 2015 and brought forward the main goals of the plan for 2017: an EBIT higher than 9% and duplicate the Net profit of 2013.

Perspectives

The Group, after the advance of the fulfillment of the strategic plan 2013-2017, is developing a new strategic plan with a temporary horizon until 2020; it expects to duplicate the Net profit reached in the exercise 2015.

From the evolution and reached development, it releases a future that offers positive perspectives.

3. QUALITY AND ENVIRONMENT

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

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

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

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

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

Last generation products with sustainable vocation

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

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

(Thousand euro)

The sustainability in CIE Automotive´s business

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

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

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

Continuous improvement

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

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

Certifications

CIE Automotive holds all its plants certified according to ISO / TS which is of obligatory compliance in the automotive market standard.

As usual in the market, during the year we have been audited and certified both by our clients and by external certification entities, still being, at this time, 3 new plants pending of implementation of certification since, according to the requirements, must have one year of activity prior to the certification:

- Pernambuco (Brasil) dedicated to plastic injection.
- Togliatti (Rusia) dedicated to injection and mechanization of aluminium pieces.
- Forjas de Celaya (México) dedicated to forging and mechanization of Steel pieces.

On the other hand, we continue increasing our certifications both in environment (ISO 14000) and security (OHSAS 18000).

These certifications are supported by external certification companies.

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

Automotive

Certificates	Cie plants	Certified plants	%
ISO TS 16949	75	71 (*)	95
ISO 14000	75	68	91
OSHAS 18000	75	43	58
ISCC (**)	1	100	100

(*) 3 New deployments
(**) "International Sustainability and carbon certification"

Recognition

OEMs awards

CIE Automotive has been awarded and recognized during 2015 as best supplier by several leading builders of the market.

These awards represent a recognition of the daily effort that those who compose CIE Automotive do, and especially encourage us to keep on with our dedication towards the continuous improvements.

- Fiat-Chrysler has awarded CIE PEMSA (Mexico) as "Best supplier 2015", repeating this award which gives greater value.
- General Motors has distinguished the metal plant CIE Egaña (Spain) as excellent supplier and has awarded the plant of aluminium CIE Inyectametal (Spain) for excellence.
- PSA has been recognized as "Best supplier facility".

    Egaña 2, S.L. (Spain)

    Inyectamental, S.A. (Spain)

    CIE Compiegne, S.A.S (France)

    CIE Metal, s.r.o. (Czech Republic)

- Ford América do Sul in its "Top Suppliers awards" has awarded CIE Nakayone (Brazil) as best stamping supplier of stamping
- TATA Motors has distinguished Mahindra CIE stampings with its "award for best runner"
- The European division of AGC (largest glass manufacturer of automotive, assembles its products in 1 of every 4 new vehicles manufactured in the world) granted the European plastic division of CIE Automotive an award on 29 October during the celebration of its first "Supplier Day" in Brussels. With this award, AGC wants to recognize the work and results of the industrialization team and defines CIE as a strategic partner for the development of future projects in Europe, as the trend of the automotive glass market is to increasingly integrate added value and features.

Tier's 1 award

Nexteer has recognized CIE Nova Recyd, S.Au. as "Perfect Quality 2015" for the quality of its performance.

Raw material recycling

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

- The aluminium division has recycled 48,089 Tm.
- The biofuels companies biofuels of the automotive segment are nourished exclusively of recycled material. During 2015 they have processed 24,351 Tm of secondhand oil.

4. HUMAN RESOURCES

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

CIE Automotive is formed by a great team close to 23,000 people, with a continued growth, and to be facing always new challenges, have turned us into an organization:

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

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

- Bets on the Permanent training and adapted to our programs of development.

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

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

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

Again in 2015, from the Management Learning Center the different programs of professional development have been developed in which it has been given more than thousand hours of class, with a high participation, implication and satisfaction of those who have attended to the formation meetings in areas as finance, prevention, quality or management development.

- At the same time, these activities have been analyzed constantly to support a strict quality control and verify the efficiency of the same ones. The knowledge acquired by the participants not only are evaluated during the courses, but later, in their working places, when a second checking is realized to corroborate the utilization of the learned concepts.

- In this way, the training work promoted by CIE Automotive has always the guarantee to be aligned not only with the staff needs, but also with the organization objectives.

Zero Risk

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

In 2015, as in previous years, the area of Prevention of Labor Risks has stood out for its formative and prevention effort in areas such as the safety and ergonomics, with special focus on high-level training for the middle management in which was given numerous hours of class organized in diverse courses.

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

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

All this activity has been reflected in a reduction of work accidents and the increase of the plants of the Group that have a certification OSHAS, a total of 43, which is a test of their commitment and efficiency in the prevention of labor risks.

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

(Thousand euro)

Internal communication

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

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

Number of employees

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

2010	12,352
2011	14,335
2012	16,284
2013	18,435
2014	23,528
2015	22.820

The distribution of sexes is, to the closing of 2015:

Men	84%
Woman	16%

5. CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors of the Company is responsible for establishing policies of social responsibility. On 15 December 2015, this body approved the Corporate Responsibility Policy in order to establish basic principles and framework for the management of the sustainability practices assumed by the Group Dominion.

The principles of this policy are the basis for the integration of corporate responsibility into the business model and in its strategy, creating long-term value for all stakeholders and for Company itself.

The monitoring Corporate Social Responsibility Policy of CIE Automotive, S.A. is responsible for the Corporate Social Responsibility Committee, established in 2015, who delegated to the new Corporate Social Responsibility Transversal Committee the monitoring regarding the application of its principles. This committee consists of eight members of different areas.

The application of performance of the Corporate Social Responsibility Policy and the possible associated risks are embedded within the Risk Control and Management Policy, where following the methodology of ISO 31000 (methodology regarding the risk management generally accepted in the market) and with the participation of Senior Management and Management Team, it is produced an annual risk map.

The main tasks performed on Corporate Social Responsibility in 2015 were:

- Preparation of the Annual Report 2014, paying attention to the criteria of relevance, transparency and accessibility.
- Preparation of the Strategic Plan 2015-2018 Corporate Social Responsibility and Sustainability, with the support of a specialized consultant and contribution of senior management.
- Response to analysts of Corporate Social Responsibility and Sustainability: VIGEO, FTSE, MSCI and EcoVadis
- Inclusion of the Corporate Social Responsibility strategy in the new corporate website.

In October 2015, the Group has joined the Global Compact of the United Nations, whose values are derived from:

- Universal Declaration of Human Rights
- Declaration of the International Labor Organization regarding the Fundamental Principles and Rights at Job.
- Rio Declaration about Environment and Development.
- UN Convention against Corruption.

This membership represents our commitment as a company to implement the Global Compact values in each of its four areas: human rights, labor standards, environment and anti-corruption. For this, the Company will implement along 2016 different policies and procedures. In addition, the Group will involve to major suppliers in this process.

This commitment means within our Corporate Social Responsibility Policy with people, especially considering that it is a global company with permanent facilities in four continents and with different cultural environments in each.

6. FINANCIAL RISK MANAGEMENT

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

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

The procedure of global management of CIE Automotive’s risks is based on the methodology ISO 31000, one process of constant cycle in nine phases: communication, context stablishment, identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

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

Financial risk factors

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

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

a) Market Risk

(i) Foreign Exchange risk

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

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

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

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

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

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

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

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

(ii) Price risk

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

iii) Interest rate risk

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

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

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

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

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

b) Liquidity Risk

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

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

The Group believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, it is estimated that cash generated in 2016 will enable payments for the year to be settled with no need to increase the net financial debt.

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

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

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

Noteworthy is the existence at 31 December 2015 of €146 million of undrawn credit lines and loans.

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

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

The Groups' managements controls effectively the expenditure payments periods and the realization of the working capital through an intensive monitoring of cash flow forecast. Thus, it fulfills with the objective of ensuring that the Company has sufficient cash in order to face the operative requirements and that maintains all the time enough availability regarding the credits not used, in order not to fail meeting with the covenants established by financing. Hence, it is estimated that the cash flow generation in 2016 will cover the requirements for facing up the short-term commitments, and for avoiding through current acts any tense situation regarding cash flow position.

c) Credit risk

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

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

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

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

d) Raw material price risk

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

7. R&D ACTIVITES

In 2015 CIE Automotive bets to get first-hand knowledge in the manufacturers primary R+D+I areas and TIER 1 and maintain our presence in the various regional, national and international forums. It is noteworthy, the active participation in different technological platforms as SERNAUTO, ERTRAC, CLEPA and EGVIA where work is done to define the strategic schedule that later will be presented as recommendations to the Commission in order to be reflected in the work programs of different calls H2020.

During 2015 CIE Automotive has developed its R + D + i around materials, products and key processes that enables to achieve the objectives set in the strategic plan of the Group and, therefore, the issues in which the work has been developed, have focused mainly on:

- Product development with new materials and/or processes that allow weight savings in vehicles, mainly in structural components.
- Reducing fuel consumption and emissions in internal combustion engines both in petrol and diesel working mainly in the settling of pre and post combustion. During 2015 an important area of work has also been for components around engines with alternative fuels and cooling systems of the main components of energy storage and electric vehicle traction.
- The development of projects that allow us to continue working on the sustainability of production processes and the efficient use of available resources and to improve the know-how of all the companies with the incorporation of microelectronics and information technology so as to computerize the production.
- The development of projects to reach industrial maturity and move towards the "Smart Factory." In this environment we have developed projects around Hybridization of the physical and digital world (sensors, smart and embedded systems, automation and flexible robotics). Communication and data processing (connectivity and communication infrastructure). Management application (production applications and management of the value chain). Intelligence and control application.

In either setting, CIE has developed projects, some internally and others in a collaborative partnerships on specific issues. In most cases, CIE Automotive has taken not only the responsibility of a development area but it also has led consortiums that have been proposed to the financing programs both in international program with Iberoamerica and other countries out of EU, and in European level in H2020, regionally, mainly in Catalonia, Galicia and the Basque Country and nationally.

(Thousand euro)

8. TRADING IN TREASURY SHARES

At 31 December 2015, the parent Company does not have treasury shares and no movements have taken place in 2015.

The mandate awarded by the Shareholders' General Meeting celebrated on 30 April 2020, is valid until 30 April 2020 by which the Board of Directors of the Company is authorized to acquire CIE Automotive S.A. shares, at any time, and whenever considered appropriate through any of the means accepted by the law even charged to the income statement and/or unrestricted reserves, or being sold or amortized thereafter in accordance with article 146 and its regulations from the Law on Corporations.

9. PAYMENT AVERAGE PERIOD

The breakdown of trade payables settled during the year and those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

	Days
Average payment period to suppliers.	71
Paid operations ratio.	85
Outstanding operations ratio.	54

	Thousands euros
Total payments	627.295
Total outstanding payments	486.727

The group has launched a series of measures that are focused primarily on identifying deviations through regular monitoring and periodic analysis of accounts payable to suppliers, reviewing and improving internal management procedures of suppliers and compliance, and if necessary update the conditions defined in the applicable regulations subject to business operations.

10. STOCK EXCHANGE INFORMATION

Constant growth close to the business

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

In a year marked by the volatility of the principal markets, CIE Automotive's shares were revalued in a 42.1% reaching a price of €15.46. Starting from a value of €11.265 per share in 2014, the next 8 months of year brought a rise to a maximum of €15.33 per share. In mid-august, there has been a slight decrease to €11.87 per share in September and a recovery in the last months of the year closing at €15.45 euros per share at 31 December 2015. With this increase of 37.15% higher than the market increase, investors rewarded the excellent results and the Company´s strategy on growth. At 31 December, CIE Automotive´s market capitalization was of €1,993 million.

Dividend

CIE Automotive maintains its politics to remunerate one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2015 of €0.16 per share. Disbursement was effective January 4, 2016.

11. EVENTS AFTER THE BALANCE SHEET DATE

In 10 February 2016, the Group through its subsidiary Global Dominion Access S.A. has submitted a bid within the bankruptcy requested by Abantia Empresarial S.L. and its subsidiaries (hereinafter the "Abantia Group"), to acquire production units of facilities, maintenance, industrial and promotion of renewable energies, which represent most of the current business of Abantia Group.

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

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF ENTITY

CLOSING DATE PERIOD OF REFERENCE:	12/31/2015

C.I.F.	A-20014452

BUSINESS NAME
CIE AUTOMOTIVE, S.A.

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

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. - STRUCTURE OF OWNERSHIP

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

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

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

YES [ ] NO [X]

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

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MAHINDRA & MAHINDRA LTD	0	16,040,706	12.43%
QMC II IBERIAN CAPITAL FUND, FIL	4,518,659	0	3.50%
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	0	6,480,671	5.01%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	8,984,650	0	6.96%
RISTEEL CORPORATION, B.V.	16,900,021	0	13.10%
SANTANDER ASSET MANAGEMENT S.A., SGIIC	0	3,921,146	3.04%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	16,040,706
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	OTHER SHAREHOLDERS	6,480,671
SANTANDER ASSET MANAGEMENT S.A., SGIIC	SGIIC RUN BY SANTANDER ASSET MANAGEMENT	3,921,146

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

Name of shareholder	Date of the transaction	Description of the transaction
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	02/06/2015	Decrease a 5% of share capital

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

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MR. FERMIN DEL RIO SANZ DE ACEDO	25,000	0	0.02%
MR. ANTONIO MARIA PRADERA JAUREGUI	6,450,009	8,984,650	11.96%
MR. JESUS MARIA HERRERA BARANDIARAN	450,000	0	0.35%
ADDVALIA CAPITAL, S.A.	6,450,208	0	5.00%

MR. VANKIPURAM PARTHASARATHY	5	0	0.00%
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	12,652,182	16,900,021	22.91%
ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	9.60%

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

% total of voting rights held by the Board of Directors	49.84 %

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

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

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

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

YES [ ] NO [X]

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

YES [ ] NO [X]

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

Not applicable

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

YES [ ] NO [X]

OBSERVATIONS

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

At the close of the financial year:

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

(*) Through:

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

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

It is valid until April 30, 2020, inclusive, the mandate given by the General Meeting of Shareholders held on April 30, 2015, whereby the Board of Directors of the Company is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotive, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

A.9.bis Estimated free float:

	%
Estimated floating capital	30,00

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

YES [ ] NO [X]

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

YES [X] NO [ ]

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

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

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

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

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

YES [ ] NO [X]

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

B. - SHAREHOLDERS' MEETING

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

YES [X] NO [ ]

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

Description of the differences

Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call, the Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call.

As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).

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

YES [ ] NO [X]

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

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

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

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

Attendance figures					
Date of the General Meeting	% physically present	% represented by proxy	% distance voters		Total
			Electronic voting	Other	
30/04/2014	53.92%	33.08%	0.00%	0.00%	87.00%
30/04/2015	39.65%	39.01%	0.00%	0.00%	78.66%

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

YES [ ] NO [X]

B.6 Abrogated section

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

The Company's' website where I can access information of corporate governance and other information about the General Meetings is www.cieautomotive.com/inversores/index.php?lang=_esp.

C. - STRUCTURE OF GOVERNANCE AT THE COMPANY

C.1 Board of Directors

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

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2. Complete the following table with the names of the directors:

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN MARIA RIBERAS MERA		Institutional	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMIN DEL RIO SANZ DE ACEDO		Executive	BOARD MEMBER	12/21/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. ANTONIO MARIA PRADERAJAUREGUI		Executive	CHAIRMAN	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		Independent	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARIA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	01/21/2013	04/30/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR ÁNGEL MANUEL OCHOA CRESPO		Independent	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FRANCISCO JOSE RIBERAS		Institutional	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS'

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MERA						MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARIA TERESA SALEGUI ARBIZU	Institutional	BOARD MEMBER	04/26/2007	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. VANKIPURAM PARTHASARATHY		Institutional	BOARD MEMBER	10/04/2013	04/30/2014	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MR. FRANCISCO LOPEZ PEÑA	Institutional	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	Institutional	BOARD MEMBER	05/12/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCION DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	Institutional	1st VICE CHAIR	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. SHRIPRAKASH SHUKLA		Institutional	BOARD MEMBER	06/25/2015	06/25/2015	CO-OPTATION

Total number of Directors	13

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

Name of the Director	Status of the Director at the time of exit	Exit date
DON HEMANT LUTHRA	Institutional	06/25/2015

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

EXECUTIVE DIRECTORS

Name of the Director	Position in Company's organization
MR. ANTONIO MARIA PRADERA JAUREGUI	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	CHIEF EXECUTIVE OFFICER
DON FERMIN DEL RIO SANZ DE ACEBO	ASSISTANT TO THE CHAIR

Total number of executive Directors	3
Total percent of the Board	23.08%

INSTITUTIONAL OUTSIDE DIRECTORS

Name of the Director	Name of the significant shareholder represented or that proposed the appointment
MR. JUAN MARIA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.
MR. FRANCISCO JOSE RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.
ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.
MR. VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.
QMC DIRECTORSHIPS, S.L.	NMAS1 ASSET MANAGEMENT, SGIIC, S.A.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCION DE EMPRESAS, S.L.
MR. SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD

Total number of Institutional Directors	8
Total percent of the Board	61.54%

INDEPENDENT OUTSIDE DIRECTORS

Name of the Director

MR. CARLOS SOLCHAGA CATALÁN

Profile

Economist from Universidad Complutense de Madrid (1966) and post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.) (1971).

In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-94. Member of the Basque Government prior to the approval of the Euskadi Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (from 1991 to 1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Economy and Finance (1985-1993).

Since leaving political activity, it has been an international consultant for various institutions in different countries.

He is currently an International Consultant and Partner-Director of Solchaga Recio Asociados (Consultancy). Chair of Fundacion Euroamerica, Vice-Chair of Real Patronato del Museo Nacional Centro de Arte Reina Sofia, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of Board of Directors of Cie Automotive, Duro felgera y Pharma Mar, S.A. Equally, complements his activity with conferences and journals for dissemination.

Name of the Director

MR ÁNGEL MANUEL OCHOA CRESPO

Profile

Degree in Economics and Business from Universidad del País Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA.

With more than 21 years' experience in the financial field. Accounting Executive and Manager from the Multinationals Department of Barclays Bank. Accounting Manager and co-director of the Corporate Banking of Lloyds Bank. Assistant General Manager of Banque Privée Edmon de Rothschild Europe, subsidiary in Spain, taking part in assembly and development of the bank since its opening in Spain. Member of the Steering Committee of the Bank and direct responsible of the following fields: private banking, institutional banking, investment management, estate and tax planning, and internal resources (management, human resources, etc.). Chairman of the Sabadell Atlántico Bank in Basque Country and Cantabria. At the same time, he has been member of the board of directors of several Open-ended Investment Companies (SICAVs).

Currently, he is an investment advisor. Partner of Angel Ochoa Crespo EAFI (financial advisory company), registered in the CNMV with nº 24. He holds the position of independent director of CIE Automotive, S.A. and director and secretary of ISLOPAN, S.A. that is dedicated to the real-state business and financial investment.

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

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

Not applicable

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

OTHER OUTSIDE DIRECTORS

Identify all other external directors and explain why these cannot be considered Institutional or independent directors and detail their relationships with the company, its executives or shareholders.

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

Name of the Director	**Date of change**	**Preceding category**	**Present category**
DON FERMIN DEL RIO SANZ DE ACEDO	01/01/2015	Institutional	Executive

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

	Number of female directors				**% over each kind of directors**			
	Year ended 2015	**Year ended 2014**	**Year ended 2013**	**Year ended 2012**	**Year ended 2015**	**Year ended 2014**	**Year ended 2013**	**Year ended 2011**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Institutional	2	2	2	2	22.22%	22.22%	20,00%	22.22%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Outsiders	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	2	2	15.38%	15.38%	14.29%	16.66%

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

Explanation of the measures

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

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

Explanation of the measures

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

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

Explanation of the measures

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

C.1.6 bis. Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020.

Explanation of the measures

Nominations and Compensation Committee conclude that despite the fact that the selection policy complies with the minimum requirements, is an objective fact that the number of female directors within the Board of Directors (around 15%), differs from the objective established for 2020. In this sense, in case vacancies occur, which does not happen usually, respective parts will be encouraged to promote the selection of female directors until the objective is achieved.

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

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

C.1.8 Explain why institutional directors have been appointed at the instance of shareholders with less than 3% interest in the Company, if appropriate:

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

YES		NO	X

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

Name of the Director

MR. HEMALT LUTHRA

Reason for exit

He was a director of the Board of Mahindra & Mahindra, Ltd. Because of its termination in the exercise of functions in that group as a consequence of compliance with age limits, it has been suggested D. Shriprakash Shukla replacing him in the Board.

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

Name of the Director

MR. JESUS MARIA HERRERA BARANDIARAN

Brief description

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

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

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIRMAN	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOKOMP INGENIERIA,S.A.U.	CHAIRMAN	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ, S.L.; CIE GALFOR S.A.U.; CIE LEGAZPI, S.A.U.; AUTOKOMP INGENIERÍA, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ALFA DECO, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ALURECY, S.A	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADOS ECOLOGICOS DE RESIDUOS, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE MECAUTO, S.A.U.	BOARD MEMBER	NO

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. JESUS MARIA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCION RECYTEC, S.L.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE DIRECCION RECYLAN, S.L.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	GAMEKO FABRICACION DE COMPONENTES, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	NOVA RECYD, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ORBELAN PLASTICOS, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PLASFIL PLASTICOS DA FIGUEIRA, S.A.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	RECYDE, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	TRANSFORMACIONES METALURGICAS NORMA, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMETAL DE MEXICO, S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ MEXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	INMOBILIARIA EL PUENTE S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PERCASER DE MEXICO S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MEXICO, S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TECNICOS S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ADVANCE COMFORT SYSTEMS IBERICA, S.L.	BOARD MEMBER	NO

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

Name of the Director	Name of the listed company	Position
MR. CARLOS SOLCHAGA CATALÁN	DURO FELGUERA. S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	PHARMA MAR, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS	EURONA WIRELESS TELECOM, S.A.	BOARD MEMBER

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

YES [ ] NO [X]

C.1.14 Abrogated section

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

Remuneration of the Board of Directors (thousand euros)	3,483
Amount of the global remuneration corresponding to the benefits accrued by current directors on pensions (thousand euros)	0
Amount of the global remuneration corresponding to the benefits accrued by the former directors on pensions (thousand euros)	0

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

Name	Position
MR. AITOR ZAZPE GOÑI	DIRECTOR OF PLASTIC, BIOFUEL, HUMAN RESOURCES AND SYSTEMS DIVISIONS
MR. JUSTINO UNAMUNO URCELAY	DIRECTOR OF FORGE, METAL AND PURCHASE DIVISIONS
MR. MIKEL FELIX BARANDIARAN LANDIN	GENERAL DIRECTOR OF IT SERVICES AND SOLUTIONS
MR. ANDER ARENAZA ALVAREZ	DIRECTOR OF ALUMINIUM, MACHINING ENGINEERING AND QUALITY DIVISIONS
MSS. MARIA MIÑAMBRES GARCIA	DIRECTOR OF CORPORATE AUDIT AND MANAGEMENT CONTROL
MR. ZENON VAZQUEZ IRIZAR	FINANCIAL DIRECTOR
MR. XABIER SAINZ GARCIA	DIRECTOR OF FORGE AND MACHINE OF BRAZIL
MR. ALEXANDER TORRES COLOMAR	DIRECTOR OF PLASTIC OF BRAZIL
MR OSCAR GONZALEZ ALATORRE	DIRECTOR OF OPERATION OF MEXICO
MR. AMABLE MARTINEZ-CONDE BARRASA	DIRECTOR OF AUTOMETAL-DIADEMA
MR VALDIR PEREIRA DA SILVA	DIRECTOR OF METAL OF BRAZIL

Total senior management compensation (thousand euros)	2,768

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

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

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

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

YES [x] NO [ ]

Description of modifications

The Regulations of the Board of Directors of 25 February 2015 approved a new consolidated wording of Regulations of the Board of Directors of the Company, in which specific modifications are introduced In order to adapt the text regarding the amendments introduced by Law 31/2014 of 3 December, by which it is modified the Spanish Corporations Law to improve corporate governance.

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

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

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

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

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

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

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

8. Members of the administrative body shall perform the job and comply with the duties imposed by the Law with the diligence of an organized businessman, considering the nature of the job and the functions attributed to each. In addition, the members of the board of directors shall perform the job with the loyalty of a loyal representative, acting in good way and in the best interest of the Company. The Regulation of the Board of Directors will develop the specific duties for directors from the Law, and particularly, confidentiality and loyalty, paying special attention to situations of conflict of interest.

Similarly, Article 23 of the regulations of the Board of Directors lays down the following:

Article 23. Appointment of Directors.

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

2.- The proposal for the appointment and re-election of directors that the Board of Directors submits to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to, it shall be preceded by the corresponding proposal from the Nominations and Compensation Committee in case of independent directors, or by a report in case of the remaining director.

When the Board disagrees with the Nominations and Compensation Committees' report, it shall set out the reasons for its decision and place them on record.

3.Proposals and reports from the Nominations and Compensation Committee should assess expressly the reputation, suitability solvency, competence, expertise, qualification, training, availability and commitment to its role of the candidates. For this purpose, the Nominations and Compensation Committee will determine estimated time of dedication, in number of annual hours for non-executive directors detailing into the corresponding report or proposal.

4.The Nominations and Compensation Committee shall propose or inform in each case, the assignment of the director to one of the categories specified in the regulation and review it annually.

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
Not applicable

C.1.20.bis Describe the assessment process undertaken by the board of directors and the areas evaluated, with the aid of an external facilitator, with respect to the composition, duties and powers of its committees, the performance of the chairman of the board of directors and the company's chief executive officer and the performance and contribution of individual directors.

The Nominations and Compensation Committee conducts an annual evaluation of the performance of individual directors, without being assisted by any external consultant.

C.1.20.ter Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.

Not applicable

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

Article 26 of the Regulations of the Board of Directors CIE AUTOMOTIVE, S.A indicates that:

Article 26. Removal of Directors

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

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

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

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

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

d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.

C.1.22 Abrogated section

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES [ ] NO [X]

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES [ ] NO [X]

C.1.25 State whether the Chair has a casting vote:

YES [ ] NO [X]

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES [X] NO [ ]

Age limit for Chair:
Age limit for Director: 65 years old.
Age limit Board Member:

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES [ ] NO [X]

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 22 of the Board Regulations of CIE Automotive, S.A. reads as follows:

Directors must attend the meetings of the Board of Directors and, if they cannot do it personally, delegate its task to another director, together with appropriate instructions. Non-executive directors may delegate to another non-executive director. It cannot be delegated representation on matters in which the director is in situation of conflict of interest. The proxy shall be given for each meeting of the Board of Directors, and can be communicated through whatever resources set for the meetings.

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

Number of Board meetings	6
Number of Board meetings without the Chair	0

If the President is executive director, indicate the number of meetings held without the assistance or representation of any executive director and chaired the coordinating:

Number of Board meetings	0

Indicate the number of meetings held during the year by the various Board Committees:

Audit and Compliance Committee	6
Nominations and Compensation Committee	3
Delegate Executive Committee	5
Corporate Social Responsibility	1

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

Number of Director assistances during the year	4
% Number of assistances compared with the total votes cast during the year	97.43%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES [ ] NO [X]

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

Article 3 of the Audit and Compliance Committee Regulations stipulates the following, among other things:

e) Analyze, together with the auditors, the significant weaknesses of the internal control system detected during the audit.

f) Supervise the process of drawing up and presentation of financial information.

g) Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.

i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Commission and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies involved to these in accordance with auditing legislation.

C.1.33 Is the Secretary of the Board a Director? :

YES [ ] NO [X]

If the Secretary have not the condition of director complete the following table:

Name of the Director	Agent
MR. ROBERTO ALONSO RUIZ	

C.1.34 Abrogated section

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 46 of the Regulations of the Board of Directors governs the relationships with external auditors:

“Article 46. Relations with the Auditors”

1.- The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.

2.- The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.

3.- Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES [ ] NO [X]

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES [X] NO [ ]

	Company	Group	Total
Sum of services other than auditing (thousand euro)	134	258	392
Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)	46.53%	11.91%	15.95%

C.1.38 State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES [ ] NO [X]

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	14	14
Number of years audited by the present audit firm / Number of years the company has been audited (%)	43.75%	43.75%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES [X] NO [ ]

Procedure details

Article 29 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:

Article 29. Expert advice

1.- In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.

2.- The request must be made through the Chair of the Board of Directors and may be vetoed by the Board of Directors if it is considered that:
a) Such assistance is not required for the adequate performance of the duties with which Directors are charged;
b) The related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues;
c) The assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company
d) May give rise to a risk to the confidentiality of the information that must be disclosed.

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES [ ] NO [X]

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES [X] NO [ ]

Explain the rules

In accordance with the established in Article 26.2. of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any director that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES [ ] NO [X]

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries: 0

Type of beneficiary

Not applicable

Description of the arrangement

Not applicable

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	General Shareholders Meeting
Board authorizing clauses	YES	NO

	YES	NO
Is the General Meeting reported about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of Institutional and independent Outside Directors that form it:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. ANGEL MANUEL OCHOA CRESPO	BOARD MEMBER	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL
MR. CARLOS SOLCHAGA CATALAN	CHAIRMAN	INDEPENDENT

% of Institutional members	50.00%
% of independent members	50.00%
% of other outsiders	0.00%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

The Commission has the task of attending the Board of Directors of the Company in monitoring financial statements as well as in carrying out control of CIE Automotive, S.A. and companies that are part of the Group.

The Commission tasks are as follows:

a) Review periodically risk policies and propose the amendment and update to the Board of Directors.
b) Approve policies relating to the employment of the auditor.
c) Inform the General Shareholders' Meeting regarding the issues raised by shareholders regarding its competency.
d) Monitor the internal control effectiveness of the Company and the Group, as well as its risk management systems, including tax.
e) Analyse, together with the auditors, significant weaknesses of the internal control system detected during the audit.
f) Supervise the process of the preparation and presentation of financial information.
g) Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.
h) Monitor the activity of Internal Audit, which will depend on the Audit and Compliance Committee.
i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Commission and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

   In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies involved to these in accordance with auditing legislation.

j) Annually issue, prior to the auditors report, a declaration stating an opinion regarding the independence of the auditors. In any case, this report shall mention the additional services delivered referred to in the previous section, under the terms established by law.

k) Inform the Board of Directors regarding the financial information, which because of its condition as a listed company, the Company must public periodically and must ensure that the interim financial statements are prepared under the same accounting principles as the annual accounts and consider the necessity of a limited review by the auditor.

l) Inform the Board of Directors, prior to the decision making, of the creation or acquisition of shares in special purpose companies or those domiciled in countries or territories considered tax havens, and any other transactions or operations whose complexity might affect to the Group's transparency.

m) Other functions that might be agreed by the Board of Directors of the Company.

Identify the Director Member of the audit committee that has been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this Committee has been in office.

Name of Director with expertise	MR. CARLOS SOLCHAGA CATALAN
Number of years in office	1

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. CARLOS SOLCHAGA CATALÁN	BOARD MEMBER	INDEPENDENT
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
MR. ANGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT

% of Institutional members	33,33%
% of independent members	66,67%
% of other outsiders	0.00%

Explain the committee's duties, describe the procedures and organisational and operational rules and summarise the main actions taken during the year.

The Commission is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain.

In this sense, the Commission tasks are as follows:

a) Propose to the Board of Directors the remuneration policies for directors and senior executive and review them periodically, proposing, if necessary, its amendment and updating to the Board of Directors.
b) Report and review the criteria to be followed regarding the composition of the Board of Directors and the selection of candidates, and in particular, the required skills, knowledge and experience as well as the evaluation of the time and devotion required in order to perform correctly their duties.
c) Ensure that when there are new vacancies or the appointment of new directors, there are no bias within the selection procedures, and particularly, ones that might obstruct the selection of a female director.
d) Set up a goal of representation for the under-represented sex on the Board of Directors and develop guidance on how to achieve that objective.
e) Submit to the Board of Directors suggestions for the appointment of independent directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders; suggest for re-election or removal of such directors by the General Meeting of Shareholders; and inform about the separation proposals of such directors made by the Board of Directors.
f) Report the suggestions for the appointment of the remaining directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders, as well as suggestions for re-election or removal of such directors made by the General Meeting of Shareholders.
g) Report or draw up proposals for the appointment of internal positions of the Board of Directors, as well as members who should form part of each committee.
h) Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the Company and in this case, where appropriate, make suggestions to the Board of Directors so that such succession occurs in an ordered and planned way in accordance with succession plan approved by the Board of Directors.
i) Suggest to the Board of Directors the system and the amount of annual remuneration of directors, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any eventual allowance or compensations that may be established in case of separation, in accordance with the directors remuneration policy that has been approved by the General Meeting of Shareholders.
j) Monitor the candidates' selection process for senior executives of the Company and report the proposals made by the Chief Executive Officer of the Company concerning the appointment or removal of senior managers.
k) Report and submit to the Board of Directors proposals made by the Chief Executive Officer of the Company related to the structure of remuneration of senior managers and the basic terms of their contracts.
l) Ensure that remuneration programs of the Company are compliance, and inform about the documents to be approved by the Board of Directors for its general dissemination with regard to information of remuneration, including the Annual Report on Remuneration paid to the Directors and sections corresponding to the annual Corporate Governance Report of the Company.
m) Other functions that might be agreed in the Company's' Board of Directors.

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Type
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	EXECUTIVE
MR ANTONIO MARIA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. JESUS MARIA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL

% of executive members	60.00%
% of institutional members	40.00%
% of independent members	0.00%
% of other outsiders	0.00%

Explain the committee’s duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

According to Article 16 of the Regulations of the Board of Directors, as delegated by the Board, and as a permanent institution, the Executive Committee will have -unless the Board of Directors determines other thing- all the powers inherent to the Board of Directors, except for the ones that are legally or statutory undelegated powers and the specifically reserved for the Board. The Executive Committee shall meet at least once a month and others if it is deemed appropriate by the Chairman, who may also suspend one or more of the ordinary meetings when he deems appropriate in its sole judgment. At the same time, it will also meet when it is requested by two of the directors of the Commission. The Executive Committee shall deal with all matters within the competence of the Board, that in consideration of the Commission, should be resolved without further delay, with the only exceptions of accountability, the presentation of balance sheets at the General Meeting, the powers which are given to the Board without the power of delegation and the Board of Directors’ powers that are legally or statutory non-transferable.

Indicate whether the delegate or executive committee reflects the participation on the board of the different directors according to their category:

YES [ ] NO [X]

If not, explain the composition of an Executive Committee

Depending on the composition of the Board of Directors and the others committees created by them, the Company considers appropriate the composition of this institutions.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
ELIDOZA PROMOCION DE EMPRESAS, S.L.	CHAIRMAN	INSTITUTIONAL
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	BOARD MEMBER	INSTITUTIONAL
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL

% of institutional members	100.00%
% of independent members	0.00%
% of other outsiders	0.00%

Explain the committee’s duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The Commission is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain.

In this sense, the Commission tasks are as follows:

a) Review periodically the corporate governance policies and propose to the Board of Directors, for approval or submission to the General Meeting of Shareholders, amendments and updates that contribute to its development and continuous improvement.
b) Boost strategy of corporate governance and Company's sustainability.
c) Monitor the compliance of legal requirements and standards of corporate governance.
d) Know, promote, guide and monitor performance of the Company in the area of corporate social responsibility and sustainability and report to the Board of Directors and the Executive Committee, as appropriate.
e) Evaluate and revise the company policies of social responsibility plans and follow up their compliance.
f) Report on the implementation by the foundational entities related to the Group's activities of public interest and corporate social responsibility entrusted to them.
g) Report prior to its approval, the Annual Report of Corporate Governance of the Company, gathering for this purpose the reports issued by the Audit and Compliance Committee and the Nominations and Compensation Committee, regarding with the sections of the report that fall within their competence, and if it is published, the report or annual sustainability memorandum.
h) Promote within the Company the existence of a Code of Ethics; propose its approval to the Board of Directors and its subsequent amendments, as well as promoting any relevant issue regarding the knowledge and compliance with the Code of Ethics.
i) Review policies and internal procedures of the Company in order to prove their effectiveness in preventing inappropriate behaviors and identify any policies or procedures that are more effective in promoting the high ethical standards.
j) Other functions that might be agreed on the Board of Directors of the Company.

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2015		Year ended 2014		Year ended 2013		Year ended 2012	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	2	50.00%	2	66.00%	1	33.00%	1	33.00%
NOMINATIONS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
DELEGATED EXECUTIVE COMMITTEE	1	20.00%	1	16.00%	1	16.00%	1	20.00%
CORPORATE SOCIAL RESPONSIBILITY COMMITTE	2	66.00%	-	-	-	-	-	-

C.2.3 Abrogated section

C.2.4. Abrogated section

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Regulation of the Audit and Compliance Committee is available for consultation on the website of CIE AUTOMOTIVE. This Committee prepares an annual report of its activities. The operation of other committees is regulated by the rules of the Board of Directors

C.2.6 Abrogated section

D. - RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure for approval of transactions with related parties

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the board or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders:

Name of Significant Shareholder	Group Company	Nature of the Relationship	Type of Transaction	Amount (thousand €)
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sale of goods	142.316
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Purchase of goods	44.437
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Services	3.199

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

Name of Directors	Name of Related Party	Link	Type of transaction	Amount (thousand €)
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	606
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MAHINDRA CIE AUTOMOTIVE LTD	Contractual	Sale of goods or not	8.280
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Contractual	Sale of goods or not	22.245

D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered as a tax haven will be informed:

Corporate name of the group company:
CIE BERRIZ, S.L.

Amount (thousand euros): 25,100
Brief description of the operation:

CIE BERRIZ, S.L. has proceeded to lend to the subsidiary of MAHINDRA CIE AUTOMOTIVE Ltd in Mauritius, Mahindra Gears Global Limited, an amount of €25.1 million.

The purpose of this funding is that the company could underwrite a capital injection for that amount in its Italian subsidiary, METALCASTELLO Spa. In any case, it should be noted that the company Mahindra Gears Global Limited (Mauritius) is a company that has been included in the scope as a result of integration of the companies in the Mahindra Group and that following the best practices, CIE AUTOMOTIVE Group is implementing a plan to eliminate the companies in Mauritius as soon as possible.

D.5 Provide the amount of transactions with other related parties.

6.712 (thousand euros)

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 34 of the Regulations of the Board of Directors lays down the following:

Article 34. - Conflicts of Interest.

1. - Directors must take necessary measures to avoid incurring conflicts of interest in accordance with the established by law.

2. - A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person.

For the purposes of these Regulations, persons related to a Director are considered to be:

1. - The Director's spouse or persons with a similar relationship.

2. - Ascendants, descendants and siblings of the director or his/her spouse.

3. - The spouses of the director’s ascendants, descendants and siblings.

4.- Companies in which the director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related people are considered to be the following with respect to a legal person director:

1.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4. - Individuals who, with respect to the legal person director, are considered to be related to the directors in accordance with this section.

3- The following rules will be applicable to conflict of interest situations:

a) Communication: the director must report to the Board of Directors and the Audit and Compliance Committee, through the Chair or the Secretary, any conflict of interest that arises.

b) Abstention: the director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Institutional Outside directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.

c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving directors that has been reported by the affected party or by any other means.

D.7 Are more than one of the Group’s companies listed in Spain?

YES [ ] NO [X]

Identify the subsidiaries listed in Spain:

Subsidiary listed

Indicate if they have defined publicly accurately the respective areas of activity and eventual relations of business between them, as well as those of the listed subsidiary company with other group companies;

Define the eventual relations of business between the head company and the listed subsidiary company, and between this one and other group companies.

Identify the mechanisms planned to solve the eventual conflicts of interests between the listed subsidiary and other group companies:

Mechanisms to solve the eventual conflicts of interest

E. - RISK CONTROL AND MANAGING SYSTEMS

E.1 Explain the scope of the Risk Management System of the Company.

CIE Automotive is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one.
Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee.
The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives;

II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls;

III. Establish a response to each one;

IV. Monitor the action taken; and

V. Report the results of the analysis performed.

E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:

Responsibility for implementing the risk management system, including tax, lies on the Audit and Compliance Committee, which relies specifically on the Compliance department for its monitoring and proper operation.
The risk management policy of CIE Automotive requires all business divisions to identify and assess the risks that must face up when achieving their business objectives in order to identify in advance the appropriate mitigating measures to reduce or eliminate the probability of risk occurrence and / or its possible impact on the goals in case they materialize.

E.3 Describe the main risks that may affect the achievement of business objectives.

In the course of its business, CIE Automotive is exposed to a variety of inherent risks in the different lines of business that develops and in countries in which they are held.

On the other hand, the different levels of socioeconomic uncertainty that exists in the markets in which CIE Automotive operates can make appear risk factors currently unknown or not considered as relevant, that could potentially affect the business, performance and / or the financial position of the company.

Are detailed briefly the main risks, which CIE Automotive faces in its business objectives:

a. Management risk

- Regulatory risks: arising from: the reliability of published financial information; the litigations of company; the securities market rules; the law for the protection of data; the possible changes in the tax legislation (national and international); and the civil responsibility for integrity of the heritage.
- Financial risks: debt levels, liquidity risk, risks arising from fluctuations in exchange rates, risks arising from changes in interest rates, risks arising from the use of financial derivatives and investment risk.
- Information risks: as much as reputational risk that can affect the image of CIE Automotive, or risk related to transparency and relationship with analysts and investors.

b. Business risks: Are those that specifically affect each business and depend on the singularity of each activity.

• Operational risks: Risks relating to recruitment and customer relationships, product quality, environmental, purchasing and outsourcing.

• Non-operational risks: Risks related to the prevention, security and health in work, human resources, compliance with law and specific tax applicable to business, the reliability of the accounting and financial information and financial resources and debt management.

For more information regarding the risks and management measures, see the Annual Report 2015.

E.4 Identify whether the entity has a level of risk tolerance.

The Board of Directors approves the acceptable level of risk for each type of risk, type of business and location, as well as levels of allowed deviation based on the strategic objectives and the strategic lines to achieve them. The levels of acceptable risk are regularly updated accordingly with changes in corporate strategy and risk profile business.

Annually the risks that threaten the achievement of the business objectives are identified, including tax risk, and they are valued based on their potential impact on financial results and their probability of occurrence. The combination of the impact and the probability of occurrence determine the severity of the risk.

E.5 Indicate which risks have materialized during the year.

During the year 2015 actions related to the review and definition of the map risk have been taken what has improved the policies related to the detection and minimization of the existing risks. Thanks to the policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by the Compliance department and the rest of divisions, having the control systems worked adequately and not having produced any significant impacts on the consolidated financial statements of 2015.

E.6 Explain the response and supervision plans held for the company’s major risks, including tax.

CIE Automotive’s geographical diversification and business, together with the high operational decentralization that characterizes the organization, requires the availability of a system of control and supervision of risks. Corporate risk management system is also supported by each business unit, in which each management level is responsible for the compliance with internal rules and procedures.

The evaluation and verification of their effectiveness is performed periodically by Compliance department, which also contributes to the management of the overall risks that CIE Automotive faces in the compliance of its targets. Alerts, recommendations and conclusions generated are communicated to CIE Automotive management.

For the development of its functions, the Compliance department has qualified and experienced personnel, independent of the business lines staff.

Among the measures taken by CIE Automotive for monitoring risks, include:

- Setting goals, strategic guidelines and internal regulations (policy, standards, procedures and manuals).
- Definition, monitoring and continuous evaluation of the design and performance of internal control systems and compliance.
- Hiring insurance coverage.

In this regard, during the process of the elaboration of the Risk Map 2015, the Company has worked on the identification of new responses and consolidation lines, for the most relevant risks for the company.

It is important to highlight that CIE Automotive has units of analysis, monitoring and control in various areas of management risks, such as:

- Financial risk assessment and management
- Safety and environmental standards
- Corporate Social Responsibility
- Reporting and tax risks
- Risks and continuity information systems
- Insurance

F.- DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

F.1 Company control environment.

Report, noting the main features of at least:

F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognized corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the SICFR.

The CIE Audit and Compliance Committee (hereinafter the ACC) is the body responsible for the supervision of the efficacy of the Company's internal control system (SICFR), the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit.

ACC is supported by the CIE's Compliance Department to perform these functions, being responsible for the implementation of SICFR and in general, the whole internal control system of the Group, ensuring the definition and design of the control procedures which should be implemented in the Group's operational planning, compliance with legal regulations, internal policies and procedures.

F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with: (i) the design and review of the organizational structure, (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions, (iii) ensuring that there are sufficient procedures correctly disseminated within the Company.

  The Board of Directors is the ultimate body responsible for defining and periodically reviewing the organizational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources. With regard to the process of the preparation of financial information, there exists a global interrelated financial department which depends on the departments of Audit and Control Management and the Department of Treasury and Finance.

  The responsibilities and functions of all people directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

  There are internal protocols, which guarantee that information on any change that is taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this aspect.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analyzing breaches of such code and proposing corrective action and penalties.

  CIE currently has an "Internal Code of Conduct" and an "Internal Regulations on Conduct in relation to Securities Markets". Both documents are published on the CIE website and are distributed to all affected personnel through the communication channels established for this purpose. In either cases, the body responsible for their definition and approval is the CIE Board of Directors through its Corporate Social Responsibility Committee.

  The Code lays down some basic rules and principles whose purpose is to ensure that there is a commitment and transparency in relations and operations with customers, suppliers and employees, the maximization and protection of shareholders' investments and the safeguarding of health, security and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

  It exists a specific section on the reliability of financial information, where there is laid down a series of specific rules applicable to all people involved in the process for the preparation of financial information.

  The functions of the Corporate Social Responsibility (hereafter CSR) include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organization, indicating, where appropriate, the confidential nature of such information.

  CIE has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

  There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, being always guaranteed the whistleblowers' confidentiality, in case he wants, and a protocol for action for analysis of complaints received, and reported to the CSR for monitoring.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

  As well as a variety of staff training programs, CIE has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information:

  - There is a CIE Accounting Policies Manual, which is updated on an on-going basis.
  - There is an Accounting and Management control department, whose tasks is to resolve any doubts regarding the interpretation of the Manual Accounting Policies, and provide advice regarding the treatment of complex transactions.
  - There are divisional/regional controllers who are involved in the support provided to all people forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.
  - When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
  - Advice is received from external advisors in relation to changes in accounting, legal and tax rules, which may affect the Company.

F.2 Risk assessment of financial information.

Report at least:

F.2.1 What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

  The process of identification and assessment of financial information risks forms part of CIE's global Corporate Risks Management process. It is based on the ISO 31000 methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar.

  The risk management process is based on a continuous cycle comprising five phases:

  I. The identification of key risks, which may affect the fulfilment of the Organization's objectives, including all financial information control objectives;
  II. The evaluation of such risks based on the probability of occurrence and their impact on the organization, and based on the existence of controls;
  III. Determination of the required response for each such risk;
  IV. Monitoring of the agreed courses of action; and
  V. reporting of the results of the analysis made.

  The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Compliance department acting as coordinator in this process.

  The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks.

  The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Compliance department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

  As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information, which may have a material impact on its reliability. The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year, which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

  The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialized management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

  As it has been mentioned above, the model is based on the ISO 31000 methodology that taking as its starting point the Organizations' objectives, results in a Risk Map that is updated annually, monitoring among others, financial risks, tax and legal and those from different typology (operational, strategic, compliance, environmental, RSC, fraud, etc.).

- The governing body, which supervises the process.

  This entire process is reviewed and approved by the ACC, which is the body, which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient.

F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The Management Board is the highest responsible body for approving and monitoring the Group's financial statements.

The Group sends six-monthly information to the stock market. This information is prepared by the Audit and Management Control department, which performs a number of control activities during the closing accounting period to ensure reliability of financial information.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE has control procedures and activities taking place in other key areas of the company which purpose is to ensure that transactions are properly recorded, measured, presented and broken down, and accordingly to prevent and detect fraud and thus cover all transactions that could materially affect the CIE's financial statements.

The key processes of the company, including closing are as follows:

1. Closing, consolidation and reporting
2. Property, plant and equipment
3. Financial assets and liabilities
4. Inventories
5. Revenue/Account receivable

6. Treasury
7. Accruals
8. Cost of sales/Account payable
9. Human Resources
10. Tax

The financial statements are prepared based on a reporting schedule and deadlines, known by all participants in the process, taking into account the time for legal delivery.

Furthermore, and for the review of judgments, opinions, assessments and projections, the Manual of Accounting Policies defines the criteria for CIE's existing application approach, as well as specific controls in risk and control matrices.

The aforementioned significant transactions are reviewed by the CIE Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and accounting judgments used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE has internal control policies and procedures in place in respect of information systems, which support its significant processes, including the process for the preparation and review of financial information. This policy and framework policy is based on a catalogue of international standards ISO 27000.

CIE uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE identifies the systems and applications, which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those, which are used directly in the preparation of financial information, and those, which are relevant to the efficacy of controls, which reduce the risk of misstatement in such information. CIE has a "Security Policy Systems" defined at the corporate level aimed at achieving the security objectives defined.

The objective is to adopt the pertinent measures of an organizational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes.
- Back-up and recovery.
- Physical security.
- Control of subcontractors.
- Provision of resources, risk purging and business maintenance.

Critical business processes for CIE have different organizational and technological solutions that guarantee business continuity.

F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts, which may have a material impact on the financial statements.

In general, CIE does not outsource any activities considered relevant that could affect substantively to financial information.
In any case, CIE has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties, which have a significant impact on the financial information prepared by CIE.
Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of CIE is the Information Systems area. In this respect, CIE has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.
In addition, there are control activities taking place periodically in CIE (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within the Company, specific monitoring work being required to guarantee their reliability.

F.4 Communication and information.

Report, noting their main features, if you have at least:

F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies guide communicated to the units through which the entity operates.

The Role of CIE Accounting Policies is assumed by the Audit and Compliance department, which depends directly from the Chief Executive Officer.

In performing this function, the department assumes the following responsibilities:

- Maintenance and dissemination of CIE Accounting Policy Manual (Continuous Update) to other Group companies.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individually or in a consolidated level) in the interpretation of the rules to be applied. Mechanisms for capturing and preparing financial information homogenously.

F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information homogenously. This system is also used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the collection of the ICFR information, CIE is involved in the implementation process of SAP GRC tool in all Group units.

F.5 System performance monitory.

Report, noting its main features, at least:

F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

The Audit and Compliance Committee has the following oversight responsibilities of ICFR:

- Supervision of periodic financial information.
- Monitoring and evaluation of the operation of ICFR.
- Knowing the financial reporting process and internal control systems associated with significant risks of company.
- Periodically review internal control and risk management systems, so main risks are identified, managed and properly disclosed.

Based on the results of the risk assessment, the Internal Audit department prepares an annual plan of CIEs' ICFR, to be submitted in each period for approval by the Audit and Compliance Committee responsible for overseeing the ICFR.

The information to be provided to the market or stakeholders about ICFR will have an annual basis and shall cover the period of the corresponding financial report.

CIE has a Corporate Internal Audit Department, which depends on the Compliance department and this in turn to the ACC, which coordinates the Internal Auditing teams in Europe, Mexico, Brazil and India whose members are exclusively dedicated to these functions.

The main function of the Internal Audit Department is overseeing the internal control system, within which there are included issues such as supervision of the correct implementation of the risk management system, in which it is also included the managing of the risk of fraud, and controls aimed at reliability of financial information.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

F.6 Other relevant information.

Not applicable

F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotive has submitted to an External Auditor the effectiveness of internal control system on the Financial Reporting (ICFR), in relation to the financial information contained in the Groups' consolidated annual accounts at December 31, 2015. A copy of the opinion of the External Auditor is attached.

G. - COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Comply [X] Explain [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

Comply		Partially comply		Explain		Not applicable	X

3. During the annual general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Comply		Partially comply	X	Explain	

The framework of normal running of the General Shareholders' Meeting, we inform those of the most remarkable circumstances occurred since the last meeting, including, if relevant, issues of corporate governance (i.e. adoption of new Board regulation, creation of the Corporate Social Responsibility Committee, etc.).

However, it seems not important to emphasize why the Company does not follow any specific recommendation to the extent that no circumstances seem sufficiently relevant, as it is already included in the Annual Corporate Governance Report, the shareholders have detailed knowledge of all relevant ends.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Comply	X	Partially comply		Explain	

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Comply	X	Partially comply		Explain	

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the appointments and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Comply [ ] Partially comply [ ] Explain [X]

The Company does not usually publish these reports on the website, since the characteristics of the Company do not seem relevant; nevertheless, it will assess this in the search for a more complete construction of its governance corporate.

7. The company should broadcast its general meetings live on the corporate website.

Comply [ ] Explain [X]

Given the characteristics of shareholders of the Company, and in light of the assistance to the Boards, the Company does not consider relevant live broadcast of the General Meeting through its website.

8. The Audit committee should strive to ensure that the board of directors could present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Comply [X] Partially comply [ ] Explain [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Comply [X] Partially comply [ ] Explain [ ]

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Comply [ ] Partially comply [ ] Explain [ ] Not applicable [X]

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Comply		Partially comply		Explain		Not applicable	X

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Comply	X	Partially comply		Explain	

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Comply	X	Explain	

14. When The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Comply		Partially comply	X	Explain	

Given the usual lack of vacancies in the Board, it does not exist such a policy for the selection of directors, without prejudice that body's decisions in the context of the various appointments prevail meeting the required targets in this field.

15. The Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Comply	X	Partially comply		Explain	

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Comply	X	Explain	

17. Independent directors should be at least half of all directors

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.

Comply		Explain	X

CIE Automotive believes that the number of independent directors reflects correctly the shareholding composition of the company and, in particular, the proportion of currently free float. The Board has the intention to propose to the General Shareholders' Meeting the appointment of independent directors if these proportions vary significantly.

18. The Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.
b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
d) Dates of their first appointment as a directors and subsequent re-elections.
e) Shares held in the company, and any options on the

Comply		Partially comply	X	Explain	

Documents relating to the General Shareholders' Meeting, including detailed proposals for resolutions to be adopted, are made available to shareholders from the time of the announcement of the General Meeting, as well as on the website of CIE Automotive S.A. and the Shareholder Forum, opened from the date of the announcement until the celebration of the General Meeting.

As for the content of information that refers to the directors Recommendation 18, we understand that the information contained in this report (which is accessible at all times from the website) is more than sufficient for the purposes proposed and in relation to the profiles of the members of the Board of Directors.

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Comply		Partially comply		Explain		Not applicable	X

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Comply		Partially comply		Explain		Not applicable	X

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a director, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

    The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Comply	X	Explain	

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

    The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Comply	X	Partially comply		Explain	

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Comply		Partially comply		Explain		Not applicable	X

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Comply	X	Partially comply		Explain		Not applicable	

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

Comply		Partially comply		Explain	X

As a result of the composition of the Company's' Board of Directors –direct reflect of the composition of the Shareholders – it is not need to include those obligations to its members.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Comply		Partially comply	X	Explain	

For the purposes of the proper functioning of the Board, it is understood that it is not necessary to hold eight sessions in a year (in 2015 6 meetings have been held).

27. Companies Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Comply	X	Partially comply		Explain	

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Comply		Partially comply		Explain		Not applicable	X

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Comply	X	Partially comply		Explain	

30. Companies Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Comply [ ] Partially comply [ ] Not applicable [X]

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Comply [X] Partially comply [ ] Explain [ ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Comply [X] Partially comply [ ] Explain [ ]

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Comply [X] Partially comply [ ] Explain [ ]

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Comply [X] Explain [ ]

36. In The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.
b) The performance and membership of its committees.
c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.
e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Comply	X	Partially comply		Explain	

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Comply		Partially comply		Explain	X	Not applicable	

The Executive Committee reflects a composition that the Company considers appropriate to the functions assigned to it.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all directors should receive a copy of the committee's minutes.

Comply		Partially comply		Explain	X	Not applicable	

Given the functions of the Executive Committee and its essential task of monitoring the business, is not necessary to bring minutes of the Commission to the rest of the Board.

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Comply		Partially comply	X	Explain	

Independent directors constitute 50% of the members of the Audit Committee, which is considered an adequate ratio considering the characteristics of the Company.

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Comply	X	Partially comply		Explain	

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Comply	X	Partially comply		Explain	X	Not applicable	

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programs, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Comply	X	Partially comply		Explain	

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply	X	Partially comply		Explain	

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Comply		Partially comply		Explain		Not applicable	X

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.

b) The setting of the risk level that the company deems acceptable.

c) Measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Comply	X	Partially comply		Explain	

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Comply	X	Partially comply		Explain	

47. The Appointees to the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Comply	X	Partially comply		Explain	

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Comply		Explain		Not applicable	X

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Comply	X	Explain		Not applicable	

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Comply	X	Partially comply		Explain	

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply	X	Partially comply		Explain	

52. The terms of reference of supervision and control committees should be set out in the board of director's regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all directors.

Comply		Partially comply		Explain		Not applicable	X

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Comply [X] Partially comply [ ] Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Comply [X] Partially comply [ ] Explain [ ]

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Comply [X] Partially comply [ ] Explain [ ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Comply [X] Explain [ ]

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply	X	Partially comply		Explain	

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Comply	X	Partially comply		Explain		Not applicable	

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Comply	X	Partially comply		Explain		Not applicable	

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Comply		Partially comply		Explain		Not applicable	X

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Comply		Partially comply		Explain		Not applicable	X

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply		Partially comply		Explain		Not applicable	X

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Comply		Partially comply		Explain		Not applicable	X

64. In addition, the Bank has adopted a policy on the application of malus clauses in the field of remuneration. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Comply		Partially comply		Explain		Not applicable	X

H.- OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.

2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

   Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

   On 15.10.2015, the Company has adhered to the Global Compact, which is an international initiative that promotes implement 10 Principles universally accepted to promote corporate social responsibility (CSR) in the areas of Human Rights, Labor Standards, Environment and Anti-Corruption in the activities and the business strategy of the companies.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/24/2016.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES		NO	X

CIE Automotive, S.A.

Report of the auditor
On the "Information relating to the
Internal Financial Reporting Control System"
(IFRCS)

(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

REPORT OF THE AUDITOR RELATING TO THE INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)

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

At the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and pursuant to our letter of proposal dated 2 December 2015, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2015, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable - not absolute - degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal financial reporting control system.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2015 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law enacted by Royal Decree 1/2011 of 1 July, we do not express an audit opinion in the terms envisaged in said Law.

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

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

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 7/2015 dated 22 December 2015.

2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.

4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.

6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2015, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by the article 540 of the Capital Companies Law and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013, which has been modified by Circular 7/2015 issued by the National Securities Market Commission dated 22 December 2015, for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

24 February 2016

CIE Automotive, S.A.
and subsidiaries

Audit Report,
Consolidated Annual Accounts at 31 December 2015
and directors' Report for 2015

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

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

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of CIE Automotive, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of CIE Automotive, S.A. and its subsidiaries as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2015 contains the explanations which the parent company's directors consider appropriate regarding CIE Automotive, S.A. and its subsidiaries' situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2015. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from CIE Automotive, S.A. and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

24 February 2016

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
(Thousand euro)

	Note	At 31 December 2015	At 31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	971,521	927,961
Goodwill	7	905,802	897,410
Other intangible assets	7	45,598	48,544
Non-current financial assets	8	11,985	13,868
Investments in associates	8	9,545	1,497
Deferred tax assets	23	223,310	230,702
Other non-current assets	9	5,471	5,375
		2,173,232	2,125,357
Current assets			
Inventories	11	293,754	288,909
Trade and other receivables	10	365,061	292,653
Other current assets	-	6,181	7,170
Current tax assets	-	60,432	58,558
Other current financial assets	8	85,702	96,258
Cash and cash equivalents	12	261,011	297,699
		1,072,141	1,041,247
Disposal group assets classified as held-for-sale	13	24,776	24,638
Total assets		3,270,149	3,191,242

The accompanying notes to the annual accounts set out on pages 7 to 93 form an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
(Thousand euro)

	Note	At 31 December 2015	At 31 December 2014
EQUITY			
Capital and reserves attributable to the parent company´s shareholders			
Share capital	14	32,250	32,250
Share premium	14	152,171	152,171
Retained earnings	15	511,177	460,888
Interim dividend	15	(20,640)	(12,900)
Cumulative exchange differences	15/16	(97,869)	(70,590)
Non-controlling interests	18	307,901	299,813
Total equity		884,990	861,632
Deferred income	19	17,765	17,004
LIABILITIES			
Non-current liabilities			
Non-current provisions	25	110,861	117,322
Non-current borrowings	20	828,265	849,897
Deferred tax liabilities	23	71,615	75,963
Other non-current liabilities	22	81,755	176,787
		1,092,496	1,219,969
Current liabilities			
Current borrowings	20	172,489	254,180
Trade and other payables	21	815,320	630,193
Other current financial liabilities	8	16,078	10,489
Current tax liabilities	22	56,780	57,200
Current provisions	25	11,108	11,386
Other current liabilities	22	199,098	126,822
		1,270,873	1,090,270
Disposal group liabilities classified as held-for-sale	13	4,025	2,367
Total liabilities		2,367,394	2,312,606
Total equity and liabilities		3,270,149	3,191,242

The accompanying notes to the annual accounts set out on pages 7 to 93 form an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
OPERATING REVENUE		**2,725,224**	**2,318,651**
Revenue	26	2,631,520	2,209,516
Other operating income	26	90,493	102,472
Change in inventories of finished goods and work in progress	11/26	3,211	6,663
OPERATING EXPENSES		**(2,480,918)**	**(2,146,468)**
Consumption of raw materials and secondary materials	11	(1,470,442)	(1,272,102)
Employee benefit expense	28	(600,378)	(514,164)
Depreciation and amortization	5	(121,168)	(118,680)
Other operating income/(expenses)	27	(288,930)	(241,522)
OPERATING PROFIT		**244,306**	**172,183**
Finance income	29	14,760	36,881
Finance costs	29	(53,438)	(79,908)
Net exchange differences	29	10,310	10,834
Change in fair value of assets and liabilities taken to income statement	29	(30,431)	176
Share of profit/(loss) of associates	8	1,163	(3,029)
PROFIT BEFORE TAX		**186,670**	**137,137**
Income tax	30	(40,092)	(38,672)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**146,578**	**98,465**
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	13	**(763)**	**(355)**
PROFIT FOR THE YEAR		**145,815**	**98,110**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18	**(16,751)**	**(17,062)**
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**129,064**	**81,048**
Earnings per share from continuing and discontinued operations attributable to shareholders of the parent (expressed in euro per share)			
- Basic earnings per share:	31	1.00	0.65
From continuing operations		1.01	0.65
From discontinued operations		(0.01)	(0.00)
- Diluted earnings per share:	31	1.00	0.65
From continuing operations		1.01	0.65
From discontinued operations		(0.01)	(0.00)

The accompanying notes to the annual accounts set out on pages 7 to 93 form an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
PROFIT FOR THE YEAR		145,815	98,110
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Entries that may be reclassified to profit or loss:			
- Cash flow hedges	8	(11.387)	(2,177)
- Net investment hedge	2.11/8	(35.871)	(21,472)
- Currency translation differences	16/18	(29,632)	20,539
- Available-for-sale financial assets	8	-	3,217
- Other comprehensive income for the year		885	(842)
- Tax effect	23	905	5,609
Total entries that may be reclassified to profit or loss		(75,100)	4,874
Transfers to the profit or loss:			
- Available-for-sale financial assets	8	-	7,926
- Tax effect	23	-	(2,695)
Total transfer to profit or loss		-	5,231
Entries that may not be reclassified subsequently to profit or loss:			
- Actuarial gains and losses	24/25	(798)	(5,552)
- Tax effect	23	270	1,257
Total items that may not be reclassified to profit or loss:		(528)	(4,295)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		70,187	103,920
Attributable to:			
- Owners of the parent Company	15	56,435	76,758
. Continuing operations		57,198	77,113
. Discontinued operations	13	(763)	(355)
- Non-controlling interests	18	13,752	27,162
		70,187	103,920

The accompanying notes to the annual accounts set out on pages 7 to 93 form an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

	Share capital (Note 14)	Share premium (Note 14)	First-time IFRS-EU application reserve and other restatement reserves (Note 15)	Cumulative exchange differences (Note 16)	Retained earnings (Note 15)	Interim dividend (Note 15)	Non-controlling interests (Note 18)	Total equity
Balance at 1 January 2014	**29,705**	**61,467**	**18,764**	**(95,400)**	**417,111**	**(10,694)**	**139,531**	**560,484**
Total comprehensive income for 2014	**-**	**-**	**(13,861)**	**9,571**	**81,048**	**-**	**27,162**	**103,920**
Distribution of 2013 profit	-	-	-	-	(22,304)	10,694	-	(11,610)
Interim dividend 2014	-	-	-	-	-	(12,900)	-	(12,900)
Increase in capital (Note 14)	2,545	90,704	-	-	(1,602)	-	-	91,647
Consolidation scope changes (Note 1)	-	-	-	16,560	(136,514)	-	(107,110)	(227,064)
Business combinations (Note 35)	-	-	-	(1,321)	116,651	-	245,089	360,419
Other movements (*)	-	-	-	-	1,595	-	(4,859)	(3,264)
Balance at 31 December 2014	**32,250**	**152,171**	**4,903**	**(70,590)**	**455,985**	**(12,900)**	**299,813**	**861,632**
Total comprehensive income for 2015	**-**	**-**	**(46,110)**	**(26,519)**	**129,064**	**-**	**13,752**	**70,187**
Distribution of 2014 profit	-	-	-	-	(25,800)	12,900	-	(12,900)
Interim dividend 2015	-	-	-	-	-	(20,640)	-	(20,640)
Consolidation scope changes (Note 1)	-	-	-	-	(5,037)	-	(838)	(5,875)
Other movements (*)	-	-	(339)	(760)	(1,489)	-	(4,826)	(7,414)
Balance at 31 December 2015	**32,250**	**152,171**	**(41,546)**	**(97,869)**	**552,723**	**(20,640)**	**307,901**	**884,990**

(*) Basically relates to the distribution of dividends to non-controlling interests (Note 18) and effect of equity method of Concesionaria Chile Salud Siglo XXI, S.A. (Note 8).

The accompanying notes to the annual accounts set out on pages 7 to 93 form an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities			
Cash generated from continuing and discontinued operations	33	416,026	267,456
Interest paid		(43,926)	(61,316)
Interest received		7,976	27,944
Income tax paid		(31,912)	(19,583)
Net cash generated from operating activities		348,164	214,501
Cash flows from investing activities			
Acquisition/ disposal of subsidiaries, net of cash acquired / transferred	22/35	(31,918)	19,694
Acquisition of property, plant and equipment	6	(159,479)	(123,803)
Acquisition of intangible assets	7	(12,573)	(7,958)
Acquisition of shares to non-controlling partners	1	-	(203,912)
Proceeds from the sale of property, plant and equipment and intangible assets	33	5,442	3,913
Acquisition/disposal of others financial assets	8	4,088	(27,396)
Net cash used in investing activities		(194,440)	(339,462)
Cash flows from financing activities			
Capital increase	14	-	91,647
Proceeds from borrowings	20	166,901	711,450
Income (net of reimbursements) from high- rotation borrowings	20	(54,368)	(142,848)
Loan repayments	20	(253,455)	(542,826)
Grants received (net)	19	3,728	98
Other debts repayment	22	(16,597)	-
Dividends paid to shareholders of the parent company	15	(25.800)	(22,304)
Other payments/income to/from non-controlling interests		(3,765)	(6,734)
Net cash (used in)/from financing activities		(183,356)	88,483
Exchange gains/(losses) on cash and cash equivalents		(7,056)	7,217
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(36,688)	(29,261)
Cash, cash equivalents and bank overdrafts at beginning of year	12	297,699	326,960
Cash, cash equivalents and bank overdrafts at end of year	12	261,011	297,699

The accompanying notes to the annual accounts set out on pages 7 to 93 form an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2015 CONSOLIDATED FINANCIAL STATEMENTS
(Thousand euro)

1. General information and Regulatory Framework

1.1 CIE Automotive Group and activities

Activity

The CIE Automotive Group carries out its activities in two core business Line: the Automotive sector and the Solutions and Services sector (Smart Innovation) which are described below:

- Automotive

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

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

- Solutions & Services (Smart Innovation)

  The Group, through a group of companies, leading by the company Global Dominion Access, S.A. and with stable presence in 28 countries and more than 5,000 employees, supported on a business model which combines knowledge and technology, develops its activities, offering Solutions and Services that actively contribute to make more efficient the productive processes of its clients. With a global and multisectorial approach, this subgroup operates, among others, in the sectors of Industry, Energy, Bank, Health, Education and Technology both in private and public fields.

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

The parent company's registered office is located at "Calle Alameda Mazarredo 69, 8º piso", Bilbao.

Group structure

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in: CIE Berriz, S.L.; R.S. Automotive, B.V., and Autokomp Ingeniería, S.A.U. and, lastly, 62.95% stake in Global Dominion Access, S.A., holding companies to which the CIE Automotive Group's productive companies report.

The list of subsidiaries and associates at 31 December 2015, together with the information concerning them, is set out in the Appendix to these consolidated annual accounts.

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

At the end of 2014, the subsidiary CIE Automotive Hispamoldes, S.L. was consolidated using the equity method. On 16 March 2015 the Group acquired the remaining 50% of CIE Automotive Hispamoldes, S.L., acquiring control of the subsidiary and consolidated using the equity method. In October 2015 CIE Berriz, S.L. carried out the merger by absorption of several companies, including CIE Automotive Hispamoldes, S.L.

(Thousand euro)

The associates companies consolidated under the equity method are as follows:

	% interest	
	31.12.2015	31.12.2014
Belgium Forge, N.V. (1)	100%	100%
Biocombustibles de Zierbana, S.A. (1)	-	20%
Biocombustibles La Seda, S.L. (1)	40%	40%
Galfor Eólica, S.L. (2)	27%	27%
Gescrap – Autometal Comercio de Sucatas, Ltd.	30%	30%
Antolin-CIE Czech Republic, s.r.o.	30%	30%
Gescrap Autometal de México, S.A. de C.V. and subsidiaries	30%	30%
CIE Automotive Hispamoldes, S.L. and subsidiaries (3)	-	50%
Centro Near Servicios Financieros, S.L.	14.48%	14.48%
Advance Flight Systems, S.L.	18.89%	18.89%
Sociedad Concesionaria Chile Salud Siglo XXI, S.A.	18.89%	-
Crest Geartech Ltd. (1)	53.21%	53.21%

(1) In liquidation / dormant.

(2) Company being launched.

(3) Group companies which, following the acquisition of the remaining 50% share capital in 2015, is consolidated, using the full consolidation method (Note 35).

Listing on the Brazil Stock Exchange and takeover bid in Autometal

One of the Group's subsidiaries, the Brazilian company Autometal S.A. (Appendix), which was 74.76%-owned by the Group, was in previous years traded on the Brazilian stock exchange (BMF&BOVESPA – Novo Mercado). In September 2014 the formalities connected to the takeover bid were successfully completed in order to exclude of negotiation of the above mentioned company in the Brazilian Stock Exchange, acquiring the remaining 25.24% of its share capital.

After the completion of the different phases of the operation, CIE Automotive, S.A. became the owner of 100% of the shares of Autometal, S.A. (through its subsidiary CIE Autometal, S.A.). The operation amounted to approximately €203 million (approximately BRL617 million).

After the public offering, the Group started a restructuring process of CIE Automotive Group in Brazil by (a) the sale of all business units located abroad, to CIE Berriz, S.L., ended in 2014, and (b) the reverse merger in February 2015 of the parent company of the Group companies located in Brazil, CIE Autometal, S.A. and its operational parent, Autometal, S.A. the absorbing company that lives on.

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 automotive component manufacturing business with CIE Automotive, S.A.'s forged steel component manufacturing business, which has resulted in the creation of the MAHINDRA CIE Group, parented by the Indian company Mahindra CIE Automotive, Ltd. and listed on the Bombay Stock Exchange.

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

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

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

Mahindra & Mahindra´s transaction was ratified by the General Meeting of Autometal, S.A. held on 8 July 2013, pursuant to Article 256 of Law 6,404/76, as amended by Law 10,303/01.

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

During a second stage in the second semester of 2014, Mahindra CIE Automotive, Ltd., (at the time indirectly controlled by CIE Automotive, S.A. initiated the merger by absorption, culminated on December 2014, of Mahindra Composites, Ltd. (listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd., Mahindra Investments India Private Limited, Mahindra Gears International Limited and the company holding the European forged component manufacturing business of CIE Automotive, S.A., Participaciones Internacionales Autometal Tres, S.L., integrating all these businesses.

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

As mentioned above, the final outcome of the process in 2014 was the creation of the MAHINDRA CIE group, parented by the Indian company Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings, Ltd.), listed on the Bombay Stock Exchange, in which CIE Automotive, S.A. through its subsidiary CIE Berriz, S.L. and several subsidiaries owns a controlling interest of 53.21% and in which Mahindra & Mahindra holds around 20% of share capital.

The share price at 31 December 2015 of the company Mahindra CIE Automotive, Ltd currently listed on the Bombay Stock Exchange was 250.60 INR (2014, 212.75 INR).

Additionally, Board of Directors of the subsidiary Global Dominion Access, S.A. maintain several actions related to a potencial placement and admission of company´s shares to official Spanish stock exchange listing. At 31 December 2015 there are no significant costs accrued in relation to that process, either variable remuneration subjected to that process.

Changes in the scope of consolidation

<u>2015</u>

a) Automotive segment

The main societal and consolidation perimenter changes carried out in the prest exercise are described as follows:

In February 2015 the reverse merger occurred of the holding company, parent of the group companies in Brazil, CIE Autometal, S.A. and its operational parent, Autometal, S.A., the absorbing company that lives on. This merger has no impact at the consolidation level.

On 26 February 2015 the General Meeting of the subsidiary Metalcastello, S.p.A., approved the restoration of the company's share capital, with negative equity, to the value of €10 million. None of the non-controlling shareholders come to the capital increase and therefore the Group, through the holding company Mahindra Gears Global Ltd, has become the owner of 53.21% of the share capital of Metalcastello, S.p.A. (50.87% in 2014). This operation has led to the reclassification of €1,078 thousand between controlling and non-controlling interests in the Group's equity.

On 16 March 2015, CIE Berriz, S.L. acquired 125 shares of CIE Automotive Hispamoldes, S.L., for €250 thousand, representing 50% of its share capital and becoming its sole shareholder and solving the Investment Agreement entered into with the Hispamoldes Group in 2011 for the company's constitution. This business combination is described in Note 35.

In June 2015 Participaciones Internacionales Autometal, S.L.U. sold to CIE Berriz, S.L. 468,121 shares of CIE Autometal México, S.A.P.I. de C.V., representing 24.9% of the company's share capital. This transaction has not had impact at the consolidation level.

In June 2015 CIE Automotive, S.A. sold to CIE Berriz, S.L. 12,160,201 shares, representing 26.96% of the share capital of CIE Automotive Nuevos Mercados, S.L. This transaction has not had impact at the consolidation level.

In June 2015, the company Antonlin-Czech Republic, s.r.o. has increased its capital for an amount of CZK 82,230 thousand (€3,000 thosand approximately). This capital increase has been fully subscribed, proportionally by CIE Berriz, S.L. and Grupo Antolín Irausa, S.A. (Note 8).

In August 2015 CIE Berriz, S.L., as the sole shareholder of Bionor Trasformación, S.A.U., CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L. and Participaciones Internacionales Autometal, S.L.U., carried out the merger by absorption, with effect for accounting purposes as from 1 January 2015, those companies, through the transfer as the whole of their assets and liabilities to CIE Berriz, S.L., the acquiring company, as the universal successor, comprising all elements that set the assets and liabilities of Bionor Trasformación, S.A.U., CIE Automotive Nuevos Mercados, S.L., CIE Automotive Hispamoldes, S.L. and Participaciones Internacionales Autometal, S.L.U. being, the acquiring company subrogated to the position of the rights and obligations. All the above was in accordance with the common merger plan filed with the Mercantile Register of Bizkaia on 19 June 2015. This transaction has not had impact at the consolidation level.

In October 2015, Plasfil Plásticos da Figueira, S.A. acquired 72,500 shares of ApoloBlue Tratamentos, Ltda for €700 thousand, representing 45% of its share capital and becoming its sole shareholder. The effect of this operation within CIE Groups' share capital ha not been material.

On 15 October 2015, CIE Autometal de México, S.A.P.I de C.V. sold to Autokomp Ingeniería, S.A.U., 211,779 shares of Forjas de Celaya, S.A. de C.V. for USD 13,673 thousand (approximately €12,034 thousand), representing 100% of the company's capital. This operation has not had effect on the Group consolidation.

b) Solutions and Services (Smart Innovation)

In February 2015 Global Dominion Access, S.A. acquired 4,500 shares of the newly founded company Chile Salud Siglo XXI, S.A., of Chilean nationality, for CLP 5,247 million, equivalent to approximately €7.5million, with a implicit goodwill in the acquisition of CLP 1,367 million, equivalent to the date of acquisition to €1.9 million (Note 8). As a result, Global Dominion Access, S.A. owns a 30% interest in that company.

In October 2015 Global Dominion Access, S.A. acquired, at fair value, the interest that the subsidiary Dominion Instalaciones y Montajes S.A.U. had in Bilcan Global Services, S.L. As a result, Global Dominion Access, S.A. at 31 December 2015, has a direct interest of 100% in that company. This transaction has no impact in Groups' consolidated figures.

In December 2015, the subsidiary parent company of Beroa subgroup, Beroa Thermal Energy, S.L. (BTE) has signed some call and put options with minority shareholders who have the 20% of Chimneys and Refractories International, S.R.L., Italian company (Appendix). The put option granted to these minority shareholders has a fix price payable in cash and will be able to be exercised in case the subsidiary accumulated earnings in the coming 5 years (from 2015 to 2019) reach or exceed the amount of €12.18 million. It will also be able to be exercised during 2020 or before if this amount is reached in an earlier date. The call option in favour of BTE has exactly the same terms as the put option and the same fix price payable in cash. This agreement involves a purchase commitment of an additional 20% of the Italian subsidiary.

This acquisition which involves an outstanding debt of €5.1 million (Note 22) has determined the disappearance of this minority shareholder for a value of €1.6 million (Note 18) and a decrease in the consolidated reserves for an amount of €3.5 million (Note 15).

On 10 November 2014, the dependent company Dominion Instalaciones y Montajes, S.A.U. constituted with other third partner the society Interbox Technology, S.L., being the 60% of share capital subscribed by Dominion Group. The corporate object of the established entity is to offer commercial agency and marketing services for operators and OEMs from telecommunication sector. The activity of this dependent company has begun in 2015.

Additionally, in 2015 with effect for accounting purposes 1 January 2015, it has been carried out the merger of Your Phone, S.L.U. (the acquiring company) and Tiendas Conexión, S.L. (the merged company) modifying the corporate name of the acquiring company to Tiendas Conexión, S.L.U., and the merger of Sur conexión, S.L (the acquiring company) and Your Phone Franquicias, S.L.U. (the merged company) and the merger of Bilcan Global Services, S.L. (the acquiring company) and Servicios al Operador Móvil 21, S.L. (the merged company). These operations have not impact on the consolidated balances.

2014

a) Automotive segment

On February 2014 the parent company completed the acquisition of the 50% interest – owned by the Dutch fund VEP Fund I Holding Coöperatief W.A. ("VEP") - in RS Automotive B.V. for €10,766 thousand, to which, if applicable, an additional amount will be added linked to the performance of EBITDA in RS Automotive B.V. in 2014 and 2015 and payable in 2016.

As a result of this acquisition, CIE Automotive owns of a 100% stake in RS Automotive B.V. (Note 35), the parent of a group of companies with production facilities in France, Spain, Romania, China and Mexico, devoted to the manufacture of special automotive comfort systems and operating in the market under the name of ACS-Advanced Comfort Systems Group.

In August 2014, CIE Berriz, S.L. acquired the shares representing 25% of CIE Automotive Nuevos Mercados, S.L. from Ekarpen SPE, S.A. for approximately €30 million, payable monthly as from the transaction date to January 2016. As a result, CIE Automotive Group owns 100% of the company. This transaction has reduce the Group's capital (including non-controlling shares) in €24 million.

In September 2014, following the successful completion of the formalities connected with takeover bid in order to discontinue the trading of all shares in Autometal, S.A. (31,775,132 ordinary shares, representing 25.24% of share capital) in Brazilian Stock Exchange and subsequent agreements, CIE Automotive, S.A., through its subsidiary CIE Autometal, S.A. became the owner of a 100% stake in Autometal, S.A.

In October 2014, the Group completed the corporate restructuring of the Brazilian subsidiary Autometal, S.A., reducing the company's equity by approximately BRL968 million (consolidation value at 31st October 2014), be contributing to the CIE Autometal, S.A.'s sole shareholder, the interest in the Spanish company Participaciones Internacionales Autometal, S.L.U. (approximately BRL 968 million, equal to approximately €317 million). In the same date, CIE Autometal, S.A. has sold its 100% stake in Participaciones Internacionales Autometal, S.L.U. to CIE Berriz, S.L. This transaction has had no effect in the Group at consolidation level.

Likewise, in November 2014, the Group concludes the restructuring process of Brazilian subsidiary Autometal, S.A. selling-this one its 50% interest on the capital of the Chinese company, Nanjing Automotive Forging Co., Ltd. to CIE Berriz, S.L. This transaction has no effect in the Group at consolidation level.

At 6 November 2014, and after the merger carried out, without any effect for the Group in June 2014 between the Russian companies CIE-AVTOCOM, LLC (transferor) and CIE-AVTOCOM Kaluga, LLC (transferee), the group, through its subsidiary CIE Automotive Nuevos Mercados, S.L., proceeded to sell its 50% interest in CIE-AVTOCOM Kaluga, LLC for a value of €1, as well as to resign the collection of the outstanding credits with the company. This operation has supposed to the Group a loss of €1,359 thousand, which has been registered in the epigraph "Share of profit/ (loss) of associates" in the income statement of the exercise 2014 (Note 8.c). With this operation the Joint Venture constituted in 2010 by CIE Automotive Group and the Russian companies SAM LTD LLC and JSC KZAE is considered extinguished.

Finally, in December 2014, as it has been previously commented, the merging and integration process of the companies related with the strategic alliance with Mahindra Group has ended.

b) Solutions and Services (Smart Innovation)

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

Furthermore, Global Dominion Access, S.A. entered into a purchase option agreement in 2013 under which it reserved the right to acquire an additional 50% of the capital of Beroa Thermal Energy, S.L. in 2014. This option was exercised in July 2014, being the 1 July 2014 the effective date of taking control. In this respect and as was envisaged, Dominion Group will pay for the percentage acquired an amount of €42 million approximately, in three years, an equivalent amount to Beroa Group´s EBITDA in 2014, 2015 and 2016, multiplied by 7.5x, less the pertinent financial debt.

Additionally, Global Dominion Access, S.A. has acquired from non-controlling shareholders any remaining interests, so Global Dominion Access S.A. is holder of 100% of the share capital in Beroa. As counterpart, these shareholders have signed a capital increase of 7.69 % in the capital of Global Dominion Access, S.A. Both operations are realized at market value as with an independent expert report.

(Thousand euro)

The Group, which Beroa Thermal Energy S.L. acts as parent company, is dedicated to the construction of industrial facilities, project formalization to the effect, technical assistance and companies advisory especially related to refractory and similar materials and chimney construction, implementation of plans and projects of industrial facilities concerned, even the assembly of the necessary elements for these facilities. It also conducts research on the creation, structure and viability of companies and interest in commercial companies by acquiring shares, ownership interests or capital quotas divided especially in those dedicated to the assembly of refractory materials in facilities of all kinds.

In December 2014, the General Meeting of Global Dominion Access, S.A., prior approval of the operation by CIE Automotive´s Board of Directors of on 17 December 2014, has proceeded to integrate in the group two new areas of business by a non-cash contribution that meant an increase of Global Dominion Access's capital of €3,184 thousand by circulation of 264,947 shares with a nominal value of €12.020242 and a premium of €144.367306 per new share issued (share premiun amounting to €38,250 thousand). Due to this extension, Dominion Group receives full ownership of 100% of the share capital of companies Bilcan Global Services, S.L. (company dedicated to the development of commercial services) and 89.246% of the share capital of Global Near, S.L. (company dedicated to developing digital solutions). The administrators have received two independent valuation reports related to the businesses to justify the value of the transaction, as well as the mandatory report of the independent expert chosen by the Companies Register for the purpose of non-monetary contribution valuation.

After the above mentioned transaction, Bilcan Global Services, S.L. share capital has been increased by means of the non monetary contribution of the participations that Dominion Instalaciones y Montajes, S.A.U was supporting in Dominion Networks, S.L. and Dominion Centro de Control, S.L. This transaction has had no effect on the Group at consolidation level.

These new areas of business will represent, in approximate terms, 20% of the sales and 20% of the EBITDA of Dominion Group.

After these transactions CIE Automotive´s interest percent in Global Dominion Access S.A., has become of 62.95%.

These two business combinations are described in Note 35.

All these expanding perimeter segment operations are part of the strategy of strengthening and consolidation of Dominion Group to become an autonomous and independent project with leading position in providing solutions and services that currently contribute to make more efficient production processes for its customers under the differentiating concept of "Smart Innovation".

Shareholders of the Group's parent company

The companies holding a direct or indirect shareholding of more than 10% in CIE Automotive, S.A. at 31 December 2015 and 2014 are as follows (Note 14):

	% interest	
	2015	2014
Acek Desarrollo y Gestión Industrial, S.L. (***)	(*) 22.909%	(*) 22.909%
Mahindra & Mahindra, Ltd.	(**) 12.435%	(**) 12.435%

(*) 9.808% directly and indirectly through Risteel Corporation, B.V. the remaining 13.101%.

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

(***) Formerly Corporacion Gestamp, S.L.

Authorisation for issue

These consolidated financial statements were authorised for issue by the Board of Directors on 24 February 2016 and are pending to be ratified by the Group parent company's shareholders. However, management expects them to be approved without modification.

1.2 Regulatory framework

Certain companies of the automotive segment develop their activity in the production and sale of biofuel which is a specific sector with a particular regulatory framework (hydrocarbon sector). Among the obligations that are determined by this regulation include the maintenance of minimum safety stock levels of petroleum products and the annual accreditation of the Spanish Securities & Exchange Commission (CNMV) regarding the ownership of the minimum quantity of certificates of biofuels.

The biofuel production plants are granted with the capacity of production to operate in this activity according to the allocation made by the Secretary of State of Energy.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated annual accounts are set out below. Except as indicated in Note 2.1.1 below, these policies have been consistently applied to all the years presented.

2.1 Basis of presentation

The Group's consolidated annual accounts for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2015.

The consolidated annual accounts have been prepared under the historical cost convention, as modified by the revaluation of financial investments available for sale and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated annual accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual accounts are disclosed in Note 4.

The profit and losses account in exercises 2015 and 2014 does not include unusual items that require a detail or a conciliation of balances.

Certain International Financial Reporting Standards are effective from 1 January 2015, prompting the Group to adapt its consolidated annual accounts. The standards effective in the year are detailed below.

The consolidated annual accounts are not affected by aspect that may contravene applicable presentation bases.

2.1.1 List and summary of standards, amendments to standards and interpretations published to date

a) Mandatory standards, amendments and interpretations for all years starting as from 1 January 2015

IFRIC 21 "Levies"

This interpretation approaches the countable treatment of taxes imposed by the Public Administrations different from the tax on the earnings and of fines and sanctions imposed by the breach of the legislation.

It is not expected that the new interpretation has a significant effect on the Group's consolidated financial statements.

Improvement project, cycle 2011-2013

In December 2013 the IASB published the Annual Improvements to IFRSs for cycle 2011-2013. The changes added in this Annual Improvements generally applied for annual periods that begin from January 1, 2015, although early adoption is permitted. The main incorporated amendments relate to:

- IFRS 3 "Business Combinations": Exceptions to the scope for joint ventures.
- IFRS 13 "Fair Value Rating": Scope of the "exception portfolio" available in IFRS 13.
- IAS 40 "Investment Property": Interaction between IAS 40 and IFRS 3 when a property is classified as an investment property or occupied property by its owner.

These changes have had no material effect on the consolidated financial statements of the Group.

b) Standards, amendments and interpretations not yet in force, although could be taken in advance of the exercises beginning after 1st January 2015.

At the date of signature of this Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published rules, modifications and interpretations that will be detailed below and which obligatory application is from the exercise 2016, though the Group has not adopted them beforehand.

Improvement project, cycle 2010-2012

In December 2013 the IASB published the Annual Improvements to the IFRS for the Cycle 2010-2012. The modifications incorporated in these Annual Improvements generally apply for the annual exercises that begin from February 1, 2015. The main changes refer to:

- IFRS 2 "Payments based on share": Definition of "condition for the irrevocability of the concession".
- IFRS 3 "Business combinations": Accounting of a contingent consideration in a business combination.
- IFRS 8 "Operating segments": Information to reveal about the aggregation of operating segments and reconciliation of total assets of all segments that are reported to the assets of the entity.
- IFRS 13 "Fair Value Rating": References to the ability to assess the accounts receivable and payable, short-term nominal value when the discounting effect is not significant.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Proportional restatement of accumulated amortization when the revaluation model is used.
- IAS 24 "Disclosure of related parties": Entities that provide key management personnel services as related party.

It is not expected that the ammendment has a significant effect on the Group Consolidated Annual Accounts.

IAS 7 (Amendment) " Initiative regarding the information to be disclosured – amendments of the IAS 7"

This amendment of limited scope, incorporates a requirement regarding an additional disclosure within the financial statements that allow users to evaluate changes in liabilities derivated from financing activities. In this sense it should be disclose the following changes in the above mentioned liabilities: i) changes arising from cash flows from financing activities; ii) changes from the acquisition or loss os interest in subsidiaries or other businesses; iii) the effect of the changes in exchange rates; iv)changes in fair value; v) and other changes.

The amendment is effective for the the annual periods that begin from 1 January 2017, even though it is allowed earlier adoption. When a company implements for the first time this amendment, it will not be obliged to proportionate comparative information from other periods.

The amendment is not expected to have a significant effect on the Groups' Consolidated Annual Accounts in the future.

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

The IAS 19 (reviewed in 2011) distinguishes between employee contributions related to the given service and those not linked to the service. Moreover the current modification distinguishes between contributions linked to service only in the year in which they arise and those linked to service in more than one year. The amendment allows the contributions linked to service that does not vary with the duration deduct from the cost of benefits earned in the year in which the related service is provided. Service-related contributions that vary depending on the length of a service must be extended during the service term using the same method of allocation applied to the service provisions. The change applies to the years commenced 1 February 2015 and will be applied retrospectively. Early adoption is permitted.

The Group is analysing possible impacts of this amendment in his Consolidated Annual Accounts in the future although significant effects are not expected.

IAS 12 (Amendment) "Recognition of deferred tax asset for unrealized losses":

This amendment clarifies how to account deferred tax assets related to investments in debt instruments measured at fair value. Decreases in the book value below cost of a debt instrument at a fixed rate measured at fair value, where the tax base is maintained at cost, resulting in deductible temporary differences. The estimation of probable future tax benefits may include the recovery of some of the assets of an entity above its book value, if there is a corresponding sufficient evidence. This may be the case, for example, when an entity expects to maintain in its portfolio a debt instrument at a fixed rate and collect contractual cash flows.

The amendment is effective for annual periods beginning from 1 January 2017, although earlier adoption is permitted. As a general rule, it will apply retrospectively. However, on the date of initial application of the amendment, there is the option to registered change in equity of the comparative period against the opening balance of retained earnings.

The amendment is not expected to have a significant effect on the Groups' Consolidated Annual Accounts in the future.

IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Manufacturing plants"

The Group has not assets that would be affected by this changes.

IFRS11 (Amendment) "Accounting of acquisition of interests in joint operations"

It requires the application of the accounting principles of business combinations to an investor who acquires an interest in a joint operation that constitudes a business.

It is not expected that this amendmend will have a significant effect in the Groups' Consolidated Annual Accounts.

IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortization"

This amendment clarifies that revenue based methods are not sufficient to calculate the depreciation or amortization of an asset because revenue generated by the business activity includes use of an asset, generally, reflects other factors different than the outflow of economic benefits attached to an asset.

It is not expected that the ammendment has a significant effect on the Group Consolidated Annual Accounts.

Improvement project, cycle 2012-2014: the main amendments are related to:

- IFRS 5 "Non-current assets held for sale and discontinued operations": Changes in the methods of disposal.
- IFRS 7, "Financial instruments: Disclosure": Continuing involvement in management contracts.
- IAS 19, "Employee Benefits": Determination of the discount rate in obligations for post-employment benefits.
- IAS 34, "Interim Financial Reporting": Information presented elsewhere in the interim financial information.

It is not expected that these amendments have a significant effect on the Group Consolidated Annual Accounts.

IAS 1 (Amendment) "Presentation of Financial Statements"

The amendments of IAS 1 encourage enterprises to apply professional judgment to determine what information will be disclosure in the financial statements as well as where and in which order they should be presented. The amendments that have been made, clarify that the materiality applies to the set of financial statements and that the inclusion of inmaterial information could prevent the utility of the financial information.

This amendment can have effect in the order in which information is presented in the future Groups' Consolidated Annual Accounts.

IAS 27 (Amendment) "Equity method in separate financial statements"

The Group does not disclosure finacial statements under IFRS-UE.

c) Standards, amendments and interpretations of existing standards that cannot be early adopted or have not been adopted by the European Union:

At the date these interim condensed consolidated financial statements were prepared, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations that have not yet been adopted by the European Union.

IFRS 15 "Revenue from contracts with customers"

In May 2014, the IASB and the FASB jointly issued a converged standard in relation to the recognition of revenue from contracts with customers. Under this standard, revenues have to be recognized when a customer obtains control of the good or service sold, when it has the ability to direct the use and obtain the benefits of the good or service. This IFRS includes a new guide to determine if the revenues have to be recognizing over time or in a certain time. IFRS 15 requires extensive information about recognized revenue as well as expected revenue to will be recognize in the future in relation to existing contracts. It also requires quantitative and qualitative information about the significant judgments made by management determining income are recognized as well as changes in these trials. The IFRS 15 will be effective for annual periods beginning after 1st January 2018.

The Group is analyzing the impact of that changes may have on the Group Consolidated Annual Accounts in case European Union adopt them.

IFRS 9 "Financial Instruments"

It approaches the classification, valuation and recognition of financial assets and financial liabilities. The complete version of the IFRS 9 has been published in July 2014 and replaces the guide of the IAS39 about the classification and valuation of financial instruments. The IFRS 9 maintains but simplifies the mixed valuation model and establishes three main categories of valuation for the financial assets: amortized cost, fair value with changes in results and fair value with changes in another global result. The base of classification depends on the entity business model and the characteristics of the contractual flows of cash of the financial assets. It requires that the investments in equity are measured to fair value with changes in results with the irrevocable option on the beginning to present the changes on fair value in other global non-recyclable results, provided that the instrument is not held for trading. Under IFRS9, there is a new model of impairment losses, the model of expected credit losses, which replaces the model impairment losses incurred in IAS 39 and which will lead to recognition of losses before it has been done in IAS 39. The IFRS 9 relaxes the requirements for the coverage effectiveness. Under the IAS 39, the coverage has to be highly effective both prospectively and retrospectively. The IFRS 9 requires an economic relationship between the covered item and the covered instrument and the covered ratio is the same as the entity actually used for risk management. The present documentation continue being necessary but it is different from the information which was prepared under the IAS 39. Finally, it is required large information including the conciliation between the initial and final balances regarding the provision for impairment of credits and assumptions and figures and a conciliation between the current disclousure categories under the IAS 39 and the new disclosure categories under the IFRS 9.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 will be applied retroactively but will not require comparative figures are restated.

The Group is analyzing the impact of that changes may have on the Group Consolidated Annual Accounts in case European Union would adopt them.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or transfer of assets between an investor and its associates or joint ventures"

These modifications clarify the accounting treatment of sales and transfers of assets between an investor and its associates and joint ventures, which will depend on whether non-monetary assets sold or provided to an associate or joint venture constitute a "business". The investor will recognize the complete profit or loss when the non-monetary assets constitute a “business”. If the assets do not meet the definition of business, the investor recognizes a profit or loss to the extent of the interests of other investors.

The amendment is not expected to have a significant effect on the Groups’ Consolidated Annual Accounts in the future.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment Entities: Applying the exception to consolidation"

These amendments clarify aspects of the implementation of the requirement for investment firms to assess the dependent at fair value rather than strengthened.

These amendments are not expected to have an effect on the Groups’ Consolidated Annual Accounts in the future.

IFRS 16 “Leases”

In January 2016, thea IASB published a new regulation regarding leases which repeals the IAS 17 “Leases” as a resoults of a joint proyect with the FASB. The IASB and the FASB have reached to the same conclussions in a lot of fields related to the accounting of leasing contracts. The IASB and the FASB also agreed not to incorporate significant amendments in accounting made by the lessor maintaining similar requirements as the previous regulation. Differences still persist between the IASB and the FASB regarding the recognition and disclosure of the expenditures related to leases within the income statement and cash flows statement.

Under IFRS-IASB, the IFRS 16 takes compulsorily effect in 1 January 2019; it can be applied the IFRS 16 in advance, but only if at the same time it is applied the IFRS 15 “Ordinary income arising from customer contracts”. The IFRS 16 has not been still approved by EU.

The Group is analysing possible impacts in his Consolidated Annual Accounts in the future, expecting an impact over balance sheet items (assets and debt) and no significant impact over equity.

2.2 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities (including special-purpose companies) over which the Group has control. The Group controls an entity when it is exposed, or has right, to obtain a few variable performances for his implication in the informed one and has aptitude to use his power on her to influence these performances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration paid for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability that originates from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in the year as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The accounting policies followed by subsidiaries have been modified where necessary to ensure consistency with policies adopted by the Group.

The accompanying Appendix sets out the identification particulars of subsidiaries.

Annual accounts/financial statements used in the consolidation accounts are, in all cases, dates of 31 December of each year.

b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

c) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Joint operations

The Group applies IFRS 11 to all the joint agreements. The investments in joint agreements under IFRS 11 qualify as joint operations or as joint business, depending on the rights and commitments of every investor. The Group has evaluated the nature of his joint agreements and has determined that are joint business. The joint business is assessed using the method of the participation.

Under the method of the participation, the interests in joint business are recognized initially to his cost and it adjusts from then to recognize the participation of the Group in the benefits and losses later to the acquisition and movements in another global result. When the participation of the Group in the losses in a joint business equalizes or overcomes his interests in joint business (what includes any long-term interest that, in substance, forms a part of the clear investment of the Group in the joint business), the Group does not recognize additional losses, until it has incurred obligations or done payments name of the joint business.

The earnings not realized in transactions between the Group and his joint business is eliminated in the measure of the participation of the Group in the joint business. The losses not realized also are eliminated until the transaction provides evidence of a loss for deterioration of the value of the transferred assets. The countable policies of the joint business have been modified when it is necessary to assure the uniformity with the policies adopted as the Group.

For more detailed information on these joint ventures, see Note 37.

e) Associates

Associates (Note 8.c)) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 2.7.a)). The Note 2.8 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount adjacent to "share of profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Dilution gains or losses arising in associates are recognised in the income statement.

2.3 Segment information

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The highest decision-making body is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Executive Steering Committee.

Segment information is analysed in Note 5.

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All Group companies use the currency of their country of domicile as their functional currency, except, basically, for the Mexican companies in the automotive segment (Appendix), whose functional currency was defined on 1 January 2009 as the US dollar.

The consolidated financial statements are presented in euro, which is the Group's functional currency and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) **Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the other comprehensive income.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group has defined net investment hedges at 31 December 2015 and 2014 (Note 3.2).

2.5 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is presented net of impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment transferred from equity.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Estimated useful lives:
Buildings	10 – 50
Vehicles	3 – 15
Furniture, fittings and equipment	3 – 15

The depreciation policy historically applied by the CIE Automotive Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. Specifically in the automotive segment, these useful lives are estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

(Thousand euro)

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each CIE Automotive Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced, while taking into consideration their maximum useful lives. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and depreciation rates for assets under normal production circumstances are as follows:

	Useful life (*)	Annual rate %
Machinery	10-20 years	5-10%
Plant	10-20 years	5-10%
Tools	3-6.7 years	15%-33.33%

(*) Years of useful life in accordance with estimated normalised units of production.

The residual value and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on the sale of items of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" (Note 26).

2.6 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss.

2.7 Intangible assets

a) Goodwill

Goodwill represents the excess of acquisition cost over the Group's interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level (Note 2.8).

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of generating unit contaning goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Any intangible assets so recognised are subject to impairment testing under IAS 36.

c) Trademarks and licences

Trademarks and licences acquired from third parties are presented at cost. Those acquired through business combinations are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits in excess of costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed five years and the period after which begin to be amortized once activated, is not greater than 1 year.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Non-current assets (disposal groups) held for sale

The Group classifies a non-current asset (or disposal group) as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, if the carrying amount will be recovered primarily through the sale rather than through continuing use.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets into the following categories: fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of investments at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired principally for the purpose of selling it in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for amounts maturing more than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 10).

c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities which Group management has the positive intention and ability to hold to maturity. If the Group disposes of a significant amount of the held-to-maturity assets, the entire category is reclassified as available-for-sale. Financial assets held to maturity are included under non-current assets, except for those that mature within 12 months of the reporting date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within ‘Net gains/losses on financial instruments at fair value’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences on monetary securities are recognised in the income statement. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

Unrealised gains and losses resulting from changes in the fair value of non-monetary instruments classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value using measurement techniques which include the use of recent arm’s length transactions between knowledgeable, willing parties, benchmarking of other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10.4 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment terms or economic conditions that correlate with defaults.

In the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment testing of receivables is described in Note 2.13.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised liabilities (fair value hedge);

b) Hedges of a particular risk associated with a recognised asset/liability or a highly probable forecast transaction (cash flow hedge); or

c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is recognised in the income statement within 'finance income/costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'Gains/losses on financial instruments at fair value'. Changes in the fair value of hedged fixed-rate borrowings attributable to interest rate risk are recognised in the income statement within finance income/costs.

If a hedge ceases to meet the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Gains/losses on financial instruments at fair value.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging floating-rate borrowings is recognised in the income statement within finance income/cost. The gain or loss on the effective portion of foreign currency forward contracts which hedge export sales is recognised in the income statement within sales. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventories or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

d) Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is basically determined as follows:

a) Automotive segment

- Commercial: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the acquisition price calculated by the methods of average price/FIFO. This acquisition price includes the purchase invoices as well as additional costs until their availability in the storehouse.
- Finished products and in process of manufacture: to pre-established costs, which do not present significant diversions with regard to the royal incurred costs. These costs include the raw materials, labour cost of direct work and direct and indirect expenses of manufacture (based on an operative normal capacity), but it does not include costs for interests.

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

b) Solutions & Services (Smart Innovation)

The inventories are measured at acquisition/production cost or their net realizable value, the smaller. The cost of production includes the direct and indirect cost of production.

When the net realizable value of inventories is less than cost, the corresponding impairment charges are recognised as an expense in the income statement. If the circumstances that caused the impairment cease to exist, it is reversed and the reversal is recognized as income in the income statement.

The net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Comercial receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the receivables. Indications of impairment are deemed to exist when the debtor is in serious financial difficulty, it is probable that the borrower will enter bankruptcy or other financial reorganisation, and in the event of payment default or delinquency. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision is used and the loss is recognised in the income statement. When a receivable is deemed uncollectible it is written off against the provision for receivables. Any subsequent recovery of previously written-off amounts is recognised in the income statement.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing.

Financing by means of non-recourse factoring or the sale of trade receivables triggers the derecognition of the receivable as all associated risks are transferred to the financial institution in question.

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group company acquires shares of the parent company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the parent's equity owners until the shares are cancelled, reissued or sold. When these shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the parent's equity owners.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants under IAS 20, are recognised as operating grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Note 2.20.b)).

The gain on a loan granted by a Government Body at below market interest rates is measured as the difference between the instrument's carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the amount received; a grant is recognised in the amount of this difference and is recorded in the income statement or in liabilities as a deferred government grant depending on whether the loan finances current expenses or investments in property, plant and equipment.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.19 Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that includes both liability and equity components simultaneously.

When the Group (the parent company or any of its subsidiaries) issues a compound instrument its components are recognised, measured and presented separately. The initial carrying amount of the liability component is determined as the fair value of a similar liability that does not have an associated equity component, while the equity component is stated at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component is not remeasured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

2.20 Current and deferred income tax

a) Corporate Income tax

Corporate income tax expense for the year comprises current and deferred tax and is calculated on the basis of profit before tax, adjusted for any permanent and/or temporary differences envisaged in the tax laws enacted or substantively enacted at the balance sheet date regarding the calculation of taxable income in the countries where the company and its subsidiaries operate. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

The parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Berriz, S.L. (Absorbing company in 2015 of CIE Automotive Nuevos Mercados, S.L., Bionor Transformación, S.A.U., CIE Automotive Hispamoldes, S.L. and Participaciones Internacionales Autometal, S.L.U. Note 1)
- Autokomp Ingeniería, S.A.U.

- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A.U.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Berantevilla, S.L.U.
- Bionor Transformación, S.A.U., dissolved in 2015 due to the merger by acquisition by CIE Berriz, S.L.
- Vía Operador Petrolífero, S.L.U. (liquidated in 2015)
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Nuevos Mercados, S.L., disolved in 2015 due to the merger by acquisition by CIE Berriz, S.L.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal, S.L.U., disolved in 2015 due to the merger by acquisition by CIE Berriz, S.L.
- Participaciones Internacionales Autometal Dos, S.L.U.

In the current year, considering the amendments introduced into regulation, the Group has chosen to tax within a fiscal consolidation tax regime for the following companies under the regulation of Common Territory Regime:

- Grupo Componentes Vilanova, S.L. (entidad representante del nuevo Grupo fiscal).
- Biosur Transformación, S.L.U.
- Advanced Comfort Systems Ibérica, S.L.U.

Furthermore, by effect on 1 January 2015, it was obtained the consideration of group of companies by the tributary pertinent administration, being the dominant one: Global Dominion Access, S.A. and the other companies:

- Dominion Investigación y Desarrollo, S.L.U.
- ECI Telecom Ibérica, S.A.
- Dominion Instalaciones y Montajes, S.A.U.
- Beroa Thermal Energy, S.L.
- Beroa Ibéria, S.A.
- Global Near, S.L.
- Near Technologies, S.L.U.
- Dominion Ampliffica, S.L.
- Global Ampliffica, S.L.
- Ampliffica, S.L.U.

Furthermore, also by effect on 1 January 2015, it is constituted the fiscal group, being the dominant one: Bilcan Global Services, S.L. (merged in 2015 with Servicios al Operador Movil 21, S.L.) and the rest:

- Dominion Centro de Control, S.L.U.
- Dominion Networks S.L.U.
- Sur Conexión, S.L(merger in 2015 between Sur Conexión, S.L. and Your Phone Franquicias, S.L.U - Note 1)
- Tiendas Conexión, S.L.U. (merger in 2015 between Tiendas Conexión, S.L. and Your Phone, S.L.U., whose corporate name has been modified to Tiendas Conexión,S.L.U. - Note 1),
- Eurologística Directa Móvil 21, S.L.U.

Outside Spain it exist the following fiscal groups:

- In Germany: led by the company Mahindra Forgings Europe AG and in which also participate the followings: Gesenkschmiede Schneider GmbH, Jeco Jellinghaus GmbH and Falkenroth Umformtechnik GmbH.
- In Germany: led by the company Beroa Technology Group GmbH and in which also participate the followings: Beroa Deutschland GmbH, Burwitz Montageservice GmbH and Karrena Betonanlagen und Fahrmischer GmbH (without activity).
- In United States: led by subsidiary company Beroa Corporation LLC and in which also participate Beroa US LLC, Karrena International LLC and Karrena International Chimneys LLC.
- The Dutch companies RS Automotive B.V. and Advanced Comfort Systems International, B.V. tax as a unique fiscal unit.

The other CIE Automotive Group companies file individual returns.

b) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 2.5); this right is recognised with a credit to deferred income (Note 19). Tax deductions in respect of R&D investment are classified, depending on the nature of the subsidy, upon recognition as operating grants so long as the R&D costs have not been capitalised (Note 2.16).

Deferred tax assets corresponding to utilised or recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as other operating income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

a) Pension obligations

The Group's plans are funded through payments to insurance companies or externally-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans and defined contribution of non-significant amounts. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employee benefits.

Under IAS 19 Revised, past-service costs are recognised immediately in the income statement.

b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the parent company's shareholders after certain adjustments. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

2.22 Share-based payments

At 31 December 2015 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive Ltd, listed on Indian stock market (Appendix).

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

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

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

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

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

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

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

Likewise, the General Meeting of shareholders, held on 30 April 2014, approved a long term incentive based on the increase of CIE Automotive S.A. share value, on behalf of a group of senior executives of the Group. The liquidation of this incentive, which due to Group decision will be in cash, will be held in March 2018 (Note 36).

The total estimated cost of this incentive is recognized as personnel costs and independent professional´s services in the period when the conditions must be fulfilled.

2.23 Provisions

Provisions for specific liabilities and charges are recognized when:

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

(ii) It is probable that an outflow of resources will be required to settle the obligation; and

(iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. Revenue is recognised as follows:

a) Sales of goods

Sales of goods are recognised when a Group company has delivered the products to the customer, the customer has accepted the products and it is probable that the future economic benefits will flow to the seller Accumulated experience is used to estimate and provide for returns at the time of sale.

b) Sales of services / construction contracts

The Group sells telecommunication system integration services and network and automation related IT consultancy services, carrying out all phases of the project, including engineering, supply, installation and start-up, for public and private enterprises. These services are rendered in accordance with a specific date and materials, or a fixed price contract.

Revenue from specific date and materials contracts, which normally relate to the rendering of telecommunication system integration services, are recognised at the rates stipulated in the contract as the related man hours are worked and direct expenses incurred.

Revenues deriving from fixed-price contracts relating to both engineering maintenance work and network installations and industrial maintenance are recognized using the percentage of completion method. According to the percentage of completion method, the revenues are recognized depending on the services performed or the percentage of completion of contracts in relation to the total services or work contracts to develop. Normally, in the smaller-scale works the billing milestones are coupled with the margins estimated in each moment. This kind of contracts have a short-term duration and normally, the estimated percentage of completion does not exceed one month and a half of the billing at financial year-end for the technology services and more than one year for the industrial services.

Largest works or EPC's involve a higher percentage of estimation depending on the situation of the project at the end of each year, for which the related revenue or costs incurred to date is recorded over the estimated margin draft. Normally, the time horizon for estimating the share of income through the progress of these projects will not exceed three months billing year end.

Expected losses on these contracts are recognized immediately as an expense of the year as soon as they are known and can be quantified.

Additionally some services encompassed within the CGU's Commercial Services of Solutions and Services segment (Smart Innovation) are related to services where this CGU companies act in some cases as principal in the contract with the client, recording all sales and purchasing transactions, and in others as commission agent, recording as income only the amount of the agreed commission on each transaction, not existing risk for the Group on the inventory in its power and accounts receivable and not having the capacity to set the prices of sale. The Group has billed to third parties, acting as an agent, an amount of approximately €114 millions, being recorded as net revenue only the amount of the applicable charges amounting to €7 million. Mainly of these sales are made on the spot and only awaiting charge the commission with the relevant operator

c) Interest income

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

d) Royalty revenue

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

e) Dividend income

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

2.25 Leases

Finance leases

Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the reduction of the outstanding liability and the finance charge so as to produce a constant rate of interest on the outstanding liability. The corresponding lease obligation, net of finance charges, is included in long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the Group's consolidated annual accounts in the period in which the dividends are approved by the parent company's shareholders.

2.27 Environmental disclosures

Costs incurred by the Group as part of its business activities that are intended to protect the environment and/or improve its environmental record are expensed currently. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

2.28 Current and non-current balances

Those amounts with longer maturity to 12 months from the closing date of the period are considered as non-current balances, assets and liabilities.

3. Financial risk management

3.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

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

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

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

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

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

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

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

If at 31 December 2015, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €77,932/€47,552 thousand, (2014: increased/decreased by €82,690/€67,656 thousand) due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average rate of exchange of the euro had depreciated/appreciated by 10% in 2015 with respect to all functional currencies other than the euro, all other variables being equal, profit after tax for the year would have been €1,030/2,027 thousand higher/ higher, respectively (2014: €5,453/€4,461 thousand higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

(ii) Price risk

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

iii) Interest rate risk

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

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

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

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

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

If during 2015 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables being equal, profit after tax for the year would have been €752 thousand higher /lower(2014: €704 thousand), largely as a result of an increase /decrease in the interest expense on floating -rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €1,278/1,779 thousand, respectively (2014: a €556/874 thousand increase/decrease, respectively) due to the impact on profit for the year. The impact on profit for the year would have been 24/22 (2014: 50/50).

b) Liquidity risk

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

(Thousand euro)

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31 December 2015 and 2014 as follows:

	2015	2014
Cash and cash equivalents (Note 12)	261,011	297,699
Other current financial assets (Note 8)	85,702	96,258
Undrawn lines of credit (Note 20)	145,955	116,335
Liquidity buffer	**492,668**	**510,292**
Bank borrowings (Note 20)	1,000,754	1,104,077
Other current financial liabilities (Note 8)	16,078	10,489
Cash and cash equivalents (Note 12)	(261,011)	(297,699)
Other current financial assets (Note 8)	(85,702)	(96,258)
Net financial debt	**670,119**	**720,609**

Net financial debt reduction during the year is due to to the cash generation, as well as due to intensive work done to increase working capital.

Group´s financial department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2016 will allow facing all year payments without increasing net financial debt.

Group´s financial department monitors Group´s liquidity needs previsions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool, reduzing Spanish and Brazilian banks burden.

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

- €14.1 million originating from the recurring discounting of commercial paper issued by Group customers (€35.2 million at 31 December 2014) (Note 20).
- €0.6 million originating from recurring import financing (€3.0 million at 31 December 2014) (Note 20).

Noteworthy is the existence at 31 December 2015 of €146.0 million of undrawn credit lines and loans (31 December 2014: €116.3 million) (Note 20).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31 December 2015 as compared with 31 December 2014, stating the relative significance of each item:

(Thousand euro)

	2015	2014
Inventories	293,754	288,909
Trade and other receivables	365,061	292,653
Other current assets	6,181	7,170
Current tax assets	60,432	58,558
Current operating assets	**725,428**	**647,290**
Other current financial assets	85,702	96,258
Cash and other cash equivalents	261,011	297,699
CURRENT ASSETS	**1,072,141**	**1,041,247**
Trade and other payables	815,320	630,193
Current tax liabilities	56,780	57,200
Current provisions	11,108	11,386
Other current liabilities	199,098	126,822
Current operating liabilities	**1,082,306**	**825,601**
Current financial borrowings	172,489	254,180
Other financial liabilities	16,078	10,489
CURRENT LIABILITIES	**1,270,873**	**1,090,270**
TOTAL WORKING CAPITAL	**(198,732)**	**(49,023)**

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

One of 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 and to optimize the accounts payable, with the support of bank operational mobilization of resources, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

The negative working capital has increased in 2015 mainly due to the management of payment terms to suppliers, unifying policies and conditions throughout the Group, and the transfer to short term for the liabilities of the acquisition of the participation of CIE Automotive Nuevos Mercados, SL (now merged with CIE Berriz, SL) to Ekarpen, SPE, SA, and the rights granted to the minority of the subsidiary acquired in 2012, Century Plastics LLC., through the granting of an option selling to them. (Note 22)

However, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2016 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

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

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

(Thousand euro)

	Less than 1 year	Between 1 and 5 years	Over 5 years
At 31 December 2015			
Bank borrowings (Note 20)	172,489	858,744	26,242
Trade and other payables and other current liabilities	1,014,418	67,498	21,509
Derivatives (Note 8.b))	16,078	-	-
At 31 December 2014			
Bank borrowings (Note 20)	254,180	891,732	46,301
Trade and other payables and other current liabilities	757,015	167,886	25,194
Derivatives (Note 8.b))	10,489	-	-

Derivative financial instruments qualifying as hedges are settled net; their maturities are detailed in Note 20 for interest rate swaps (Note 8.b)).

There are no restrictions to the use of cash/other cash equivalents.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted (Note 8).

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

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

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment (Note 5), present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

An analysis of the age of assets that are past due but are not impaired is provided in Note 10.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these societies were the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

3.2 Hedge accounting

IAS 39 is very strict about the need for documenting that an instrument meets the conditions to be considered as hedging.

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

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

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

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

b) Cash flow hedges

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

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

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

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

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

c) Net investment hedges

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

Foreign exchange exposure arising on the net assets of these foreign operations was until October 2014 partly managed by means of loans denominated in US dollars and euros, which are arranged by Autometal, S.A. and CIE Autometal, S.A. (merged in 2015 with CIE Autometal, S.A.), as well as by arranging specific derivatives.

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

At 31 December 2015 and 2014 the Group has investments whose net assets were exposed to foreign currency conversion risk, denominated in US dollars through CIE Berriz, S.L. and borrowings denominated in US dollars formalised by Autometal, S.A. and CIE Autometal S.A. (merged in 2015 with CIE Autometal, S.A., being Autometal S.A. the acquiring company) (Note 1).

d) Derivatives that do not qualify for hedge accounting

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

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

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

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

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

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

(Thousand euro)

3.3 Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this end the data used must be consistent with the assumptions that market participants would use in considering such a transaction.

Although IFRS 13 leaves the principles set down in other standards intact, it does establish the overall framework for measuring assets and liabilities at fair value when doing so is mandatory under other standards and stipulates additional fair value disclosure requirements.

The Group complies with IFRS 13 requirements in measuring its assets and liabilities at fair value when such fair value measurement is required under other international financial reporting standards.

On the basis of the contents of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on how it estimates fair value by level using the following fair value hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015 and 31 December 2014:

31 December 2015

	Level 2	Level 3	2015
Assets			
- Derivatives (Note 8)	5,774	-	5,774
Total assets at fair value	**5,774**	**-**	**5,774**
Liabilities			
- Derivatives (Note 8)	(16,078)	-	(16,078)
- Other fair value liabilities	-	(34,089)	(34,089)
Total liabilities at fair value	**(16,078)**	**(34,089)**	**(50,167)**

31 December 2014

	Level 2	Level 3	2014
Assets			
- Derivatives (Note 8)	215	-	215
Total assets at fair value	**215**	**-**	**215**
Liabilities			
- Derivatives (Note 8)	(10,489)	-	(10,489)
- Other fair value liabilities	-	(52,620)	(52,620)
Total liabilities at fair value	**(10,489)**	**(52,620)**	**(63,109)**

There were no transfers between levels during 2015 and 2014.

a) 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.

(Thousand euro)

Specific financial instrument valuation techniques include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- Fair value of forward foreign exchange contracts is determined using forward exchange rates quoted at the balance sheet date.
- It is assumed that the carrying amounts of trade receivables and payables approximate their fair values.
- Fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The instruments included in Level 2 relate to derivatives (Note 8).

b) Level 3 financial instruments

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

The instruments included in Level 3 correspond to the outstanding debt for the acquisition of Beroa (Note 22) based on the application of the formula specified in the contract of purchase where involved financial parameters (EBITDA and net financial debt) that must be considered in the future.

The key assumptions for the valuation of these liabilities are based on expected future profits generated by the company (Notes 1 and 22). The assumptions used for these estimates coincide with the detailed in the test of deterioration of funds of trade. Given that modifications in the EBITDA would involve also modifications in the net financial debt, it is not considered significant effect of variations on the basic assumptions in the calculation of financial liabilities.

In 2014, additionally included liabilities corresponding to the purchase of the 50% of the participation in society RS Automotive, B.V. (Notes 1 and 22).

The Group at 31 December 2015 and 2014 has no agreements to offset financial assets against financial liabilities.

3.4 Capital risk management

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

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

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

During 2015, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.5. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
Borrowings (Note 20)	1,000,754	1,104,077
Current financial liabilities (Note 8)	16,078	10,489
Less: Cash and cash equivalents and current financial assets (Notes 8 and 12)	(346,713)	(393,957)
Net debt (Note 3.1.b))	670,119	720,609
Equity	884,990	861,632
Total capital employed	1,555,109	1,582,241
Gearing ratio	**0.43**	**0.46**

At 31 December 2015 and 2014, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 20).

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and judgements

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

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The results of this analysis and quantification of the resulting sensitivities are detailed in the Note 7.

If the estimated rate used to discount the cash flows had been 10% higher than management's estimates, the Group would still not have needed to reduce the carrying amount of goodwill (Note 7).

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortization, essential for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment provisions in either 2015 or 2014 (Note 7).

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair values.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

In 2012 the Group acquired 65% of the US Company Century Plastics, LLC and granting shareholders a put option over the remaining 35% of the company's capital, which will be exercitable in May 2016. As a result, a liability was recognised to record the contingent consideration which was expected to be paid to cancel the put option. This compensation would be calculated taking into account, among other variables, the company's real EBITDA in 2015. In 2015, and in view of the fact that the company's results have far exceeded forecasts, the Group has re-estimated the present value of the contingent consideration and recognising an increase in the liability of USD 38.9 million (€35.6 million) and reclassifying the entire amount to short term in an amount of USD 70 million (€64.2 million). The effect of this re-estimation has been registered in the income statement within "Change in fair value of assets and liabilities taken to the income statement".

At the same time, on 31 December 2014 the Group had registered within non-current liabilities (Note 22) the contingent liability with the Dutch group VEP Fund I Coöperatief W.A. derivated from the acquisition of the remaining 50% of interest over the group RS Automotive, with maturity date on 2016. The balance related to the outstanding fair value at 31 December 2014 amounted to €10,620 thousand euros.

In April 2015, it has been agreed with VEP the anticipation of the outstanding amount and the corresponding settlement of all the rights and duties derivated from the contract.This operation has required a final disbursement of 6,763 thousand euros, generating a positive result of 4 million euros over the contingent consideration previously registered as fair value within the section "Change in fair value of assets and liabilities taken to income statement".

c) Percentage of completion of rendering of services contracts (Solutions and Services Segment)

The accounting of the contracts of rendering services according to the percentage of completion or ending of the same ones is based on estimations of the total of costs incurred on the total ones estimated for the completion. Changes in these estimations have impact in the recognized results of the works in accomplishment. The estimations are constantly monitored and fitted if necessary (Note 2.24).

d) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes due.

The calculation of income tax expense did not necessitate significant estimates except with respect to the amount of tax credits recognised in the year. If the assumptions used to make this estimate differed by 10%, the effect on profit for the year would not be material.

If the final outcome (on judgment areas) differs unfavorable by 10% from management estimates, deferred assets would decrease by approximately €7.2 million (2014 : €9.8 million) and if these changes evolved in a way favourable, these deffered assests would increase in an amount of approximately €2 million (2014: €4.3 million) if the difference was favorable.

e) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date.

Note 3.1.a). iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of interes rate derivatives.

In relation to the valuation of the derivative associated with the quoted price in the market share of CIE Automotive, S.A. a variation of 10% in the share price would affect the result for increasing / decreasing for €1,931 thousand.

f) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions. Note 24 contains further information and a sensitivity analysis for changes to the most significant estimates.

g) Product warranties

Product warranty risks are recognised when there is a firm claim not covered by the relevant insurance policy.

Due to the nature of its business, the Solutions and Services segment (Smart Innovation) does not offer product warranties other than those relating to the proper performance of the work for which it is employed. According to the technical studies and estimates based on experience in each of the services provided, as well as recent trends that might suggest that past cost information may differ from future claims. There is no claims history to determine the need for a provision of guarantees.

4.2. Significant judgments in applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 2 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 2.7.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 2.20.b), 4.1.d), 23 and 30.
- Estimation of the useful lives of property, plant and equipment (Note 2.5).
- In order to value financial derivatives and other assets, the Group uses valuation techniques that are widely used in the financial markets. In general, the valuation of any financial derivative is based on discounted cash flow analysis, based on the interest rate curve, from which the zero coupon curve is derived together with the discount factors and the implicit forward rates. To value instruments that include options, the Group uses the implied volatility priced in by the markets and option pricing models, such as Black-Scholes for Plain vanilla options or Vanna-Volga for barrier options. The Group uses professional market applications to this end and engages an independent external advisor when necessary.
- Estimation of the services provided by employees that are remunerated by means of share-based payments (Notes 2.22 and 28).
- Percentage of completion or ending of rendering services contracts.

5. Segment information

The Executive Steering Committee, consisting of six members of the Board of Directors, is the Group's chief operating decision-making body. The Executive Steering Committee reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments.

Management has determined the operating segments based on the structure of the reports reviewed by the Executive Steering Committee.

The Executive Steering Committee analyses the business of CIE Automotive Group from a geographical perspective and from the different business lines (segments) that the Group has.

The Group operates with two different segments:

- Automotive
- Solutions & Services (Smart Innovation)

The activity of the current segments and their geographic distribution (in case of Automotive) is now analysed:

<u>Automotive segment</u>

This segment relates to the production of parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier with the OEMs assuming the role of the TIER 1 supplier.

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- Multi-technology: command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.
- Global market: worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from difference geographic areas.

Following the inclusion in the Group of the companies acquired from the Mahindra & Mahindra Group, and the creation of the Mahindra CIE Automotive, Ltd. Group, CIE Automotive Group has begun to analyse the automotive operating segment on the basis of its management units, distinguishing basically Mahindra CIE Group from the automotive businesses in Brazil and Mexico, and the other automotive companies, located mainly in Europe.

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

(Thousand euro)

- NAFTA:

  This segment includes, basically, Group companies located in Mexico and United States.
- Brazil:

  This segment includes basically Autometal Group companies located in Brazil.
- Mahindra CIE and Asia:

  In response to the new reality of business and the organization of the group, this segment includes the business of manufacturing forging components that existed in the group including the annual results of the companies CIE Galfor, S.A. U. and CIE Legazpi, S.A.U. (Spanish companies), and U.A.B. CIE LT Forge (Lithuanian company) and the companies that joined the Group as from 4 October 2013 located in India and Europe and those which have joined the Group in December 2014 located in India and Italy. In addition, and not being significant in this segment, the group companies operating in Chinese market are included, except from Advanced Comfort Systems Shangai Co. Ltd., which is non-significant and since it consolidates within its European parent comapny, it is gathered within the European segment- rest of automotive.
- Europe- Rest of Automotive:

  This segment includes all non dependent of Mahindra CIE subgroup manufacturing businesses basically located in Europe.

Solutions & Services Segment (Smart Innovation)

The companies included in this segment offer a sum of solutions and services which aim to make more efficient the productive processes of their customers, always under the common denominator of intelligent sensorization and environmental data collection and an active application of knowledge and technology (Smart Innovation concept).

The qualification of solution or service obeys to the scope offered to the client: Solution when offering to make efficient a productive process that the client will remain to manage. On the opposite, service when we take a complete process of one of our clients (outsourcing) and we manage it completely.

Under the previous portfolio, and orientated to clients in sectors that go from the Technological one, to Energy, Bank, Health, Education up to the Industrial sector, the ranges of the Solutions and Services given include integral projects of hospital equipment, optimization of communications and low currents, construction of renewable energies, supply, sensitizing and meteorological prediction, energy efficiency, design and construction of solar towers, ovens and productive plants, solutions of bank business, digital and communication strategies, drugstore and dietetics, etc. and services of monitoring, installation and maintenance of networks of telecommunications, bank, education, governmental, industrial maintenance, distribution services and commercial processes.

The Executive Steering Committee assesses the performance of the continuing operations of its operating segments based mainly on key financial metrics such as sales, EBITDA (Operating profit plus amortization and depreciation) and EBIT (operating profit). The information received by the Executive Steering Committee also includes globally a breakdown of finance income and costs and tax issues, profit/loss from discontinued operations (Note 13). These items are analysed at the Group level since they are essentially managed in a centralised manner.

Segment information

The earnings performance by segment:

	2015					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe – Rest of Automotive	Solutions and Services	Total
Revenue	484,246	182,613	771,956	667,684	525,021	2,631,520
Other operating expenses and income (excluding depreciation and amortization)	(377,318)	(170,893)	(689,376)	(544,991)	(483,468)	(2,266,046)
Depreciation and amortization	(19,497)	(10,394)	(33,907)	(44,997)	(12,373)	(121,168)
EBIT (operating profit)	87,431	1,326	48,673	77,696	29,180	244,306
EBITDA	106,928	11,720	82,580	122,693	41,553	365,474

(Thousand euro)

	2014					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe – Rest of Automotive	Solutions and Services	Total
Revenue	393,325	252,865	607,514	663,053	292,759	2,209,516
Other operating expenses and income (excluding depreciation and amortization)	(330,048)	(226,001)	(534,990)	(557,112)	(270,502)	(1,918,653)
Depreciation and amortization	(13,143)	(11,673)	(28,381)	(54,787)	(10,696)	(118,680)
EBIT (operating profit)	50,134	15,191	44,143	51,154	11,561	172,183
EBITDA	63,277	26,864	72,524	105,941	22,257	290,863

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

Other profit and loss disclosures by segment:

	2015					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe – Rest of Automotive	Solutions and Services	Total
Depreciation and amortization:	(19,497)	(10,394)	(33,907)	(44,997)	(12,373)	(121,168)
Property, plant and equipment	(17,485)	(10,182)	(32,660)	(39,568)	(6,757)	(106,652)
Intangible assets	(2,012)	(212)	(1,247)	(5,323)	(5,616)	(14,410)
Impairment	-	-	-	(106)	-	(106)

	2014					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe – Rest of Automotive	Solutions and Services	Total
Depreciation and amortization:	(13,143)	(11,673)	(28,381)	(54,787)	(10,696)	(118,680)
Property, plant and equipment	(11,846)	(11,457)	(27,568)	(40,783)	(4,417)	(96,071)
Intangible assets	(1,297)	(216)	(813)	(5,612)	(6,279)	(14,217)
Impairment	-	-	-	(8,392)	-	(8,392)

The reconciliation of operating profit to profit attributable to owners of the parent at 31 December 2015 and 2014:

	2015	2014
Operating profit	244,306	172,183
– Finance income/(expense) (Note 29)	(36,012)	(31,909)
– Gains /(losses) on financial instruments (Note 29)	7,644	(284)
– Change in fair value of assets and liabilities taken to income statement (Note 29)	(30,431)	176
– Interest in the results of equity method companies (Note 8)	1,163	(3,029)
– Income tax (Note 30)	(40,092)	(38,672)
– Gain/loss after tax from discontinued operations (Note 13)	(763)	(355)
– Non-controlling interests (attributed profit (Note 18)	(16,751)	(17,062)
Profit attributed to the parent company	129,064	81,048

(Thousand euro)

Segment assets and liabilities at year end and investments made during the year:

	31 December 2015					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe – Rest of Automotive	Solutions and Services	Total
Investments in associates	623	450	-	1,203	7,269	9,545
Rest of assets	474,452	291,824	1,109,775	786,856	597,697	3,260,604
Total assets	475,075	292,274	1,109,775	788,059	604,966	3,270,149
Total liabilities	307,027	175,924	495,408	895,128	493,907	2,367,394
Fixed Asset additions (Notes 6 and 7)	53,466	16,512	37,181	52,352	12,541	172,052
Disposal of assets net of depreciation and amortization (Notes 6 and 7)	(1,116)	(539)	(504)	(2,199)	(1,128)	(5,486)
Net investments for the year (Notes 6 and 7) (1)	52,350	15,973	36,677	50,153	11,413	166,566

	31 December 2014					
	Automotive					
	NAFTA	Brazil	Mahindra CIE and Asia	Europe – Rest of Automotive	Solutions and Services	Total
Investments in associates	420	492	-	543	42	1,497
Rest of assets	411,924	544,734	1,105,754	582,149	545,184	3,189,745
Total assets	412,344	545,226	1,105,754	582,692	545,226	3,191,242
Total liabilities	253,099	436,801	537,383	648,522	436,801	2,312,606
Asset additions (Notes 6 and 7)	32,435	11,727	21,738	56,502	9,359	131,761
Fixed asset disposals net of depreciation (Notes 6 and 7)	(53)	(92)	(474)	(1,020)	(770)	(2,409)
Net investments for the year (Notes 6 and 7) (1)	32,382	11,635	21,264	55,482	8,589	129,352

(1) Excludes movements in goodwill.

Segment assets mainly include property, plant and equipment, intangible assets (Including goodwill), deferred tax assets, inventories, accounts receivable and cash. Investments in investees included in the consolidation scope are shown separately.

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 6) and intangible assets (Note 7).

Revenue and non-current assets by geographic area:

	Revenue		Non-current assets (*)	
	2015	2014	2015	2014
AUTOMOTIVE				
Spain (**)	183.681	201,415	231.430	218,445
Rest of Europe	958.318	878,978	506.213	472,308
Brazil	182.613	252,865	164.030	207,996
NAFTA	484.246	393,325	323.478	261,599
Asia (***)	297.641	190,174	443.283	459,643
Total Automotive	**2.106.499**	**1,916,757**	**1.668.434**	**1,619,991**
SOLUTIONS AND SERVICES (SMART INNOVATION)				
Spain	174.057	63,906	93.734	87,799
Rest of Europe	127.645	69,865	147.252	147,111
America	130.932	106,513	13.016	16,457
Asia & Oceania and others	92.387	52,475	5.956	7,932
Solutions and Services Segment (Smart Innovation)	**525.021**	**292,759**	**259.958**	**259,299**
TOTAL	**2.631.520**	**2,209,516**	**1.928.392**	**1,879,290**

(*) Non-current assets that are not financial instruments and deferred tax assets.

(Thousand euro)

(**) Sales in Spain in the Automotive segment mainly go to end customers that are located abroad.
(***) This line includes the Indian companies of the Mahindra Group incorporated during the year (Notes 1 and 35), the European companies being recognised in a separate line, as well as the Group companies located in China.

a) Customer information

The Group's sales policy limits its credit risk.

In no instance does invoicing per customer or platform in automotive segment account for more than 10.9% of total revenue (2014: 10.5%).

In the segment of solutions and services, corresponding to Multi-technological T&T services sales revenue a customer has exceeded 10% of the turnover of the segment for the years 2015 and 2014. Sales of this customer in 2015 have amounted to €83,171 thousand (2014, €96,105 thousand).

6. Property, plant and equipment

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

2015:

	Balance at 31/12/2014	Additions due to changes (Note 35)	Additions	Disposals	Transfers and other (*)	Balance at 31/12/2015
Cost						
Land and buildings	449,264	-	2,951	(92)	14,213	466,336
Plant and machinery	1,415,792	139	34,873	(33,791)	95,318	1,512,331
Other fixed assets	265,690	16	14,458	(2,639)	(17,047)	260,478
Prepayments and assets under construction	157,426	-	107,197	(3,424)	(106,145)	155,054
	2,288,172	155	159,479	(39,946)	(13,661)	2,394,199
Depreciation						
Land and buildings	(155,970)	-	(10,492)	1	155	(166,306)
Plant and machinery	(935,383)	(18)	(74,540)	30,349	8,062	(971,530)
Other fixed assets	(258,486)	-	(21,620)	4,114	1,576	(274,416)
	(1,349,839)	(18)	(106,652)	34,464	9,793	(1,412,252)
Provisions						
Plant and machinery	(10,372)	-	(106)	173	(121)	(10,426)
	(10,372)	-	(106)	173	(121)	(10,426)
Carrying amount	927,961					971,521

(*) Mainly includes the effect of exchange differencies of the currencies in which the property, plant and equipment of foreign subsidiaries are denominated and transfers from prepayments and assets under construction to PPE held for use.

2014:

	Balance at 31/12/2013	Additions due to changes (Note 35)	Additions	Disposals	Transfers and other (*)	Balance at 31/12/2014
Cost						
Land and buildings.	360,054	69,757	3,093	(473)	16,833	449,264
Plant and machinery	1,211,748	119,235	31,689	(20,814)	73,934	1,415,792
Other fixed assets	229,522	11,821	8,866	(2,001)	17,482	265,690
Prepayments and assets under construction	120,396	20,146	80,155	(1,327)	(61,944)	157,426
	1,921,720	220,959	123,803	(24,615)	46,305	2,288,172
Depreciation						
Land and buildings	(123,243)	(15,677)	(12,046)	342	(5,346)	(155,970)
Plant and machinery	(797,532)	(73,076)	(68,204)	18,783	(15,354)	(935,383)
Other fixed assets	(224,007)	(15,998)	(15,821)	3,023	(5,683)	(258,486)
	(1,144,782)	(104,751)	(96,071)	22,148	(26,383)	(1,349,839)
Provisions						
Plant and machinery	(1,978)	-	(8,339)	97	(152)	(10,372)
	(1,978)	-	(8,339)	97	(152)	(10,372)
Carrying amount	774,960					927,961

(*) Mainly includes the effect of exchange differencies of the currencies in which the property, plant and equipment of foreign subsidiaries are denominated and transfers from prepayments and assets under construction to PPE held for use.

(Thousand euro)

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 31 December 2015 and 2014:

	2015			2014		
	Cost	Accumulated depreciation/ Provisions	Carrying amount	Cost	Accumulated depreciation/ Provisions	Carrying amount
America	630	(304)	326	597	(297)	300
Europe	1,484	(1,005)	479	1,440	(966)	474
Asia	280	(114)	166	251	(97)	154
	2,394	(1,423)	971	2,288	(1,360)	928

b) Assets not used in operations

At 31 December 2015 and 2014 no significant items of property, plant and equipment were not used in active use.

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

At 31 December 2015, there are items of property, plant and equipment (land and buildings) with a carrying amount of €43.2 million (2014: €70.6 million) are pledged to guarantee debts with government bodies and financial institutions with outstanding balances at year-end 2015 of €10.2 million (2014: €30.3 million) (Note 22).

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:

	2015	2014
Cost-capitalised finance lease	27,865	26,129
Accumulated depreciation	(10,508)	(8,756)
Carrying amount	17,357	17,373

The amounts payable under finance leases are carried under Other liabilities (Note 22).

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing costs in 2015 or 2014 involving significant amounts.

7. Intangible assets

Set out below is an analysis of the main intangible asset classes showing movements in assets:

2015:

	Balance at 31/12/2014	Additions/ (changes) in scope (Note 35)	Additions	Disposals	Transfers and other (*)	Balance at 31/12/2015
Cost						
Goodwill on consolidation	897,410	5,547	-	-	2,845	905,802
R&D (development)	67,789	-	3,914	(4,630)	(2,390)	64,683
Computer applications	59,214	-	7,520	(2,166)	332	64,900
Prepayments and other	21,131	(2,500)	1,139	(304)	(1,251)	18,215
	1,045,544	3,047	12,573	(7,100)	(464)	1,053,600
Accumulated amortization	(99,537)	-	(14,410)	6,923	4,824	(102,200)
Provisions	(53)	-	-	-	53	-
Carrying amount	945,954					951,400

(*) Mainly includes the impact of currency fluctuations on the intangible assets held by the Group's foreign subsidiaries.

(Thousand euro)

2014:

	Balance at 31/12/2013	Additions/ (changes) in scope (Note 35)	Additions	Disposals	Transfers and other (*)	Balance at 31/12/2014
Cost						
Goodwill on consolidation	378,463	500,454	-	-	18,493	897,410
R&D (development)	45,805	18,604	3,172	(19)	227	67,789
Computer applications	47,973	9,278	3,450	(2,205)	718	59,214
Prepayments and other	7,038	13,145	1,336	(11)	(377)	21,131
	479,279	541,481	7,958	(2,235)	19,061	1,045,544
Accumulated amortization	(69,112)	(18,915)	(14,217)	2,196	511	(99,537)
Provisions	-	-	(53)	-	-	(53)
Carrying amount	410,167					945,954

(*) Mainly includes the impact of currency fluctuations on the intangible assets held by the Group's foreign subsidiaries.

The additions/ change in goodwill (Note 35) break down as follows:

Segments	2015	2014
Automotive	420	326,790
Solutions and Services (Smart Innovation)	5,127	173,664
	5,547	500,454

a) Testing for impairment losses on goodwill

Goodwill has been assigned to the Group's cash-generating units (CGUs) on the basis of the criterion of grouping together under each CGU all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

Besides, after the incorporation in the second half of 2014 and at the 2014 year end of the activities carried out by the subgroup Beroa, Bilcan and Global Near (Note 35), at the 2014 year end the Solutions and Services segment (Smart Innovation) undertook an internal restructuring based on the basic characteristics of the global activities performed and which led to the initial definition of four different CGUs. In 2015 goodwill was redistributed among the units involved.

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

	Goodwill	
Cash-generating units	2015	2014
Automotive segment:		
Brazil	58,276	74,690
NAFTA	101,549	93,184
Mahindra-CIE	410,093	398,926
Rest of Automotive (Europe)	136,543	136,006
Solutions and Services Segment (Smart Innovation)		
Solutions	115,684	109,936
T&T services	27,865	28,255
Industry services	23,328	24,336
Commercial services	32,464	32,077
	905,802	897,410

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.

(Thousand euro)

b) Key assumptions used in the calculation of value in use

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

The discount rates applied to cash flow projections were as follows:

	2015	2014
Automotive		
Brazil	11.31%	11.40%
NAFTA	6.89%-8.44%	7.31%-9.95%
Mahindra-CIE	5.9%-13.14%	7.07%-15.62%
Rest of Automotive (Europe)	5.92%-13.51%	7.09%-15.67%
Solutions and Services (Smart Innovation)		
Solutions	6.5%.12%	9.00%-11.00%
T&T Services	7%.15%	9.00%-11.00%
Industry Services	6%.10%	9.00%-11.00%
Commercial Service	7%	9.00%

The applied WACC ranges are derived from the cash flows that are generated in different countries with different country risks characteristics.

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

The main changes in discount rates compared to those used in the previous year are mainly determined by the variations in risk-free rates.

Group 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 EBITDA's (operating result plus amortization and impairment) vary by type of business as follows:

	% of revenue	
	2015	2014
Automotive	5.49%-32.58%	7.78%-34.2%
Solutions and Services (Smart Innovation)	6.5%-10.4%	3.9%-17.2%

Other forecast net movements in cash and flows related to tax are factored in to obtain after-tax free cash flow for each year.

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

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 0% and 4%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. For calculating the residual value these flows are updated considering the discount rate used in the projections and deduced by the growth rate considered.

c) Results of the analysis

The Group has verified that goodwill did not suffer any impairment loss in either 2015 or 2014, existing a great clearance regarding the value in use taking into consideration the hypothesis detailed in the preceding paragraphs of the net assets of each CGU in both years. Note 4 includes sensitivity analysis with respect to the goodwill impairment calculation.

(Thousand euro)

The recoverable amount of the CGUs was determined based on value-in-use calculations, which require the use of estimates. To calculate value in use in 2015 and 2014, the assumptions used to project the related cash flows reflect the overall situation of the Group's operating markets as well as factoring in their projected performance.

Note 4.1.a) includes data on the sensitivity of these calculations.

8. Financial assets

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

	Held-to-maturity financial assets	Available-for-sale financial assets	Financial assets at fair value with changes in income statement	Derivative financial instruments	Investments in associates	Total
At 1 January 2014	**81,582**	**25,477**	**6,105**	**(7,933)**	**17,849**	**123,080**
Additions /(changes) consolidation scope	(37,431)	-	-	(448)	(14,299)	(52,178)
Additions	72,193	-	-	-	-	72,193
Disposals	(6,613)	(31,339)	(6,411)	189	(623)	(44,797)
Transfers and other movements (1)	745	2,645	130	379	63	3,962
Fair value adjustment						
- Profit or loss	(565)	(7,926)	176	(284)	-	(8,599)
- Equity	-	11,143	-	(2,177)	-	8,966
Share of profit/(loss) of associates	-	-	-	-	(3,029)	(3,029)
At 31 December 2014	**109,911**	**-**	**-**	**(2) (10,274)**	**(3) (39)**	**99,598**
Additions (4)	7,721	-	-	(18)	(4) 8,404	16,107
Disposals (5)	(24,013)	-	-	3,818	(5) (40)	(20,235)
Transfers and other movements (1)	(2,450)	-	-	1,953	(185)	(682)
Fair value adjustment						
- Profit or loss	744	-	-	5,604	-	6,348
- Equity	-	-	-	(11,387)	(1,292)	(12,679)
Share of profit/(loss) of associates	-	-	-	-	1,163	1,163
At 31 December 2015	**91,913**	**-**	**-**	**(2) (10,304)**	**(3) 8,011**	**89,620**
2015						
Non Current	11,985	-	-	-	-	11,985
Current	79,928	-	-	5,774	-	85,702
Investments in associates	-	-	-	-	9,545	9,545
2014						
Non Current	13,868	-	-	-	-	13,868
Current	96,043	-	-	215	-	96,258
Investments in associates	-	-	-	-	1,497	1,497

(1) Mainly includes the impact of currency fluctuations on the financial assets held by the Group's foreign subsidiaries and transfers.

(2) This total is presented net of €16,078 thousand (31 December 2014: €10,489 thousand) corresponding to derivatives recognised on the liability side of the consolidated balance sheet (Note 8.b)).

(3) Of this amount, €1,534 thousand (2014: € 1,536 thousand) are recognised as a non-current provision on the liability side of the balance sheet in order to prevent a negative balance in respect of the cost of the investment in this company (Note 25).

(4) It is related to the addition made in the new company "Concesionaria Chile Salud Siglo XXI, S.A." as well as to the capital subscription that is proportional to the participation in Czech company, Antolin -CIE Czech Republic, s.r.o (Note 1)

(5) This includes the effect of the equity value of the CIE Automotive Hispamoldes, S.L. written off from Investments in associates due to its consideration as fully consolidated method and its subsequent merger (Note 1 y 35).

All the assets recognised at fair value, are traded in an active market from which the value is obtained at each date (Note 3.3).

At 31 December 2015 and 2014, all the Group's financial assets that did not mature or become impaired during the year are treated as high quality and show no signs of impairment.

(Thousand euro)

a) Financial assets held to maturity

	2015	2014
Term deposits	46,734	57,391
Short-term loans (Note 36)	42,321	52,520
Long-term loans (Note 36)	2,858	-
	91,913	109,911

The term deposits and loans bear market interest rates in the countries in which the financial assets are held.

No held-to-maturity financial asset has been reclassified.

Financial assets held to maturity show an impairment loss of €11.3 million generated in 2012 and 2013 by a liquidity issue in one of the Brazilian financial institutions with which the Group operated.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

b) Financial derivatives instruments

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Swaps (interest rate)				
- cash flow hedges	-	(7,369)	35	(4,384)
- not hedged	-	(627)	-	-
Equity Swap	5,411	-	180	
Not hedge cash flow exchange rate swaps	363	(3)	-	-
Hedge of a net investment in foreign operations	-	(8,079)	-	(6,105)
Total	5,774	(16,078)	215	(10,489)

- Swaps (interest rate and others)

  The notional principal on interest-rate swaps (variable to fixed rate) classified as hedging instruments, outstanding at 31 December 2015 amounts to €450 million and USD 31.7 million and DKK 10 million (2014: €210 million and US 38.3 million and DKK 10 million).

  Additionally, there are Interest rate swaps (variable to fixed) which principal notional outstanding at 31 December 2015 amounts to 35 million euros, which have been classified as non hedging.

  At 31 December 2015, the fixed rates, without margin, range between 0.24% and 1.68% (2014: between 0.52% and 1.68%) while variable interest rates are indexed mainly to EURIBOR and LIBOR.

- Equity swap

  On 6 August 2014 the Parent Company arranged a derivative associated with the listed share price of CIE Automotive, S.A.The underlying of the operation amounts to 1.25 million shares with an initial value of 11.121 euro per share. This instrument does not qualify for classification as a hedge and at 31 December 2015 is valued at €5,411 thousand (31 December 2014: €180 thousand).

- Foreign currency forward contracts

  The notional principal amounts of forward contracts in foreign currency outstanding at 31 December 2015 amounts to 30 million US dollars, classified as non-hedging instruments. At 31 December 2014 the Group did not have contracts of this type.

(Thousand euro)

- Hedge of a net investment in foreign operations

As indicated in Note 3.1 a), until October 2014 the Parent Company, through its Brazilian subsidiaries, Autometal, S.A. and CIE Autometal, S.A., managed the foreign exchange exposure deriving from the net assets of its Mexican and European automotive societies, which are denominated in US dollars and euros, respectively, through loan hedges and foreign exchange derivatives.

At 31 December 2015 and 2014 part of the Group's borrowings, denominated in US dollars, is designated as a hedge of the net investment in the Group's subsidiaries in the NAFTA automotive segment amounting to €45.4 million (€50.6 million at 31 December 2014).

The negative effect of foreign exchange differences amounting to €35.8 million (€21.5 million at 31 December 2014) caused by the conversion of the above-mentioned debt has been recognised in equity in the Consolidated Statement of Comprehensive Income.

c) Investments in associates

Except for the companies set out below, all subsidiaries have been consolidated under the full consolidation method.

The companies consolidated under the equity method are as follows (Note 1):

	% effective interest		Value of interest		Share in profit /(loss) (***)	
	2015	2014	2015	2014	2015	2014
Gescrap - Autometal Comercio de Sucatas, Ltd.	30.00%	30.00%	450	493	88	147
Gescrap - Autometal de México, S.A. de CV	30.00%	30.00%	623	420	153	143
Antolin- Czech Republic, s.r.o.	30.00%	30.00%	1,210	191	94	20
Beroa Thermal Energy, S.L. (****)	-	-	-	-	-	(2,141)
Grupo CIE Avtocom (*****)	-	-	-	-	-	(1,359)
CIE Automotive Hispamoldes, S.L. y dependientes (**)	-	50.00%	-	248	-	-
Centro Near Servicios Financieros, S.L.	14.48%	14.48%	-	21	(55)	-
Advance Flight Systems, S.L.	18.89%	18.89%	-	22	(190)	-
Refraline Pty. Ltd	-	-	-	-	-	166
Sociedad Concesionaria Chile Salud Siglo XXI, S.A.	18.89%	-	7,269	-	1,084	-
Otras (*)	-	-	(7)	102	(11)	(5)
			9,545	1,497	1,163	(3,029)

(*) Companies that are either not material or are in the process of being liquidated. The provision for the losses accumulated on these investments in associates and losses on commitments assumed by them amounting to €1,534 thousand (31 December 2014: €1,536 thousand) are included in "Non-current provisions" under liabilities on the consolidated balance sheet.

(**) Companies consolidated in 2015 under the full consolidation method.

(***) Includes profit/loss on sales of certain interests in 2014 (Note 1).

(****) In 2014 a 100% of Beroa Thermal Energy Group, S.L. was acquired so in that exercise it was eliminated the initial investment in that subsidiarie until the takeover (Note 1).

(*****) In December 2014 CIE Automotive Nuevos Mercados, S.L. sold the interest on the company CIE Avtocom Kaluga, LLC (merged in 2014 with CIE Avtocom, LLC) amounting to €1, generating a loss of €1,359 thousand in the second semester of 2014, so that at 31 December 2014 did not participate in any of the Russian companies described above.

In February 2015, Global Dominion Access, S.A. has acquired 4,500 shares of the Chilean company Concesionaria Chile Salud Siglo XXI, S.A., amounting to 5.247 million Chilean pesos, equivalent to €7.5 million in the date of adquisition, with an inherent goodwill in the acquisition of Chilean pesos 1,367 million, equivalent to €1.9 million in the date of adquisition. In this way, Dominion Access Global, S.A. holds a 30% interest in this company.

In June 2015, the company Antolin Czech Republic , s.r.o. has increased capital by CZK82,230 thousand. This capital increase has been fully subscribed proportionally by CIE Berriz, S.L. and Grupo Antolin Irausa, S.A. (Note 1)

There are no significant restrictions on the ability to access to those assets. There are no contingent liabilities related to these investments in associates. None of these companies is listed on a stock exchange.

d) Available-for-sale financial assets

At 31 December 2013 the amount recognised in this item (€25.5 million) related to Brazil government securities with inflation-linked interest rates. During 2014 all these securities were settled. Such settlement had an impact on the income statement amounting to a loss of approximately €7.9 million.

(Thousand euro)

9. Other non-current assets

This balance sheet heading includes loans to third parties totalling €3,383 thousand (€3,168 thousand in 2014) relating mainly to the automotive segment, as analysed below by maturity date:

	2015	2014
Between 1 and 2 years	1,977	2,124
Between 3 and 5 years	813	768
More than 5 years	593	276
	3,383	3,168

Loans to Group companies, associates and third parties accrue interest at variable rates benchmarked to Euribor. As a result, their fair value does not differ significantly from their carrying amount.

10. Trade and other receivables

	2015	2014
Trade receivables	309,051	263,969
Trade receivables, pending invoices (Note2.24.b)	49,738	31,865
Less: Provision for impairment of receivables	(14,958)	(18,069)
Trade receivables – Net	343,831	277,765
Other receivables	21,230	14,888
Total	365,061	292,653

The fair values of trade and other receivables arrived at by discounting the related cash flows at market rates do not differ from their carrying amounts.

Trade receivables caption includes those balances on product sales as well as amounts invoiced to customers for work completed or services provided and pending collection at the year end.

Trade receivables, percentage of completion, that is part of a balance of pending invoices, reflect unbilled revenue on the basis of the percentage of completion of work or services in progress at the year end. The balance outstanding at 31 December 2014 has been billed throughout the year 2015, the balance outstanding at 31 December 2015 corresponds to projects begun in the exercise 2015.

At 31 December 2015 trade and other receivables discounted and advanced financial by institutions amount to €14.1 million (2014: €35.2 million). These transactions have been accounted for as a bank loan (Note 20).

The amounts covered by non-recourse factoring or account receivable sales agreements at year-end have been derecognised as the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At 31 December 2015 this balance totals €178.3 million (2014: €202.3 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 5).

Given the characteristics of the Group's customers, balances receivable due in less than 60 days in the Automotive segment and 120 - 180 days in the Smart Innovation segment (Note 5) have historically entailed no credit risk as they fall within the normal collection period in the sector. The Group considers that the credit quality of these outstanding balances, which it deems neither impaired nor non-performing, is high. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

At 31 December 2015 balances receivable due in more than 60 days that have expired amounts to €13.2 million (2014: €20.1 million) within the automotive segment request and due in more than 120 days amounts to €9 million (2014: €9.4 million) in the Smart innovation segment. However, most of these balances are not impaired as they related to a number of independent customers for whom there is no recent history of default. In addition, many payments are related to industrialisation milestones or the percentage of completion, so that it is nor estimated a great impairment for the balance receivable than the one registered.

The ageing analysis of these trade receivables that are expired is as follows:

	2015	2014
Between 2 and 4 months	7,935	8,393
Between 4 to 12 months	8,424	7,446
More than 12 months	10,283	17,272
	26,642	33,111
(Provision)	(14,958)	(18,069)
	11,684	15,042

Trade receivables that are deemed impaired and have therefore been provisioned for mainly relate to balances that are past due by more than 18 months. The Group expects to recover a portion of its provisions trade receivables. The other classes within trade and other receivables do not contain impaired assets.

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies (thousand euro):

	2015	2014
Euro	148,688	121,038
US dollar	80,542	70,116
Brazilian real	31,672	30,824
Indian rupee	36,916	32,825
Other	60,971	41,031
	358,789	295,834

Movements on the Group provision for impairment of trade receivable in 2015 and 2014 are as follows:

	2015	2014
Opening balance	**18.069**	**8.617**
Changes in consolidation scope	-	9,413
Additions (Note 27)	2,383	1,964
Recoveries (Note 27)	(2,795)	(1,725)
Transfers	(57)	-
Receivables written off	(2,642)	(200)
Closing balance	14,958	18,069

11. Inventories

	2015	2014
Goods held for resale	6,898	13,424
Raw materials and supplies	138,104	130,745
Work in progress and semi-finished goods	60,137	63,937
Finished goods	75,378	65,313
Prepayments to suppliers	13,237	15,490
	293,754	288,909

The Group has insurance policies to cover the risks affecting its inventories and considers the coverage provided sufficient.

The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

(Thousand euro)

2015

	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	144,169	129,250	273,419
Changes in consolidation scope (Note 35)	99	87	186
Purchases /Changes in provisions	1,482,900	362	1,483,262
Other movements (*)	(11,724)	2,605	(9,119)
Closing balance	(145,002)	(135,515)	(280,517)
Cost of sales	**1,470,442**	**(3,211)**	**1,467,231**

2014

	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	100,683	111,794	212,477
Changes in consolidation scope (Note 35)	23,515	13,595	37,110
Purchases /Changes in provisions	1,286,307	(630)	1,285,677
Other movements (*)	5,766	(2,172)	3,594
Closing balance	(144,169)	(129,250)	(273,419)
Cost of sales	**1,272,102**	**(6,663)**	**1,265,439**

(*) Corresponds mainly to the effect of exchange rate fluctuations on the companies located abroad.

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presented below:

	Amount
At 1 January 2014	**7,089**
Changes in consolidation scope	7,144
Additions (Note 27)	1,615
Balance write-offs/ transfers	(580)
At 31 December 2014	**15,268**
Changes in consolidation scope	-
Additions (Note 27)	3,175
Balance write-offs/ transfers	(2,437)
At 31 December 2015	**16,006**

12. Cash and cash equivalents

Cash and other cash equivalents at 31 December 2015 and 2014 break down as follows:

	2015	2014
Cash and banks	201,710	137,251
Current bank deposits	59,301	160,448
	261,011	**297,699**

Current bank deposits relate to investments of cash surpluses maturing in less than three months or available immediately.

These deposits earn interest at a market rate (country-specific) that ranged between 0.2% and 13.5% in 2015, depending on the currency (2014: 0.2% - 12.0%).

The carrying amount of cash at Group companies is denominated in the following currencies:

	2015	2014
Euros	104,967	73,613
US dollars	74,781	86,491
Brazilian real	27,930	95,884
Indian rupee	3,751	1,865
Other	49,582	39,846
	261,011	**297,699**

(Thousand euro)

13. Disposal groups classified as held-for-sale and discontinued operations

a) Automotive segment

In 2012 the Group decided to discontinue its virgin oil-based biodiesel production activities, including the related raw material plantation activity (jatropha) and to sell Biosur Transformación, S.L.U. At the year end 2015 and 2014 the commitment to the sales plan which has not been materialized is still in place. The fact that sale has not been materialized has not been due to the price of the operation but to the strategy of bidders. These activities can be clearly distinguished operationally and for financial reporting purposes. They represented a separate line of business.

b) Solutions and Services segment (Smart Innovation)

At the end of 2013 the Beroa subgroup took the decision to discontinue the cement mixer production activity carried out by the German subsidiary Karrena Betonanlagen und Farmischer GmbH. This activity can be clearly distinguished operationally and for financial reporting purposes. It represents a separate line of business within the subgroup's business and corresponds to a separate legal entity. Its net assets were measured at fair value. Since the decision was taken to discontinue its operations, the company has carried out residual operating activities and is realising its net assets which mainly comprise current assets.

The information concerning the disposal group's assets and liabilities classified as held for sale related to the situations described above is summarised below:

Assets of disposal group classified as held for sale

	2015	2014
Property, plant and equipment	22,400	23,090
Inventories	192	192
Other current assets	2,182	1,356
Other non-current assets	2	-
Total	**24,776**	**24,638**

Liabilities of disposal group classified as held for sale

	2015	2014
Capital grants	1,057	1,057
Deferred tax liabilities	352	352
Borrowings	161	53
Payables	2,239	643
Other current liabilities	216	262
Total	**4,025**	**2,367**

Estimated impairment losses were calculated by estimating the recoverable amounts of each asset.

In the specific case of the subsidiary Biosur Transformación, S.L.U., the Group's business valuation is based on the recoverable amount 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 assets was determined, based on quoted prices on the most significant active markets in each case.

In 2015 and 2014 all the assumptions of the assessments were revalued, not involving any change in estimates on the sales value of net assets of the company, so that no additional significant impairment was performed at all.

An analysis of the result of the discontinued operations detailed above, and the result recognised on the remeasurement of assets or disposal groups, is as follows:

	2015	2014
Revenue	6	222
Other revenue	227	117
Total income	233	339
Consumption	(133)	(316)
Staff costs	(481)	296
Impairment of fixed assets	(70)	(116)
Other expenses	(408)	(487)
Total expenses	(1,092)	(623)
Profit/(loss) before tax of discontinued operations	**(859)**	**(284)**
Tax	96	(71)
PROFIT/(LOSS) AFTER TAX OF DISCONTINUED OPERATIONS	**(763)**	**(355)**

Cash flows generated in 2014 and 2015, in these discontinued operations are irrelevant.

14. Share capital and share premium

	No. shares (thousand)	Subscribed capital	Share premium	Total
At 1 January 2014	**118,820**	**29,705**	**61,467**	**91,172**
Increase in capital in 2014	10,180	2,545	90,704	93,249
At 31 December 2014 and 2015	**129,000**	**32,250**	**152,171**	**184,421**

a) Share capital

In 2014 it was agreed to increase capital through an accelerated private placement, with the exclusion of pre-emptive subscription rights, of up to a maximum of 10,179,954 new shares representing 7.89% of the Parent Company's total share capital after the increase and a total amount of €93,248,378.64 of which €2,544,988.50 related to the par value of the shares while €90,703,390.14 related to the share premium. The issue price of the newly issued ordinary shares amounted to €9.16, of which €0.25 related to the par value and €8.91 to the share premium. On 6 June 2014 the capital increase deed was entered in the Mercantile Register of Bizkaia. On 10 June 2014 the Governing Bodies of the Spanish stock exchanges agreed to list the new shares and on 11 June 2014 the new shares were effectively traded.

There were no movements in the parent's capital in 2015.

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2015 and 2014 is represented by 129,000,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Spanish stock market. The companies that hold a direct or indirect interest of more than 10% are as follows:

	% interest	
	2015	2014
Acek Desarrollo y Gestión Industrial, S.L. (***)	(*)22.909%	(*) 22.909%
Mahindra & Mahindra, Ltd	(**) 12.435%	(**) 12.435%

(*) 9.808% directly and the remaining 13.101% indirectly through Risteel Corporation, B.V.

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

(***) Formerly Corporacion Gestamp, S.L.

The stock price of the parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €15.45 at 31 December 2015.

(Thousand euro)

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

At 31 December 2015 and 2014 the parent company has no treasury shares and nor are there any movements on treasury shares.

Similarly, the mandate conferred at the Annual General Meeting of 30 April 2015, whereby the parent company's Board of Directors of the parent company is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq. of the Spanish Enterprises Act 2010, is in effect until 30 April 2020.

15. Retained earnings

Movements in retained earnings are as follows:

	Retained earnings and first-time application of IFRS-EU reserve					
	Legal reserve	Reserve in consolidated companies and effect of first-time application of IFRS-EU (Note 17)	Profit and loss	Subtotal	Cumulative exchange differences (Note 16)	Total
At 31 December 2014	**5,941**	**373,899**	**81,048**	**460,888**	**(70,590)**	**390,298**
Distribution of 2014 profit	509	54,739	(81,048)	(25,800)	-	(25,800)
Income/(expense) recognised directly in equity, net	-	(46,110)	129,064	82,954	(26,519)	56,435
Changes in consolidation scope and business combinations (Note 35)	-	(5,037)	-	(5,037)	-	(5,037)
Other changes	-	(1,828)	-	(1,828)	(760)	(2,588)
At 31 December 2015	**6,450**	**375,663**	**129,064**	**511,177**	**(97,869)**	**413,308**

	Retained earnings and first –time application of IFRS -EU reserves					
	Legal reserve	Reserves in consolidated companies and effect of first time application of IFRS-EU (Note 17)	Profit and loss	Subtotal	Cumulative exchange differences (Note 16)	Total
At 1 January 2014	**5,700**	**370,050**	**60,125**	**435,875**	**(95,400)**	**340,475**
Distribution of 2013 profit	241	37,580	(60,125)	(22,304)	-	(22,304)
Income/(expense) recognised directly in equity, net	-	(13,861)	81,048	67,187	9,571	76,758
The outcome of the sale of shares	-	-	-	-	-	-
Changes in consolidation scope and business combinations (Note 35)	-	(19,863)	-	(19,863)	15,239	(4,624)
Other changes	-	(7)	-	(7)	-	(7)
At 31 December 2014	**5,941**	**373,899**	**81,048**	**460,888**	**(70,590)**	**390,298**

a) Legal reserve

In accordance with Article 274 of the Spanish Enterprises Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. At 31 December 2014 after the capital increase completed during that year, the reserve once did not reach this limit. Subsequently, following the distribution of 2014 profits, the reserve has reached the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

(Thousand euro)

b) Dividends paid

On 15 December 2015, the Board of Directors approved the payment of an interim dividend from 2015 profit of gross €0.16 per share carrying dividend rights, implying a total payout of €20,640 thousand. Payment was made on 4 January 2016.

The amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to Article 277 of the Spanish Enterprises Act 2010.

The provisional accounting statement at 31 October 2015 which has been prepared according to legal requirements and shows the existence of sufficient liquidity to distribute the aforementioned dividend, is as follows:

Provisional cash-flow statement	Amount
Profit forecast:	
- Available net profit for 2015	83,382
To deduct:	
- Legal reserve	-
Maximum amount to distribute	83,382
Amount distribution proposal	(20,640)
Treasury forecast for one year	131,021
Treasury forecast before dividend payment	55,889
Interim dividend	(20,640)

On 30 April 2015, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2014 profit (individual) as well as the distribution of a final dividend of €0.1 (gross) per share carrying dividend rights, amounting to a total payment of €12,900 thousand. Payment was made on 3 July 2015.

On 17 December 2014 the Board of Directors approved the payment of an interim dividend on account of profits for 2014 of a gross amount of €0.1 per share carrying dividend rights, which represented a total of €12,900 thousand. Payment was made on 5 January 2015.

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

On 30 April 2014, the parent company's shareholders in general meeting agreed the motion for the distribution of 2013 profit (individual) approving the distribution of a final dividend of €0.09 per share carrying dividend rights, amounting to a total payment of €11,610 thousand. Payment was made on 3 July 2014.

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

c) Proposal for the distribution of results

The proposal for distributing the parent company's 2015 profit, determined in accordance with accounting principles generally accepted in Spain (legislation applicable to the parent company), that will be presented to the shareholders at the General Meeting, alongside the shareholder-approved distribution for 2014, is as follows:

	Under Spanish GAAP	
	2015	2014
Available for distribution		
Profit/(loss) for the year	92,809	48,978
Distribution		
To Voluntary reserves	50,239	22,669
To Legal reserve	-	509
To Interim dividend	20,640	12,900
To Final dividend	21,930	12,900
	92,809	**48,978**

(Thousand euro)

16. Cumulative exchange differences

The breakdown of cumulative exchange differences by segment at year-end 2015 and 2014 is as follows:

	2015	2014
Segments		
Automotive segment	(89,525)	(68,156)
Solutions and Services Segment (Smart Innovation)	(8,344)	(2,434)
	(97,869)	(70,590)

17. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first-time application of IFRS-EU amounts at €375,663 thousand and €373,899 at 31 December 2015 and 2014, respectively.

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments made in conjunction with transition to IFRS on the date of first-time application, 1 January 2005, and the effect of valuing certain financial assets/liabilities at market prices (Note 8).

Reserves and retained earnings pertaining to fully-consolidated companies, the distribution of which is subject to legal requirements, break down as follows:

	2015	2014
Legal reserve	29,719	34,594
Restricted reserves in Brazil	13,533	28,583
	43,252	63,177

18. Non-controlling interests

Movements in non-controlling interests are as follows:

	2015	2014
Opening balance	299,813	139,531
Net income/(expense) recognised directly in equity		
- Profit for the year	16,751	17,062
- Exchange differences	(3,113)	10,967
- Other (gross cash-flow hedges, tax effect, etc.)	114	(867)
	13,752	27,162
Dividend paid to non-controlling interests	(3,765)	(4,042)
Changes in consolidation scope and business combinations (Notes 1 and 35)	(838)	137,979
Other changes	(1,061)	(817)
Closing balance	307,901	299,813

The breakdown by segment is set out below:

Segment	2015	2014
Automotive	266,731	260,483
Solutions and Services segment (Smart Innovation)	41,170	39,330
	307,901	299,813

The breakdown of non-controlling interests by Company/Subgroup is as follows (in thousands of euros):

	% Non-controlling	non-controlling interest	Income attributable to non-controlling interest	100% Assets	100% Liabilities	100% Result
2015						
Mahindra CIE Subgroup	46.79%	237,650	14,487	982,935	475,027	30,961
Dominion Subgroup (1)	36.15%	41,170	7,552	594,451	493,907	17,025
Other minors		29,081	(5,288)	-	-	-
		307,901	16,751			
2014						
Mahindra CIE Subgroup (2)	46.79%	219,711	3,861	992,017	520,783	32,335
Dominion Subgroup (3)	36.15%	39,330	2,246	536,097	436,799	3,730
Other minors		40,772	10,955	-	-	-
		299,813	17,062			

(1) Includes non-controlling interests amounting to €4,823 thousand and profit attributable to non-controlling interests amounting to €1,398 million, corresponding to subsidiarie from the Dominion subgroup.

(2) Includes negative non-controlling interests in the amount of €779 thousand from subsidiaries of Mahindra CIEs' subgroup and losses attributable to non-controlling interests amounting to €11,268 thousand, corresponding to the effects of the consolidation percentage change as a result of the merger carried out in 2014 (Note 1).

(3) Includes non-controlling interests amounting to €3,434 thousand and profit attributable to non-controlling interests amounting to €1,875 million, corresponding to Dominion subgroup subsiadiaries. Further it includes a negative effect of €977 thousand as a result of changes in the scope described in Note 1.

19. Deferred income

The movement in deferred income is as follows:

2015

	Opening balance	Additions	Disposals	Transfers (*)	Taken to profit and loss	Closing balance
Tax credits on investment deductions	1,826	-	-	-	(196)	1,630
Capital grants	14,450	3,210	(76)	2	(2,575)	15,011
Other deferred income	728	896	(302)	-	(198)	1,124
	17,004	4,106	(378)	2	(2,969)	17,765

(*) Relates basically the exchange rate effect.

2014

	Opening balance	Changes in scope (Note 35)	Additions	Disposals	Transfers (*)	Taken to profit and loss	Closing balance
Tax credits on investment deductions	2,156	-	-	-	-	(330)	1,826
Capital grants	15,868	1,044	220	(353)	197	(2,526)	14,450
Other deferred income	812	-	342	(111)	-	(315)	728
	18,836	1,044	562	(464)	197	(3,171)	17,004

(*) Relates basically transfer from the deferred incomes to capital grants and to Group dispossal, classified as held for use as well as the effect of the exchange rate application.

The conditions relating to tax credits and grants have been met and therefore the Group does not expect to have to return them.

(Thousand euro)

20. Borrowings

	2015	2014
Non-current		
Bank borrowings (*)	828,265	849,897
	828,265	849,897
Current		
Bank borrowings (*)	157,790	215,966
Import trade finance (*) (Note 10)	579	3,014
Discounted bills pending maturity and prepayments export bills (Note 10)	14,120	35,200
	172,489	254,180
	1,000,754	1,104,077

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

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

	Balance at 31 December	At 1 year	At 5 years
At 31 December 2015			
Total borrowings (*)	986,634	828,265	23,856
Effect of interest rate swaps (Note 8)	(239,031)	(172,919)	-
Risk	747,603	655,346	23,856
At 31 December 2014			
Total borrowings (*)	1,068,878	849,897	40,262
Effect of interest rate swaps (Note 8)	(239,046)	(232,962)	(3,626)
Risk	829,832	616,935	36,636

Non-current borrowings have the following maturities:

	2015	2014
Between 1 and 2 years	200,346	200,805
Between 3 and 5 years	604,063	608,830
Over 5 years	23,856	40,262
	828,265	849,897

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 75 and 1,100 basis points (2014: between 125 and 550 basis points).

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since a important portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 3.1.a) and 8.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2015	2014
Euro	839,522	852,096
US dollar	132,158	203,058
Brazilian real	16,545	28,009
Other	12,529	20,914
	1,000,754	1,104,077

(Thousand euro)

At 31 December 2015 the Group had drawn down bank facilities in the amount of €251 million (2014: €278 million). The total limit on these facilities is €397 million (2014: € 394 million).

The Group has the following loans and undrawn credit lines:

	2015	2014
Floating rate:		
– Expiring within one year	78,826	60,208
– Expiring beyond one year	67,129	56,127
	145,955	116,335

At 28 July 2014 CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The financing which was structured in two tranches (a loan of €350 million and a credit facility of €100 million), covered:

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

The amortization period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the syndicated financing in effect. The balance at 31 December 2015 amounts to €450 million (31 December 2014, €450 million) and the interest rate is benchmarked to Euribor plus a variable spread based on the net debt /EBITDA ratio.

At 13 April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date at 13 April 2020. In addition, it was considered the possibility of delaying final maturity for one more year to 13 April 2021 expecting the approval at 13 April 2016.

At 23 June 2014 the Company entered into a financing contract with the European Investment Bank (EIB) for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2015 the drawndown balance amounts to €70 million (€45 million at 31 December 2014) and fixed interest.

Likewise, at 31 December 2014 the Group support two additional long-term lendings with the European Investment Bank (EIB) formed in 2010 and 2012 for a total amount pending of repayment of €30 million. These lendings have an interest rate indexed to the Euribor. In the year 2015 these loans have been canceled by mutual agreement due to the high economic cost of that funding.

During the first half of 2012, through its Brazilian subsidiary, Autometal, S.A., the Group issued BRL250 million of non-convertible bonds. At 31 December 2013 there were plans to pay the unit nominal value of each bond in three consecutive annual instalments. The first instalment would be paid in 2015 (33%), the second one in 2016 (33%) and the third and final instalment in 2017 (34%). The balance at 31 December 2013 amounted to €80.4 million. As mentioned above, on 15 July 2014 these bonds were redeemed early for BRL 264 million (approximately €88 million).

In the second half of 2013, the Group obtained a bilateral loan of USD 120 million from a Mexican financial institution, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., for a seven-year term and a one-year grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. The balance at 31 December 2015 amounted to €87 million (at 31 December 2014: €94.6 million).

All such financing is subject to compliance with certain ratios that are customary in the market for these types of contracts. These ratios are fulfilled at 31 December 2015 and 2014.

The Group also, through its Brazilian subsidiaries, has number of loans denominated in US dollars for a total of €45 million in December 2015 (31 December 2014: €106 million), maturing in 2020.

The rest of balances included in borrowing related loans on to bank credits distributed in the different companies, of the Group and contrated without specific additional guarantees and to interest rates of market in effect in the different countries.

In 2015, the Group has repaid €293 million related to bank credits and loans (2014: €543 million) and new loans and additional credit accounts have been arranged to the amount of €167 million (2014: €711 million).

These repayments largely reflect a debt refinancing effort designed to extend and enhance the Group's debt maturity profile.

21. Trade and other payables

	2015	2014
Trade payables	732,539	555,913
Advances of trade receivables (Note 2.24.b))	27,371	24,050
Other account payables	55,410	50,230
	815,320	630,193

At 31 December 2015 advances received on services reflect the excess between advances received from customers of work in progress for to €27.4 million, and the income recorded in accordance with the progress of the work (€24 million in 2014) (Note 2.24b)).

The fair values of these payables do not differ from their carrying amounts.

The breakdown of trade payables settled during the year and those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

	Days
Average payment period to suppliers.	71
Paid operations ratio.	85
Outstanding operations ratio.	54

	Thousand of euros
Total payments	627,295
Total outstanding payments	486,727

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, in the year 2016 we have launched a series of targeted measures essentially in the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

22. Other liabilities

	2015	2014
Non Current		
Fixed asset suppliers	5,246	7,545
Deferred taxes and social security payable	3,623	5,327
Other non-current debts	72,886	163,915
	81,755	176,787
Current		
Current tax liabilities	55,791	54,838
Deferred taxes and social security payable	989	2,362
Fixed asset suppliers	24,077	24,620
Accrued wages and salaries	52,685	56,022
Other current liabilities	113,357	31,714
Accruals and deferred income	8,979	14,466
	255,878	184,022

The fair values of these liabilities do not differ significantly from their carrying amounts.

(Thousand euro)

The balances included under ‘Payable to Public Administrations within current and non-current payables include liabilities generated by the deferral of VAT, personal income tax and social security payments as well as several other items (repayment of grants, court bonds and other).

Other non-current liabilities

At 31 December 2015 this heading includes loans to finance investment projects received from public financing institutions totalling to €29,419 thousand (2014: €28,765) and the renegociated loan with COFIDES in December 2014, at 31 December 2015 €10,000 thousand are disposed, of which €8,750 thousand in long-term (2014: €10,000 thousand), that will be repayed in 12 half-yearly instalments with a 1-year grace period (until 2016) and accruing interest at a rate benchmarked to Euribor plus a market spread.

At 31 December 2014 in the long-term debts heading gathered a contingent liability to the Fund I Holding Coöperatief W. A. VEP Dutch group derivative for purchase of remaining 50% of the participation in the group RS Automotive that expire in 2016 (Note 8). The amount at fair value still outstanding payment was 31 December 2014 for amount of €10,620 thousand.

In April 2015, a final agreement has been reached with VEP in order to advance the payment of the part outstanding and thereby settle all the rights and obligations of the contract. This operation has resulted in a final disbursement of €6,763 thousand, generating a profit of €4 million with respect to the contingent liability previously recognized at fair value registered as “Change in fair value of assets and liabilities taken to income statement” (Note 21).

With regard to the Solutions and Services segment (Smart Innovation), it is gathered in this heading the commitments of purchase of actions to non-controlling participations of the French subsidiary Beroa France, S.A.S. Regarding the remaining 6.38% of this French subsidiary, it is estimated a payment of €450 thousands. These liabilities have been estimated in accordance with the agreements that estipulated a multiplier on EBITDA performed in some exercises, less net financial debt and, in some cases, considering a fixed minimum payment. In addition, it exists an outstanding debt of €19,659 thousand (2014, €32,000 thousand) with Instituto Sectorial de Promoción y Gestión de Empresas Dos, S.A. regarding the increase in interest of Beroa (Note 1), amounting to €14,430 thousand (2014, 10 million euros) registered in the short term. Of the total debt, during the year 2015 it has been proceeded to the first payment amounting to €7,911 thousand, in accordance with the contract. The Group has updated the calculation of value of the debt in accordance with the closing of 2015 and the estimation of 2016 made by Beroa Group without resulting of this analysis impact in the income statement

Also Solutions and Services segment (Smart Innovation), made commitments to purchase shares at 20% of non-controlling interests of the Italian subsidiary Chimneys and Refractories International S.R.L. amounting to €5,175 thousand (Note 1).

At 31 December 2014, there were included loans granted by its previous shareholders to companies acquired in the business combination of Global Near, S.L. and Bilcan Global Services, S.L. for an amount of €16,597 thousand. These loans have been settled in 2015.

Other non-current liabilities have the following maturities:

	2015	2014
Between 1 and 2 years	36,981	111,642
Between 2 and 5 years	28,935	48,580
Over 5 years	15,839	16,565
	81,755	176,787

Other current liabilities

The balance of “Other current liabilities” includes among others, the short-term amount dependent on payment associated with acquisitions realized by the Group CIE Automotive (Note 35), registered at fair value.

In addition, at 31 December 2015 there is in this section, a balance payable regarding the acquisition of the interes of CIE Automotive Nuevos Mercados, S.L. (currently merged with CIE Berriz, S.L.) to Ekarpen, S.P.E., S.A. in 2014 (Note 1) amounting to €24 millions (In 2014 €23 million classified as "Other non-current liabilities") (Note 1). During the year 2015 has proceed to the payment of €5.958 thousands according to the payment schedule in the purchase agreement.

(Thousand euro)

Also, it is recorded under this heading the liability emerged from the recognizion of the right granted to the minority partners on the remaining 35 per cent of the share capital of the company Century Plastics, LLC, which will be exercisable in the month of May 2016. The consideration is calculated taking, among other variables, the actual EBITDA of the company during the financial year 2015. In this exercise, and with an evolution of the results of the company much higher than expected, the Group has proceeded to estimate again the current value of the purchase consideration contingent, registering an increase of that liability of USD39 million (€34.4 million) and reclassifying the total amount in the short term, for a value of USD70 million, €64.2 million (to 31 December 2014: USD31 million, equivalent to €25 million recorded in the heading " Other non-current liabilities "). The effect of this reassessment has been registered under the heading "Changes in fair value of assets and liabilities taken to income statement "of the Income statement for the year (Note 4.1.b)).

Regarding to the segment of Solutions and Services (Smart Innovation) is included in this epigraph the commitment to purchase shares to non-controlling participations of the Danish subsidiary Steelcon Chimneys Esberj AIS. It assumed the commitment to acquire the remaining 49% for an estimated payment of €3,430 thousands. This liability has been estimated in accordance with contract indicating a multiplier on EBITDA performed in some exercises, less net financial debt and, in some cases, considering a fixed minimum payment.

23. Deferred taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015	2014
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	153,885	154,267
- Deferred tax assets to be recovered within 12 months	69,425	76,435
	223,310	230,702
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	68,476	72,748
- Deferred tax liabilities to be recovered within 12 months	3,139	3,215
	71,615	75,963
Net	151,695	154,739

The overall movement in the deferred tax account is as follows:

	2015	2014
Opening balance	154,739	159,919
Changes in consolidation scope (Note 35)	(2,240)	727
Charged/(credited) to the income statement (Note 30)	5,697	(9,500)
(Charged)/credited to equity	1,175	4,171
Transfers and reclassifications (*)	(7,676)	(578)
Closing balance	**151,695**	**154,739**

(*) Includes movements on deferred items due to foreign exchange fluctuations.

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets:	Hedging instruments	Impairment losses and other	Tax losses	Tax credits	Total
At 1 January 2014	2,421	56,248	75,037	87,505	221,211
Changes/additions to consolidation scope (Note 35)	-	10,535	5,509	653	16,697
(Charged)/credited to the income statement	-	(650)	(1,732)	(*) (10,008)	(12,390)
(Charged)/ credited directly to equity	642	6,401	-	(3,645)	3,398
Transfers and reclassifications (**)	1,457	(619)	655	293	1,786
At 31 December 2014	4,520	71,915	79,469	74,798	230,702
(Charged)/credited to the income statement	3,224	(4,595)	4,101	(*) 360	3,090
(Charged)/ credited directly to equity	1,310	(135)	-	-	1,175
Transfers and reclassifications (**)	(4,482)	(2,332)	2,669	(7,512)	(11,657)
At 31 December 2015	4,572	64,853	86,239	67,646	223,310

(*) Tax credits related to R&D investments, in the amount of €3,257 thousand, are recognised as grants relating to costs, in accordance with IAS 20. (2014: €4,748 thousand).

(**) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries.

(Thousand euro)

Deferred income tax liabilities	Deducted goodwill	Fair value gains (*)	Exchange differences	Accelerated tax depreciation and other	Total
At 1 January 2014	16,052	33,104	(845)	12,981	61,292
Changes/additions to consolidation scope (Note 35)	-	-	-	15,970	15,970
Charged/(credited) to the income statement	286	-	887	(4,063)	(2,890)
Charged/(credited) to equity	-	(773)	-	-	(773)
Transfers and reclassifications (**)	-	-	-	2,364	2,364
At 31 December 2014	16,338	32,331	42	27,252	75,963
Changes/additions to consolidation scope (Note 35)	-	2,240	-	-	2,240
Charged/(credited) to equity	1,260	(221)	14	(3,660)	(2,607)
Transfers and reclassifications (**)	(3,862)	(917)	(34)	832	(3,981)
At 31 December 2015	13,736	33,433	22	24,424	71,615

(*) Includes the effect of measuring assets at fair value on first-time application of IFRS-EU, the allocation of fair value remeasurement gains on the acquisition of subsidiaries and loan revaluations.

(**) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries.

Deferred income tax assets are recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable, being its estimated recoverability less than 10 years.

The deferred tax assets that were capitalised by the consolidated Group at 31 December 2015 and 2014 are as follows:

	2015		2014	
	Tax losses	Tax credits	Tax losses	Tax credits
Spain	52,335	61,293	58,761	58,967
Rest of Europe	13,678	3,605	4,497	14,800
Brazil	12,171	-	10,271	-
Mexico	7,895	468	5,931	-
Asia	160	2,280	9	1,031
	86,239	67,646	79,469	74,798

Losses and tax credits in Spain are mainly related to the provincial tax group of Automotive segment and Solutions and Services segment (Note 2.20.a)). The Group has performed a recoverability analysis for which all the activated credits would be recoverable in 10 years.

In the Foral Territory the tax bases generated in year 2014 and earlier prescribe in 2028. For Spanish laws, Brazil and the most significants of the rest of Europe Territory have no limitation period. The prescription of tax losses in Mexico is 10 years.

The Group did not recognise deferred income tax assets of €54 million (2014: €49 million) in respect of losses generated by certain Spanish and other foreing factories amounting to €193 million (2014: €170 million) that can be carried forward against future taxable income.

Additionally, there are tax credits for unused deductions that have not been recognised amounting to €47 million (2014: €49 million).

24. Commitments with employees

Set out below is a breakdown of employee benefit provisions classified by country:

Breakdown by country	2015	2014
Spain (1)	-	-
Germany (2)	39,488	40,692
India (3)	3,646	3,284
Italy (4)	2,784	3,191
France (5)	1,383	1,388
Total (Note 25)	47,301	48,555

(Thousand euro)

The commitments of post-employment plans and other long-term benefits to the personnel that several companies in the Group guarantee to certain groups are disclosed by country, the following ones:

1) Post-employment benefit plans other employee benefits after the labor relation in Spain:

   Several companies of the segment of automotive guarantee benefits to certain retirees and early retirees (in 2015, 21 people; 2014, 22 people), which are financed through the insurance company Biharko. The payments to this company in the exercise 2015 amounted to €32 thousands (2014, €25 thousands). At 31 December 2015 and 2014, there are no registered long-term amounts for this concept.

2) Post employment benefit plans and other long-term employee benefits in Germany which are entirely under internal fund

   - Long term employee benefits:
     - Award for time served
     - Supplements derived from partial retirement agreements

   - Post-employment benefits:
     - Lifetime pension and retirement plans
     - The benefit plans guaranteed by the group Beroa to its employees are commitments of cash benefits defined to the retirement. The group Beroa guarantees a life revenue from the retirement for those employees with entry date previous to 1 January, 2001 that have 10 years of service in the date of cessation. The commitment is gathered in internal fund.

3) Post employment benefit plans in India which are mainly are under internal fund:

   - Post-employment benefits:
     - Lifetime pensions and retirement plans
     - Retirement awards. This commitment is financed externally under insurance contracts
     - Retirement awards in case of rescission of the labor relation

4) Post employment benefit plans in Italy. Nowadays the model of pensions is TFR. It was a defined benefit plan that was transformed to a Define Contribution plan by the Reform of the Pensions that took place in December, 2005.

5) Benefit plans in France under internal fund:
     - The guaranteed benefit plans by the group Beroa to its employees are commitments of cash benefits defined to the retirement derived from collective agreements.
     - The benefit of the retirement depends on the years of service in the company.

The movement in provisions by type of plan and country are as follows:

Post-employment plans:

	Germany	India	Italy	France	Total
At 1 January 2014	**22,107**	**1,734**	**-**	**-**	**23,841**
Business combinations	12,448	1,223	3,191	1,420	18,282
Cost of current services	186	447	-	19	652
Interest expense/(income)	995	-	-	-	995
Costs for past services and (gains)/losses in liquidations	210	-	-	-	210
Recalculation of values:					
- (Gains)/Losses due to changes in financial assumptions	4,590	34	-	-	4,624
Exchange rate differences	-	141	-	-	141
Payments by employers	(1,760)	(295)	-	(50)	(2,105)
At 31 December 2014	**38,776**	**3,284**	**3,191**	**1,389**	**46,640**

(Thousand euro)

	Germany	India	Italy	France	Total
At 1 January 2015	**38.776**	**3.284**	**3.191**	**1.389**	**46.640**
Cost of current services	155	203	3	44	405
Interest Expense/(Income)	867	-	-	-	867
Recalculation of values:					
- (Gains)/Losses due to changes in financial assumptions	454	212	(120)	150	696
Exchange rate differences	-	220	-	-	220
Payments by employers	(2.275)	(273)	(290)	(200)	(3.038)
At 31 December 2015	**37.977**	**3.646**	**2.784**	**1.383**	**45.790**

Long-term employee benefits:

The movement of the obligation and provision for the long-term plans during the year has been the following:

	Amount
At 1 January 2014	**2,235**
Cost of current services	238
Interest expense	40
Gains/losses recognized in results	125
Payments by employers	(795)
Cost for full services	73
At 31 December 2014	**1,916**
Cost of current services	192
Interest expense/(income)	26
Gains/losses recognized in results	6
Payments by employers	(629)
At 31 December 2015	**1,511**

The financial-actuarial assumptions used in the actuarial valuations are set out below:

2015:

	2015			
	Germany	India	Italy	France
Interest rate	1.90% - 2.30%	7.50%-8%	1.58%	2.30%
Awaited performance active plan	N/A	7.50%-900%	N/A	2.50%
Future growth of wages	2.50% - 2.70%	5%-7%	0%	2.00%
Future growth of pensions	1.00% - 1.25%	0%-7%	2.63%	2.00%
Table of mortality	RT 2005 G - Heubeck 2005G-Richttafeln 2005 G /Heubeck 2005 G	Indian assured lives Mortality (2006-08)Ult	RG48	Women TF00-02;MEN TH00-02
Retirement age	63 - 65 years	58 years for workers, 60 years for others	-	62 years
Method of valuation	PUC	PUC	TFR	PUC

2014:

	2014			
	Germany	India	Italy	France
Interest rate	0.70% - 2.30%	7.50%-8%	1.58%	2.30%
Awaited performance active plan	N/A	7.50%-9.30%	N/A	2.50%
Future growth of wages	2.50% - 2.70%	7%	0.60% 2015;1.20% 2016;1.50% 2017 and 2018;2% thereafter	2.00%
Future growth of pensions	1.00% - 2.70%	0%	1.00%	2.00%
Table of mortality	RT 2005 G - Heubeck 2005G-Richttafeln 2005 G /Heubeck 2005 G	Indian assured lives Mortality (2006-08)Ult	RG48	Women TF00-02;MEN TH00-02
Retirement age	63-65 years	58 years for workers, 60 years for others	-	62 years
Method of valuation	PUC	PUC	TFR	PUC

The curve used for the determination of the interest rate for the most significant commitments is: "IBoxx € Corporates AA Subindices von Markit1",

The weighted average duration of defined benefit commitments is in the range 6.8 – 16 years.

In the most significant plans of the Group, based on the mortality table used, the life expectancy for men and women is the following:

	Germany
Life expectancy of a person that would retire at the 2015 year end:	
- Men	18.99
- Women	23.06
Life expectancy of a person that would retire 20 years after the 2015 year end:	
- Men	38.71
- Women	43.81

Contributions to these pension plans during the next year 2016, would amount to some 1.2 €million.

The percentage of variation of the defined benefit commitment to changes in the main assumptions weighted is as follows:

	Germany			Italy			France		
	Variation in hypothesis	Increase in hypothesis	Decrease in hypothesis	Variation in hypothesis	Increase in hypothesis	Decrease in hypothesis	Variation in hypothesis	Increase in hypothesis	Decrease in hypothesis
Interes Rate	0.25%	-2.41%	3.67%	0.25%	-2.7%	2.1%	1%	7 %	8 %
Growth of pensions	0.25%	2.49%	-0.08%	0.25%	1.11%	-1.87%	1%	7 %	8 %

The above sensitivity analysis is based on a change affecting one assumption while the rest of the assumptions remain constant.

(Thousand euro)

25. Provisions

The breakdown of the movements in Group provisions in 2015 and 2014 is as follows:

	Amount
At 1 January 2014	**73,272**
- Additions to consolidation scope (Note 35)	47,230
- Additions	16,547
- Amounts used	(10,147)
- Unused amounts reversed	(1,559)
- Charged or (credited) to equity	5,552
- Transfers and other movements (*)	(2,187)
At 31 December 2014	**128,708**
- Additions to consolidation scope (Note 35)	4
- Additions	23,344
- Amounts used	(16,851)
- Unused amounts reversed	(13,283)
- Charged or (credited) to equity	798
- Transfers and other movements (*)	(751)
At 31 December 2015	**121,969**
Non-current provisions	**110,861**
Current provisions	**11,108**

(*) Mainly relate to exchange rate effects.

Non-current provisions at 31 December 2015 mainly include the following:

- A €7.6 million provision (2014: (€8.3 million) corresponding almost entirely to tax contingencies in Brazil, of which €1.5 million are on court deposit pending court rulings (2014: €4 million).
- A €1.5 million provision established to guarantee the sale of assets and closure and winding up of companies (2014: €1.7 million).
- A provision for other personnel liabilities amounting to €69.6 million (2014: €64.3 million), including €47.3 million relating to pension plans (Note 24) of Mahindra Group's companies added to the Group on 4 October 2013 and 31 December 2014 and Beroa Thermal Energy, S.L in June 2014 (2014: €48 million).
- A €32.2 million provision (2014: €43.1 million) to cover the operating risks of the business which it is considered may crystallize in the long term.

Current provisions at 31 December 2015 relate basically to the streamlining of the Group's productive structure in Spain (2015: €1.0 million (2014: €1.7 million) , as well as, provisions for operational business risk at in several Group companies that are expected to be materialized in the short term (2015: €6.8 million ; 2014: €7.4 million). This heading also includes provisions for tax contingencies and customer claims at certain subsidiaries (2015: €3.3 million; 2014: €2.2 million).

26. Operating income

	2015	2014
Revenue		
- Sale of products and services	2,631,520	2,209,516
Changes in inventories of finished goods and work in progress (Note 11)	3,211	6,663
Other income	90,493	102,472
	2,725,224	2,318,651

"Other income" basically includes the government grants relating to income and the transfer of grants relating to assets to the income statement, as well as the sale of scrap metal and losses on the sale of assets totalling €44 thousand (€1,504 thousand gains in 2014).

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousand euro) is as follows:

	2015	2014
US dollars	550,281	449,831
Brazilian real	206,409	297,298
Indian rupee	216,656	103,294
Other	300,904	167,227
	1,274,250	1,017,650

27. Other operating income/ (expenses)

	2015	2014
Utilities	68,583	49,015
Transport	34,258	22,382
Repairs	47,374	43,161
Operating leases	26,124	19,394
Provision for impairment of accounts receivable (Note 10)	(412)	239
Provision for inventory impairment (obsolescence) (Note 11)	3,175	1,615
Other operating expenses	110,038	128,018
Other operating income (Note 35)	(210)	(22,302)
	288,930	241,522

28. Employee benefit expense

	2015	2014
Wages and salaries	442,199	378,357
Share-based payments	5,664	7,789
Social security cost	85,840	77,765
Other welfare expenses	48,301	42,875
Personnel restructuring costs	18,374	7,378
	600,378	514,164

The average Group headcount by category is as follows:

Category	2015(*)	2014 (*)
Executives	567	370
University graduates, specialists and administrative employees	7,574	5,906
Semi-skilled workers	14,887	14,403
	23,028	20,679

(*) Includes 0 people allocated to discontinued operations (2014: 11 employees).

The gender breakdown of the Group's Board of Directors at 31 December 2015 and 2014 is as follows:

	2015			2014		
Category	Men	Women	Total (**)	Men	Women	Total (**)
Members of the Board of Directors (*)	11	2	13	11	2	13
Executives	517	41	558	399	43	442
University graduates, specialists and administrative employees	5,651	1,470	7,121	5,708	1,767	7,475
Semi-skilled workers	12,975	2,153	15,128	13,712	1,886	15,598
	19,154	3,666	22,820	19,830	3,698	23,528

(*) Two of the members of the Board of Directors act as well an executive directors of the Group.
(**) Includes 3 people assigned to discontinued operations at 31 December 2014.

Share-based payments

Autometal, S.A. - Brazil

At 31 December 2013 the Group had two remuneration plans based on the shares in its listed Brazilian subsidiary, Autometal, S.A. that could be settled through shares or in cash depending on the decision of the Group. As resolved by the subsidiary's shareholders, the potential beneficiaries include the directors, employees and service providers of the subsidiary itself and of other Group companies. Under the plans, the entity received services from the beneficiaries in exchange for the Group's equity instruments. The fair value of the services rendered by the beneficiaries, in exchange for future shares, was recognised as a cost for the services rendered (employee benefit expense). The total amount to be recorded was calculated by reference to the fair value of the shares to be delivered and estimates regarding the beneficiaries' continued association with the Group at the settlement date of the plans. The total expense was recognised over the vesting period, which is the period over which all of the specified vesting conditions should be satisfied. At the balance sheet date, the entity reviewed the basic assumptions underpinning the estimated amount of compensation payable, essentially the expectation of each beneficiary remaining in the Group's service at the settlement date. The impact of the revision of the original estimates was recognised, as appropriate, in the income statement, with a corresponding adjustment to equity.

The reference share price used to determine the consideration payable was BRL14.

In October 2014, and having completed successfully the formalities related to the public share offering in September 2014 and excluding negotiation of Autometal shares of the Brazilian Stock exchange (Note 1), the two share-based payment plans were settled by direct payment of the rights taking as reference setttlement price of the public share offering. The total amount paid for the rights granted is €6,029 thousand.

Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Ltd.)

The Group, through the companies acquired in 2013 (Note 1), has a number of remuneration plans based on shares in its subsidiaries Mahindra CIE Automotive, Ltd, (formerly Mahindra Forgings Ltd.) and Mahindra Composites Ltd. In accordance with the various remuneration plans, beneficiaries can be employees and management of the company itself, its subsidiaries and/or its parent company who are eligible and fulfil plan eligibility criteria.

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

- Up to 400,000 options will be exercised at a fixed price of 83 rupees.
- Up to 750,000 options will be exercised at a fixed price of 197 rupees.
- Other options will be exercised at a price equal to the market price of the stock less a discount of not more than 15% of the average share price on the grant date. The final exercise price will be determined by the Management Committee. The options vest in tranches determined by the company's remuneration committee and are subject to completion of a one-year vesting period. Once they are vested, the options may be exercised as from the vesting date for a maximum period of five years.

On the other hand, in case of the options granted by the entity Mahindra Composites Ltd., the striking price is equal to the market price of the shares less a discount not exceeding 15% of the average value thereof on the grant date. The options, which had similar conditions to described as the correspondents to Mahindra CIE Automotive Ltd, they were divided in three equal sections, where every section is determined that the employees complete 12 months, 24 months and 36 months. Respectively of period o of service (period of consolidation). The options are exercisable from the date of consolidation up to a maximum of 5 years.

In December 2014, due to the merger realized between Mahindra CIE Automotive, Ltd and Mahindra Composites Ltd. (Note 1) in which first one absorbs Mahindra Composites Ltd, the plans existing in Mahindra Composites Ltd were replaced with new plans to the acquiring company Mahindra CIE Automotive Ltd. The equity adjustment for the stock option plans replaced amounted to €34 thousand.

On the other hand, in the context of the strategic alliance with the Group Mahindra (Note 1), one of the merged companies in Mahindra CIE Automotive Ltd, which has been integrated into the Group, this exercise, Mahindra Ugine Steel Company Ltd, it was supporting also two share-based remuneration plans. As above, the existing plans of Mahindra Ugine Steel Company, Ltd were replaced with new plans pertaining to the acquiring company, Mahindra CIE Automotive Ltd. The effect of this within the context of the business combination was recognised as movements in the share- based payments of the target. Therefore the replacement value excess with respect to the value of the replaced plans was recognised under staff costs in an amount of €413 thousand.

Movements in the number of stock options issues and related fair values for 2015 and 2014 are set out below:

	Fair value (thousand euros)	No. of options (Thousand)
At 1 January 2014	**1,673**	**2,850**
Granted	-	-
Forfeited	(234)	(318)
Value of employee services	1,186	-
Exercised	(692)	(1,199)
Replacement effect of Mahindra Composites Ltd. plan	34	(2)
Addition of new plans in merging societies	485	207
At 31 December 2014	**2,452**	**1,538**
Granted	(93)	(125)
Forfeited	(470)	(548)
Net exchange differences	89	-
At 31 December 2015	**1,978**	**865**

At 31 December 31 2014, were 1,538,302 options in traffic, only 492,878 options were exercisable to the closing of the exercise 2014. At 31 December 2015, of the 865,479 options issued, 298,387 options could be exercised at 2015 year end.

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

2015:

No. option to closing	Exercise price for action (*)	Maturity
85,218	25,71 – 197	2016
205,169	83 – 197	2017
8,000	52,67 – 97	2019
461,583	57	2020
105,509	44	2021
865,479		

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

2014:

No. option to closing	Exercise price for action (*)	Maturity
151,940	34,86	2015
114,170	25,71 – 197	2016
412,685	83 – 152	2017
34,193	52,67 – 97	2019
617,619	57	2020
207,695	44	2021
1,538,302		

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

(Thousand euro)

29. Finance income and costs

	2015	2014
Finance costs:		
- Bank borrowings interest	(53,438)	(71,698)
- Liquidation of financial available assets for the sale (Note 8)	-	(7,926)
Interest income:		
- Other interest and finance income	8,412	36,881
Net gains/(losses) on foreign currency transactions	10,310	10,834
Net gains/(losses) on financial instruments at fair value (Note 8)	6,348	(284)
Change in fair value of assets and liabilities taken to P&L (Note 22)	(30,431)	176
	(58,799)	(32,017)

30. Income tax

	2015	2014
Current year tax	42,436	24,495
Net variation deferred tax (Note 23)	(*) (2,440)	(*) 14,248
Total income tax expense	39,996	38,743
Tax expense of discontinued operations (deferred)	96	(71)
Tax expense of continuing operations	40,092	38,672

(*) Does not tax credits related to R&D investments amounting to €3,257 thousand recognised as operating grants in accordance with IAS 20 (2014: €4,748 thousand).

The reconciliation of the Group's accounting profit and taxable profit is as follows:

	2015	2014
Consolidated accounting profit before tax for the year from continuing operations	186,670	137,137
Accounting profit before tax from discontinued operations (Note 13)	(859)	(284)
Consolidation adjustments	44,643	111,482
Aggregate profit before taxes in consolidated companies	230,454	248,335
Income not subject to tax and non-deductible expenses (*)	(64,483)	(161,262)
Net temporary differences in individual companies (**)	(16,732)	19,519
Offset of tax-loss	(67,422)	(18,903)
Aggregate taxable profit	81,817	87,689

(*) Dividends distributed among Group companies, and other permanent differences totalling €49 million, and €15 million, respectively (2014: €101 million and €60 million, respectively).

(**) Net temporary differences in the individual companies basically include adjustments for workforce restructuring and differences for accounting and tax purposes in the recognition of expenses and income and in the recognition and reversal of provisions.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015	2014
Aggregate profit before taxes in consolidated companies	230,454	248,335
Tax calculated at domestic tax rates applicable to profits in the respective countries	61,158	70,832
Income not subject to tax	(17,697)	(45,934)
Utilisation of tax credits and tax losses	(1,025)	(403)
Deferred tax expense/(income) (Note 23)	(2,440)	14,248
Tax expense	39,996	38,743
Transfer to discontinued operations	96	(71)
	40,092	38,672

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

	Nominal rate	
	2015	2014
Basque Region	28%	28%
Rest of Spain	28%	30%
Mexico	30%	30%
Brazil	34%	34%
Rest of Europe (average rate)	15% - 35%	15% - 35%
China	25%	25%
Rest of America	21%-35%	21%-35%
India	30%	30%

As mentioned in Note 2.20, some companies of the Group are authorised to file consolidated tax returns.

Generally speaking, the Group companies have their tax returns open to inspection for all years for which the statute applying under the various bodies of tax legislation for each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filling tax returns passes.

The corporate income tax legislation applicable to the parent company of the Group in 2015 is that relating to Bizkaia Regional Regulation 11/2013 (5 December).

The directors of the parent's company have calculated the amounts associated with this tax for 2015 and those years open to inspection in accordance with legislation in force at each year end on the understanding that the final outcome of the various legal proceedings and appeals that have been filed in this respect will not have a significant impact on the financial statements taken as a whole.

During 2015 and 2014, non-current assets have been sold, generating a capital gain amounting to €47 and €122 thousand, covered by the reinvestment tax exemption. The total amount of the sale has already been invested in new non-current assets. There are therefore no pending additional investments to cover the reinvestment.

Each of the companies that has applied this incentive will disclose the relevant information required by law in its individual annual accounts.

31. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding in the year, excluding treasury shares acquired by the parent company (Note 14).

	2015	2014
Profit attributable to the parent company's shareholders (thousand euro)	129,064	81,048
Profit /(loss) from discontinued operations attributable to the parent company's shareholders (thousand euro) (*)	(734)	(365)
Weighted average number of ordinary shares outstanding (thousand)	129,000	124,621
Basic earnings per share from continuing operations (euro per share)	1.01	0.65
Basic earnings per share from discontinued operations (euro per share)	(0.01)	(0.00)

(*) Of the profit /(loss) from discontinued operations of the CIE Automotive Group, €(763) thousand (Note 13) relates to the shareholders of the Group's parent company (2014: €(355) thousand).

b) Diluted

The year-on -year remuneration agreement based on the performance of the share price of CIE Automotive, S.A., described in Note 36.e) may have potentially dilutive effect in accordance with IAS 33. Following the relevant calculations, the effects of this agreements are considered not to result in the dilution of basic earnings per share calculated above.

(Thousand euro)

32. Dividend per share

On 15 December 2015, the Board of Directors approved the payment of an interim dividend from 2015 profit of €0.16 per share carrying dividend rights, implying a total payout of €20,640 thousand. Payment was made on 4 January 2016.

On 30 April 2015, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2014 profit (individual) as well as the distribution of a final dividend of €0.1 (gross) per share carrying dividend rights, amounting to a total payment of €12,900 thousand. Payment was made on 03 July 2015.

On 17 December 2014 the Board of Directors approved the payment of an interim dividend on account of profits for 2014 of a gross amount of €0.1 per share carrying dividend rights, which represented a total of €12,900 thousand. Payment was made on 5 January 2015.

On 30 April 2014, the parent company's shareholders in general meeting approved the motion for the distribution of 2013 profit (individual) as well as the distribution of a final dividend against 2013 profit of €0.09 per share carrying dividend rights, amounting to a total payment of €11,610 thousand. Payment was made on 3 July 2014.

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

33. Cash generated from operating activities

	2015	2014
Profit/(loss) for the year	145,815	98,110
Adjustments:		
– Taxes (Note 30)	42,436	24,495
– Deferred tax (Notes 23 and 30)	(2,440)	14,248
– Grants released to income (Note 19)	(2,969)	(3,171)
– Depreciation of property, plant and equipment (Note 6)	106,652	96,071
– Amortization of intangible assets (Note 7)	14,410	14,217
– Asset impairment charge (Notes 6 and 7)	106	8,392
– (Profit)/loss on disposal of property, plant and equipment (see below)	44	(1,504)
– Net change in provisions (Note 25)	(4,883)	4,841
– Net (gains)/losses on remeasurement to fair value of financial instruments (Note 8)	(6,348)	8,599
– Change in the fair value in assets and liabilities taken to Income statement (Notes 22, 29 and 35)	30,431	-
– Interest income (Note 29)	(8,412)	(36,881)
– Interest expense (Note 29)	53,438	71,133
– Exchange differences (Note 29)	(10,310)	(10,834)
– Share of loss/(profit) of associates (Note 8)	(1,163)	3,029
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
– Inventories	(15,485)	(23,959)
– Trade and other receivables	(72,363)	11,166
– Other assets	(2,816)	4,865
– Trade and other payables	149,883	(15,361)
Cash generated from operating activities	**416,026**	**267,456**

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

	2015	2014
Carrying amount (Notes 6 and 7)	5,486	2,409
Profit /(loss) on disposal of property, plant and equipment (Note 26)	(44)	1,504
Proceeds from disposal of property, plant and equipment	**5,442**	**3,,913**

(Thousand euro)

34. Commitments, guarantees and other disclosures

a) Commitments for the purchase of fixed assets and leases

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2015	2014
Property, plant and equipment	31,773	18,563
Obligations deriving from irrevocable lease contracts	53,429	64,357

These investments are financed mainly throught the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and if necessary, bank borrowings.

b) Operating lease commitments

The Group has been leasing various offices and warehouses under irrevocable operating lease agreements since 2008. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. The Group also leases various plants and items of machinery under cancellable operating lease agreements. The Group is required to provide six months' notice to terminate these agreements.

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

	2015	2014
Less than 1 year	11,278	21,831
One to five years	18,665	24,327
More than five years	23,486	18,199
	53,429	64,357

c) Other information

The Solutions and Services (Smart Innovation) segment has granted guarantees for work or services provided to customers and commercial guarantees amounting to approximately €111.5 million (2014: approximately €98.8 million).

Those guarantees issued by financial entities are presented to customers as a commitment of the properly executed contracts, prepayments received from clients, cober of the guarantee periods and the sustaining of offers and bids. Failure to fulfill the commitments made would mean forfeit these guarantees with the cash outflow. We estimate that the probability of occurrence is remote.

35. Business combinations

2015

Automotive segment

Consolidation scope changes are described in Note 1.

In March 2015 CIE Berriz S.L. acquired from Plásticos de Palencia, S.A the 50% interest held in the joint venture Grupo CIE Automotive Hispamoldes, S.L. (Appendix). As a result, CIE Automotive has become the sole shareholder of this Group. Following this acquisition, the merger by absorption of this company by CIE Berriz, S.L. was completed (Note 1).

The acquisition price paid amounted to €250 thousand which was paid in full on the date of purchase.

In 2015 this business combination achieved in stages resulted in the recognition of a profit in the consolidated income statement amounting to €210 thousand. This profit results from the measurement at fair value (€250 thousand) of the interest held, prior to the acquisition of the 50% stake, by the Group in the equity of the subgroup acquired (€40 thousand) and calculated at the date on which control was acquired (Note 27).

The fair value of the previous interest is equal to the purchase price of 50%.

(Thousand euro)

As a result of the above, the business combination to acquire control of the CIE Automotive Hispamoldes, S.L. Group in March 2015 and therefore, related to the 100% interest, is summarised below:

	Amount
Acquisition price	500
Fair value of the net assets acquired	(80)
Goodwill (Note 7)	**420**

This goodwill has been allocated to the future performance of the business acquired and the synergies which are expected to be obtained after the acquisition by the Group.

The total amount of the consideration for the acquisition of control breaks down as follows:

	Amount
Fair value of prior interest	250
Purchase price of the 50% acquired during the year	250
Total consideration	**500**

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

	Fair value of the net assets acquired
Fixed assets	137
Inventories	186
Receivables	686
Other current assets	48
Cash and cash equivalents	107
Assets acquired	**1,164**
Provisions	4
Accounts payable	1,071
Other liabilities	9
Liabilities acquired non-controlling interests	**1,084**
Total net assets acquired	**80**

The fair value of the net assets acquired did not differ from carrying amounts in the CIE Automotive Hispamoldes, S.L. Group. There were no other intangible assets meeting the conditions for recognition on a stand-alone basis or contingent liabilities or other accounting assets and liabilities with a fair value differing from carrying amount. At the date of these consolidated annual accounts the business combination has been completed.

The cash flows deriving from the transaction were as follows:

	Amount
Amount paid	250
Cash and cash equivalents in the subsidiary acquired	(107)
Outflow of cash on the acquisition	**143**

2014

Automotive segment

In February 2014 the Group acquired the 50% interest which the Dutch fund VEP Fund I Holding Coöperatief W.A. had in the "Joint Venture" Grupo RS Automotive (Appendix). As a result, the CIE Automotive Group became the sole shareholder of this subgroup.

The price initially paid on the acquisition amounted to €10,766 thousand which would be increased, if appropriate, by an additional amount (contingent consideration) linked to the development of EBITDA in the RS Automotive Group in 2014 and 2015 and payable in the first six months of 2016. This was recognised under Other non-current liabilities (Note 22).

(Thousand euro)

In April 2015 a final agreement was reached with VEP in order to advance the settlement of outstanding payment and thereby settle all the rights and obligations under the contract. This operation resulted in a final disbursement of €6.8 million, generating a profit of €4 million with respect to the contingent consideration previously recognised at fair value, which was recognized under "Change in the fair value in assets and liabilities taken to Income Statement".

In 2014 this business combination achieved in stages resulted in the recognition of a profit in the consolidated income statement amounting to €14,252 thousand (Note 27). This profit results from the measurement at fair value (€21,621 thousand) of the interest held, prior to the acquisition of the 50% stake, by the Group in the equity of the subgroup acquired (€7,370 thousand) and calculated at the date on which control was acquired (Note 8.c)).

The fair value of the previous interest was equal to the purchase price of the additional 50% acquired in 2014 which included the amount initially paid and the estimate of the relevant part of aforementioned contingent consideration.

As a result of the above, the business combination to acquire control of the RS Automotive Group in February 2014 and therefore, related to the 100% interest, is summarised below:

	Amount
Acquisition price	43,241
Fair value of the net assets acquired	(11,023)
Goodwill (Note 7)	**32,218**

This goodwill was allocated to the future performance of the business acquired and the synergies which were expected to be obtained following the acquisition by the Group.

The total amount of the consideration for the acquisition of control breaks down as follows:

	Amount
Fair value of prior interest	21,621
Purchase price of the 50% acquired during the year	21,620
Total consideration	**43,241**

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

	Fair value of the net assets acquired
Fixed assets	21,943
Other non-current assets	1,147
Deferred tax assets	3,734
Inventories	6,934
Receivables	8,963
Cash and cash equivalents	4,898
Assets acquired	**47,619**
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	3,417
Liabilities acquired and non-controlling interests	**36,596**
Total net assets acquired	**11,023**

The fair value of the net assets acquired did not differ significantly from the carrying amounts in the RS Automotive group. There were no other intangible assets meeting the conditions for their separate recognition or contingent liabilities or other accounting assets or liabilities the fair value of which differed from carrying amount. At the date of these consolidated annual accounts the business combination has been completed.

(Thousand euro)

The cash flows deriving from the transaction were as follows:

	Amount
Amount paid	10,766
Cash and cash equivalents in the subsidiary acquired	(4,898)
Outflow of cash on the acquisition	**5,868**

Additionally, as explained above, in April 2015 €6,763 thousand was paid to settle the contingent consideration.

The figures for sales and results of the RS Automotive Group at 31 December 2014 amounted to €86 million and €4 million, respectively.

As the conclusion of the process described in Note 1 related to "Strategic alliance with Mahindra Group", the Group has completed in 2014 the second phase of the transaction that ended in the merger by absorption by the dependent Mahindra CIE Automotive Ldt., Mahindra Composites Ltd. (company traded at Bombay Stock Exchange), Mahindra Hinoday Industries Ltd. and Participaciones Internacionales Autometal Tres S.L. (owner of forged components business of CIE Automotive), all controlled by CIE Automotive S.A. and news companies part of CIE Automotive Group through the merger: Mahindra Ugine Steel Company Ltd. (company listed at Bombay Stock Exchange), Mahindra Investments India Private Limited and Mahindra Gears Internacional Limited.

These last two companies are holding companies for other holding companies, as well as the operative companies Mahindra Gears & Transmissions Private, Ltd. y Metalcastello S.p.A.

This merger process, approved in 2014 by the General Meetings of the merged companies and the regulatory authorities, ended in December 2014.

The merger generated 228,671,272 new shares of Mahindra CIE Automotive Ltd. whose face value is 10 rupees per share, and whose market value at the time of delivery to shareholders was 209 rupees per share. Of these issued shares 118,211,276 have been allocated to dependent merged societies of CIE Automotive Group, the remaining 110,459,996 shares, correspond to the businesses incorporated to the Group in December 2014.

This process has caused that CIE Automotive has the control of 53.21% of the new Mahindra CIE Automotive Ltd. share capital after merger. Related to the part of business controlled previously by the Group, this operation only caused a readjustment of the equity of the parent society and the dependent interest of €67,847 thousand, being a change in the shares of subsidiaries and businesses without change of control (Note 2.2.b)).

The integration of new societies to the Group has caused a business combination according to IFRS3, summarize below:

	Amount
Purchase price (fair value of the new shares issued at the date of the acquisition of control)	299,777
Consideration payable to non-controlling interest of the groups acquired (Note 22)	11,143
Reasonable value of net assets acquire	(16,348)
Goodwill (Note 7)	**294,572**

This goodwill, which has been assigned to the equity of the dominant company (53.21%) and to the non-controlling interests (46.79%), respectively, was based on the future intrinsic profitability of the new built-in business, as well as expectations of additional generation of value for the shareholder derived from the creation of the new consolidated group Mahindra CIE in his synergy integration inside the CIE Automotive Group, having being assigned proportionally in consequence and for that reason, to the new individual businesses incorporated and to the Mahindra CIE Group as a whole.

(Thousand euro)

The assets and liabilities arisen in this new business combination were as follows:

	Fair value			
	Mahindra Ugine Steel Company, Ltd:	Mahindra Investments India Private Limited	Mahindra Gears Internacional Limited	Total
Property, plant and equipment	36,390	15,238	19,291	70,919
Inventories	5,455	2,622	10,908	18,985
Trade and other receivables	15,859	4,417	6,621	26,897
Other current assets	768	49	202	1,019
Current tax assets	3,993	18	774	4,785
Non-current financial assets	130	68	2	200
Other non-current assets	7,290	36	373	7,699
Other financial assets	6,756	124	250	7,130
Cash and cash equivalents	1,280	34	10,310	11,624
Asset acquired	**77,921**	**22,606**	**48,731**	**149,258**
Non-controlling interests	-	-	(2,025)	(2,025)
Debts with credit institutions	430	5,373	20,631	26,434
Provisions	12,816	205	6,294	19,315
Trade and other payable	8,536	4,401	14,079	27,016
Deferred tax liabilities	5,016	1,215	957	7,188
Other liabilities	1,398	588	52,996	54,982
Liabilities acquired and minority interests	**28,196**	**11,782**	**92,932**	**132,910**
Total Net Assets acquired	**49,725**	**10,824**	**(44,201)**	**16,348**

The fair values of the fixed assets were fixed in agreement to appraisals realized by independent experts with knowledge of the Indian and European market, which estimations, that were not gathering limitations or additional risks to be considered, were based on market prices market of purchase or construction, and having into account the useful residual lives of the different assets.

Preexisting contingent liabilities were recognized in the business acquired and recognized by means of document signed with the previous partner of these businesses by €11.7 million. These contingencies correspond to certain legal claims of clients, workers and other third parties for which an unfavorable outcome is expected. The Group estimated the amount of all potential undiscounted futures payments that it might have to realize if unfavorably reasonable.

Provided that, in the exercise 2014, there was no consideration in the operation, the effect in the funds of cash of the same one has been only for the effective and equivalents to cash in the incorporated companies (€11,624 thousand).

In March 2015 all consideration due to minority interests amounting to approximately €12 million was paid.

The analysis of assignment of the fair value to the values of the incorporated assets and liabilities has finished without variations.

Given the date of the takeover for the new absorbed companies, no activities has been concluded in CIE Automotive Group during the exercise 2014. If this integration had taken place at the beginning of the exercise, the sales and the results contributed to the Group by these businesses would had been of €135,412 and (€12,376) thousand, respectively.

Solutions and Services (Smart Innovation) segment

In July 2014 the process of acquisition by stages of the society group headed by Beroa Thermal Energy, S.L. was achieved by the subsidiary, Global Dominion Access, S.A. The culmination of the process supposed Global Dominion Access, S.A., exercise the option on the 50% of the share capital of mentioned company, as well as the acquirement of 27.27% minority stakeholders of the remaining capital.

(Thousand euro)

Both transactions, were realized according to the company´s value, estimated by an independent expert, who supposed that the mentioned transaction had determined a purchase price (paid price and share capital extension made in Global Dominion Access, S.A.) of the percentage (acquired 77.27%), of €62 million amount. Additionally, this transaction supposed that the fair value of initially maintained participation 22.73% increased to €16 million, resulted in the recognition of a profit in the consolidated income statement amounting to €8,050 thousand (Note 27).

At 31 December 2013 the valuation range calculated by the independent expert was based on a discounted free cash flows with stable performance margins based on historical data, investment in CAPEX maintenance, constant exchange rates , average tax rate of 24% and discounted at a Weighted average Cost of Capital (WACC) after taxes of 10% -11% rate. The residual value was calculated as the present value of a perpetual income of a cash flow discounted at the WACC and growing indefinitely at a rate of a perpetual growth between 0.75% and 1.25%.

The cash flows deriving from the transaction were as follows:

	Amount
Consideration paid in the year (*)	-
Cash and cash equivalents in the Group acquired (*)	(11,082)
	(11,082)

(*) During 2014 none of this consideration was paid. As a result, €42 million was pending payment. In 2015, if has been paid an amount of €7,911 thousand. (Note 22)

Summarised below is a breakdown of the net assets acquired and goodwill resulting on the transaction:

	2015	2014
Acquisition price	77,960	77,960
Fair value of the negative net assets acquired	38,536	33,796
Goodwill (Note 7)	116,496	111,756

Goodwill was allocated to the profitability and future synergies from acquired businesses within the Group.

The net assets acquired at fair value, recognised at 31 December 2014, during the provisional accounting period, break down as follows:

	Fair value
Property, plant and equipment	42,196
Investments in associates	930
Inventories	6,825
Trade and other receibables	68,740
Other assets	5,034
Diferred tax assets	6,692
Other financial assets	452
Cash and cash equivalents	11,082
Active assets	**141,951**
Non-controlling interests	4,567
Debts with credit institutions	18,541
Provisions	23,312
Trade and other payable	50,262
Deferred tax liabilities	6,388
Other liabilities	72,677
Acquired liabilities and minority interests	**175,747**
Total Net Assets acquired	**(33,796)**

(Thousand euro)

Fair values registered in the operation didn't distinguish substantially from those registered in the financial statement of Beroa Group despite of the recognition of determinate intangible assets, classified as customer base, with a value of €10.5 million at 31 December 2014. The fair value of the accounts receivable purchased does not differ from their book value and it has not been necessary to the recording of provisions for subsequent damages.

The process of assigning the paid price to the acquired assets and liabilities values, based on a valuation carried out internally, ended in 2015. Intangible assets identified in the business combination are as follows:

	Amount
Backlog – Solutions and specialized engineering	6,600
Backlog- Multitechnology Services	300
Customer portfolio - Multitechnology Services	1,100
Deferred tax	(2,240)
	5,760

Backlog: There is an active project portfolio that will generate cash inflows in the next few years. The valuation method used is the MERM method based on excess profit over the contributing assets required to exploit the intangible. The contributing assets taken into account were fixed assets, personnel and investments in working capital. The estimated useful life for backlog – Solutions and specialized engineering stands at 4 years while for Multitechnology Services it stands at 7 months. The annual discount rate used to estimate fair value is 9.4%.

Customer portfolio: The services unit has had contracts with 250 different customers in the last 5 years. A significant part of these customers are recurring and everything points to their continuing to be recurring in the near future. The valuation method used is the MERM method based on excess profit over the contributing assets required to exploit the intangible. The contributing assets taken into account were fixed assets, personnel and investments in working capital. The useful life of the customer portfolio has been estimated at 10 years. The discount rate used to estimate fair value is 9.4%.

For Beroa, sales are driven not by its brand but by its experience or know-how. Therefore the brand has no separate value on the market and cannot therefore be valued. Although Beroa has know-how recognised on the market, it can never be recognised an intangible asset in the price assignment process.

In 2014 this business combination entailed sales and profits (not taking into account the distribution of minority interests) of €141 million and €9 million, respectively. If the transaction had been completed on 1 January 2014, the amounts involved would have been €249 million and €2 million, respectively.

On the other hand, on 31 December 2014, CIE Group, through its subsidiary Global Dominion Access S.A., has also integrated 100% of capital of Bilcan Global Services S.L. and the 89.246% of capital of Global Near S.L. by means of a capital increase of non-monetary contributions. This operation resulted in the integration through Dominion group of the following companies:

(Thousand euro)

Companies	Activity
Bilcan Global Services, S.L., parent of:	Holding
• Servicios al Operador Móvil, S.L.	Holding
• Eurologística Directa Móvil 21, S.L.	Wholesale business, logistic management of mobile phones and point of sale management
• Your Phone, S.L.	Retail of mobile phone products and solutions
• Your Phone Franquicias, S.L.	Retail of mobile phone products and solutions
• Global Ampliffica, S.L.	"Marketing online" expert business, specialize in capturing "leads" for sale through own "call centers"
• Ampliffica Mexico, S.A. de C.V.	Digital sale point and other digital solutions
• Ampliffica, S.L.	Digital sale point and other digital solutions
• Wise Conversión, S.L.	Digital sale point and other digital solutions
• Tiendas Conversión, S.L.	Retail of mobile phone products and solutions
• Sur Conexión, S.L.	Retail of mobile phone products and solutions
Global Near, S.L., parent of:	Holding
• Near Technologies, S.L.U.	Technological solutions through knowledge and innovation
• Tapquo, S.L.	Technological solutions through knowledge and innovation
• Advance Flight Systems, S.L.	Technological solutions through knowledge and innovation
• Centro Near Servicios Financieros, S.L.	Technological solutions through knowledge and innovation
• DM Informática, S.A. de C.V.	Technological solutions through knowledge and innovation
• Near Technologies Mexico, S.A. de C.V.	Technological solutions through knowledge and innovation
• NXT Solutions, INC	Technological solutions through knowledge and innovation

At 31 December 2013 the valuation range calculated by the independent expert was based on a discounted free cash flows with stable performance margins based on historical data, investment in CAPEX maintenance, constant exchange rates, average tax rate of 30% and discounted at a Weighted average Cost of Capital (WACC) after taxes of 11% -12% for the wholesale business, between 10.2% and 11.2% for the retail business and and between 10.6% and 11.6% for digital solutions business (Near and Ampliffica). The residual value was calculated as the present value of a perpetual income of a cash flow discounted at the WACC and growing indefinitely at a rate of a perpetual growth.

After this operation, the shares (also 100%) that the subsidiary Dominion Instalaciones y Montajes S.A.U. had in Dominion Network S.L. and Dominion Centro de Gestión Personalizada, S.L. were transferred to Bilcan Global Services S.L. through a non-monetary contribution to the capital of this last one. This transfer had no effect in the consolidated Group Annual Accounts (Note 1).

The details of the acquired net assets and the resulting goodwill are summarized below:

	Amount	Amount
Purchase price (corresponding capital increase)	41,434	41,434
Fair value of the negative net assets acquired	20,861	20,474
Goodwill (Note 7)	**62,295**	**61,908**

This goodwill was initially attributed to the profit totality future synergies from the acquired businesses in the Group.

	Value of the assets - net
Propety, plant and equipment	3,262
Inventories	4,512
Trade and other recivables	22,536
Deferred tax assets	1,486
Other financial assets	19,831
Cash and cash equivalents	2,856
Assets acquired	**54,483**
Non-controlling interests	(1,322)
Debts with credit institutions	6,597
Trade and other payables	40,781
Deferred tax liabilities	115
Other liabilities	28,786
Liabilities assets and minority interest	**74,957**
Total net assets acquired	**(20,474)**

(Thousand euro)

The Group started the analysis of the purchase price allocation to the values of assets and liabilities acquired. The registered values at 31 December 2014 correspond to the ones recorded for accounting in the individual accounts of acquired companies. At the end of the provisional accounting period, there are no changes in the fair values of the assets and liabilities acquired compared with those recognised at 31 December 2014 and have not emerged intangible assets susceptible to valuation. The fair value of the accounts receivable acquired does not differs from their book value and it has not been necessary the recording of provisions for subsequent damage.

Based on the valuation carried out internally, it has been only identified a liability not identified during the provisional accounting for an amount of €387 million. Therefore, the goodwill arising after the completion of the business combination has increased by this amount (Note 7).

The movement of this business combination, €2,856 thousand, correspond only with the cash and cash equivalents of the incorporated the new incorporated companies.

The incorporation of these companies in 2014 did not have effect in Group´s profit and loss. If the incorporation had been produced at the beginning of 2014, the figures for sales and results of these companies added to the Group (without considering the allocation to minority interests) would have been €101 and €(8.9) million respectively.
Considering that the identified intangible within the provisional accounting period of the business combination of Beroa amounted to €10,500 thousand and after the completion of the combination, the identifiable net intangible assets amounted to €5,760 million, and after the completion of Near and Bilcan combination has been identified €387 thousand of liabilities, goodwill increases in €5,127 thousand (Notes 1 and 7) and CGU allocation is as follows:

	2015	2014
Solutions	99,629	93,881
T&T Services	23,370	23,370
Commercial Services	32,464	32,077
Industrial Services	23,328	24,336
	178,791	173,664

36. Related-party transactions

The direct shareholders of the Group (including minority interests), key executive managers, close relatives and those companies consolidated using the equity method are considered related parties.

The following transactions were carried out with related parties:

a) Compensation and loans to key management personnel

The total compensation paid to key management personnel in 2015, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €2,768 thousand (2014: €1,342 thousand).

The company has entered into no commitments related to pensions or other types of complementary post-emplayment benefits with key management personnel.

At year end 2015 there is a balance receivable derivated from operations with these affiliates amounting to €1,500 thousand (2014: €1,500 thousand), which is classified as non-current assets.

b) Balances and transactions during the year with Group companies and related parties

	2015	2014
Transactions effected:		
- Services received	7,522	3,571
- Services rendered	567	70
- Purchases (*)	44,437	50,297
- Sales (*)	174,884	118,049

(*) Both, purchases and sales, correspond basically with sales-purchase operations with Mahindra & Mahindra Group.

(Thousand euro)

Balances with Group companies and related parties are as follows:

	2015	2014
Balances:		
- Accounts receivable from related parties	61,624	55,368
- Accounts payable to related parties	6,159	32,959
- Dividend pending payment	(20,640)	(12,900)

c) Balances and transactions with companies with significant influence with parent company

In 2014 they were performed business combination operations with the company Instituto Sectorial de Promoción y Gestión de Empresas Dos, S.A. (INSSEC2), one of whose shareholders has significant influence on the Group.

These business combinations are detailed in Note 35 and correspond to business combinations of the groups of companies headed by the companies Beroa Thermal Energy, SL, Bilcan Global Services, SL and Global Near, S.L. Over those companies INSSEC2 had a 50%, 69.69% and 79.09%, respectively at the date of business combination.

In 2014, after these operations, in 2014 INSSEC 2 became shareholder of Global Dominion Access, S.A. with a total interest of 16.97% in the company and creditor amounting to €34 million (2014: €42 million) (Notes 22 and 35). The amount of this debt is calculated by applying the percentage owned by INSSEC2 in Beroa Group EBITDA corresponding to that group in each of the three years (2014, 2015 and 2016) by a multiplier of 7.5x, net of the corresponding debt and will be payable during years 2015, 2016 and 2017. In 2015 it has proceeded to the payment of the first instalment amounted to €7,911 thousands, and has proceeded to re-estimate the financial liability amounting to €34,089 thousand at year end 2015 (€14,430 thousand in 2016 and €19,659 thousand in 2017) (Note 22).

There are no warranties delivered on these outstanding amounts.

Additionally during the year 2015 have been canceled existing debts with INSSEC2 for a total amount of €16.597 thousands (note 22).

d) Compensation of the directors of the parent company

Total compensation paid to the members of the Board of Directors has amounted to €3,483 thousand (2014: €3,027 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At 2015 year end, there is a balance receivable (at present value) of €606 thousand arising from other transactions with these related parties (2014: €1,212 thousand), classified in current assets.

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

e) Article 228 of the Spanish Companies Act

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

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

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

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

(Thousand euro)

The individual assignment of these rights was determined in 2014 by the parent company's Appointments and Remuneration Committee. Following the Group's decision, settlement will presumably take place in cash in a lump sum at 31 March 2018. (Note 2.22)

The incentive depends on two conditions:

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

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

At 31 December 2015 the estimated amount of that remuneration has resulted in an accrued expense in 2015 of €6,123 thousand (Note 28) (31 December 2014, €4,082 thousand).

37. Joint ventures

On 1 September 2009, together with the Dutch investment fund VEP Fund I Holding Cooperative W.A., which is administered by Value Enhancement Partners, the Group incorporated RS Automotive B.V., a Dutch joint venture in which both venturers held 50%. In September 2009 this joint venture carried out its first corporate transaction involving the acquisition of a group of companies.

In February 2014 the parent company completed the acquisition of the 50% interest. Therefore the joint venture's financial statements were fully consolidated at 31 December 2014.

On 10 June 2010, together with the Russian companies Sam LTD LLC and JSC KZAE, the Group incorporated CIE Avtocom, LLC and CIE Avtocom Kaluga, LLC, initially 35% owned by CIE Automotive, S.A. and 65% owned by the Russian companies. In 2012 the CIE Group acquired an additional 15% shareholding in these companies.

In December 2014 the CIE Automotive Nuevos Mercados, S.L. sold its interest in CIE Avtocom Kaluga, LLC (merged into CIE Avtocom, LLC in 2014) for €1, triggering a loss of €1,359 thousand in the second half of 2014. Therefore at 31 December 2014 the Group did not have a stake in any of the aforementioned Russian companies.

On 20 July 2007 and together with Plásticos de Palencia, CIE Automotive Hispamoldes, S.L. was incorporated with initial capital of €250 thousand, 50% owned by CIE Automotive, S.A. and Plásticos de Palencia, respectively. Subsequently, on 28 December 2011, the company's capital was increased by €250 thousand. This capital increase was 50% subscribed by CIE Automotive, S.A.

In 2015, as explained in Note 1, the Group, through its subsidiary CIE Berriz, S.L., acquired 50% of the share capital of CIE Automotive Hispamoldes, S.L, becoming its sole shareholder and terminating the Investment Agreement entered into in 2011 with the Hismpamoldes Group. As a result, this company was consolidated using the full consolidation method.

At 31 December 2015 there are no joint venture agreements in the Group.

The interest (value) and the assets and liabilities of joint arrangements consolidated using the equity method is detailed in Note 8.c).

The figures for income, expenses, and net results of these joint ventures at 31 December 2014 are detail below:

			Amount		
			2014		
Company	Location	Activity	Income	Expenses	Net profit
CIE Avtoocom Kaluga, LLC Group	Russia	Manufacture of automotive components	1,683	(3,042)	(1,359)
CIE Automotive Hispamoldes, S.L.	Vizcaya	Holding company	-	-	-

38. Joint arragements (UTEs)

The Solutions and Services (Smart Innovation) segment participates in several temporary consortia (UTEs for their acronym in Spanish). The following amounts represent the Group's percentage interest in the assets and liabilities, and sales and results of these joint arrangements. They are included in the consolidated balance sheet and income statement:

(Thousand euro)

Name	Current assets	Current liabilities	Expenses	Profit/(loss)
2015	107	107	-	-
2014	107	110	3	(3)

The Group has not staff in CGU's in which it participates.

39. Other information

a) Auditors fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for audit services performed in 2015 total €2,065 thousand (€2014: €2,305 thousand).

The amount relating to 2014 and 2015 also includes the audit of the interim financial statements.

Other services provided by PricewaterhouseCoopers Auditores, S.L. and other firms associated with the PricewaterhouseCoopers trademark amounted to €392 thousand (204: €161 thousand).

The fees charged by other firms for financial statements audit services in respect of other investees amount to €505 thousand (2014: €603 thousand). This amount includes the services rendered for all the period of the companies joined to the consolidation scope in the exercise.

b) Environmental issues

The parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

Investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associated with its operations and improve the Group's environmental management and record. The combined amounts of investments and expenses accrued in 2015 in relation to environmental protection worked totaled €2.1 million (2014: €1.7 million) and are recorded under the element headings of "Property, plant and equipment" on the accompanying balance sheet and "Other operating income/expenses" on the accompanying income statement.

40. Events after the balance sheet date

In 10 February 2016, the Group through its subsidiary Global Dominion Access S.A. has submitted a bid within the bankruptcy requested by Abantia Empresarial S.L. and its subsidiaries (hereinafter the "Abantia Group"), to acquire production units of facilities, maintenance, industrial and promotion of renewable energies, which represent most of the current business of Abantia Group.

The bid means for the acquisition of assets, the deposit of a price of €2 million approximately, as well as the assumption, according to the current law, only strictly certain labor liabilities and social security.

Once the transaction is fulfilled, it is considered the implementation of a plan to ensure the maintenance in the medium and long term the activities that are subject to the bid as well as the employment associated to the assets that are subject to the bid. For this reason, is expected that Dominion will perform a financial injection in the business of at least €25 million.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDICES TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2015

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive Direct	% effective shareholding of CIE Automotive Indirect
CIE Berriz, S.L. (*) (merged in 2015 with CIE Automotive Hispamoldes, S.L., Bionor Transformación, S.A.U., Participaciones Internacionales Autometal, S.L.U., CIE Automotive Nuevos Mercados, S.L.)	CIE Automotive, S.A.	Holding company	Vizcaya	100,00%	-
Antolin-CIE Czech Republic s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	30,00%
Belgium Forge, N.V. (in liquidation)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100,00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100,00%
Alfa Deco, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarre	-	100,00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Alava	-	100,00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Vizcaya	-	100,00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Guipúzcoa	-	100,00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100,00%
ApoloBlue Tratamentos, Lda	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	100,00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100,00%
CIE Praga Louny, a.s. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100,00%
Praga Service, s.r.o.	CIE Praga Louny, a.s.	Facilities	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 recovery	Vizcaya	-	100,00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100,00%
CIE Hispamoldes Plastiques, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100,00%
Nanjing Automotive Forging Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	50,00%
Autometal, S.A. (*) (4)	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100,00%
Naturoil Combustíveis Renováveis, S.A.	Autometal, S.A.	Biofuel production and sale	Brazil	-	100,00%
Bioauto Participações, S.A. (*)	Autometal, S.A.	Holding company	Brazil	-	75,00%
Bioauto MT Agroindustrial, Ltda.	Bioauto Participações, S.A.	Agro-biotechnology	Brazil	-	75,00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	50,00%
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (*)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100,00%
Autocromo Cromaçao de Plásticos Ltda	Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automotive components	Brazil	-	100,00%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDICES TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2015

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive Direct	% effective shareholding of CIE Automotive Indirect
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Services and installations	Brazil	-	100,00%
Gescrap – Autometal Comercio de Sucatas Ltda	Autometal Investimentos e Imóveis, Ltda.	Sale of scrap	Brazil	-	30,00%
Componentes Automotivos Taubaté, Ltda. (*)	Autometal, S.A.	Holding company	Brazil	-	100,00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100,00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100,00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100,00%
CIE Autometal de México, S.A. de C.V. (*) (5)	CIE Berriz, S.L.	Holding company	Mexico	-	100,00%
Pintura y Ensambles de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
Gescrap Autometal de Mexico, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Sale of scrap	Mexico	-	30,00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Services and installations	Mexico	-	30,00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100,00%
Nugar, S.A .de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100,00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100,00%
Servicat S. Cont., Adm. Y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100,00%
Inmobiliaria El Puente, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services	Mexico	-	100,00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Services and installations	USA	-	100,00%
Century Plastics, Llc	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	65,00%
Participaciones Internacionales Autometal Dos S.L. (*)	CIE Berriz, S.L.	Holding company	Spain	-	100,00%
Mahindra CIE Automotive Ltd.(2) (*)	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India	-	53,21%
Stokes Group Limited (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	UK	-	53,21%
Stokes Forgings Limited	Stokes Group Limited	Manufacture of automotive components	UK	-	53,21%
Stokes Forgings Dudley Limited	Stokes Group Limited	Manufacture of automotive components	UK	-	53,21%
Mahindra Forging Global	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53,21%
Mahindra Forgings International Limited (*)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53,21%
Mahindra Forgings Europe AG (*)	Mahindra Forgings International Limited	Holding company	Germany	-	53,21%
Gesenkschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	53,21%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Spain	-	53,21%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	-	53,21%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	53,21%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Production and marketing of electricity	Spain	-	26,61%
Mahindra Gears Global Ltd (1)	Mahindra CIE Automotive Ltd.	Holding company	Republic of Mauritius	-	53,21%
Metalcastello S.p.A. (1)	Mahindra Gears Global Ltd	Manufacture of automotive components	Italy	-	53,21%
Crest Geartech Ltd (1)	Metalcastello S.p.A.	Manufacture of automotive components	India	-	53,21%
Mahindra Gears Transmission Private Ltd (1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India		53,21%
Bionor Berantevilla, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Alava	-	100,00%
Biosur Transformación, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100,00%
Comlube s.r.l. (*) (in liquidation)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80,00%
Glycoleo s.r.l. (dormant)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40,80%
Biocombustibles de Guatemala, S.A.	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51,00%
Biocombustibles La Seda, S.L. (in liquidation)	CIE Berriz, S.L.	Production and marketing of glycerine	Barcelona	-	40,00%
Gestión de Aceites Vegetales, S.L.(GAVE) (*)	CIE Berriz, S.L.	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%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDICES TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2015

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive – Direct	% effective shareholding of CIE Automotive – Indirect
Reciclados Ecológicos de Residuos, S.L.U.	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100,00%
Recogida de Aceites y Grasas Maresma, S.L. (Rema)	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51,00%
Biodiesel Mediterráneo, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100,00%
RS Automotive B.V. (*) (1)	CIE Automotive, S.A.	Holding company	Netherlands	100,00%	-
Advanced Comfort Systems International B.V. (*) (1)	RS Automotive B.V.	Holding company	Netherlands	-	100,00%
Advanced Comfort Systems Ibérica, S.L.U. (1)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	Orense	-	100,00%
Advanced Comfort Systems France, S.A.S. (*) (1)	Advanced Comfort Systems International B.V.	Manufacture of automotive components	France	-	100,00%
Advanced Comfort Systems Romania, S.R.L. (1)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100,00%
Advanced Comfort Systems México, S.A. de C.V. (1)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Mexico	-	100,00%
Advanced Comfort Systems Shanghai Co. Ltd (1)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100,00%
SC CIE Matricon, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Romania	-	100,00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	100,00%
CIE Automotive Rus, LLC	CIE Berriz, S.L.	Manufacture of automotive components	Russia		100,00%
Global Dominion Access, S.A. (*)	CIE Automotive, S.A.	Holding company/ Technological Solutions and Services	Bilbao	62,95%	-
Dominion Instalaciones y Montajes, S.A.U. *(*)*	Global Dominion Access, S.A.	Technological solutions	Bilbao	-	62,95%
E.C.I. Telecom Ibérica, S.A.	Dominion Instalaciones y Montajes, S.A.U.	Technological solutions	Bilbao	-	62,95%
Interbox Technology, S.L.	Dominion Instalaciones y Montajes, S.A.U.	Comercial services	Bilbao	-	37,77%
Dominion Investigación y Desarrollo S.L.U.	Global Dominion Access, S.A.	Technological Solutions and Services	Bilbao	-	62,95%
Prosat Comunicaçoes, Ltda.	Global Dominion Access, S.A.	Technological Solutions and Services	Brazil	-	62,95%
Global Dominion Brazil Participaçoes, Ltda. (*)	Global Dominion Access, S.A.	Holding company	Brazil	-	62,95%
Halógica Tecnología, S.A.	Global Dominion Brazil Participaçoes, Ltda.	Technological Solutions and Services	Brazil	-	62,95%
Dominion Instalaçoes e Montagnes do Brazil Ltda.	Global Dominion Brazil Participaçoes, Ltda.	Technological Solutions and Services	Brazil	-	62,95%
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Mexico	-	62,95%
Dominion Tecnologías de la Información México, S.A. de CV	Mexicana de Electrónica Industrial, S.A. de C.V.	Technological Solutions and Services	Mexico	-	62,94%
Dominion Baires, S.A.	Global Dominion Access, S.A.	Technological Solutions and Services	Argentina	-	59,80%
Dominion SPA	Global Dominion Access, S.A.	Technological Solutions and Services	Chile	-	62,95%
Dominion Perú Soluciones y Servicios S.A.C.	Global Dominion Access, S.A.	Technological Solutions and Services	Peru	-	62,95%
Visual Line, S.L.	Global Dominion Access, S.A.	Technological Solutions and Services	Bilbao	-	34,62%
Sociedad concesionaria Chile Salud Siglo XXI S.A.	Global Dominion Access, S.A.	Technological Solutions and Services	Chile	-	18,89%
Beroa Thermal Energy, S.L. (*) (1)	Global Dominion Access, S.A.	Holding company	Bilbao	-	62,95%
Beroa France S.A.S.	Beroa Thermal Energy, S.L.	Industrial services	France	-	62,95%
Steelcon Chimneys Esbjerg A/S (*)	Beroa Thermal Energy, S.L.	Industrial solutions	Denmark	-	62,95%
Steelcon Slovakia s.r.o	Steelcon Chimneys Esbjerg A/S	Industrial solutions	Slovakia	-	62,95%
Dominion Global Pty,Ltd (formerly Beroa Australia Pty. Ltd)	Beroa Thermal Energy, S.L.	Industrial solutions and services	Australia	-	62,95%
Beroa Corporation LLC (*)	Beroa Thermal Energy, S.L.	Holding company	USA	-	62,95%
Beroa US LLC (formerly Karrena Refractory Linings LLC)	Beroa Corporation LLC	Industrial solutions	USA	-	62,95%
Karrena International LLC (*)	Beroa Corporation LLC	Industrial solutions	USA	-	56,66%
Karrena International Chimneys LLC	Karrena International LLC	Industrial solutions	USA	-	56,66%
Beroa Ibéria S.A.(*)	Beroa Thermal Energy, S.L.	Industrial solutions and services	Bilbao	-	62,95%
Dominion Industry México, S.A. de C.V. (formerly Karrenamex, S.A.)	Beroa Ibéria S.A.	Industrial services	Mexico	-	62,94%
Dominion SRL (formerly Beroa de Argentina SRL)	Beroa Ibéria S.A.	Industrial services	Argentina	-	56,66%
Altac South Africa Proprietary Limited	Beroa Ibéria S.A.	Industrial solutions	South Africa	-	62,95%
Chimneys and Refractories Intern. S.R.L.(*)	Beroa Thermal Energy, S.L.	Industrial solutions	Italy	-	56,66%
Chimneys and Refractories Intern. S.P.A.	Chimneys and Refractories Intern. S.R.L.	Industrial solutions (dormant)	Chile	-	56,66%
Dominion-Uniseven Industrial Services Pvt, Ltd. (formerly Beroa Uniseven Refractory Services Pvt Ltd.)	Beroa Thermal Energy, S.L.	Industrial services	India	-	32,10%
Refractories & Chimneys Construction Co. Ltda. (3)	Beroa Thermal Energy, S.L.	Industrial solutions	Saudi Arabia	-	61,69%

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDICES TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2015

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive Direct	Indirect
Beroa Technology Group GmbH (*)	Beroa Thermal Energy, S.L.	Holding company	Germany	-	62,95%
Karrena Betonanlagen und Fahrmischer GmbH (*)(in liquidation)	Beroa Technology Group GmbH	Construction and sale of cement mixers (dormant)	Germany	-	62,95%
HIT-Industrietechnik GmbH	Karrena Betonanlagen und Fahrmischer GmbH	Metal welding	Germany	-	32,73%
Bierrum International Ltd.	Beroa Technology Group GmbH	Industrial solutions	UK	-	62,95%
Beroa NovoCOS GmbH	Beroa Technology Group GmbH	Industrial services	Germany	-	62,95%
Beroa International Co. L.L.C.	Beroa Technology Group GmbH	Industrial services	Oman	-	44,07%
Beroa Refractory & Insulation L.L.C	Beroa Technology Group GmbH	Industrial services	United Arab Emirates	-	30,85%
Beroa Nexus Company LLC	Beroa Technology Group GmbH	Industrial services	Qatar	-	30,85%
Beroa Abu Obaid Industrial Insulation Company Co. W.L.L.	Beroa Technology Group GmbH	Industrial services	Bahrain	-	28,33%
Beroa Deutschland GmbH (*)	Beroa Technology Group GmbH	Industrial solutions and services	Germany	-	62,95%
Karrena S.r.l. (in liquidation)	Beroa Deutschland GmbH	Industrial services (dormant)	Italy	-	62,95%
Karrena Construction Thérmique S.A.	Beroa Deutschland GmbH	Industrial services (dormant)	France	-	62,95%
Beroa Polska Sp. z o.o.	Beroa Deutschland GmbH	Industrial solutions and services	Poland	-	62,95%
Karrena Arabia Co. Ltd.	Beroa Deutschland GmbH	Industrial solutions and services	Saudi Arabia	-	34,62%
BeroaChile Limitada	Beroa Deutschland GmbH	Industrial services (dormant)	Chile	-	62,94%
Burwitz Montageservice GmbH	Beroa Deutschland GmbH	Industrial solutions and services	Germany	-	62,95%
F&S Feuerfestbau GmbH & Co. KG	Beroa Deutschland GmbH	Industrial solutions and services	Germany	-	32,10%
F&S Beteiligungs GmbH	Beroa Deutschland GmbH	Holding company	Germany	-	32,10%
Global Near, S.L. (*) (1)	Global Dominion Access, S.A.	Holding company	Bilbao	-	56,18%
Near Technologies, S.L.U.	Global Near, S.L.	Technological solutions	Bilbao	-	56,18%
Tapquo, S.L.	Near Technologies, S.L.U.	Technological solutions	Bilbao	-	30,45%
Advanced Flight Systems, S.L.	Near Technologies, S.L.U.	Technological solutions	Bilbao	-	16,85%
Centro Near Servicios Financieros, S.L.	Global Near, S.L.	Technological solutions	Bilbao	-	12,92%
DM Informática, S.A. de C.V.	Global Near, S.L.	Technological solutions	Mexico	-	56,18%
Near Technologies Mexico, S.A. de C.V.	Global Near, S.L.	Technological solutions	Mexico	-	56,09%
NXT Solutions Inc	Global Near, S.L.	Technological solutions	Panama	-	28,09%
Dominion Ampliffica, S.L.	Global Dominion Access, S.A.	Holding company	Bilbao	-	62,95%
Bilcan Global Services, S.L. (*) (1) (5)	Global Dominion Access, S.A.	Holding company	Cantabria	-	62,95%
Eurologística Directa Móvil 21, S.L.U.	Bilcan Global Services, S.L.	Comercial services	Madrid	-	62,95%
Tiendas Conexión, S.L.U. (6)	Bilcan Global Services, S.L.	Comercial services	Cantabria	-	62,95%
Sur Conexión, S.L. (7)	Bilcan Global Services, S.L.	Comercial services	Cantabria	-	62,95%
Global Ampliffica, S.L.(*)	Bilcan Global Services, S.L.	Holding company	Bilbao	-	50,36%
Ampliffica Mexico, S.A. de C.V.	Global Ampliffica, S.L.	Technological solutions	Mexico	-	50,35%
Ampliffica, S.L.U.	Global Ampliffica, S.L.	Technological solutions	Bilbao	-	50,36%
Wiseconversion, S.L.	Global Ampliffica, S.L.	Technological solutions	Madrid	-	32,75%
Ampliffica de Istmo, S.A.	Global Ampliffica, S.L.	Technological solutions	Panama	-	30,22%
Dominion Networks, S.L.U.	Bilcan Global Services, S.L.	Technology services	Madrid	-	62,95%
Dominion Centro de Control, S.L.U.	Bilcan Global Services, S.L.	Technology services	Madrid	-	62,95%
Autokomp Ingeniería, S.A.U. (*)	CIE Automotive, S.A.	Services and installations	Vizcaya	100,00%	
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	Mexico	-	100,00%

(1) Companies added to consolidation scope in 2014 together with their subsidiaries.
(2) Merged in 2014 with Participaciones Internacionales Autometal Tres S.L., Mahindra Hinoday Industries Limited, Mahindra Composites Limited, Mahindra Ugine Steel Company Ltd, Mahindra Investments India private Limited and Mahindra Gears International Limited.
(3) The shares of Refractories & Chimneys Construction Co. Ltd. are 17% owned by Chimneys and Refractories Intern. S.R.L. and 83% by Beroa Technology Group GmbH, giving the group a total ownership interest of 59.74%.
(4) Merged in 2015 with CIE Autometal SA.
(5) Result of the merger between Bilcan Global Services, S.L. and Servicios Al Operador Móvil, S.L.
(6) Result of the merger between Your Phone, S.L. and Tiendas Conexión, S.L.
(7) Result of the merger between Sur Conexión, S.L. and Your Phone Franquicias, S.L.U.
(*) Parent of all investees listed subsequently in the table.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2015
(Thousand euro)

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the group

CIE Automotive (from now on, "CIE" or "The Group", interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in two business areas: automotive components and applied innovation.

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

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

1.2 Mission, vision, and values

Mission

We are an Industrial Group specialist in management of high value-added processes.

- We have devoted this concept of being a supplier of components and sub-assemblies for the global automotive market, with an action based on the utilization of complementary technologies and diverse associate processes.
- We apply this conception in the management, with an overall view in all the phases of the chain value.

We grow on a supported and profitable way to position ourselves as partner of reference across the satisfaction of our clients with integral, innovative and high value-added competitive solutions.

We Look for the excellence on the following commitments:

- The continued improvement of processes and its efficient management.
- The promotion of participation, implication and teamwork in an pleasant and sure environment.
- The transparency and integrity in all our actions.
- Respect for the enviroment.

Vision

We aspire to be an:

- Industrial Group of reference specialist in high value-added processes.

Become the example of a socially responsible company by our commitment to:

- People and their fundamental right.
- Environment, encouraging initiatives to promote greater environmental responsibility
- Value creation
- Collaboration with stakeholders
- Excellence in management

Be a benchmark within the value chain for:

- Quality
- Technology
- Service
- Innovation
- Eco design

Values

People

- Respecting their fundamental rights
- Providing fair working conditions
- Encouraging
    - Their initiative, creativity and innovativeness
    - Participation and teamwork
    - Their Capacity to attain goals and create value
    - Positive attitude to change and continuous improvement

Environment:

- Maintaining a precautionary approach
    - Working to minimize any negative impact.

Transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.
- Making public clearly all relevant data of our activity so that they are known and understood.

Stakeholders:

- Promoting honest relationships.
- Respecting their rights.

Legality:

- Respecting national and international standards.

Honesty, fairness and integrity are the foundation of our values.

1.3 Business units

Automotive components

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

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

The customer portfolio is divided into two big categories: vehicle´s manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent, to equal parts, 50% of total sales.

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

Five differential features support CIE Automotive's business:

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

Applied Innovation

The Group CIE Automotive develops an autonomous and independent applied innovation project across it subsidiary Dominion. This multisectorial group, with more than 5,000 employees in 28 countries, offers solutions and technological services to 1,000 clients to make its productive processes more efficient applying knowledge and innovation.

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

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

Multi-Technology Services ("Services")

Offers value-added services such as designing, implementation, updating and maintenance of fixed and mobile telecommunications networks, management of sales and distribution processes for telecommunications companies and provision of inspection, maintenance, repair and renewal services for industrial and energy companies.

Overall, the segment Dominion Services undertakes management of complete business processes on behalf of its customers through outsourcing and contracts signed by this segment usually have a duration of several years, generating recurring revenues.

Solutions and specialized engineering ("Solutions")

Solutions area execute unique projects designed to offer integral solutions or to improve specific business processes of customers. Performs the following activities:

- The execution of turnkey projects or EPC (Engineering Procurement Construction): projects to design, build and operate a specialized infrastructure, such as hospitals, civil protection projects and industrial plants.
- Construction, repairment and renovation of facilities related to heat management in industrial processes (eg, refractory for industrial furnaces, chimneys and cooling towers coatings).
- Improvement processes and other technology and business solutions for clients in selected markets.

2. EVOLUTION OF THE BUSINESS

2. 1 Summary of the year

Europe:

During 2015, Europe's growth has been slow, but with a positive increasing evolution. The group is taking advantage of the recovery of European market thanks to the specialization of its factories, the automatization of processes, the commitment to innovation and continuous improvement of plants. Example of this is the inauguration in June 2015 of the fifth production line of forged cranks of the factory of CIE Galfor, S.A.U. in Ourense.

In June 2015 the construction of the plant Togliatti in Russia was completed, dedicated to the manufacture of injected and machined aluminum pieces. His first project is the manufacture of seven references to the new gasoline engine that Renault will produce in Russia and Turkey. The installed capacity will allow the company to supply components for 150,000 engines per year, capacity that will be expanded gradually according to the demand.

In European plants of integrated forging after an alliance with the Mahindra group, Mahindra Forgings Europe (MFE), the group has established an action plan to match the profitability of these centres to the rest of the group. The plan includes, among other measures, the optimization of flows and the increased of production efficiency, the automatization of certain processes, the outsourcing of the non-essential and the renegotiation of prices. In this line, the company decided in February the gradual closure of its plant in Gevelsberg (Germany) in 2015 and the transfer of equipment and production to other centers of MFE in the country.

NAFTA

In 2015, it fulfilled twelve years of CIE Automotive's presence in Mexico, and since then, the group has expanded gradually its plants to attend the requirements of manufacturers to become market leader. Throughout the year, it continued developing four greenfields (projects from scratch) in the areas of machining, forging, stamping and aluminum in Mexico, which will report combined sales of approximately €150 million in the next years.

NAFTA area is one of the areas with the greatest growth potential in the world, while the US is still recovering and entrenched its position as second-largest global vehicles manufacturer, Mexico is key for the high volume of production of vehicles and the Europeanization of the car in the area.

In the future, the company plans to further investment and increase its technological offer in Mexico, where there is not still enough installed capacity to attend demand and returns are elevated.

Asia

The partnership with the Mahindra group signed in 2013 allowed to CIE Automotive enter into India and strengthen its presence in Asia, priority goal.

India has emerged as the development engine in the region, with an expected growth from 3 to 10 million units annually in the next decade. The main segment objective of India Mahindra CIE are passenger cars and tractors.

In its centers in India, the group manufactures forgings, casting, magnetic products, printing and composites.

Currently is working on increasing the profitability of their plants and on developing a business relationship with major global clients in the group. Additionally, it is being studied the opportunity to bring those products that have a leading position in other regions to China as well as the possibility of introducing new technologies such as injection of plastic or aluminum.

In this regard, it plans to continue its expansion in other Southeast Asian countries such as Thailand and Indonesia, as fastest way to gain a greater commercial presence among Japanese and Korean customers that dominate these markets.

In China, currently the largest car manufacturer in the world, CIE Automotive has an important niche market that comes from Europe.

Brazil:

The Brazilian market continues to have a significant group sales. Although the automotive industry is undergoing a restructuring process due to the devaluation of the real, Brazil remains being the seventh largest producer of cars and the potential for growth is enormous, considering that the ratio of vehicle per person is below comparing to the more developed countries.

In 2015, Brazilian plants of CIE Automotive continued to increase its efficiency by automating processes and specializing in value-added products.

Solutions and services:

In reference to Solutions and Services segment the most important fact is that 2015 is the first full year after the integration of Beroa, Bilcan and Near in 2014. The results are the result of of the success of rationalization efforts, unification of cultures, integration of teams and taking advantage of opportunities, although we believe that the potential of all this work still has to give best results.

Going into greater detail on specific activities regarding services for T&T the behavior of the various countries has been heterogeneous; Spain and Peru have evolved excellently while Brazil has not achieved all its objectives.

It is noteworthy the beginning of operations in a new country, Chile, the consolidation of a client as Jazztel, the opening of new areas such as Barcelona, or new activities, such as fitness for 4G. They all are clear examples of the potential of cross-selling and cross-cutting of the Dominion Group.

2.2 Financial indicators:

CONSOLIDATED GROUP:

(Thousand euro)	2015	2014
Consolidated revenue	2,631,520	2,209,516
Adjusted consolidated revenue (*)	2,631,520	2,160,318
Gross operating profit/(loss)-EBITDA	365,474	290,863
Net operating profit/(loss)-EBIT	244,306	172,183
Profit/(loss) before taxes cont. act.-EBT	186,670	137,137
Profit/(loss) for the year cont. act.	146,578	98,465
Profit/(loss) on discontinued operations	(763)	(355)
Profit/(loss) atributable to non-controlling interests	(16,751)	(17,062)
Profit/(loss) attributable to parent Company	129,064	81,048

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

Business performance:

Entire period with the new scope of consolidation of the Group. Again, record sales, EBITDA and Net result. Adjusted sales grew by 22% over the same period last year, EBITDA by 26% and Net income totaled €129 million, 59% more than in 2014.

This growth has been due in part to the increase in our consolidation, in addition to excellent margin growth in Europe and Nafta, where also the evolution of the exchange rate conversion has been favorable.

It is noteworthy, the existence in the year 2015 in some areas, as much as expenditure and income are considered not recurrent. The main ones are:

- Restructuring costs, mainly personnel costs, associated with the closure process of one plant that CIE Group owns in Germany, amounting €14.5 million that have been partially compensated by positive effects of the operative part of the income statement. The Net effect has caused an effect of an EBIT lower 9 million euros.
- Increased expense by the estimated contingent consideration associated with the granted option to the non-controlling partners on the remaining 35% stake in Century Plastics, LLC by €34.4 million, and the net effect, after non-controlling interests, of €22.4 million (Note 22).
- Income of €4 million arising from early termination of contingent liabilities with VEP group buying a 50% of the group RS in February 2014, and has been recognized under "Change in fair value assets and liabilities allocation results "in the income statement for 2015 (Notes 29 and 35).

With these effects, the recurring pro forma EBIT would be higher by about €2.5million. In contrast, in the inoperative part of the income statement (financial, tax, etc.) there is a non-recurring net income of approximately €2.2million. Therefore, the net result given in the year is recurrent in CIE's Group because positive and negative non-recurrent net effects have been compensated.

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

AUTOMOTIVE:

	AUTOMOCIÓN	
(Thousand euro)	2015	2014
Consolidated revenue	2,106,499	1,916,757
Adjusted consolidated revenue (*)	2,106,499	1,867,559
Gross operating profit/(loss)-EBITDA	323,921	268,606
%EBITDA adjusted/consolidated revenue	15.4%	14.4%
Net operating profit/(loss)-EBIT	215,126	160,622
%EBIT/Consolidated revenue	10.2%	8.6%

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

Market evolution:

- ❑ The behavior of the NAFTA market and the excellent level of operative profitability of the Mexican and European plants have contributed to offset the bad situation of the Brazilian market and the lower margins of the plants of the group Mahindra.
- ❑ The recovery of the EBIT margin stands out, having Reached double digits.

SOLUTIONS AND SERVICES (Smart Innovation):

	DOMINION	
(Thousand euro)	2015	2014
Consolidated revenue	525,021	292,759
Gross operating profit/(loss)-EBITDA	41,553	22,257
Net operating profit/(loss) –EBIT	29,180	11,561

The previous year has been very positive in terms of revenues, evolving from the €293 million to €525 million reached in 2015, and in terms of contribution margin (calculated as the operating profit without considering the amortization, probable impairments, neither the structure expenses not charged directly to segments), which evolves from €31 million to €64.5 million. However, the most important was that the evolution was similar in both segments: Services and Solutions.

The analysis of the results from the contribution margin to the consolidated profit confirms this improvement from €5.6 million to €18 million.

2.3 Predictable evolution of the Group

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

The plan established some goals, indicated three lines of action:

- To increase significantly the presence in Asia, this will represent 32% of Group´s sales.
- To promote a strategy of growth across greenfields, contributing the know-how of the company, with strategic products orientated to the reduction of the consumptions and to the increase of the safety and comfort.
- To keep a solid financial position joined to a model of management who believes that generates value.

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

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

The Strategic Plan of Dominion's management included the period 2012-2016, though the process has been successfully completed in 2015.

Level of implementation of the 2015 Strategic Plan

After the excellent execution of the plan in 2013, in 2014 CIE Automotive announced that in 2015 the results would be closer to the goals of the plan.

The key factors for the achievement of these goals in 2015 have been:

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

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

Furthermore, the company continued his investing politics with the development of greenfields in Mexico and Russia and using its know how to optimize the European and Brazilian plants, apart from beginning to work at the profitability of the Indian centers.

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

Thanks to the commitment of the management team and the joint labor of the operative divisions and of the corporate network, at the closing of the exercise 2015, CIE Automotive has already fulfilled the goals of 2015 and brought forward the main goals of the plan for 2017: an EBIT higher than 9% and duplicate the Net profit of 2013.

Perspectives

The Group, after the advance of the fulfillment of the strategic plan 2013-2017, is developing a new strategic plan with a temporary horizon until 2020; it expects to duplicate the Net profit reached in the exercise 2015.

From the evolution and reached development, it releases a future that offers positive perspectives.

3. QUALITY AND ENVIRONMENT

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

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

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

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

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

Last generation products with sustainable vocation

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

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

The sustainability in CIE Automotive´s business

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

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

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

Continuous improvement

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

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

Certifications

CIE Automotive holds all its plants certified according to ISO / TS which is of obligatory compliance in the automotive market standard.

As usual in the market, during the year we have been audited and certified both by our clients and by external certification entities, still being, at this time, 3 new plants pending of implementation of certification since, according to the requirements, must have one year of activity prior to the certification:

- Pernambuco (Brasil) dedicated to plastic injection.
- Togliatti (Rusia) dedicated to injection and mechanization of aluminium pieces.
- Forjas de Celaya (México) dedicated to forging and mechanization of Steel pieces.

On the other hand, we continue increasing our certifications both in environment (ISO 14000) and security (OHSAS 18000).

These certifications are supported by external certification companies.

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

(Thousand euro)

Certificates	Cie plants	Certified plants	%
ISO TS 16949	75	71 (*)	95
ISO 14000	75	68	91
OSHAS 18000	75	43	58
ISCC (**)	1	100	100

(*) 3 New deployments
(**) "International Sustainability and carbon certification"

Recognition

OEMs awards

CIE Automotive has been awarded and recognized during 2015 as best supplier by several leading builders of the market.

These awards represent a recognition of the daily effort that those who compose CIE Automotive do, and especially encourage us to keep on with our dedication towards the continuous improvements.

- Fiat-Chrysler has awarded CIE PEMSA (Mexico) as "Best supplier 2015", repeating this award which gives greater value.
- General Motors has distinguished the metal plant CIE Egaña (Spain) as excellent supplier and has awarded the plant of aluminium CIE Inyectametal (Spain) for excellence.
- PSA has been recognized as "Best supplier facility".

    Egaña 2, S.L. (Spain)

    Inyectamental, S.A. (Spain)

    CIE Compiegne, S.A.S (France)

    CIE Metal, s.r.o. (Czech Republic)

- Ford América do Sul in its "Top Suppliers awards" has awarded CIE Nakayone (Brazil) as best stamping supplier of stamping
- TATA Motors has distinguished Mahindra CIE stampings with its "award for best runner"
- The European division of AGC (largest glass manufacturer of automotive, assembles its products in 1 of every 4 new vehicles manufactured in the world) granted the European plastic division of CIE Automotive an award on 29 October during the celebration of its first "Supplier Day" in Brussels. With this award, AGC wants to recognize the work and results of the industrialization team and defines CIE as a strategic partner for the development of future projects in Europe, as the trend of the automotive glass market is to increasingly integrate added value and features.

Tier's 1 award

Nexteer has recognized CIE Nova Recyd, S.Au. as "Perfect Quality 2015" for the quality of its performance.

Raw material recycling

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

- The aluminium division has recycled 48,089 Tm.
- The biofuels companies biofuels of the automotive segment are nourished exclusively of recycled material. During 2015 they have processed 24,351 Tm of secondhand oil.

4. HUMAN RESOURCES

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

CIE Automotive is formed by a great team close to 23,000 people, with a continued growth, and to be facing always new challenges, have turned us into an organization:

- Dynamic, innovative, orientated to the change and in constant improvement.
- Plural, where there have content people with all academic levels and experience, from newly titled to the most experienced.
- Formed for people with passion for learning, creating and innovating, looking always for a better way of doing things. For this, people are our major assets. They are those who lead the change, assuming his vital and professional project. In consequence, we promote the Professional Development in our organization with personalized career plans at all the levels.
- Bets on the Permanent training and adapted to our programs of development.

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

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

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

Again in 2015, from the Management Learning Center the different programs of professional development have been developed in which it has been given more than thousand hours of class, with a high participation, implication and satisfaction of those who have attended to the formation meetings in areas as finance, prevention, quality or management development.

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

Zero Risk

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

In 2015, as in previous years, the area of Prevention of Labor Risks has stood out for its formative and prevention effort in areas such as the safety and ergonomics, with special focus on high-level training for the middle management in which was given numerous hours of class organized in diverse courses.

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

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

All this activity has been reflected in a reduction of work accidents and the increase of the plants of the Group that have a certification OSHAS, a total of 43, which is a test of their commitment and efficiency in the prevention of labor risks.

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

(Thousand euro)

Internal communication

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

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

Number of employees

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

2010	12,352
2011	14,335
2012	16,284
2013	18,435
2014	23,528
2015	22.820

The distribution of sexes is, to the closing of 2015:

Men	84%
Woman	16%

5. CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors of the Company is responsible for establishing policies of social responsibility. On 15 December 2015, this body approved the Corporate Responsibility Policy in order to establish basic principles and framework for the management of the sustainability practices assumed by the Group Dominion.

The principles of this policy are the basis for the integration of corporate responsibility into the business model and in its strategy, creating long-term value for all stakeholders and for Company itself.

The monitoring Corporate Social Responsibility Policy of CIE Automotive, S.A. is responsible for the Corporate Social Responsibility Committee, established in 2015, who delegated to the new Corporate Social Responsibility Transversal Committee the monitoring regarding the application of its principles. This committee consists of eight members of different areas.

The application of performance of the Corporate Social Responsibility Policy and the possible associated risks are embedded within the Risk Control and Management Policy, where following the methodology of ISO 31000 (methodology regarding the risk management generally accepted in the market) and with the participation of Senior Management and Management Team, it is produced an annual risk map.

The main tasks performed on Corporate Social Responsibility in 2015 were:

- Preparation of the Annual Report 2014, paying attention to the criteria of relevance, transparency and accessibility.
- Preparation of the Strategic Plan 2015-2018 Corporate Social Responsibility and Sustainability, with the support of a specialized consultant and contribution of senior management.
- Response to analysts of Corporate Social Responsibility and Sustainability: VIGEO, FTSE, MSCI and EcoVadis
- Inclusion of the Corporate Social Responsibility strategy in the new corporate website.

In October 2015, the Group has joined the Global Compact of the United Nations, whose values are derived from:

- Universal Declaration of Human Rights
- Declaration of the International Labor Organization regarding the Fundamental Principles and Rights at Job.
- Rio Declaration about Environment and Development.
- UN Convention against Corruption.

This membership represents our commitment as a company to implement the Global Compact values in each of its four areas: human rights, labor standards, environment and anti-corruption. For this, the Company will implement along 2016 different policies and procedures. In addition, the Group will involve to major suppliers in this process.

This commitment means within our Corporate Social Responsibility Policy with people, especially considering that it is a global company with permanent facilities in four continents and with different cultural environments in each.

6. FINANCIAL RISK MANAGEMENT

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

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

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, one process of constant cycle in nine phases: communication, context stablishment, identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

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

Financial risk factors

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

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

a) Market Risk

(i) Foreign Exchange risk

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

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

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

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

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

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

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

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

(ii) Price risk

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

iii) Interest rate risk

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

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

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

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

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate of a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.

- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

b) Liquidity Risk

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

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

The Group believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, it is estimated that cash generated in 2016 will enable payments for the year to be settled with no need to increase the net financial debt.

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

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

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

Noteworthy is the existence at 31 December 2015 of €146 million of undrawn credit lines and loans.

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

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

The Groups' managements controls effectively the expenditure payments periods and the realization of the working capital through an intensive monitoring of cash flow forecast. Thus, it fulfills with the objective of ensuring that the Company has sufficient cash in order to face the operative requirements and that maintains all the time enough availability regarding the credits not used, in order not to fail meeting with the covenants established by financing. Hence, it is estimated that the cash flow generation in 2016 will cover the requirements for facing up the short-term commitments, and for avoiding through current acts any tense situation regarding cash flow position.

c) Credit risk

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

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

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

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment (Note 5), presenting no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

d) Raw material price risk

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

7. R&D ACTIVITES

In 2015 CIE Automotive bets to get first-hand knowledge in the manufacturers primary R+D+I areas and TIER 1 and maintain our presence in the various regional, national and international forums. It is noteworthy, the active participation in different technological platforms as SERNAUTO, ERTRAC, CLEPA and EGVIA where work is done to define the strategic schedule that later will be presented as recommendations to the Commission in order to be reflected in the work programs of different calls H2020.

During 2015 CIE Automotive has developed its R + D + i around materials, products and key processes that enables to achieve the objectives set in the strategic plan of the Group and, therefore, the issues in which the work has been developed, have focused mainly on:

- Product development with new materials and/or processes that allow weight savings in vehicles, mainly in structural components.
- Reducing fuel consumption and emissions in internal combustion engines both in petrol and diesel working mainly in the settling of pre and post combustion. During 2015 an important area of work has also been for components around engines with alternative fuels and cooling systems of the main components of energy storage and electric vehicle traction.
- The development of projects that allow us to continue working on the sustainability of production processes and the efficient use of available resources and to improve the know-how of all the companies with the incorporation of microelectronics and information technology so as to computerize the production.
- The development of projects to reach industrial maturity and move towards the "Smart Factory." In this environment we have developed projects around Hybridization of the physical and digital world (sensors, smart and embedded systems, automation and flexible robotics). Communication and data processing (connectivity and communication infrastructure). Management application (production applications and management of the value chain). Intelligence and control application.

In either setting, CIE has developed projects, some internally and others in a collaborative partnerships on specific issues. In most cases, CIE Automotive has taken not only the responsibility of a development area but it also has led consortiums that have been proposed to the financing programs both in international program with Iberoamerica and other countries out of EU, and in European level in H2020, regionally, mainly in Catalonia, Galicia and the Basque Country and nationally.

8. TRADING IN TREASURY SHARES

At 31 December 2015, the parent Company does not have treasury shares and no movements have taken place in 2015.

The mandate awarded by the Shareholders' General Meeting celebrated on 30 April 2020, is valid until 30 April 2020 by which the Board of Directors of the Company is authorized to acquire CIE Automotive S.A. shares, at any time, and whenever considered appropriate through any of the means accepted by the law even charged to the income statement and/or unrestricted reserves, or being sold or amortized thereafter in accordance with article 146 and its regulations from the Law on Corporations.

9. PAYMENT AVERAGE PERIOD

The breakdown of trade payables settled during the year and those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

	Days
Average payment period to suppliers.	71
Paid operations ratio.	85
Outstanding operations ratio.	54

	Thousand of euros
Total payments	627.295
Total outstanding payments	486.727

The group has launched a series of measures that are focused primarily on identifying deviations through regular monitoring and periodic analysis of accounts payable to suppliers, reviewing and improving internal management procedures of suppliers and compliance, and if necessary update the conditions defined in the applicable regulations subject to business operations.

10. STOCK EXCHANGE INFORMATION

Constant growth close to the business

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

In a year marked by the volatility of the principal markets, CIE Automotive's shares were revalued in a 42.1% reaching a price of €15.46. Starting from a value of €11.265 per share in 2014, the next 8 months of year brought a rise to a maximum of €15.33 per share. In mid-august, there has been a slight decrease to €11.87 per share in September and a recovery in the last months of the year closing at €15.45 euros per share at 31 December 2015. With this increase of 37.15% higher than the market increase, investors rewarded the excellent results and the Company´s strategy on growth. At 31 December, CIE Automotive´s market capitalization was of €1,993 million.

Dividend

CIE Automotive maintains its politics to remunerate one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2015 of €0.16 per share. Disbursement was effective January 4, 2016.

11. EVENTS AFTER THE BALANCE SHEET DATE

In 10 February 2016, the Group through its subsidiary Global Dominion Access S.A. has submitted a bid within the bankruptcy requested by Abantia Empresarial S.L. and its subsidiaries (hereinafter the "Abantia Group"), to acquire production units of facilities, maintenance, industrial and promotion of renewable energies, which represent most of the current business of Abantia Group.

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2015

In compliance with the provisions of article 253 of the prevailing Spanish Companies Act 2010, the directors comprising the full Board of Directors of CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES as of this date have authorised the consolidated annual accounts and directors' report of CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES for 2015, made up of the documents itemised and identified below, for issue:

- The index,which is printed on class 8 state-stamped paper, sheet numbers .OL7059714 to OL7059715.
- The balance sheet, which is printed on class 8 state-stamped paper, sheet numbers OL7059716 to OL7059717.
- The Income Statement which is printed on government fiscal paper, Class 8, number OL7059718.
- The Consolidated Statement of Comprehensive Income which is printed on government fiscal paper, Class 8, number OL7059719.
- The Statement of Changes in Equity which is printed on government fiscal paper, Class 8, number _OL7059720..
- The Cash Flow Statement which is printed on government fiscal paper, Class 8, number OL7059721
- The notes to the annual accounts, printed on class 8 state-stamped paper, sheet numbersOL7059722 to OL7059822
- The Directors' Report (appended to which are the Annual Corporate Governance Report and Audit Report regarding the required disclosures on the Internal Control over Financial Reporting System), printed on class 8 state-stamped paper, sheet numbers OL7059823 to OL7059884.
- In compliance with the provisions of the abovementioned Article 253, the directors declare that they have signed each and every one of the above-listed documents in their own hand by witnessing these class 8 state-stamped sheets, specifically sheet numbersOL9959438, OL7059706 and OL7059710.

The directors of the parent company also declare that, to the best of their knowledge, the annual accounts prepared under prevailing accounting principles provide a true and fair view of the equity, financial position and financial performance of the issuer and the consolidated companies taken as a whole, and that the Directors' Report includes a true and fair analysis of the business performance and results and financial situation of the issuer and the consolidated companies taken as a whole, together with the description of the main risks and uncertainties they face.

In Bilbao, on 24 February 2016

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2015

SIGNATORIES

Antonio María Pradera Jáuregui
(Chairman)

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L., represented by Ms Goizalde Egaña Garitagoitia *(Vice Chair)*

Jesús María Herrera Barandiaran
(Chief Executive Officer)

Ángel Ochoa Crespo
(Member)

Carlos Solchaga Catalán
(Member)

Francisco J. Riberas Mera
(Member)

Juan M. Riberas Mera
(Member)

Fermín del Río Sanz de Acedo
(Member)

Shriprakash Shukla
(Member)

Vankipuram Parthasarathy
(Member)

ADDVALIA CAPITAL, S.A., represented by
María Teresa Salegui Arbizu *(Member)*

ACEK DESARROLLO Y GESTIÓN, S.L.,
before named CORPORACIÓN GESTAMP, S.L.,
represented byFrancisco López Peña *(Member)*

QMC DIRECTORSHIPS, S.L., represented by
Jacobo Llanza Figueroa *(Member)*

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF ENTITY

CLOSING DATE PERIOD OF REFERENCE:	12/31/2015

C.I.F.	A-20014452

BUSINESS NAME
CIE AUTOMOTIVE, S.A.

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

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. - STRUCTURE OF OWNERSHIP

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

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

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

YES [ ] NO [X]

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

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MAHINDRA & MAHINDRA LTD	0	16,040,706	12.43%
QMC II IBERIAN CAPITAL FUND, FIL	4,518,659	0	3.50%
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	0	6,480,671	5.01%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	8,984,650	0	6.96%
RISTEEL CORPORATION, B.V.	16,900,021	0	13.10%
SANTANDER ASSET MANAGEMENT S.A., SGIIC	0	3,921,146	3.04%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	16,040,706
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	OTHER SHAREHOLDERS	6,480,671
SANTANDER ASSET MANAGEMENT S.A., SGIIC	SGIIC RUN BY SANTANDER ASSET MANAGEMENT	3,921,146

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

Name of shareholder	Date of the transaction	Description of the transaction
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	02/06/2015	Decrease a 5% of share capital

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

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MR. FERMIN DEL RIO SANZ DE ACEDO	25,000	0	0.02%
MR. ANTONIO MARIA PRADERA JAUREGUI	6,450,009	8,984,650	11.96%
MR. JESUS MARIA HERRERA BARANDIARAN	450,000	0	0.35%
ADDVALIA CAPITAL, S.A.	6,450,208	0	5.00%

MR. VANKIPURAM PARTHASARATHY	5	0	0.00%
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	12,652,182	16,900,021	22.91%
ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	9.60%

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

% total of voting rights held by the Board of Directors	49.84 %

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

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

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

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

YES [ ] NO [X]

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

YES [ ] NO [X]

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

Not applicable

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

YES [ ] NO [X]

OBSERVATIONS

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

At the close of the financial year:

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

(*) Through:

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

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

It is valid until April 30, 2020, inclusive, the mandate given by the General Meeting of Shareholders held on April 30, 2015, whereby the Board of Directors of the Company is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotive, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

A.9.bis Estimated free float:

	%
Estimated floating capital	30,00

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

YES [ ] NO [X]

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

YES [X] NO [ ]

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

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

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

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

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

YES [ ] NO [X]

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

B. - SHAREHOLDERS' MEETING

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

YES [X] NO [ ]

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

Description of the differences

Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call, the Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call.

As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).

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

YES [ ] NO [X]

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

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

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

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

Attendance figures					
Date of the General Meeting	% physically present	% represented by proxy	% distance voters		Total
			Electronic voting	Other	
30/04/2014	53.92%	33.08%	0.00%	0.00%	87.00%
30/04/2015	39.65%	39.01%	0.00%	0.00%	78.66%

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

YES [ ] NO [X]

B.6 Abrogated section

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

The Company's' website where I can access information of corporate governance and other information about the General Meetings is www.cieautomotive.com/inversores/index.php?lang=_esp.

C. - STRUCTURE OF GOVERNANCE AT THE COMPANY

C.1 Board of Directors

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

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2. Complete the following table with the names of the directors:

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN MARIA RIBERAS MERA		Institutional	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMIN DEL RIO SANZ DE ACEDO		Executive	BOARD MEMBER	12/21/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. ANTONIO MARIA PRADERAJAUREGUI		Executive	CHAIRMAN	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		Independent	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARIA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	01/21/2013	04/30/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR ÁNGEL MANUEL OCHOA CRESPO		Independent	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FRANCISCO JOSE RIBERAS		Institutional	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS'

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MERA						MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARIA TERESA SALEGUI ARBIZU	Institutional	BOARD MEMBER	04/26/2007	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. VANKIPURAM PARTHASARATHY		Institutional	BOARD MEMBER	10/04/2013	04/30/2014	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MR. FRANCISCO LOPEZ PEÑA	Institutional	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	Institutional	BOARD MEMBER	05/12/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCION DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	Institutional	1st VICE CHAIR	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. SHRIPRAKASH SHUKLA		Institutional	BOARD MEMBER	06/25/2015	06/25/2015	CO-OPTATION

Total number of Directors	13

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

Name of the Director	Status of the Director at the time of exit	Exit date
DON HEMANT LUTHRA	Institutional	06/25/2015

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

EXECUTIVE DIRECTORS

Name of the Director	Position in Company's organization
MR. ANTONIO MARIA PRADERA JAUREGUI	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	CHIEF EXECUTIVE OFFICER
DON FERMIN DEL RIO SANZ DE ACEBO	ASSISTANT TO THE CHAIR

Total number of executive Directors	3
Total percent of the Board	23.08%

INSTITUTIONAL OUTSIDE DIRECTORS

Name of the Director	Name of the significant shareholder represented or that proposed the appointment
MR. JUAN MARIA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.
MR. FRANCISCO JOSE RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.
ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.
MR. VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.
QMC DIRECTORSHIPS, S.L.	NMAS1 ASSET MANAGEMENT, SGIIC, S.A.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCION DE EMPRESAS, S.L.
MR. SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD

Total number of Institutional Directors	8
Total percent of the Board	61.54%

INDEPENDENT OUTSIDE DIRECTORS

Name of the Director

MR. CARLOS SOLCHAGA CATALÁN

Profile

Economist from Universidad Complutense de Madrid (1966) and post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.) (1971).

In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-94. Member of the Basque Government prior to the approval of the Euskadi Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (from 1991 to 1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Economy and Finance (1985-1993).

Since leaving political activity, it has been an international consultant for various institutions in different countries.

He is currently an International Consultant and Partner-Director of Solchaga Recio Asociados (Consultancy). Chair of Fundacion Euroamerica, Vice-Chair of Real Patronato del Museo Nacional Centro de Arte Reina Sofia, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of Board of Directors of Cie Automotive, Duro felgera y Pharma Mar, S.A. Equally, complements his activity with conferences and journals for dissemination.

Name of the Director

MR ÁNGEL MANUEL OCHOA CRESPO

Profile

Degree in Economics and Business from Universidad del País Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA.

With more than 21 years' experience in the financial field. Accounting Executive and Manager from the Multinationals Department of Barclays Bank. Accounting Manager and co-director of the Corporate Banking of Lloyds Bank. Assistant General Manager of Banque Privée Edmon de Rothschild Europe, subsidiary in Spain, taking part in assembly and development of the bank since its opening in Spain. Member of the Steering Committee of the Bank and direct responsible of the following fields: private banking, institutional banking, investment management, estate and tax planning, and internal resources (management, human resources, etc.). Chairman of the Sabadell Atlántico Bank in Basque Country and Cantabria. At the same time, he has been member of the board of directors of several Open-ended Investment Companies (SICAVs).

Currently, he is an investment advisor. Partner of Angel Ochoa Crespo EAFI (financial advisory company), registered in the CNMV with nº 24. He holds the position of independent director of CIE Automotive, S.A. and director and secretary of ISLOPAN, S.A. that is dedicated to the real-state business and financial investment.

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

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

Not applicable

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

OTHER OUTSIDE DIRECTORS

Identify all other external directors and explain why these cannot be considered Institutional or independent directors and detail their relationships with the company, its executives or shareholders.

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

Name of the Director	Date of change	Preceding category	Present category
DON FERMIN DEL RIO SANZ DE ACEDO	01/01/2015	Institutional	Executive

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

	Number of female directors				% over each kind of directors			
	Year ended 2015	Year ended 2014	Year ended 2013	Year ended 2012	Year ended 2015	Year ended 2014	Year ended 2013	Year ended 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Institutional	2	2	2	2	22.22%	22.22%	20,00%	22.22%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Outsiders	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	2	2	15.38%	15.38%	14.29%	16.66%

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

Explanation of the measures

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

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

Explanation of the measures

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

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

Explanation of the measures

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

C.1.6 bis. Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020.

Explanation of the measures

Nominations and Compensation Committee conclude that despite the fact that the selection policy complies with the minimum requirements, is an objective fact that the number of female directors within the Board of Directors (around 15%), differs from the objective established for 2020. In this sense, in case vacancies occur, which does not happen usually, respective parts will be encouraged to promote the selection of female directors until the objective is achieved.

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

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

C.1.8 Explain why institutional directors have been appointed at the instance of shareholders with less than 3% interest in the Company, if appropriate:

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

YES		NO	X

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

Name of the Director

MR. HEMALT LUTHRA

Reason for exit

He was a director of the Board of Mahindra & Mahindra, Ltd. Because of its termination in the exercise of functions in that group as a consequence of compliance with age limits, it has been suggested D. Shriprakash Shukla replacing him in the Board.

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

Name of the Director

MR. JESUS MARIA HERRERA BARANDIARAN

Brief description

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

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

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIRMAN	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOKOMP INGENIERIA,S.A.U.	CHAIRMAN	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ, S.L.; CIE GALFOR S.A.U.; CIE LEGAZPI, S.A.U.; AUTOKOMP INGENIERÍA, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ALFA DECO, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ALURECY, S.A	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADOS ECOLOGICOS DE RESIDUOS, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE MECAUTO, S.A.U.	BOARD MEMBER	NO

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. JESUS MARIA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCION RECYTEC, S.L.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE DIRECCION RECYLAN, S.L.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	GAMEKO FABRICACION DE COMPONENTES, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	NOVA RECYD, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ORBELAN PLASTICOS, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PLASFIL PLASTICOS DA FIGUEIRA, S.A.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	RECYDE, S.A.U.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	TRANSFORMACIONES METALURGICAS NORMA, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMETAL DE MEXICO, S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ MEXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESUS MARIA HERRERA BARANDIARAN	INMOBILIARIA EL PUENTE S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PERCASER DE MEXICO S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MEXICO, S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TECNICOS S.A. DE C.V.	CHAIRMAM	NO
MR. JESUS MARIA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. JESUS MARIA HERRERA BARANDIARAN	ADVANCE COMFORT SYSTEMS IBERICA, S.L.	BOARD MEMBER	NO

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

Name of the Director	Name of the listed company	Position
MR. CARLOS SOLCHAGA CATALÁN	DURO FELGUERA. S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	PHARMA MAR, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS	EURONA WIRELESS TELECOM, S.A.	BOARD MEMBER

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

YES [ ] NO [X]

C.1.14 Abrogated section

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

Remuneration of the Board of Directors (thousand euros)	3,483
Amount of the global remuneration corresponding to the benefits accrued by current directors on pensions (thousand euros)	0
Amount of the global remuneration corresponding to the benefits accrued by the former directors on pensions (thousand euros)	0

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

Name	Position
MR. AITOR ZAZPE GOÑI	DIRECTOR OF PLASTIC, BIOFUEL, HUMAN RESOURCES AND SYSTEMS DIVISIONS
MR. JUSTINO UNAMUNO URCELAY	DIRECTOR OF FORGE, METAL AND PURCHASE DIVISIONS
MR. MIKEL FELIX BARANDIARAN LANDIN	GENERAL DIRECTOR OF IT SERVICES AND SOLUTIONS
MR. ANDER ARENAZA ALVAREZ	DIRECTOR OF ALUMINIUM, MACHINING ENGINEERING AND QUALITY DIVISIONS
MSS. MARIA MIÑAMBRES GARCIA	DIRECTOR OF CORPORATE AUDIT AND MANAGEMENT CONTROL
MR. ZENON VAZQUEZ IRIZAR	FINANCIAL DIRECTOR
MR. XABIER SAINZ GARCIA	DIRECTOR OF FORGE AND MACHINE OF BRAZIL
MR. ALEXANDER TORRES COLOMAR	DIRECTOR OF PLASTIC OF BRAZIL
MR OSCAR GONZALEZ ALATORRE	DIRECTOR OF OPERATION OF MEXICO
MR. AMABLE MARTINEZ-CONDE BARRASA	DIRECTOR OF AUTOMETAL-DIADEMA
MR VALDIR PEREIRA DA SILVA	DIRECTOR OF METAL OF BRAZIL

Total senior management compensation (thousand euros)	2,768

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

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

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

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

YES [x] NO [ ]

Description of modifications

The Regulations of the Board of Directors of 25 February 2015 approved a new consolidated wording of Regulations of the Board of Directors of the Company, in which specific modifications are introduced In order to adapt the text regarding the amendments introduced by Law 31/2014 of 3 December, by which it is modified the Spanish Corporations Law to improve corporate governance.

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

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

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

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

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

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

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

8. Members of the administrative body shall perform the job and comply with the duties imposed by the Law with the diligence of an organized businessman, considering the nature of the job and the functions attributed to each. In addition, the members of the board of directors shall perform the job with the loyalty of a loyal representative, acting in good way and in the best interest of the Company. The Regulation of the Board of Directors will develop the specific duties for directors from the Law, and particularly, confidentiality and loyalty, paying special attention to situations of conflict of interest.

Similarly, Article 23 of the regulations of the Board of Directors lays down the following:

Article 23. Appointment of Directors.

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

2.- The proposal for the appointment and re-election of directors that the Board of Directors submits to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to, it shall be preceded by the corresponding proposal from the Nominations and Compensation Committee in case of independent directors, or by a report in case of the remaining director.

When the Board disagrees with the Nominations and Compensation Committees' report, it shall set out the reasons for its decision and place them on record.

3.Proposals and reports from the Nominations and Compensation Committee should assess expressly the reputation, suitability solvency, competence, expertise, qualification, training, availability and commitment to its role of the candidates. For this purpose, the Nominations and Compensation Committee will determine estimated time of dedication, in number of annual hours for non-executive directors detailing into the corresponding report or proposal.

4.The Nominations and Compensation Committee shall propose or inform in each case, the assignment of the director to one of the categories specified in the regulation and review it annually.

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
Not applicable

C.1.20.bis Describe the assessment process undertaken by the board of directors and the areas evaluated, with the aid of an external facilitator, with respect to the composition, duties and powers of its committees, the performance of the chairman of the board of directors and the company's chief executive officer and the performance and contribution of individual directors.

The Nominations and Compensation Committee conducts an annual evaluation of the performance of individual directors, without being assisted by any external consultant.

C.1.20.ter Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.

Not applicable

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

Article 26 of the Regulations of the Board of Directors CIE AUTOMOTIVE, S.A indicates that:

Article 26. Removal of Directors

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

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

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

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

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

d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.

C.1.22 Abrogated section

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES [ ] NO [X]

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES [ ] NO [X]

C.1.25 State whether the Chair has a casting vote:

YES [ ] NO [X]

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES [X] NO [ ]

Age limit for Chair:
Age limit for Director: 65 years old.
Age limit Board Member:

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES [ ] NO [X]

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 22 of the Board Regulations of CIE Automotive, S.A. reads as follows:

Directors must attend the meetings of the Board of Directors and, if they cannot do it personally, delegate its task to another director, together with appropriate instructions. Non-executive directors may delegate to another non-executive director. It cannot be delegated representation on matters in which the director is in situation of conflict of interest. The proxy shall be given for each meeting of the Board of Directors, and can be communicated through whatever resources set for the meetings.

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

Number of Board meetings	6
Number of Board meetings without the Chair	0

If the President is executive director, indicate the number of meetings held without the assistance or representation of any executive director and chaired the coordinating:

Number of Board meetings	0

Indicate the number of meetings held during the year by the various Board Committees:

Audit and Compliance Committee	6
Nominations and Compensation Committee	3
Delegate Executive Committee	5
Corporate Social Responsibility	1

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

Number of Director assistances during the year	4
% Number of assistances compared with the total votes cast during the year	97.43%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES [ ] NO [X]

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

Article 3 of the Audit and Compliance Committee Regulations stipulates the following, among other things:

e) Analyze, together with the auditors, the significant weaknesses of the internal control system detected during the audit.

f) Supervise the process of drawing up and presentation of financial information.

g) Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.

i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Commission and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies involved to these in accordance with auditing legislation.

C.1.33 Is the Secretary of the Board a Director? :

YES [ ] NO [X]

If the Secretary have not the condition of director complete the following table:

Name of the Director	**Agent**
MR. ROBERTO ALONSO RUIZ	

C.1.34 Abrogated section

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 46 of the Regulations of the Board of Directors governs the relationships with external auditors:

“Article 46. Relations with the Auditors”

1.- The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.

2.- The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.

3.- Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES [ ] NO [X]

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES [X] NO [ ]

	Company	Group	Total
Sum of services other than auditing (thousand euro)	134	258	392
Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)	46.53%	11.91%	15.95%

C.1.38 State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES [ ] NO [X]

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	14	14
Number of years audited by the present audit firm / Number of years the company has been audited (%)	43.75%	43.75%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES [X] NO [ ]

Procedure details

Article 29 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:

Article 29. Expert advice

1.- In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.

2.- The request must be made through the Chair of the Board of Directors and may be vetoed by the Board of Directors if it is considered that:
a) Such assistance is not required for the adequate performance of the duties with which Directors are charged;
b) The related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues;
c) The assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company
d) May give rise to a risk to the confidentiality of the information that must be disclosed.

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES [ ] NO [X]

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES	X	NO	

Explain the rules

In accordance with the established in Article 26.2. of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any director that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES		NO	X

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries: 0

Type of beneficiary

Not applicable

Description of the arrangement

Not applicable

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	**General Shareholders Meeting**
Board authorizing clauses	YES	NO

	YES	NO
Is the General Meeting reported about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of Institutional and independent Outside Directors that form it:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. ANGEL MANUEL OCHOA CRESPO	BOARD MEMBER	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL
MR. CARLOS SOLCHAGA CATALAN	CHAIRMAN	INDEPENDENT

% of Institutional members	50.00%
% of independent members	50.00%
% of other outsiders	0.00%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

The Commission has the task of attending the Board of Directors of the Company in monitoring financial statements as well as in carrying out control of CIE Automotive, S.A. and companies that are part of the Group.

The Commission tasks are as follows:

a) Review periodically risk policies and propose the amendment and update to the Board of Directors.
b) Approve policies relating to the employment of the auditor.
c) Inform the General Shareholders' Meeting regarding the issues raised by shareholders regarding its competency.
d) Monitor the internal control effectiveness of the Company and the Group, as well as its risk management systems, including tax.
e) Analyse, together with the auditors, significant weaknesses of the internal control system detected during the audit.
f) Supervise the process of the preparation and presentation of financial information.
g) Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.
h) Monitor the activity of Internal Audit, which will depend on the Audit and Compliance Committee.
i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Commission and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

   In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies involved to these in accordance with auditing legislation.

j) Annually issue, prior to the auditors report, a declaration stating an opinion regarding the independence of the auditors. In any case, this report shall mention the additional services delivered referred to in the previous section, under the terms established by law.

k) Inform the Board of Directors regarding the financial information, which because of its condition as a listed company, the Company must public periodically and must ensure that the interim financial statements are prepared under the same accounting principles as the annual accounts and consider the necessity of a limited review by the auditor.

l) Inform the Board of Directors, prior to the decision making, of the creation or acquisition of shares in special purpose companies or those domiciled in countries or territories considered tax havens, and any other transactions or operations whose complexity might affect to the Group's transparency.

m) Other functions that might be agreed by the Board of Directors of the Company.

Identify the Director Member of the audit committee that has been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this Committee has been in office.

Name of Director with expertise	MR. CARLOS SOLCHAGA CATALAN
Number of years in office	1

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. CARLOS SOLCHAGA CATALÁN	BOARD MEMBER	INDEPENDENT
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
MR. ANGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT

% of Institutional members	33,33%
% of independent members	66,67%
% of other outsiders	0.00%

Explain the committee's duties, describe the procedures and organisational and operational rules and summarise the main actions taken during the year.

The Commission is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain.

In this sense, the Commission tasks are as follows:

a) Propose to the Board of Directors the remuneration policies for directors and senior executive and review them periodically, proposing, if necessary, its amendment and updating to the Board of Directors.
b) Report and review the criteria to be followed regarding the composition of the Board of Directors and the selection of candidates, and in particular, the required skills, knowledge and experience as well as the evaluation of the time and devotion required in order to perform correctly their duties.
c) Ensure that when there are new vacancies or the appointment of new directors, there are no bias within the selection procedures, and particularly, ones that might obstruct the selection of a female director.
d) Set up a goal of representation for the under-represented sex on the Board of Directors and develop guidance on how to achieve that objective.
e) Submit to the Board of Directors suggestions for the appointment of independent directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders; suggest for re-election or removal of such directors by the General Meeting of Shareholders; and inform about the separation proposals of such directors made by the Board of Directors.
f) Report the suggestions for the appointment of the remaining directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders, as well as suggestions for re-election or removal of such directors made by the General Meeting of Shareholders.
g) Report or draw up proposals for the appointment of internal positions of the Board of Directors, as well as members who should form part of each committee.
h) Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the Company and in this case, where appropriate, make suggestions to the Board of Directors so that such succession occurs in an ordered and planned way in accordance with succession plan approved by the Board of Directors.
i) Suggest to the Board of Directors the system and the amount of annual remuneration of directors, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any eventual allowance or compensations that may be established in case of separation, in accordance with the directors remuneration policy that has been approved by the General Meeting of Shareholders.
j) Monitor the candidates' selection process for senior executives of the Company and report the proposals made by the Chief Executive Officer of the Company concerning the appointment or removal of senior managers.
k) Report and submit to the Board of Directors proposals made by the Chief Executive Officer of the Company related to the structure of remuneration of senior managers and the basic terms of their contracts.
l) Ensure that remuneration programs of the Company are compliance, and inform about the documents to be approved by the Board of Directors for its general dissemination with regard to information of remuneration, including the Annual Report on Remuneration paid to the Directors and sections corresponding to the annual Corporate Governance Report of the Company.
m) Other functions that might be agreed in the Company's' Board of Directors.

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Type
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	EXECUTIVE
MR ANTONIO MARIA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. JESUS MARIA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL

% of executive members	60.00%
% of institutional members	40.00%
% of independent members	0.00%
% of other outsiders	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

According to Article 16 of the Regulations of the Board of Directors, as delegated by the Board, and as a permanent institution, the Executive Committee will have -unless the Board of Directors determines other thing- all the powers inherent to the Board of Directors, except for the ones that are legally or statutory undelegated powers and the specifically reserved for the Board. The Executive Committee shall meet at least once a month and others if it is deemed appropriate by the Chairman, who may also suspend one or more of the ordinary meetings when he deems appropriate in its sole judgment. At the same time, it will also meet when it is requested by two of the directors of the Commission. The Executive Committee shall deal with all matters within the competence of the Board, that in consideration of the Commission, should be resolved without further delay, with the only exceptions of accountability, the presentation of balance sheets at the General Meeting, the powers which are given to the Board without the power of delegation and the Board of Directors' powers that are legally or statutory non-transferable.

Indicate whether the delegate or executive committee reflects the participation on the board of the different directors according to their category:

YES [ ] NO [X]

If not, explain the composition of an Executive Committee

Depending on the composition of the Board of Directors and the others committees created by them, the Company considers appropriate the composition of this institutions.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
ELIDOZA PROMOCION DE EMPRESAS, S.L.	CHAIRMAN	INSTITUTIONAL
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	BOARD MEMBER	INSTITUTIONAL
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL

% of institutional members	100.00%
% of independent members	0.00%
% of other outsiders	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The Commission is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain.

In this sense, the Commission tasks are as follows:

a) Review periodically the corporate governance policies and propose to the Board of Directors, for approval or submission to the General Meeting of Shareholders, amendments and updates that contribute to its development and continuous improvement.
b) Boost strategy of corporate governance and Company's sustainability.
c) Monitor the compliance of legal requirements and standards of corporate governance.
d) Know, promote, guide and monitor performance of the Company in the area of corporate social responsibility and sustainability and report to the Board of Directors and the Executive Committee, as appropriate.
e) Evaluate and revise the company policies of social responsibility plans and follow up their compliance.
f) Report on the implementation by the foundational entities related to the Group's activities of public interest and corporate social responsibility entrusted to them.
g) Report prior to its approval, the Annual Report of Corporate Governance of the Company, gathering for this purpose the reports issued by the Audit and Compliance Committee and the Nominations and Compensation Committee, regarding with the sections of the report that fall within their competence, and if it is published, the report or annual sustainability memorandum.
h) Promote within the Company the existence of a Code of Ethics; propose its approval to the Board of Directors and its subsequent amendments, as well as promoting any relevant issue regarding the knowledge and compliance with the Code of Ethics.
i) Review policies and internal procedures of the Company in order to prove their effectiveness in preventing inappropriate behaviors and identify any policies or procedures that are more effective in promoting the high ethical standards.
j) Other functions that might be agreed on the Board of Directors of the Company.

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2015		**Year ended 2014**		**Year ended 2013**		**Year ended 2012**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
AUDIT AND COMPLIANCE COMMITTEE	2	50.00%	2	66.00%	1	33.00%	1	33.00%
NOMINATIONS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
DELEGATED EXECUTIVE COMMITTEE	1	20.00%	1	16.00%	1	16.00%	1	20.00%
CORPORATE SOCIAL RESPONSIBILITY COMMITTE	2	66.00%	-	-	-	-	-	-

C.2.3 Abrogated section

C.2.4. Abrogated section

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Regulation of the Audit and Compliance Committee is available for consultation on the website of CIE AUTOMOTIVE. This Committee prepares an annual report of its activities. The operation of other committees is regulated by the rules of the Board of Directors

C.2.6 Abrogated section

D. - RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure for approval of transactions with related parties

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the board or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders:

Name of Significant Shareholder	Group Company	Nature of the Relationship	Type of Transaction	Amount (thousand €)
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sale of goods	142.316
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Purchase of goods	44.437
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Services	3.199

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

Name of Directors	Name of Related Party	Link	Type of transaction	Amount (thousand €)
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	606
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MAHINDRA CIE AUTOMOTIVE LTD	Contractual	Sale of goods or not	8.280
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Contractual	Sale of goods or not	22.245

D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered as a tax haven will be informed:

Corporate name of the group company:
CIE BERRIZ, S.L.

Amount (thousand euros): 25,100
Brief description of the operation:

CIE BERRIZ, S.L. has proceeded to lend to the subsidiary of MAHINDRA CIE AUTOMOTIVE Ltd in Mauritius, Mahindra Gears Global Limited, an amount of €25.1 million.

The purpose of this funding is that the company could underwrite a capital injection for that amount in its Italian subsidiary, METALCASTELLO Spa. In any case, it should be noted that the company Mahindra Gears Global Limited (Mauritius) is a company that has been included in the scope as a result of integration of the companies in the Mahindra Group and that following the best practices, CIE AUTOMOTIVE Group is implementing a plan to eliminate the companies in Mauritius as soon as possible.

D.5 Provide the amount of transactions with other related parties.

6.712 (thousand euros)

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 34 of the Regulations of the Board of Directors lays down the following:

Article 34. - Conflicts of Interest.

1. - Directors must take necessary measures to avoid incurring conflicts of interest in accordance with the established by law.

2. - A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person.

For the purposes of these Regulations, persons related to a Director are considered to be:

1. - The Director's spouse or persons with a similar relationship.

2. - Ascendants, descendants and siblings of the director or his/her spouse.

3. - The spouses of the director’s ascendants, descendants and siblings.

4.- Companies in which the director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related people are considered to be the following with respect to a legal person director:

1.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4. - Individuals who, with respect to the legal person director, are considered to be related to the directors in accordance with this section.

3- The following rules will be applicable to conflict of interest situations:

a) Communication: the director must report to the Board of Directors and the Audit and Compliance Committee, through the Chair or the Secretary, any conflict of interest that arises.

b) Abstention: the director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Institutional Outside directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.

c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving directors that has been reported by the affected party or by any other means.

D.7 Are more than one of the Group’s companies listed in Spain?

YES [ ] NO [X]

Identify the subsidiaries listed in Spain:

Subsidiary listed

Indicate if they have defined publicly accurately the respective areas of activity and eventual relations of business between them, as well as those of the listed subsidiary company with other group companies;

Define the eventual relations of business between the head company and the listed subsidiary company, and between this one and other group companies.

Identify the mechanisms planned to solve the eventual conflicts of interests between the listed subsidiary and other group companies:

Mechanisms to solve the eventual conflicts of interest

E. - RISK CONTROL AND MANAGING SYSTEMS

E.1 Explain the scope of the Risk Management System of the Company.

CIE Automotive is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one.
Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee.
The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives;

II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls;

III. Establish a response to each one;

IV. Monitor the action taken; and

V. Report the results of the analysis performed.

E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:

Responsibility for implementing the risk management system, including tax, lies on the Audit and Compliance Committee, which relies specifically on the Compliance department for its monitoring and proper operation.
The risk management policy of CIE Automotive requires all business divisions to identify and assess the risks that must face up when achieving their business objectives in order to identify in advance the appropriate mitigating measures to reduce or eliminate the probability of risk occurrence and / or its possible impact on the goals in case they materialize.

E.3 Describe the main risks that may affect the achievement of business objectives.

In the course of its business, CIE Automotive is exposed to a variety of inherent risks in the different lines of business that develops and in countries in which they are held.

On the other hand, the different levels of socioeconomic uncertainty that exists in the markets in which CIE Automotive operates can make appear risk factors currently unknown or not considered as relevant, that could potentially affect the business, performance and / or the financial position of the company.

Are detailed briefly the main risks, which CIE Automotive faces in its business objectives:

a. Management risk

- Regulatory risks: arising from: the reliability of published financial information; the litigations of company; the securities market rules; the law for the protection of data; the possible changes in the tax legislation (national and international); and the civil responsibility for integrity of the heritage.
- Financial risks: debt levels, liquidity risk, risks arising from fluctuations in exchange rates, risks arising from changes in interest rates, risks arising from the use of financial derivatives and investment risk.
- Information risks: as much as reputational risk that can affect the image of CIE Automotive, or risk related to transparency and relationship with analysts and investors.

b. Business risks: Are those that specifically affect each business and depend on the singularity of each activity.

• Operational risks: Risks relating to recruitment and customer relationships, product quality, environmental, purchasing and outsourcing.

• Non-operational risks: Risks related to the prevention, security and health in work, human resources, compliance with law and specific tax applicable to business, the reliability of the accounting and financial information and financial resources and debt management.

For more information regarding the risks and management measures, see the Annual Report 2015.

E.4 Identify whether the entity has a level of risk tolerance.

The Board of Directors approves the acceptable level of risk for each type of risk, type of business and location, as well as levels of allowed deviation based on the strategic objectives and the strategic lines to achieve them. The levels of acceptable risk are regularly updated accordingly with changes in corporate strategy and risk profile business.

Annually the risks that threaten the achievement of the business objectives are identified, including tax risk, and they are valued based on their potential impact on financial results and their probability of occurrence. The combination of the impact and the probability of occurrence determine the severity of the risk.

E.5 Indicate which risks have materialized during the year.

During the year 2015 actions related to the review and definition of the map risk have been taken what has improved the policies related to the detection and minimization of the existing risks. Thanks to the policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by the Compliance department and the rest of divisions, having the control systems worked adequately and not having produced any significant impacts on the consolidated financial statements of 2015.

E.6 Explain the response and supervision plans held for the company's major risks, including tax.

CIE Automotive's geographical diversification and business, together with the high operational decentralization that characterizes the organization, requires the availability of a system of control and supervision of risks. Corporate risk management system is also supported by each business unit, in which each management level is responsible for the compliance with internal rules and procedures.

The evaluation and verification of their effectiveness is performed periodically by Compliance department, which also contributes to the management of the overall risks that CIE Automotive faces in the compliance of its targets. Alerts, recommendations and conclusions generated are communicated to CIE Automotive management.

For the development of its functions, the Compliance department has qualified and experienced personnel, independent of the business lines staff.

Among the measures taken by CIE Automotive for monitoring risks, include:

- Setting goals, strategic guidelines and internal regulations (policy, standards, procedures and manuals).
- Definition, monitoring and continuous evaluation of the design and performance of internal control systems and compliance.
- Hiring insurance coverage.

In this regard, during the process of the elaboration of the Risk Map 2015, the Company has worked on the identification of new responses and consolidation lines, for the most relevant risks for the company.

It is important to highlight that CIE Automotive has units of analysis, monitoring and control in various areas of management risks, such as:

- Financial risk assessment and management
- Safety and environmental standards
- Corporate Social Responsibility
- Reporting and tax risks
- Risks and continuity information systems
- Insurance

F.- DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

F.1 Company control environment.

Report, noting the main features of at least:

F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognized corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the SICFR.

The CIE Audit and Compliance Committee (hereinafter the ACC) is the body responsible for the supervision of the efficacy of the Company's internal control system (SICFR), the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit.

ACC is supported by the CIE's Compliance Department to perform these functions, being responsible for the implementation of SICFR and in general, the whole internal control system of the Group, ensuring the definition and design of the control procedures which should be implemented in the Group's operational planning, compliance with legal regulations, internal policies and procedures.

F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with: (i) the design and review of the organizational structure, (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions, (iii) ensuring that there are sufficient procedures correctly disseminated within the Company.

The Board of Directors is the ultimate body responsible for defining and periodically reviewing the organizational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources. With regard to the process of the preparation of financial information, there exists a global interrelated financial department which depends on the departments of Audit and Control Management and the Department of Treasury and Finance.

The responsibilities and functions of all people directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

There are internal protocols, which guarantee that information on any change that is taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this aspect.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analyzing breaches of such code and proposing corrective action and penalties.

CIE currently has an "Internal Code of Conduct" and an "Internal Regulations on Conduct in relation to Securities Markets". Both documents are published on the CIE website and are distributed to all affected personnel through the communication channels established for this purpose. In either cases, the body responsible for their definition and approval is the CIE Board of Directors through its Corporate Social Responsibility Committee.

The Code lays down some basic rules and principles whose purpose is to ensure that there is a commitment and transparency in relations and operations with customers, suppliers and employees, the maximization and protection of shareholders' investments and the safeguarding of health, security and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

It exists a specific section on the reliability of financial information, where there is laid down a series of specific rules applicable to all people involved in the process for the preparation of financial information.

The functions of the Corporate Social Responsibility (hereafter CSR) include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organization, indicating, where appropriate, the confidential nature of such information.

  CIE has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

  There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, being always guaranteed the whistleblowers' confidentiality, in case he wants, and a protocol for action for analysis of complaints received, and reported to the CSR for monitoring.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

  As well as a variety of staff training programs, CIE has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information:

  - There is a CIE Accounting Policies Manual, which is updated on an on-going basis.
  - There is an Accounting and Management control department, whose tasks is to resolve any doubts regarding the interpretation of the Manual Accounting Policies, and provide advice regarding the treatment of complex transactions.
  - There are divisional/regional controllers who are involved in the support provided to all people forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.
  - When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
  - Advice is received from external advisors in relation to changes in accounting, legal and tax rules, which may affect the Company.

F.2 Risk assessment of financial information.

Report at least:

F.2.1 What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

  The process of identification and assessment of financial information risks forms part of CIE's global Corporate Risks Management process. It is based on the ISO 31000 methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar.

  The risk management process is based on a continuous cycle comprising five phases:

  I. The identification of key risks, which may affect the fulfilment of the Organization's objectives, including all financial information control objectives;
  II. The evaluation of such risks based on the probability of occurrence and their impact on the organization, and based on the existence of controls;
  III. Determination of the required response for each such risk;
  IV. Monitoring of the agreed courses of action; and
  V. reporting of the results of the analysis made.

  The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Compliance department acting as coordinator in this process.

  The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks.

  The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Compliance department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

  As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information, which may have a material impact on its reliability. The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year, which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

  The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialized management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

  As it has been mentioned above, the model is based on the ISO 31000 methodology that taking as its starting point the Organizations' objectives, results in a Risk Map that is updated annually, monitoring among others, financial risks, tax and legal and those from different typology (operational, strategic, compliance, environmental, RSC, fraud, etc.).

- The governing body, which supervises the process.

  This entire process is reviewed and approved by the ACC, which is the body, which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient.

F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The Management Board is the highest responsible body for approving and monitoring the Group's financial statements.

The Group sends six-monthly information to the stock market. This information is prepared by the Audit and Management Control department, which performs a number of control activities during the closing accounting period to ensure reliability of financial information.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE has control procedures and activities taking place in other key areas of the company which purpose is to ensure that transactions are properly recorded, measured, presented and broken down, and accordingly to prevent and detect fraud and thus cover all transactions that could materially affect the CIE's financial statements.

The key processes of the company, including closing are as follows:

1. Closing, consolidation and reporting
2. Property, plant and equipment
3. Financial assets and liabilities
4. Inventories
5. Revenue/Account receivable

6. Treasury
7. Accruals
8. Cost of sales/Account payable
9. Human Resources
10. Tax

The financial statements are prepared based on a reporting schedule and deadlines, known by all participants in the process, taking into account the time for legal delivery.

Furthermore, and for the review of judgments, opinions, assessments and projections, the Manual of Accounting Policies defines the criteria for CIE's existing application approach, as well as specific controls in risk and control matrices.

The aforementioned significant transactions are reviewed by the CIE Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and accounting judgments used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE has internal control policies and procedures in place in respect of information systems, which support its significant processes, including the process for the preparation and review of financial information. This policy and framework policy is based on a catalogue of international standards ISO 27000.

CIE uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE identifies the systems and applications, which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those, which are used directly in the preparation of financial information, and those, which are relevant to the efficacy of controls, which reduce the risk of misstatement in such information. CIE has a "Security Policy Systems" defined at the corporate level aimed at achieving the security objectives defined.

The objective is to adopt the pertinent measures of an organizational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes.
- Back-up and recovery.
- Physical security.
- Control of subcontractors.
- Provision of resources, risk purging and business maintenance.

Critical business processes for CIE have different organizational and technological solutions that guarantee business continuity.

F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts, which may have a material impact on the financial statements.

In general, CIE does not outsource any activities considered relevant that could affect substantively to financial information.
In any case, CIE has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties, which have a significant impact on the financial information prepared by CIE.
Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of CIE is the Information Systems area. In this respect, CIE has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.
In addition, there are control activities taking place periodically in CIE (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within the Company, specific monitoring work being required to guarantee their reliability.

F.4 Communication and information.

Report, noting their main features, if you have at least:

F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies guide communicated to the units through which the entity operates.

The Role of CIE Accounting Policies is assumed by the Audit and Compliance department, which depends directly from the Chief Executive Officer.

In performing this function, the department assumes the following responsibilities:

- Maintenance and dissemination of CIE Accounting Policy Manual (Continuous Update) to other Group companies.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individually or in a consolidated level) in the interpretation of the rules to be applied. Mechanisms for capturing and preparing financial information homogenously.

F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information homogenously. This system is also used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the collection of the ICFR information, CIE is involved in the implementation process of SAP GRC tool in all Group units.

F.5 System performance monitory.

Report, noting its main features, at least:

F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

The Audit and Compliance Committee has the following oversight responsibilities of ICFR:

- Supervision of periodic financial information.
- Monitoring and evaluation of the operation of ICFR.
- Knowing the financial reporting process and internal control systems associated with significant risks of company.
- Periodically review internal control and risk management systems, so main risks are identified, managed and properly disclosed.

Based on the results of the risk assessment, the Internal Audit department prepares an annual plan of CIEs’ ICFR, to be submitted in each period for approval by the Audit and Compliance Committee responsible for overseeing the ICFR.

The information to be provided to the market or stakeholders about ICFR will have an annual basis and shall cover the period of the corresponding financial report.

CIE has a Corporate Internal Audit Department, which depends on the Compliance department and this in turn to the ACC, which coordinates the Internal Auditing teams in Europe, Mexico, Brazil and India whose members are exclusively dedicated to these functions.

The main function of the Internal Audit Department is overseeing the internal control system, within which there are included issues such as supervision of the correct implementation of the risk management system, in which it is also included the managing of the risk of fraud, and controls aimed at reliability of financial information.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

F.6 Other relevant information.

Not applicable

F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotive has submitted to an External Auditor the effectiveness of internal control system on the Financial Reporting (ICFR), in relation to the financial information contained in the Groups' consolidated annual accounts at December 31, 2015. A copy of the opinion of the External Auditor is attached.

G. - COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Comply	X	Explain	

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

Comply		Partially comply		Explain		Not applicable	X

3. During the annual general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Comply		Partially comply	X	Explain	

The framework of normal running of the General Shareholders' Meeting, we inform those of the most remarkable circumstances occurred since the last meeting, including, if relevant, issues of corporate governance (i.e. adoption of new Board regulation, creation of the Corporate Social Responsibility Committee, etc.).

However, it seems not important to emphasize why the Company does not follow any specific recommendation to the extent that no circumstances seem sufficiently relevant, as it is already included in the Annual Corporate Governance Report, the shareholders have detailed knowledge of all relevant ends.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Comply	X	Partially comply		Explain	

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Comply	X	Partially comply		Explain	

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the appointments and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Comply		Partially comply		Explain	X

The Company does not usually publish these reports on the website, since the characteristics of the Company do not seem relevant; nevertheless, it will assess this in the search for a more complete construction of its governance corporate.

7. The company should broadcast its general meetings live on the corporate website.

Comply		Explain	X

Given the characteristics of shareholders of the Company, and in light of the assistance to the Boards, the Company does not consider relevant live broadcast of the General Meeting through its website.

8. The Audit committee should strive to ensure that the board of directors could present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Comply	X	Partially comply		Explain	

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Comply	X	Partially comply		Explain	

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Comply		Partially comply		Explain		Not applicable	X

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Comply		Partially comply		Explain		Not applicable	X

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Comply	X	Partially comply		Explain	

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Comply	X	Explain	

14. When The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Comply		Partially comply	X	Explain	

Given the usual lack of vacancies in the Board, it does not exist such a policy for the selection of directors, without prejudice that body's decisions in the context of the various appointments prevail meeting the required targets in this field.

15. The Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Comply	X	Partially comply		Explain	

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Comply	X	Explain	

17. Independent directors should be at least half of all directors

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.

Comply		Explain	X

CIE Automotive believes that the number of independent directors reflects correctly the shareholding composition of the company and, in particular, the proportion of currently free float. The Board has the intention to propose to the General Shareholders' Meeting the appointment of independent directors if these proportions vary significantly.

18. The Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.
b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
d) Dates of their first appointment as a directors and subsequent re-elections.
e) Shares held in the company, and any options on the

Comply		Partially comply	X	Explain	

Documents relating to the General Shareholders' Meeting, including detailed proposals for resolutions to be adopted, are made available to shareholders from the time of the announcement of the General Meeting, as well as on the website of CIE Automotive S.A. and the Shareholder Forum, opened from the date of the announcement until the celebration of the General Meeting.

As for the content of information that refers to the directors Recommendation 18, we understand that the information contained in this report (which is accessible at all times from the website) is more than sufficient for the purposes proposed and in relation to the profiles of the members of the Board of Directors.

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Comply		Partially comply		Explain		Not applicable	X

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Comply		Partially comply		Explain		Not applicable	X

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a director, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

    The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Comply	X	Explain	

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

    The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Comply	X	Partially comply		Explain	

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Comply		Partially comply		Explain		Not applicable	X

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Comply	X	Partially comply		Explain		Not applicable	

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

Comply		Partially comply		Explain	X

As a result of the composition of the Company's' Board of Directors –direct reflect of the composition of the Shareholders – it is not need to include those obligations to its members.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Comply		Partially comply	X	Explain	

For the purposes of the proper functioning of the Board, it is understood that it is not necessary to hold eight sessions in a year (in 2015 6 meetings have been held).

27. Companies Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Comply	X	Partially comply		Explain	

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Comply		Partially comply		Explain		Not applicable	X

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Comply	X	Partially comply		Explain	

30. Companies Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Comply		Partially comply		Not applicable	X

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

    For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Comply	X	Partially comply		Explain	

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Comply	X	Partially comply		Explain	

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Comply	X	Partially comply		Explain	

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Comply	X	Partially comply		Explain		Not applicable	

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Comply	X	Explain	

36. In The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

    a) The quality and efficiency of the board's operation.
    b) The performance and membership of its committees.
    c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.
e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Comply	X	Partially comply		Explain	

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Comply		Partially comply		Explain	X	Not applicable	

The Executive Committee reflects a composition that the Company considers appropriate to the functions assigned to it.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all directors should receive a copy of the committee's minutes.

Comply		Partially comply		Explain	X	Not applicable	

Given the functions of the Executive Committee and its essential task of monitoring the business, is not necessary to bring minutes of the Commission to the rest of the Board.

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Comply		Partially comply	X	Explain	

Independent directors constitute 50% of the members of the Audit Committee, which is considered an adequate ratio considering the characteristics of the Company.

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Comply	X	Partially comply		Explain	

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Comply	X	Partially comply		Explain	X	Not applicable	

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programs, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Comply	X	Partially comply		Explain	

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply	X	Partially comply		Explain	

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Comply		Partially comply		Explain		Not applicable	X

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.

b) The setting of the risk level that the company deems acceptable.

c) Measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Comply	X	Partially comply		Explain	

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Comply	X	Partially comply		Explain	

47. The Appointees to the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Comply	X	Partially comply		Explain	

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Comply		Explain		Not applicable	X

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Comply	X	Explain		Not applicable	

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Comply	X	Partially comply		Explain	

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply	X	Partially comply		Explain	

52. The terms of reference of supervision and control committees should be set out in the board of director's regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all directors.

Comply		Partially comply		Explain		Not applicable	X

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Comply	X	Partially comply		Explain	

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Comply	X	Partially comply		Explain	

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Comply	X	Partially comply		Explain	

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Comply	X	Explain	

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply	X	Partially comply		Explain	

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Comply	X	Partially comply		Explain		Not applicable	

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Comply	X	Partially comply		Explain		Not applicable	

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Comply		Partially comply		Explain		Not applicable	X

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Comply		Partially comply		Explain		Not applicable	X

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply		Partially comply		Explain		Not applicable	X

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

64. In addition, the Bank has adopted a policy on the application of malus clauses in the field of remuneration. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

H.- OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.

2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

   Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

   On 15.10.2015, the Company has adhered to the Global Compact, which is an international initiative that promotes implement 10 Principles universally accepted to promote corporate social responsibility (CSR) in the areas of Human Rights, Labor Standards, Environment and Anti-Corruption in the activities and the business strategy of the companies.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/24/2016.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES ☐ NO ☒

CIE Automotive, S.A.

Report of the auditor
On the "Information relating to the
Internal Financial Reporting Control System"
(IFRCS)

(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

REPORT OF THE AUDITOR RELATING TO THE INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)

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

At the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and pursuant to our letter of proposal dated 2 December 2015, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2015, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable - not absolute - degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal financial reporting control system.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2015 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law enacted by Royal Decree 1/2011 of 1 July, we do not express an audit opinion in the terms envisaged in said Law.

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 7/2015 dated 22 December 2015.

2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.

4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.

6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2015, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by the article 540 of the Capital Companies Law and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013, which has been modified by Circular 7/2015 issued by the National Securities Market Commission dated 22 December 2015, for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

24 February 2016