CIE Automotive, S.A.
and subsidiaries

Audit Report,
Consolidated Annual Accounts at 31 December 2013
and directors' Report for 2013

pwc

"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."

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

We have audited the consolidated annual accounts of CIE Automotive, S.A. (parent company) and its subsidiaries (the group), consistiug of the consolidated balance sheet at 31 December 2013, 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 to the consolidated annual accounts for the year then ended. As explained in Note 2.1, the directors of the compauy are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2013 present fairly, in all material respects, the consolidated financial position of CIE Automotive, S.A. and its subsidiaries at 31 December 2013 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated directors' Report for 2013 contains the explanations which the parent company's directors consider appropriate regarding the group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the acconnting information contained in the consolidated directors' Report is in agreement with that of the consolidated annual accounts for 2013. Our work as auditors is limited to checking the consolidated directors' Report in accordancc with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of CIE Automotive, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

Audit Partner

28 February 2014

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES (Consolidated)

Consolidated Annual Accounts and Consolidated Directors' Report for the year ended 31 December 2013

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013 AND 2012
(Thousand euro)

	Note	At 31 December 2013	At 31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	784,759	680,753
Goodwill	7	380,106	308,215
Other intangible assets	7	35,400	29,857
Non-current financial assets	8	27,859	38,236
Investments in associates	8	10,953	393
Deferred tax assets	23	223,142	162,404
Other non-current assets	9	4,133	5,133
		1,466,352	**1,224,991**
Current assets			
Inventories	11	226,138	189,994
Trade and other receivables	10	188,540	181,379
Other current assets	-	6,384	2,920
Current tax assets	-	41,618	43,276
Other current financial assets	8	85,996	61,914
Cash and cash equivalents	12	329,468	471,692
		878,144	**951,175**
Disposal group assets classified as held-for-sale	13	**24,950**	**38,813**
Total assets		**2,369,446**	**2,214,979**

The accompanying notes to the annual accounts set out on pages 7 to 95 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013 AND 2012
(Thousand euro)

		At 31 December	
	Note	**2013**	**2012**
EQUITY			
Capital and reserves attributable to the parent company's shareholders			
Share capital	14	29,705	28,500
Treasury shares	14	-	(53,230)
Share premium	14	61,467	33,752
Retained earnings	15	435,875	401,529
Interim dividend	15	(10,694)	(9,345)
Cumulative exchange differences	15/16	(95,400)	(54,730)
Non-controlling interests	18	141,880	161,340
Total equity		**562,833**	**507,816**
Deferred income	19	**19,358**	**22,255**
LIABILITIES			
Non-current liabilities			
Non-current provisions	25	66,109	45,163
Non-current borrowings	20	649,122	645,078
Deferred tax liabilities	23	62,438	55,809
Other non-current liabilities	22	103,488	97,261
		881,157	**843,311**
Current liabilities			
Current borrowings	20	332,743	281,322
Trade and other payables	21	441,732	439,098
Other current financial liabilities	8	8,051	1,488
Current tax liabilities	22	41,294	37,900
Current provisions	25	9,214	8,210
Other current liabilities	22	70,733	70,776
		903,767	**838,794**
Disposal group liabilities classified as held-for-sale	13	**2,331**	**2,803**
Total liabilities		**1,787,255**	**1,684,908**
Total equity and liabilities		**2,369,446**	**2,214,979**

The accompanying notes to the annual accounts set out on pages 7 to 95 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Thousand euro)

		Year ended 31 December	
	Note	**2013**	**2012**
OPERATING REVENUE		1,830,818	1,709,971
Revenue	26	1,760,253	1,645,705
Other operating income	26	68,957	68,840
Change in inventories of finished goods and work in progress	11/26	1,608	(4,574)
OPERATING EXPENSES		(1,680,382)	(1,568,594)
Consumption of raw materials and secondary materials	11	(1,012,679)	(963,112)
Employee benefit expense	28	(381,721)	(343,979)
Depreciation and amortisation	5	(89,690)	(82,683)
Other operating expenses	27	(196,292)	(178,820)
OPERATING PROFIT		**150,436**	**141,377**
Finance income	29	18,639	41,004
Finance costs	29	(80,236)	(81,274)
Net exchange differences	29	11,876	(4,179)
Change in fair value of assets and liabilities taken to income statement	29	(16,369)	-
Share of profit/(loss) of associates	8	(257)	(166)
PROFIT BEFORE TAX		**84,089**	**96,762**
Income tax	30	3,418	15,688
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**87,507**	**112,450**
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	13	**(9,621)**	**(36,482)**
PROFIT FOR THE YEAR		**77,886**	**75,968**
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18	**(17,761)**	**(14,940)**
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**60,125**	**61,028**
Earnings per share from continuing and discontinued operations attributable to owners of the parent (expressed in euro per share)			
- Basic earnings per share:	31	0.56	0.57
From continuing operations		0.65	0.90
From discontinued operations		(0.09)	(0.33)
- Diluted earnings per share:	31	0.56	0.57
From continuing operations		0.65	0.90
From discontinued operations		(0.09)	(0.33)

The accompanying notes to the annual accounts set out on pages 7 to 95 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Thousand euro)

		Year ended 31 December	
	Note	**2013**	**2012**
PROFIT FOR THE YEAR		77,886	75,968
OTHER COMPREHENSIVE INCOME			
Entries that may be reclassified to profit or loss:			
- Cash flow hedges	8	(7,659)	(154)
- Net investment hedge	2.11/3	(32,283)	(5,861)
- Currency translation differences	16/18	(51,167)	(39,774)
- Available-for-sale financial assets	8	(12,095)	-
- Other comprehensive income for the year		(2,146)	(1,392)
- Tax effect	23	16,791	2,002
Total entries that may be reclassified to profit or loss		**(88,559)**	**(45,179)**
Entries that may not be reclassified to profit or loss:			
- Actuarial gains and losses	24	(108)	-
- Tax effect		32	-
Total items that may not be reclassified to profit or loss		**(76)**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(10,749)**	**30,789**
Attributable to:			
- Owners of the parent	15	(10,010)	31,209
. Continuing operations		(389)	67,691
. Discontinued operations	13	(9,621)	(36,482)
- Non-controlling interests	18	(739)	(420)
		(10,749)	**30,789**

The accompanying notes to the annual accounts set out on pages 7 to 95 form an integral part of these consolidated annual accounts

TIMBRE DEL ESTADO

0,03 EUROS

0L7054852

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Thousand euro)

	Share capital (Note 14)	Treasury shares (Note 14)	Share premium (Note 14)	First-time IFRS-EU application reserve and other restatement reserves (Note 15)	Cumulative exchange differences (Note 16)	Retained earnings (Note 15)	Interim dividend (Note 15)	Non-controlling interests (Note 18)	Total equity
Balance at 31 December 2011	**28,500**	**(22,697)**	**33,752**	**53,053**	**(30,806)**	**329,983**	**(9,847)**	**143,579**	**525,517**
Total comprehensive income for 2012	**-**	**-**	**-**	**(4,795)**	**(25,024)**	**61,028**	**-**	**(420)**	**30,789**
Distribution of 2011 profit	-	-	-	-	-	(19,525)	9,847	-	(9,678)
Interim dividend 2012	-	-	-	-	-	-	(9,345)	-	(9,345)
Acquisition/sale of treasury shares	-	(30,533)	-	-	-	-	-	-	(30,533)
Acquisition/sale of non-controlling interests	-	-	-	-	1,100	3,745	-	13,407	18,252
Business combinations (Note 35)	-	-	-	-	-	(18,670)	-	20,441	1,771
Other movements (*)	-	-	-	-	-	(3,290)	-	(15,667)	(18,957)
Balance at 31 December 2012	**28,500**	**(53,230)**	**33,752**	**48,258**	**(54,730)**	**353,271**	**(9,345)**	**161,340**	**507,816**

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

	Share capital (Note 14)	Treasury shares (Note 14)	Share premium (Note 14)	First-time IFRS-EU application reserve and other restatement reserves (Note 15)	Cumulative exchange differences (Note 16)	Retained earnings (Note 15)	Interim dividend (Note 15)	Non-controlling interests (Note 18)	Total equity
Balance at 31 December 2012	**28,500**	**(53,230)**	**33,752**	**48,258**	**(54,730)**	**353,271**	**(9,345)**	**161,340**	**507,816**
Total comprehensive income for 2013	**-**	**-**	**-**	**(29,494)**	**(40,641)**	**60,125**	**-**	**(739)**	**(10,749)**
Distribution of 2012 profit	-	-	-	-	-	(18,622)	9,345	-	(9,277)
Interim dividend 2013	-	-	-	-	-	-	(10,694)	-	(10,694)
Acquisition of treasury shares (Note 14)	-	(6,079)	-	-	-	-	-	-	(6,079)
Sale of treasury shares (Note 14)	-	59,309	-	- -	-	7,981	-	-	67,290
Increase in capital (Note 14)	1,205	-	27,715	-	-	-	-	-	28,920
Consolidation scope changes (Note 1)	-	-	-	-	-	7,713	-	(11,049)	(3,336)
Business combinations (Note 35)	-	-	-	-	(609)	9,743	-	(1,952)	7,182
Other movements (*)	-	-	-	-	580	(3,100)	-	(5,720)	(8,240)
Balance at 31 December 2013	**29,705**	**-**	**61,467**	**18,764**	**(95,400)**	**417,111**	**(10,694)**	**141,880**	**562,833**

(*) Basically relates to the distribution of dividends to non-controlling interests (Note 18).

The accompanying notes to the annual accounts set out on pages 7 to 95 form an integral part of these consolidated annual accounts

TIMBRE DEL ESTADO

0,03 EUROS

0L7054853

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousand euro)

	Note	Year ended 31 December	
		2013	**2012**
Cash flows from operating activities			
Cash generated from continuing and discontinued operations	33	197,860	169,569
Interest paid		(44,370)	(69,590)
Interest received		16,410	38,589
Income tex paid		(16,404)	(17,663)
Net cash generated from operating activities		153,496	120,905
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired/transferred	8/35	(119,083)	(17,814)
Acquisition of property, plant and equipment	6	(91,643)	(78,214)
Acquisition of intangible assets	7	(18,564)	(6,811)
Proceeds from the sale of property, plant and equipment and intangible assets		7,069	4,776
Acquisition/disposal of other financial assets	8	(45,339)	
Payments arised from investments in associates	8	(9,148)	-
Acquisition/disposal of other assets	-	(18,337)	(10,751)
Net cash used in investing activities		(295,045)	(108,814)
Cash flows from financing activities			
Acquisition of treasury shares	14	(6,079)	(30,533)
Sale of treasury shares	14	67,290	-
Increase in capital	14	28,920	-
Sale of interest in a subsidiary to non-controlling interests		-	19,955
Proceeds from borrowings	20	257,367	320,036
Income (net of reimbursements) from high-rotation borrowings	20	(24,967)	(19,788)
Loan repayments	20	(279,581)	(289,015)
Grants received (net)	19	176	898
Dividends paid to shareholders of the parent company	15	(18,622)	(19,525)
Other payments/income to/from non-controlling interests		(6,854)	(15,730)
Net cash (used in)/from financing activities		17,650	(33,702)
Exchange gains/(losses) on cash and cash equivalents		**(18,325)**	**(37,040)**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(142,224)**	**(58,651)**
Cash, cash equivalents and bank overdrafts at beginning of year	12	471,692	530,343
Cash, cash equivalents and bank overdrafts at end of year	12	**329,468**	**471,692**

The accompanying notes to the annual accounts set out on pages 7 to 95 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2013 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in 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 three different sectors: the Automotive sector, the Biofuel sector and the Technological Services and Solutions & EPCs sector, each of which described below:

- Automotive

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

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

- Biofuel

  The biofuel business encompasses several companies engaged in the production and distribution of biofuels. Note 1.2 below summarises the main lines of the regulatory framework governing this developing business.

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

- Technological Services and Solutions & EPCs (TSS)

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

In 2012 the Group decided to discontinue its virgin oil-based biodiesel project, including the related raw material plantation activity (jatropha), and to sell Biosur Transformación, S.L.U. The continuing operations in this segment, therefore, are the activities related to the production and supply of biodiesel made from recycled oils (Note 13).

Also in 2012, the Group decided to abandon a single line of activity, namely the design, manufacture and supply of certain automotive parts for the 'engine equipment' market, in which Group subsidiary Tarabusi, S.A.U. (merged in 2013 into Alcasting Legutiano, S.L.U.) acted as TIER 1 supplier, with a direct relationship with the OEMs (Note 13).

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

Group structure

CIE Automotive, S.A. (publicly listed) currently holds a direct 100% stake in CIE Berriz, S.L. (CIE Inversiones e Inmuebles S.L.U. and CIE Automotive Bioenergía, S.L. merged with CIE Berriz, S.L. in 2012); a 75% stake in CIE Automotive Nuevos Mercados, S.L.; a 50% stake in R.S. Automotive, B.V; a 100% stake in Autokomp Ingeniería, S.A.U. and, lastly, an 94.43% (2012: 84.95%) stake in Global Dominion Access, S.A., holding companies to which the Group's productive companies reports.

The list of subsidiaries and associates at 31 December 2013, together with the information concerning them, is set out in the Appendix to these consolidated financial statements.

All of the subsidiaries under the control of CIE Automotive Group have been consolidated using the full consolidation method while joint ventures have been consolidated using the proportionate method (Note 37).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2013 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousand euro)

The associates consolidated under the equity method are as follows:

	% interest	
	2013	**2012**
Belgium Forge, N.V. (1)	100%	100%
Biocombustibles de Zierbana, S.A. (1) (2)	20%	20%
Biocombustibles La Seda, S.L. (1) (2)	40%	40%
Galfor Eólica, S.L. (2) (3)	50%	50%
Advanced Comfort Systems México, S.A. de C.V.	-	50%
Gescrap – Autometal Comercio de Sucatas, Ltd. (2)	30%	30%
Antolin- CIE Czech Republic (2)	30%	-
CIE Hispamoldes Plastiques, S.A.R.L. (1) (2)	50%	-
Gescrap Autometal de México, S.A. de C.V.(2)	30%	-
CIE Automotive Rus, LLC. (3)	100%	-
Beroa Thermal Energy, S.L. (2)	22.72%	-

(1) In liquidation/dormant
(2) No control
(3) Company launching its installations.

Listing on the stock market in Brazil

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

In 2012 and pursuant to commitments acquired with the Brazilian stock exchange, 2.146% of Autometal, S.A.'s shares were sold in a series of transactions. As a result, at year-end 2012 (*idem* at year-end 2013), the Group's shareholding in this subsidiary stood at 74.76%.

Autometal, S.A.'s share price on the Brazilian Stock Exchange at 31 December 2013 was 17.40 real.

Strategic alliance with the Mahindra group

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

Mahindra Systech is Mahindra & Mahindra's automobile component business unit; its portfolio includes cast iron parts, forged steel parts, stamped parts, gear assemblies, magnetic products and composites. It has a network of plants and sales offices in India, Germany, United Kingdom and Italy serving customers located in North America, Europe and Asia, comprising the following five subgroups: Mahindra Forgings, Ltd. (company listed on the Bombay Stock Exchange, its name having been changed to Mahindra CIE Automotive, Ltd.), Mahindra Composites, Ltd. (company listed on the Bombay Stock Exchange), Mahindra Ugine Steel Company, Ltd. (company listed on the Bombay Stock Exchange), Mahindra Hinoday Industries, Ltd. (unlisted company) and Mahindra Gears & Transmisions Pvt, Ltd. (unlistad company). Mahindra Systech's consolidated revenue totalled approximately €580 million in the latest financial year closed at 31 March 2013.

In June 2013, in a first phase of the operation, Autometal, S.A. integrated (through a purchase and sale transaction between CIE Group companies) CIE Automotive, S.A.'s European forged steel component manufacturing business, which includes the companies CIE Galfor, S.A. and CIE Legazpi, S.A. (Spanish companies) and UAB CIE LT Forge (Lithuanian company), with aggregate revenue totalling approximately €150 million in the latest financial year closed at 31 December 2012.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2013 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousand euro)

On 4 October, after obtaining authorisation from the competition authorities in India, Germany and Brazil, as well as other regulatory approvals, CIE Automotive, S.A. completed this first phase by acquiring a controlling interest in Mahindra CIE Automotive, Ltd. and in Mahindra Composites, Ltd., through subsidiaries of its Brazilian subsidiary Autometal, S.A., by means of takeover bids in the Bombay Stock Exchange and direct acquisitions, and a controlling interest in Mahindra Hinoday Industries, Ltd. through a private transaction. The total price paid was INR 8.809 billion (equivalent to approximately Euros 110 million).

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

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

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

As part of the global operation, Mahindra & Mahindra (through Mahindra Overseas Investment Company Mauritius Limited) has 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% (post-increase), at the price of €6 per share in both cases, for a total price of €96,244,236.

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

The share prices at 31 December 2013 of the companies currently listed on the Bombay Stock Exchange are as follows:

- Mahindra CIE Automotive, Ltd (formerly Mahindra Forgings, Ltd.): 48.85 INR.
- Mahindra Ugine Steel Company, Ltd: 118.15 INR.
- Mahindra Composites, Ltd.: 42.3 INR.

This business combination is described in detail in Note 35.

Changes in the scope of consolidation

2013

a) Automotive segment

CIE Hispamoldes Plastiques, S.A.R.L. D'AU, a Moroccan company, was formed on 9 January 2013 with a share capital of 100 thousand dirham (€10 thousand) held entirely by the Group through the company CIE Automotive Hispamoldes, S.A.

On 25 February 2013 the Group entered into an agreement with Grupo Antolin Irausa under which both parties agreed to incorporate a joint venture called Antolin-CIE Czech Republic, s.r.o., in the Czech Republic, which core business is to make and sell metallic structures and subassemblies for assembly in car seats.

Antolin-CIE Czech Republic, s.r.o. has initial share capital of €1 million, of which Grupo Antolin Irausa has subscribed for 70% (€700 thousand) and CIE Automotive, 30% (€300 thousand).

On 2 April 2013 the Group incorporated a Spanish company called Participaciones Internacionales Autometal Dos, S.L. with a share capital of €112,330 thousand that is wholly-owned by Participaciones Internacionales Autometal, S.L., incorporated in 2012, as subsidiary of the Group's Brazilian subsidiary Autometal, S.A.. Subsequently, on 10 June 2013, this company's share capital was increased by €102,070 thousand to €214,400 thousand. This equity issue was subscribed for by Participaciones Internacionales Autometal, S.L. (€42,070 thousand) and by CIE Berriz, S.L. (Appendix I) (€60,000 thousand). As a result, the company ceased to be a sole-shareholder company.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2013 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousand euro)

On 6 May 2013, the Group made a capital contribution of USD 302 thousand, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., representing 30% of the share capital of the Mexican company Gescrap Autometal México, S.A. de C.V.

On 28 May 2013 the Group incorporated a Spanish Company called Participaciones Internacionales Autometal Tres, S.L. with a share capital of euro 3 thousand, that is wholly-owned by Participaciones Internacionales Autometal Dos, S.L. Subsequently, on 11 June 2013, this company increased its equity by euro 60 million; this equity issue was subscribed for in full by Participaciones Internacionales Autometal Dos, S.L.

On 10 June 2013, within the framework of the strategic operation signed with Mahindra Group, the company CIE Galfor, S.A. acquired the Spanish company CIE Legazpi, S.A., formerly wholly-owned by the Group through CIE Berriz, S.L., and Lithuanian company UAB CIE LT Forge, formerly wholly-owned by CIE Automotive Nuevos Mercados, S.L., which is in turn 75%-owned by CIE Automotive Group. This transaction, that individually has been made to market value, had no effect on the Group's financial statements with the exception of the increase in shareholding in UAB CIE LT Forge, from 75% to 100%, which generated a decrease in retained earnings increasing the balance in non-controlling interests in €3 million.

On 12 June 2013, under the scope of the strategic agreement with the Mahindra Group, the wholly-owned Group subsidiary CIE Berriz, S.L. signed with Participaciones Internacionales Autometal Tres, S.L., a purchase agreement encompassing 100% of the shares of CIE Galfor S.A., a company which in turn owns 100% of the shares of CIE Legazpi S.A. and UAB CIE LT Forge. In the wake of this transection, and by virtue of the Group's effective shareholdings in these companies, subsidiaries of the Group listed in Brazil, Autometal, which is 74.76%-owned by the Group, the Group ended up with an 82.82% shareholding in the Galfor subgroup. The only accounting effect of this transaction, that individually has been made to market value, at the Group level is an increase in retained earnings and decreasing the balance in non-controlling interests in €17 million.

On 1 July 2013, the Group split the chroming operating unit then part of Brazilian company Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (SBC1), wholly-owned by Group subsidiary Autometal, S.A., incorporating a new company, also domiciled in Brazil, called Autocromo Cromação de Plásticos, Ltda. (SBC2), a wholly-owned subsidiary of SBC1. This transaction has no impact whatsoever at the consolidated level.

The merger of Alcasting Legutiano S.L.U. (transferee) and Tarabusi S.A.U. (transferor), both Spanish domiciled companies, was recorded in the Companies Register on 7 August 2013. This merger has no impact whatsoever at the consolidated level.

Russian company CIE Automotive RUS, LLC, 100%-owned by Group subsidiary CIE Automotive Nuevos Mercados, S.L., was incorporated on 29 August 2013. The Group's effective shareholding in this newly-incorporatad company is 75%.

Spanish company CIE Automotive Nuevos Mercados, S.L. sold all of its shares in Doga Avtokom CIE LLC (DAC, LLC) for RUB8.2 million (€187 thousand) on 4 Septamber 2013. This transaction implied a loss at the Group level of €57 thousand.

As detailed in previous section, in October Perticipaciones Internacionales Autometal Dos, S.L. acquired 79.16% of Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Limited), 61.74% of Mahindra Composites Limited and 64.91% of Mahindra Hinoday Industries Limited.

b) Technological Services and Solutions & EPCs (TSS) segment

Visual Line, S.L. was incorporated in 2013 with a share capital of euro 3,100 with Global Dominion Access, S.A. taking a 55% interest. Additionally, in August 2013 Dominion Instalaciones y Montajes S.A.U. acquired a 50% stake in Dominion Networks, S.L. to hold all its share capital.

With effect for accounting purposes from 1 January 2013, Dominion Instalaciones y Montajes, S.A.U. (DIMSA) segregated in favour of its wholly-owned subsidiaries Dominion Networks, S.L. and Dominion Centro de Gestión Personalizada, S.L., respectively, its telecommunications services related activities consisting of the deployment of resources for customers Telefónica and Vendors, on the one hand, and the centralised monitoring and control of its customers' telecommunications networks, on the other.

The idea of this transaction is to have better align business activities with customer needs and to enhance strategic visibility in the telecommunications market for future projects and operations. This transaction had no accounting impact whatsoever at the consolidated level.

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In December 2013, prior to the two capital increases carried out by the majority shareholder CIE Automotive, S.A., the company Global Dominion Access, S.A. purchased, in two transactions, 3,731 and 7,587 treasury shares which, added to the 4,188 treasury shares acquired in prior years, totalled 15,506 shares at the year end, representing 2.077% of share capital.

With respect to the two capital increases of 19 December, the company CIE Automotive S.A. paid a total amount of €60 million in order to subscribe for 373,142 new shares (€4,485 thousand relating to their par value and €55,515 thousand to the share premium). As a result of these operations, its shareholding increased from 84.95% to 92.47% (94.43% net of the effect of treasury shares).

On 20 December 2013, the Group subscribed for a capital increase in the Spanish company Beroa Thermal Energy, S.L. in the amount of €10,000 thousand, through the subsidiary Global Dominion Access, S.A., to acquire a 22.72% stake. Additionally, a purchase option agreement was concluded whereby the Group reserved the right to acquire an additional 50% stake in Beroa Thermal Energy, S.L. during 2014. If the purchase option is exercised, the Dominion Group will pay, over three years, an amount equal to the Beroa Group's EBITDA for each of the three years (2014, 2015 and 2016) multiplied by 7.5x, reduced by the corresponding financial debt. Both operations are carried out at market value in accordance with independent expect report.

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

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

2012

a) Automotive segment

On 31 March 2012, Group company Investigación, Innovación y Desarrollo Grupo Recyde, A.I.E., owned by Group companies Nova Recyd, S.A.U. (25%), Recyde, S.A.U. (25%), Componentes de Automoción Recytec, S.L.U. (20%), Alfa Deco, S.A.U. (15%), Alucery, S.A.U. (10%) and Tarabusi, S.A.U. (5%), was liquidated (Appendix).

On 10 April 2012, the Group acquired 15% of Russia's CIE-Avtocom, LLC through CIE Automotive Nuevos Mercados, S.L., thereby increasing its shareholding in this investee from 35% to 50%.

On that same date, through CIE Automotive Nuevos Mercado S.L. and CIE-Avtocom, LLC, the Group subscribed for equity issued by Russian company CIE-Avtocom Kaluga, LLC, thereby increasing its shareholding in this investee by 15% to 50%.

On 7 August 2012 the Group incorporated Participaciones Internacionales Autometal, S.L., with share capital of €3 thousand. This newly created company is domiciled in Spain and 100%-owned by the Group's parent company, CIE Automotive, S.A. On 21 September 2012, pursuant to a share purchase agreement between CIE Automotive, S.A. and Autometal, S.A., the latter took a 100% shareholding in Participaciones Internacionales Autometal, S.L.

In September 2012, through its Brazilian subsidiary Autometal, S.A., the Group set up a joint venture with China's Donghua Automotive Industrial Co., Ltd. Under the terms of the joint venture agreement, Autometal would invest, by subscribing an increase in share capital, in Chinese company Nanjing Automotive Forging Co., Ltd., a company in which Donghua Automotive Industrial Co., Ltd. held a 96.75% shareholding. The share capital increase amounts, this financial contribution allows Autometal, S.A. to take control of Nanjing Automotive Forging Co. Ltd., through agreements that give Autometal, S.A. more than 50% of rights to vote with a share of its share capital. The main purpose of the joint venture is to develop and manufacture of automotive parts using stamp forging and complementary technologies at Nanjing Automotive Forging Co. Ltd. and, particularly, to develop and make crankshafts. CIE Group has direct experience making this product in its European facilities (Note 35).

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Through its US subsidiary, CIE Automotive USA, Inc. (an investment held by CIE Automotive, S.A. through its Brazilian subsidiary, Autometal, S.A.), the Group acquired a 65% shareholding in US company Century Plastics llc. in October 2012. This company is located in Detroit (Michigan). It makes car parts using plastic injection moulding technology. The transaction price was USD23.5 million (€18.7 million); the seller granted the buyer a call option on the remaining 35% interest.

On 1 October 2012, the CIE Automotive Group, through CIE Autometal de Mexico S.A. de C.V. and Pintura, Estampado y Montaje, S.A.P.I. de C.V., incorporated Celaya, S.A. de C.V., as a wholly-owned subsidiary. The new company's share capital amounts to MXP100 thousand.

CIE Inversiones Inmuebles, S.L. and CIE Automotive Bioenergía, S.L. (transferor companies) merged into CIE Berriz, S.L. (transferee) with effect from 27 December 2012. This merger did not have any effect on the consolidated figures.

b) Biofuels segment

On 4 January 2012, the Group acquired 51% of Spanish company Recogida de Aceites y Grasas Maresme, S.L. (REMA) through its subsidiary Bionor Transformación, S.A.U. The acquiree commercializes and recycles raw materials for transformation into biodiesel (Note 35).

c) Technological Services and Solutions & EPCs (TSS) segment

On 22 February 2012 a Peruvian company was incorporated, Dominion Perú Soluciones y Servicios, S.A.C. The new company is 99.99%-owned by Global Dominion Access, S.A.

On 1 July 2012, Mexican company Dominion TI, S.A. de CV sold all its shares in Grupo DRCC, S.A. de CV for a sum equivalent to their accounting carrying amount. This transaction did not, therefore, have any impact on the consolidated figures.

On 1 July 2012, Dominion México, S.A. de C.V. (subsequently merged with Mexicana de Electrónica Industrial, S.A. de C.V. /(MEXEL)) sold its shares in DM Informática, S.A. de C.V. for a sum equivalent to their accounting carrying amount; the transaction did not have any impact on the consolidated figures.

The deeds of the reverse merger of Dominion México, S.A. de C.V. (transferor company) and Mexicana de Electrónica Industrial, S.A. de C.V. (transferea) were registered in September 2012. This merger did not have any effect on the consolidated figures.

In 2012 Global Dominion Brasil Participaçoes Ltda. sold its 50% shareholding in GES Dominion Brasil, S.A. to GES España, S.A. for a sum aquivalent to the carrying amount of this investment, so that this transaction did not have any impact on the consolidated figures.

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 2013 and 2012 are as follows (Note 14):

	% interest	
	2013	**2012**
Corporación Gestamp, S.L.	(*) 24.871%	(*) 25.923%
Mahindra & Mahindra, Ltd	(**) 13.500%	-
Elidoza Promoción de Empresas, S.L.	10.424%	10.865%

(*) 10.648% directly and 14.223% indirectly through Risteel Corpotation, B.V. (year-end 2012: 11.098% directly and 14.825% indirectly through Risteel Corporation, B.V.).

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

Settlement of guarantees under the agreement to integrate the Technological Services and Solutions & EPCs business into the CIE Automotive Group

Having regard to the Technological Sarvicas and Solutions & EPCs businass integrated into the CIE Automotive Group in 2011, and in accordanca with tha agreament concluded on 20 September 2010 between CIE Automotive, INSSEC (Group's majority shareholder) and the shareholders of INSSEC DOS (counterparty in the transaction), in addition to the usual guaranteas covaring damage to the assets contributed that could arise in the CIE Automotive Group as a result of acts or omissions prior to the effactive date of the merger (1 January 2011), in tha event that the arithmatic average for the normalised EBITDA (as this ratio is defined) of the Technological Services and Solutions & EPCs business (Dominion Group) that was integrated into the CIE Automotive Group, for 2011 and 2012, differed by more than 10% from the figure stated in the Business Plan (€10.280

million), CIE Automotive, S.A. or INSSEC DOS would pay compensation (based on whether the difference was positive or negative) in an amount calculated by applying a multiple of 5.35 to the difference, plus 8% interest. The agreement also envisaged the calculation of this compensation in advance in the event of the divestment of the Dominion Group before the guarantee period commences, stipulating in this case the sale value as a reference for and a limit on the compensation payable, irrespective of the result of the above-mentioned calculation.

In 2013, following the analysis of the business results obtained in 2011 and 2012, the guarantee calculation was performed, resulting in the payment of compensation by CIE Automotive to the counterparty in the amount of €16.4 million; this liability was recognised during the year (Note 29). This amount was settled during the year by offsetting the guarantees included in balance sheet assets (Note 8).

Authorisation for issue

These consolidated financial statements were authorised for issue by the Board of Directors on 28 February 2014. Consolidated annual accounts are pending to be ratified by the Group parent company's shareholders. However, management expects them to be approved without modification.

1.2 Regulatory Framework

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

Buffer inventories

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

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

Mandatory annual certification of biofuel sales/consumption

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

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

	2013	**2012**
Biofuel targets	4.1%	6.5%

	2013	**2012**
Biofuel mix targets for diesel	4.1%	7%

Sustainability

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

Legislative developments, 2012

Order IET 822/2012 was published in the Official State Journal on 20 April 2012. This ministerial order regulates the allocation of biodiesel quotas for binding biofuel target calculation purposes. The order established the basic aspects of a procedure to allocate biodiesel output volumes for the calculation of the objectives, up to a maximum of 5.5 million tonnes per annum, for a two-year period extendible for an additional two years.

The purpose of this legislation is to serve as a license so that only European plants applying for biodiesel quotas will be assigned the fuel and, with respect to the calculation of the binding targets, only those amounts acquired from authorised biodiesel producers will compute. From the market standpoint, the proposed system has the effect of restricting supply by guaranteeing that biodiesel does not come from a mere re-mix of imported biodiesels.

Ministerial Order TET 2199/2012, published in the Official State Journal on 16 October 2012, amends the Order of 20 April in several ways:

1. It increases the amount to be allocated by 5 million metric tonnes.
2. It requires requests for licenses to be processed by digital means.
3. It allows biodiesel to be requested from companies from all around the world.
4. It eliminates the requirement of being oil operator to request any amount.
5. It requires the Secretary of State for Energy to issue a ruling to stert the term for applying for biodiesel quotas.

Legislative developments, 2013

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

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

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements 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 financial statements for the year ended 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2013.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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The preparation of consolidated financial statements in conformity with IFRS-EU requires the use of certain critical accounting estimatas. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The effectiveness of certain International Financial Reporting Standards from 1 January 2013 has prompted the Group to adapt its consolidated financial statements for those standards on a prospective basis; accordingly they do not affect the comparison of the figures presented. The standards taking effect in the year beginning 1 January 2013 are detailed below.

The consolidated financial statements are not affected by aspect that may contravene applicable filing bases.

2.1.1 List and summary of standards, amendments to standards and interpretations published to date

a) Standards, amendments and interpretations mandatory for all financial years commencing on 1 January 2013

IAS 1 (Amendment) "Presentation of financial stataments – Presentation of items of other comprehensive income"

This amendment changes the presentation of the other statement of comprehensive income, requiring that the items included in other comprehensive income be grouped in two categories based on whether or not they will be taken to the income statement. The items that will not eventually be taken to the income statement must be presented separately from the items that will affect the income statement in the future.

The option of presenting itams before taxes in other comprehensive income, provided by the previous version of IAS 1, is maintained. If an entity applies this option, the tax effect of both groups of items must be shown separately. IAS 1 has also changed the name of the "statement of comprehensive income" to "statement of profit and loss and other comprehensive income". The possibility of using alternative names is maintained.

This amendment is mandatory for all financial years starting on or after 1 July 2012.

The amendment has been taken into consideration in the presentation of the Group's 2013 consolidated annual accounts.

IAS 19 (Amendment) "Employee benefits"

The amendment to IAS 19 significantly changes the recognition and measurement of defined benefit pension costs and of termination benefits, as well as disclosures of all employee benefits. The following aspects of IAS 19 have been changed, among others:

- Actuarial losses and gains (now called "recalculations") may only be recognised in other comprehensive income. The options of deferring actuarial losses and gains through the corridor approach and of recognising them directly in the income statement have been eliminated. Revaluations recognised in other comprehensive income may not be taken to the income statement.
- The cost of past services must be recognised in the period in which the plan is modified and benefits not vested in a service period may not be deferred to future periods. Reductions only occur when the number of employees included in the plan falls significantly. Losses and gains derived from reductions must be recognised in the same way as past service costs.
- This annual expense of a financed benefit plan must include the net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability.
- Benefits requiring the provision of future services will not be treated as termination benefits.

The amended IAS 19 is mandatory for all financial years starting on or after 1 January 2013.

Since significant employee benefits were included in 2013 as a result of business combinations, the changes brought in by this amendment have already been taken into account in the measurement and breakdown included in the annual accounts.

IFRS 1 (Amendment) "Severe hyperinflation and removal of fixed dates for first-time adopters"

The emendments related to severe hyperinflation provide guidelines on how to present for the first time, or summarise when presenting financial statements under IFRS, following a period during which the entity was unable to fulfil IFRS requirements becausa its functional currency was subject to sever hyperinflation.

With respect to the elimination of dates stipulated in IFRS 1, the standard substitutes references to the date "1 January 2004" for "the IFRS transition date". Consequently, first-time adopters are not required to restate transactions that took place prior to the IFRS transition date.

Although this amendment was mandatory for all annual periods commencing on or after 1 July 2011, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 January 2013.

The amendment has had no impact becausa the Group does not operate in hyperinflationary economies.

IAS 12 (Amendment) "Deferred tax: Recovery of underlying assets"

The amendment to IAS 12 provides a practical approach to the measurement of deferred tax assets and liabilities related to investment properties carried at fair value, one of the measurement options provided by IAS 40 "Investment property". As regards the measurement of these deferred taxes, the amendment brings in the refutable presumption that the economic benefits inherent in investment properties carried at fair value will be recovered through the sele of the properties rather than through use. The amendment brings the guidelines previously included in SIC 21 "Income Taxes – Recovery of Revalued Non-Oepreciable Assets" into IAS 12, clarifying that its requirements do not apply to investment properties carried at fair value.

Although this amendment was mandatory for ell annual periods commencing on or after 1 January 2012, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 January 2013.

This amandment does not affect the consolidated annual accounts.

IFRS 13 "Fair value measurement"

IFRS 13 is a result of the joint project of the IASB and the FASB (US Financial Accounting Standards Board). It explains how to measure elements at fair value and is designed to improve and extend fair value disclosure requirements. This standard does not establish which elements must be measured at fair value or add any new fair value measurement requirements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement, not an entity-specific measurement. A 3-level hierarchy is established, as in IFRS 7, for fair value measurement, based on the input type and valuation techniques employed. Disclosure requirements undar the new standard relate to the measurement methods applied, data used in the valuations and any changes in valuation techniques employed.

This amendment is mandatory for all financial years starting on or after 1 January 2013.

The new standard is applied prospectively as from the start of tha financial year in which it is adopted for the first time. The disclosure requirements do not apply to the comparative information presented for periods prior to the period of first-time adoption of IFRS 13.

The Group has included this information and disclosure in the required items, although the application of this standard has not had a relevant impact on the Group's consolidated annual accounts.

IFRIC 20 "Stripping costs in the production phase of a surface mine"

This interpretation is the result of a request to clarify how and when to account for costs relating to the waste elimination process in a surface mine in order to obtain access to mineral deposits.

This interpretation is not currently applicable to the Group.

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IFRS 1 (Amendment) "Government loans"

The IASB has amended IFRS 1 "First-time adoption of International Financial Reporting Standards" to allow first-time adopters to apply the provisions of IAS 20 "Accounting for government grants and disclosure of government assistance", applicable to entities already applying IFRS, in connection with government loans at below-market interest rates.

This amendment does not affect the consolidated annual accounts.

Improvement project 2009-2011

- **IFRS 1 "First-time adoption of IFRS"**

  The amendment clarifies that IFRS 1 may be applied more than once by the same entity in certain circumstances. In cases in which an entity that previously presented its financial statements under IFRS but ceased to do so and subsequently applies IFRS once more, a new application of IFRS 1 is permitted but is not mandatory. If this circumstance were relevant, a disclosure is required of why the entity discontinued the presentation of its financial statements under IFRS and the reasons for returning to IFRS.

  This amendment is applicable retroactively and mandatory for all financial years starting on or after 1 January 2013.

  This interpretation is not currently applicable to the Group..

- **IFRS 1 "First-time adoption of IFRS"**

  This clarifies that first-time adopters must maintain unadjusted in their opening balance sheet any borrowing costs capitalised under their previous chart of accounts. Conversely, IAS 23 "Borrowing costs" is applicable to the accounting treatment of borrowing costs incurred following transition to IFRS, even in the case of qualifying assets under construction at the transition date. The requirements of IAS 23 may be applied as from a date prior to the IFRS transition date in relation to qualifying assets the initial capitalisation date of which was that date or a later date.

  This amendment is applicable retroactively and is mandatory for all financial years starting on or after 1 January 2013.

  This interpretation is not currently applicable to the Group.

- **IAS 1 "Presentation of financial statements"**

  This amendment clarifies that the comparative information required by IAS 1 forms part of a full set of financial statements. It also clarifies the minimum requirements for the disclosure of comparative financial information when an entity changes an accounting policy or performs a retroactive restatement or a reclassification of items in its financial statements. In this case, a statement of financial position at the start of the required comparative period must be presented (a "third balance sheet"), but the notes to that statement of financial position need not be disclosed. Conversely, if management were to disclose additional comparative information voluntarily in the financial statements (e.g. an income statement for a third period, a third balance sheet), the relevant notes must be included in the notes to the accounts. This improvement has also amended IFRS 1 "First-time adoption of IFRS" to clarify that a first-time adopter of IFRS must disclose the notes relating to all the main statements presented.

  This amendment is applicable retroactively and is mandatory for all financial years starting on or after 1 January 2013.

  This amendment does not affect the consolidated annual accounts.

- **IAS 16 "Property, plant and equipment"**

  This clarifies that spare parts and auxiliary equipment must be classed as property, plant and equipment, and not as inventories, where they fulfil the conditions to be classed as property, plant and equipment. As a result of this amendment, auxiliary equipment that is expected to be used for more than one period must be classed as property, plant and equipment, instead of as inventories.

This amendment is applicable retroactively and is mandatory for all financial years starting on or after 1 January 2013.

The Group has studied this amendment and has identified no significant impact on the consolidated annual accounts.

- **IAS 32 "Financial instruments: Presentation"**

  The amendment resolves a conflict between IAS 32 and IAS 12 "Income taxes". It clarifies that tax incentives related to distributions to the holders of an equity instrument and tax incentives related to transaction costs pertaining to any equity item must be recognised in accordance with IAS 12. Accordingly, tax incentives related to distributions are recognised in the income statement and tax incentives related to transaction costs pertaining to equity instruments are recognised in equity.

  This amendment is applicable retroactively and is mandatory for all financial years starting on or after 1 January 2013.

  This amendment does not affect the consolidated annual accounts.

- **IAS 34 "Interim financial reporting"**

  This amendment has brought into line the disclosure requirements of IAS 34 and IFRS 8 "Operating segments". It clarifies that an entity preparing interim financial information under IAS 34 must only disclose segment information on assets and liabilities if such information is regularly furnished to the maximum operating-decision-taking authority, where a significant change has been recognised with respect to the amounts stated in the latest annual financial statements.

  This amendment is applicable retroactively and is mandatory for all financial years starting on or after 1 January 2013.

  The amendment does not affect the consolidated abridged interim financial statements for the six-month period ended 30 June 2013.

IFRS 7 (Amendment) "Offsetting financial assets and financial liabilities"

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

In the amendment to IAS 32 "Financial instruments: Presentation", the Application Guidance is modified to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The amendment does not affect the offset model already provided in IAS 32, which is still applicable when, and only when, an entity currently has the legally enforceable right to offset the amounts recognised and the intention to settle the net amount or to realise the asset and settle the liability simultaneously. The amendment to IAS 32 is mandatory for all financial years starting on or after 1 January 2014 and is applicable retroactively. Early adoption is permitted.

The amendment to IFRS 7 requires disclosure of quantitative information both on recognised financial instruments that have been offset in the balance sheet and on financial instruments subject to master netting arrangements, irrespective of whether or not they have been offset in the balance sheet. The amendment to IFRS 7 is mandatory for all financial years starting on or after 1 January 2013 and is applicable retroactively.

This amendment does not affect the consolidated annual accounts.

b) <u>Standards, amendments and interpretations that are not yet in force but may be adopted prior to periods commencing on or after 1 January 2013 (IAS 8.29)</u>

At the signing date of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee has published the following standards, amendments and interpretations that become mandatory in 2014, although the Group has not early adopted them.

IFRS 10 "Consolidated financial statements"

IFRS 10 brings in changes to the concept of control, which is still defined as the factor determining whethar an entity must or must not be included in the consolidated financial statements. IFRS 10 replaces the control and consolidation guidance provided by IAS 27 "Consolidated and separate financial statements" and eliminates SIC 12 "Consolidation - Special purpose entities", which is repealed.

In order for control to exist, there is no need for the concurrence of these two elements: power over an entity and variable returns. Power is defined as the capacity to direct the activities that significantly affect an entity's performance. The concept of unity of the parent entity and its subsidiaries for the purposes of the consolidated financial statements, and `the consolidation procedures, have not changed with respect to IAS 27.

Although this standard is mendatory for all annual periods commencing on or after 1 January 2013, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 January 2014.

It mey be adopted early provided that IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interests in other entities", IAS 27 (amended in 2011) "Separate financial statements" and IAS 28 (amended in 2011) "Investments in associates and joint ventures" are simultaneously adopted.

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

IFRS 11 "Joint arrangements"

IFRS 11 provides accounting treatment for joint arrangements, based on the rights end obligations arising from the agreement rather than on its legal form. There are only two types of joint arrangements: joint operations and joint ventures. In joint operations, the member has direct rights to the assets and obligations arising from the agreements and thus recognises its proportional interest in the entity's assets, liabilities, revenue and expenses. In joint ventures, the member has e right to the entity's results or net assets and therefore recognises its interest using the equity method.

Interests in joint ventures can no longer be recognised using the proportionete consolidetion method.

Although this stendard is mandatory for all annual periods commencing on or after 1 January 2013, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 January 2014. The changes in accounting treatment required by IFRS 11 are reflected at the start of the earliest period reported in the financial statements.

IFRS 11 may be early adopted provided that IFRS 10 "Consolideted financiel statements", IFRS 12 "Disclosure of interests in other entities", IAS 27 (amended in 2011) "Separate financial stetements" and IAS 28 (amended in 2011) "Investments in associates and joint ventures" are simultaneously adopted.

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

IFRS 12 "Disclosure of interests in other entities"

IFRS12 conteins the disclosure requirements for entities reporting under the new IFRS 10 "Consolidated financial statements" and the new IFRS 11 "Joint arrangements". It also replaces the disclosure requirements previously included in the former IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures". Under IFRS 12, disclosures must allow users of the financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and non-consolidated structured entities.

Although this standard is mandatory for all annual periods commencing on or after 1 January 2013, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 Januery 2014.

In order to encourage the inclusion in the financial statements of the new disclosures required by IFRS 12 prior to its effective date, the standard clarifies that the disclosure of a part of the information required by IFRS 12 does not force the entity to fulfil all the provisions of this standard, or to simultaneously adopt IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IAS 27 (amended in 2011) "Separate financial statements" and IAS 28 (amended in 2011) "Investments in associates and joint ventures".

The Group is analysing the impact of the new standard on the consolidated annual accounts, which is not expected to be significant.

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IAS 27 (Amendment) "Separate financial statements"

The requirements previously contained in IAS 27 relating to the preparation of consolidated financiel statements are included in the new IFRS 10. The scope of IAS 27 is therefore reduced to the recognition of investments in subsidieries, jointly-controlled entities and associates in the investing entity's individual financial statements under IFRS, no changes having been made with respect to the previous standard (i.e. recognition at cost or at fair value as per IFRS 9).

Although the amended IAS 27 is mandatory for all annual periods commencing on or after 1 January 2013, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 January 2014.

It may be adopted early provided that IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IAS 12 "Disclosure of interests in other entities" and IAS 28 (amended in 2011) "Investments in associates and joint ventures" are simultaneously adopted.

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

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

IAS 28 has been updated to include references to joint ventures, which must be recognised using the equity method under the new IFRS 11 "Joint arrangements". Information has also been added on the following aspects:

- Accounting treatment of instruments that provide potential voting rights;
- Measurement of interests in associates and joint ventures in the hands of venture capital entities, mutual entities and other similar entities;
- Accounting treatment when the interest in an associate or joint venture decreases but the equity method is still applicable; and
- Accounting treatment of the contribution of a non-monetary asset to an associate or joint venture in exchange for an equity interest in the entity.

Although the amended IAS 28 is mandatory for all annual periods commencing on or after 1 January 2013, as per the effective date stipulated by the IASB, for European Union purposes the effective date refers to periods commencing on or after 1 January 2014.

It may be adopted early provided that IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IAS 12 "Disclosure of interests in other entities" and IAS 27 (amended in 2011) "Separate financial statements" are simultaneously adopted.

At the closing date of these consolidated accounts, the Group has 50% interests in two joint ventures: the RS Automotive Group and the CIE Avtocom Group. In February 2014 (Note 40), the remaining 50% of the first joint venture was acquired, meaning that it will be fully consolidated in the future.

The investment in the Russian group CIE Avtocom will be equity consolidated, without any significant impact on the consolidated annual accounts, except the presentation of the balance sheet and income statement.

IFRS 32 (Amendment) "Offsetting financial assets and financial liabilities"

In December 2011, the IASB issued an amendment to IAS 32 "Offsetting financial assets and financial liabilities", and an amendment to IFRS 7 "Disclosures - Offsetting financial assets and liabilities", as already indicated.

IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guide (amendments to IFRS 10, IFRS 11 and IFRS 12)"

The IASB has amended the transitional provisions of IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities" to clarify that the date of first-time adoption is the first day of first annual period in which IFRS 10 is applied for the first time. See the comments above on the amendments to IFRS 11 and IFRS 12.

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

In certain circumstances, the amendment to IFRS 10 means that funds and similar entities will be exonerated from consolidating the entities over which they exercisa control. Instead, they must be carried at fair value through profit or loss. These amendments thus provida an exception for entities that meet the definition of an "investment entity" and that have specific charactaristics. Amendments have also baen made to IFRS 12 to bring in reporting requiremants that an entity of this kind must include in its consolidated annual accounts.

The amendment of these standards mandatory for all financial years starting on or after 1 January 2014. Thay may be early adopted, provided all the above-mentioned amendments are adopted at the same time.

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

c) <u>Standards, amendments and interpretations of existing stendards that cannot be early adopted or have not been adopted by the European Union:</u>

At tha date these consolidated annual accounts were prepared, the IASB and IFRS Interpretetions Committee had published the following standards, amendmants and interpretations that have not yet been adopted by tha European Union.

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

This amendment applies to contributions by employaas or third parties to defined benefit plans. The purpose is to simplify the accounting treatment of contributions that are unrelated to the number of years of service, e.g. employee contributions calculated based on a fixed percantage of their salary.

IAS 19 (revised in 2011) distinguishes between employee contributions related to and not related to service. The current amendment also distinguishes between contributions related to service only in the period in which they arise and contributions related to service over more than one period. The amendment allows contributions linked to service that do not change based on the duration of the employee's servica to be deducted from the cost of benefits accrued in the period in which the relevant service is provided.

Contributions linked to service and which vary based on the duration of the employee's service must be apportioned over the service provision period using the same allocation method applied to the benefits; this means either applying the pension plan formula or, where the plan provides a significantly higher level of benefit for service in later years, applying a straight-line method.

This amandmant is applicable retrospectively in financial years beginning on or after 1 July 2014. Early adoption is permitted.

IAS 36 (Amendment) "Recoverable amount disclosures for non-financial assets"

The IASB has published a limited scope amendment to IAS 36 "Impairment of assets" in connection with disclosures of the recoverable amount of impaired assets where the recoverable amount is based on fair value less costs to sell or otherwise dispose of the assets. The resulting amendments to IAS 36 disclosure requirements were made through IFRS 13 "Fair value measurement". One of these amendments was more extensive than expected. The amendment corrects this situation and also requires the presentation of supplementary information on fair value measurements made in the event of impairment or a reversal of impairment.

This amendment is applicable ratrospectively in financial years beginning on or after 1 January 2014. It may be early adopted but cannot be adopted before IFRS 13 is adopted by the entity.

IAS 39 (Amendment) "Financial instruments - Novation of derivatives and continuation of hedge accounting" (June 2013)

Under IAS 39 an entity is required to interrupt hedge accounting where a derivative designated as a hedging instrument is novated to a Central Counterparty Clearing House (CCP), since the original derivative caases to exist. The new derivative with the CCP is recognised at the novation date.

The IASB has amended IAS 39 to provide a restricted-scope exemption to the interruption of hedge accounting when the novation of a hedging instrument to a CCP fulfils certain requiremants.

Specifically, such changes will not result in the expiration or termination of the hedging instrument if:

- As a result of a law or specific regulation, the parties to the hedging instrumant agree that a CCP, or an entity (or entities) acting as a counterparty in order to perform the clearing like a CCP, replaces the original counterparty; and
- Other changes, if applicable, to the hedging instrument are limited to changes necessary for the replacement of the counterparty.

These amendment will be applicable to financial years commencing on or after 1 January 2014 and may be early adopted.

IFRS 9 "Financial instruments"

The issuance of IFRS 9 "Financial instruments" in November 2009 was the first step in the IASB's comprehensive project to replace IAS 39 "Financial instruments: Recognition and measurement". IFRS 9 simplifies the accounting treatment of financial assets and brings in new classification and measurement requirements. Financial assets held mainly to collect cash flows representing principal and interest payments must be carried at amortised cost, while all other financial assets, including assets held for trading, must be measured at fair value. Consequently, an impairment model is required only for financial assets carried at amortised cost. In October 2010 the IASB updated IFRS 9 to include the recognition and subsequent measurement of financial liabilities and derecognition of financial instruments. The previous requirements of IAS in this respect have not been amended, except for the subsequent recognition of financial liabilities carried at fair value through profit or loss.

In this case, fair value changes derived from the evaluation of the entity's own credit risk are recognised as income and expense directly in equity. The amounts recognised in equity are not recycled to the income statement, although they may be reclassified to other equity items. Nonetheless, if at the initial recognition of the liabilities it is observed that this accounting treatment would cause a mismatch with the measurement of associated financial assets, all value changes must be taken to the income statement. The current requirements of IAS 39 with respect to the impairment of financial assets and hedge accounting remain applicable.

This standard is applicable to financial years commencing on or after 1 January 2013 and may be early adopted.

IFRS 9 (Amendment) and IFRS 7 (Amendment) "Mandatory effective date and transition disclosures"

The IASB has published an amendment delaying the affective date of IFRS 9 "Financial Instruments", which is now mandatory for annual periods commencing on or after 1 January 2015. Under the original transitional provisions, IFRS 9 was to come into force on 1 January 2013. The early adoption of IFRS 9 is still permitted.

The IASB has also extended the time frame for the completion of the rest of the phases of the project to replace IAS 39 "Financial instruments: Recognition and measurement" (recognition of impairment losses and hedge accounting). This amendment highlights the importance of allowing the simultaneous application of all the phases of the new standard.

It should also be noted that the amendment to IFRS 9 brings in changes affecting comparative information and additional disclosures that must be provided after adopting the new standard, based on the date of first-time adoption, as explained below.

- If IFRS 9 is applied to periods commencing prior to 1 January 2012, the comparative figures need not be restated and additional disclosures need not be included at the initial application date of the standard;
- If IFRS 9 is applied to periods commencing on or after 1 January 2012 and prior to 1 January 2013, the entity must opt between restating the comparative figures and including the additional disclosures at the initial application date of the standard;
- If IFRS 9 is applied to periods commencing on or after 1 January 2013, the comparative figures need not be restated but additional disclosures must be included at the initial application date of the standard.

IFRS 9 (Amendment) "Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39"

As part of the IASB's project to replace IAS 39 entirely by IFRS 9, the document "IFRS 9: Financial instruments – Hedge accounting" has been published, entailing the inclusion in IFRS 9 of hedge accounting requirements. These amendments to IFRS 9 represent a substantive reform of hedge accounting, bringing it more into line with risk management; this should result in information that is more useful for decision-taking by the users of financial statements.

These new requirements also establish an approach based more on principles instead of rules for hedge accounting and address inconsistencies and weaknesses in the current IAS 39 model.

The most significant changes affect to:

- *Hedge effective testing and possibility of applying hedge accounting.*
- *Hedged items*
- *Hedging instruments.*
- *Recognition, presentation and disclosures.*

Other amendments to IFRS 9, though unrelated to hedge accounting, allow entities to early adopt the requirement to recognise, in other comprehensive income, fair value changes attributable to changes in the entity's own credit risk (for financial liabilities carried at fair value). This may be applied without adopting the rest of IFRS 9.

Finally, the effective date of IFRS 9 (1 January 2015) has been eliminated, although entities may still opt to apply IFRS 9 immediately (not for IFRS-EU purposes, since IFRS 9 has not yet been approved by the European Union).

IFRS 9 is applicable retroactively. However, hedge accounting is applicable prospectively (with certain exceptions).

IFRIC 21 "Levies"

IFRIC 21 "Levies" is an interpretation of IAS 37 "Provisions, contingent assets and contingent liabilities" that addresses the accounting treatment of levies imposed by public administrations, other than income tax and fines or penalties imposed due to the infringement of legislation. The main issue raised is when the entity must recognise a liability due to the obligation to pay a levy recognised under IAS 37. IAS 37 stipulates the conditions for the recognition of a liability, one of which is that the entity must have a present obligation as a result of a past event. The interpretation clarifies that the event requiring and giving rise to a liability for the payment of a levy is the activity described in the relevant legislation that causes the payment of the levy.

This interpretation is mandatory for all financial years starting on or after 1 January 2014. Early adoption is permitted.

2.2 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities (including special-purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. When assessing whether the Group controls a company, the existence and effects of potential voting rights which may be currently exercised or converted are taken into account. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financiel and operating policies, etc.

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 ecquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances and unrealized 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 uniformity with policies adopted by the Group.

The accompanying Appendix sets out the identification particulars of subsidiaries.

31 December is the year-end for all the annual financial statements used in the consolidation process.

b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded 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 its 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 ventures

The Group's interests in jointly controlled entities are proportionately consolidated. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

For more detailed information on these joint ventures, see Note 37.

e) Associates

Associates (Note 8.c) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 2.7.a)). Note 2.8 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized 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.

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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 an 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 in a manner consistent with the internal reporting provided to the chief operating decision-maker. The highest decision-making body, which is responsibla for allocating resources to and assessing the performance of the operating segments, has been identified as 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 financial 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 presentetion currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group has defined net investment hedges at 31 December 2013 and 2012 (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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other non-productive assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Estimated useful lives:
Buildings	10 – 50
Vehicles	3 – 15
Furniture, fittings and equipment	3 – 15

The depreciation policy historically applied by CIE Automotive Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned, which ara estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each CIE Automotive Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced, while taking into consideration their maximum useful lives. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and depreciation rates for assets under normal production circumstances are as follows:

	Annual rate %	**Useful life (*)**
Machinery	10%	10 years
Plant	10%	10 years
Tools	15%-33.33%	3-6.7 years

(*) Years of useful life in accordance with estimated normalised units of production.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on the sale of items of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" (Note 26).

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7 Intangible assets

a) Goodwill

Goodwill represents the excess of acquisition cost over the Group's interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level (Note 2.8).

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finita 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 licenses

Trademarks and licences acquired from third parties are presented at cost. Those acquired through business combinations are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits in excess of costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed five years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's- fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Non-current assets (disposal groups) held for sale and discontinued operations

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 value will be recovered primarily through the sale rather than through continuing use.

2.10 Financial assets

2.10.1 <u>Classification</u>

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 – 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 and 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 subsequently 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 finance income/costs 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 valuation techniques. These 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 arrears 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 impeirment loss on that financial asset previously recognised in profit or loss – is removed from aquity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income stetement.

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 liabilitias (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 valuas or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosad 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 racorded in the income statement, together with any changes in the fair valua 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 tha 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' in finance income/costs. Changes in the fair value of hedged fixed-rate borrowings attributable to intarest rate risk are recognised in the income statement within finance incoma/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 pariod to maturity.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are dasignated and qualify as cash flow hedges is recognisad 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' in finance income/costs.

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 sala that is hedged takas 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 revenue. However, when the forecast transaction that is hedgad 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 tha asset. The deferrad amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

d) Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2.12 Inventories

Inventories are meesured at the lower of cost and net realisable value. Cost is basically determined as follows:

a) Automotive segment

- Items purchased for resale: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the everage weighted acquisition price.
- Finished goods and work in progress: at pre-set costs, which do not differ significantly from actual costs incurred. These costs include raw materials, direct labour and direct and indirect manufacturing expenses (based on normal operating capacity). They do not include borrowing costs.

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

Net realisable value is the estimatad selling price in the ordinary course of business, less applicable variable selling expenses.

b) Biofuel segment

Inventories of raw materials and other supplies are measured at acquisition cost in accordance with the FIFO method, a measurement which does not exceed their market value. The acquisition price includes the amount stated on the invoice plus all additional costs incurred until the goods are stored in the warehouses.

Finished goods and work in progress are stated at actual average cost, which includes materials, direct labour and manufacturing costs.

Group company Via Operador Petrolífero, S.L.U. (Note 1.2) is registered in the operator register which permits it to carry out the wholesale distribution of oil products in its capacity as an oil product operator and, in accordance with Royal Decree 1716/2004, of 23 July 2004, modified by Royal Decree 1766/2007 of 28 December and Directorate of Energy and Mining Policy Ruling of 30 March 2009, this company is required at all times to keep minimum buffer stocks equivalent to 92 days of annual diesel sales, of which 42 days' sales are held by Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES). CORES maintains an additional 35 days of Via Operador Petrolífero, S.L.U.'s strategic buffer obligation, as agreed under the lease agreement concluded by both parties. The remaining 15 days are maintained by Via Operador Petrolífero, S.L.U. In order to maintain these buffer stocks, this company enters into, when necessary, product leases with other operators or with Group company Bionor Berantevilla, S.L.U. These transactions are recognised as operating leases (Note 2.25).

The net realisable value of these inventories is the re-estimated selling price in the ordinary course of business, less estimated applicable selling expenses.

c) Technological Services and Solutions & EPCs segment

Inventories are measured at the lower of cost and net realisable value. When the net realisable 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 recognised as income in the income statement.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the receivables. Indications of impairment are deemed to exist when the debtor is in serious financial difficulty, it is probable that the borrower will enter bankruptcy or other financial reorganisation, and in the event of payment default or delinquency. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision is used and the loss is recognised in the income statement. When a receivable is deemed uncollectable it is written off against the provision for impairment of receivables. Any subsequent recovery of previously written-off amounts is recognised in the income statement.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing. In order to hedge certain customer collection risks, collection insurance contracts are arranged that cover the risk of default through the payment of insurance premiums.

Financing by means of non-recourse factoring or the sale of trade receivables triggers the derecognition of the receivable as all associated risks are transferred to the financial institution in question.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated 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 tha related assets. Tax credits in respect of R&D investment, deemed equivalent to grants relating to costs under IAS 20, are recognised as grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Nota 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.

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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 facility 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 contemplated 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 appropriata on the basis of amounts expected to be paid to the tax authorities.

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

The parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Bérriz, S.L.
- Autokomp Ingeniería, S.A.

- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A.U.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Tarabusi, S.A.U. (merged into Alcasting Legutiano, S.L.U. in 2013)
- Alcasting Legutiano, S.L.U.
- Bionor Transformación, S.A.U.
- Bionor Berantevilla, S.L.U.
- Vía Operador Petrolífero, S.A.U.
- Mecanizaciones del Sur - Mecasur, S.A.U.
- CIE Automotive Nuevos Mercados, S.L.
- Gestión de Aceites Vegetales, S.L.
- Reciclados de Residuos Grasos, S.L.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Global Dominion Access, S.A.
- Dominion Investigación y Desarrollo, S.L.U.

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

The other Group companies file individual returns.

b) Deferred taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidatad 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 neither 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 end 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 grants relating to costs so long as the R&D costs have not been capitalised (Note 2.16).

Deferred tax assets corresponding to utilised or racognised tax credits relating to R&D activities are racognised 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 income.

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Deferrad income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

a) Pension obligations

The Group's plans are funded through payments to insurance companies or externally-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employea benefits.

Under amended IAS 19, past-service costs are recognised immediately in the income statement.

b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c) Profit-sharing and bonus plans

The Group recognises 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 recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Share-based payments

The Group operates several share-based payment plans settled in equity instruments of the following subsidiaries: Autometal, S.A., Mahindra-CIE Automotive Ltd. (formerly Mahindra Forgings Ltd.) and Mahindra Composites Ltd., all of which are listed on either the Brazilian or Indian stock markets (Appendix).

Under these plans, the Group receives services from tha 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 the 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 eny 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, the 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 to 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 employee benefit expense recognised is a credit to Group equity until the shares in the various subsidiaries are delivered, at the end of the term of the related plan. Delivery of the aforementioned equity instruments gives rise to the corresponding charge against the Group's equity.

2.23 Provisions

Provisions for specific liabilities and charges are recognised when:

(i) The Group has a present legal or constructive obligation as a result of past events;
(ii) It is probable that an outflow of resources will be required to settle the obligation; and
(iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The amount of revenue cannot not be reliably determined until all of the contingencies associated with the sale have been resolved. Revenue is recognised as follows:

a) Sales of goods – wholesale

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

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 data 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 recognized at the rates stipulated in the contract as the related man hours are worked and direct expenses incurred.

Revenue deriving from fixed-price contracts relating to engineering maintenance work and network installations is recognised using the percentage of completion method. In accordance with this method, revenue is generally recognised on the basis of services performed to date as a percentage of total services to be performed.

If unfolding circumstances change the initial estimates of revenue, costs or the percentage of completion, management proceeds to review these estimates. Revisions may result in increases or decreases in estimated revenue and costs which are recognised in the income statement in the period in which the circumstances giving rise to the revisions are known by management.

c) Interest income

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

d) Royalty revenue

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

e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases

Finance leases

Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement 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 financial statements 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

Are considered as non current balances, assets and liabilities, those amounts with longer maturity to 12 months from the closing date of the period.

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

Having defined the Management Scope, 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:

- Forward currency purchases/sales: 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 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 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 2013, the euro had depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by euro 56,138/45,931 thousand, respectively (2012: increased/decreased by euro 63,644/€52,072 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 2013 with respect to all functional currencies other than the euro, all other variables being equal, profit after tax for the year would have been euro 3,206/2,623 thousand higher/lower, respectively (2012: euro 4,766/3,899 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

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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 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.
- Interest rate caps: through these derivatives, the Group's segments convert a variable interest rate into a rate that is capped. In this way, it curtails the adverse impact of an unfavourable trend.
- 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 2013 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 euro 930 thousand (2012: euro 932 thousand) lower/higher, largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifcally, 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 euro 61/363 thousand, respectively (2012: a euro 186/226 thousand increase/decrease, respectively) due to the impact on profit for the year. The impact on profit for the year would have been null (2012: euro 0 thousand) lower/higher.

b) Liquidity risk

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

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. Liquidity and net debt at year-end, being 2013 and 2012 as follows:

	2013	**2012**
Cash and cash equivalents (Note 12)	329,468	471,692
Other current financial assets (Note 8)	85,996	61,914
Undrawn lines of credit (Note 20)	95,481	49,886
Liquidity buffer	**510,945**	**583,492**

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Bank borrowings (Note 20)	981,865	926,400
Other current financial liabilities (Note 8)	8,051	1,488
Cash and cash equivalents (Note 12)	(329,468)	(471,692)
Other current financial assets (Note 8)	(85,996)	(61,914)
Net current debt	**574,452**	**394,282**

The main reason for the variation in net debt in 2013 is due to the debt taken on as a result of the first-time consolidation of the companies acquired from Mahindra & Mahindra (Notes 1 and 35).

The Group's Treasury Department believes that the initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated in 2014 will be sufficient to service the Group's payment obligations for the year without having to increase net debt, other than the increase in debt that will result from the first-time consolidation of the debt of the Mahindra Group companies in the process of being merged with Group company, Mahindra CIE Automotive, Ltd. (Note 1 describes this transaction in detail).

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

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

There are no restrictions regarding the use of cash/cash equivalents with the exception of the guarantees described in Note 20 and the commitments described in Note 34.

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

- euro 35.4 million originating from the recurring discounting of commercial paper issued by Group customers (euro 41.6 million at 31 December 2012) (Note 20).
- euro 6.3 million originating from recurring import financing (euro 9.8 million at 31 December 2012) (Note 20).

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

Note the existence at 31 December 2013 of euro 95.5 million of undrawn credit lines and loans (31 December 2012: euro49.9 million).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31 December 2013 as compared with 31 December 2012, stating the relative significance of each item:

	2013	**2012**
Inventories	226,138	189,994
Trade and other receivables	188,540	181,379
Other current assets	6,384	2,920
Current tax assets	41,618	43,276
Current operating assets	462,680	417,569
Other current financial assets	85,996	61,914
Cash and other liquid assets	329,468	471,692
CURRENT ASSETS	878,144	951,175
Trade and other payables	441,732	439,098
Current tax liabilities	41,294	37,900
Current provisions	9,214	8,210
Other current liabilities	70,733	70,776
Current operating liabilities	562,973	555,984
Current bank borrowings	332,743	281,322
Other financial liabilities:	8,051	1,488
CURRENT LIABILITIES	903,767	838,794

NET WORKING CAPITAL	(25,623)	112,381

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

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers. We also constantly optimise supplier payment periods by unifying policies and conditions throughout the Group. As a consequence of the previously indicated, there are no risks affecting the Company's liquidity situation.

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.

	Less than 1 year	**Between 1 and 5 years**	**More than 5 years**
At 31 December 2013			
Bank borrowings (Note 20)	332,743	684,508	35,047
Trade and other payables	512,465	89,747	30,218
Derivatives	8,051	-	-
At 31 December 2012			
Bank borrowings (Note 20)	281,322	728,393	1,244
Trade and other payables	509,874	83,720	33,662
Derivatives	1,488	-	-

Derivative financial instruments qualifying as hedges are settled net; their maturities are detailed in Note 20 for interest rate swaps; the related cash flows are mainly expected to be settled in the short term (Note 8.b)).

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted (Note 8.a)).

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

In order to minimise credit risk in respect of trade receivables, the Group's strategy is to arrange customer credit insurance policies and set customer credit limits. With respect to customer credit limits, it should be noted that 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, particularly in the automotive segment, management has historically deemed that receivables due within 60 days 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) Market and commodity price risk (Biofuel segment)

The results of the biofuel segment are exposed to volatility in petrol prices and the prices of the raw materials needed to produce biofuels. To reduce exposure to this risk factor, Group policy is to purchase and sell these products simultaneously, thereby avoiding the risk posed by open positions.

Note additionally that the biofuel sector is at an uncertain stage of development and depends on governments for the provision of incentives, through adequate regulation, for the consumption of biofuels so that the market can develop in a profitable and sustainable manner.

To adequately manage this risk, the Group continually analyses the new regulations introduced in the markets in which it operates and the degree of compliance by stakeholders, factoring in their impact on the business and taking appropriate decisions. As a result of the sector's performance in 2012, as indicated in Note 1, the Group decided to discontinue the manufacture of biodiesel from virgin oil, including the related raw material (jatropha) plantation activity (Note 13).

3.2. Hedge accounting

IAS 39 is very 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 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 attributeble 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 criteria 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, 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 Autometal, S.A., has several investments whose net assets are exposed to foreign exchange translation risk as they are 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 is partly managed by means of loans denominated in US dollars and euros, which are arranged by Autometal, S.A. and CIE Autometal, S.A. (Appendix), as well as by arranging specific derivatives, as warranted.

d) Derivatives that do not qualify for hedge accounting

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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 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 specialised financial analytics libraries are used for this purpose.

3.3. Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this and the date 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 2013 and 31 December 2012 (Note 8):

2013

	Level 1	Level 2	2013
ASSETS			
- Available-for-sale financial assets	25,477	-	25,477
- Derivatives	-	118	118
- Financial assets at fair value with change in income statement	6,105	-	6,105
TOTAL ASSETS AT FAIR VALUE	**31,582**	**118**	**31,700**
LIABILITIES			
- Derivatives	-	(8,051)	(8,051)
TOTAL LIABILITIES AT FAIR VALUE	**-**	**(8,051)**	**(8,051)**

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2012

	Level 1	Level 2	2012
ASSETS			
- Available-for-sale financial assets	13,246	-	13,246
- Derivatives	-	5,142	5,142
TOTAL ASSETS AT FAIR VALUE	**13,246**	**5,142**	**18,388**
LIABILITIES			
- Derivatives	-	(1,488)	(1,488)
TOTAL LIABILITIES AT FAIR VALUE	**-**	**(1,488)**	**(1,488)**

There were no transfers between levels 1 and 2 during 2013 and 2012.

a) Level-1 financial instruments

The fair value of financial instruments traded in active markets is based on market prices at the balance sheet date. The listed market price used for financial assets is the current bid price. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions effected on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The financial instruments included in Level 1 are mainly Brazilian government securities with inflation-linked interest rates (National Treasury Notes - NTN), classed as available-for-sale financial assets (Note 8) and as financial assets at fair value with changes in income statement.

b) Level-2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

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.

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

The Company at 31 December 2013 and 2012 has no Level-3 financial assets or agreements to offset financial assets against financial liabilities.

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3.4 Capital risk management

The Group's objectives when managing capital are to safeguerd 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 financial statements. Total capital employed is calculated as 'equity', as shown in the consolidated financial statements, plus net debt.

During 2013, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at closa to 0.5%. The gearing ratios at 31 December 2D13 and 2012 were as follows:

	2013	**2012**
Borrowings (Note 20)	981,865	926,400
Current financial liabilities (Note 8)	8,051	1,488
Less: Cash and cash equivalents and current financial assets (Notes 8 and 12)	(415,464)	(533,606)
Net debt (Note 3.1.b))	574,452	394,282
Equity	562,833	507,816
Total capital employed	1,137,285	902,098
Gearing ratio	**0.51**	**0.44**

At 31 December 2012 and 2013, the Group has agreements formalized related with credit and bank loans that oblige it comply with cartain covenants (Note 20).

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectetions 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. Tha 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 sufferad any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7).

If the estimated rate used to discount the cash flows had been 10% higher than management's astimates, the Group would still not have needed to reduce the carrying amount of goodwill (Note 7).

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortisation, essential for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Simulations using other growth rates and 1D% variations in EBITDA do not indicate the need for impairment provisions in either 2013 or 2D12 (Note 7).

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair values.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

c) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes due.

The calculation of income tax expense did not necessitate significant estimates except with respect to the amount of tax credits recognised in the year. If the assumptions used to make this estimate differed by 10%, the effect on profit for the year would not be material.

Were the actual final outcome (on the judgement areas) would differ by 10% from management's estimates, the deferred assets would decrease and income tax would increase by approximately €2.2 million, were the difference not favourable, and vice versa, by approximately €0.7 million, if the difference were favourable.

d) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date. The Group has used discounted cash flow analysis to measure several available-for-sale financial assets that are not traded on active markets.

Note 3.1.iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of derivatives.

e) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions. Note 24 contains further information and a sensitivity analysis for changes to the most significant estimates.

f) 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 Technological Services and Solutions & EPCs segment does not offer product warranties other than those relating to due performance of the work for which it is contracted. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information is not a good proxy for future claims.

4.2. Critical judgements when applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 2 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 2.7.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 2.20.b), 4.1.c), 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).

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 both a geographical and product perspective.

The Group operates with three types of product families:

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

Automotive segment

This segment relates to the production of parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier with the OEMs assuming the role of the TIER 1 supplier.

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- Multi-technology: command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.
- Global market: worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from 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, which is involved in the merger process described in Note 1, due for completion in 2014, the CIE Automotive Group has begun to analyse the automotive operating segment on the basis of its management units, distinguishing the Autometal Group, without considering the new companies included in the Mahindra & Mahindra operation; the Autometal Group basically encompasses the automotive businesses in Brazil and México, Mahindra CIE and the other automotive companies, located mainly in Europe.

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

- Autometal ExMahindra

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

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- Mahindra CIE (without Autometal)

  In response to the new reality of business and the organization of the group, this segment includes the business of manufacturing forging components that existed in the group including the annual results of the companies CIE Galfor, S.A. and CIE Lagazpi, S.A. (Spanish companies), and U.A.B. CIE LT Forge (Lithuanian company), also tha companies that joined the group from 4 October 2013 (Note 35), located in India and Europe.

- Rest of the Automotive segment

  This segment includes all no dependent manufacturing businesses at 31 December 2013 of Autometal group, basically located in Europa.

Accordingly, the segments presented in December 2012 have been reorganised based on this new classification.

As indicated in Note 13, in 2012 the Group decided to abandon a single line of activity, namely the design, manufacture and supply of certain automotive parts for the 'engine equipment' market, in which Group subsidiary Tarabusi, S.A.U. (merged in 2013 into Alcasting Legutiano, S.L.U.) acted as TIER 1 supplier, engaging directly with the OEMs. The earnings performance of this line of business is accordingly presented within profit/loss from discontinued operations.

Biofuel segment

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

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

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

  In 2012 the Group decided to discontinue its virgin oil-based biodiesel project, including the related raw material plantation activity (jatropha), and to sell Biosur Transformación, S.L.U. The continuing operations in this segment, therefore, ere the activities related to the production and supply of biofuels made from recycled oils (Note 13).

Technological Services and Solutions & EPCs segment

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

The Executive Steering Committee assesses the performance of the continuing operations of its operating segments based mainly on key financial metrics such as sales, EBITDA and EBIT (operating profit). The informetion received by the Executive Steering Committee also includes a breakdown of finance income and costs, tex issues, and, overall profit/loss from discontinued operations (Note 13). These items are analysed at the Group level since they are essentially managed in a centralised manner.

a) Segment information

The earnings performance by segment:

	2013					
	Automotive					
	Autometal ExMahindra	**Mahindra CIE (Rest of Autometal)**	**Rest of Automotive**	**Biofuel**	**TSS**	**Total**
Revenue	727,525	245,491	510,242	120,706	156,289	1,760,253
Other operating expenses and income (excluding depreciation and amortisation)	(619,005)	(222,444)	(418,588)	(116,963)	(143,127)	(1,520,127)
Depreciation and amortisation	(24,100)	(11,687)	(45,408)	(3,498)	(4,997)	(89,690)
EBIT (operating profit)	84,420	11,360	46,246	245	8,165	150,436
EBITDA	108,520	23,047	91,654	3,743	13,162	240,126

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	2012					
	Automotive					
	Autometal ExMahindra	**Mahindra CIE (Rest of Autometal)**	**Rest of Automotive**	**Biofuel**	**TSS**	**Total**
Revenue	640,957	150,380	517,122	198,921	138,325	1,645,705
Other operating expenses and income (excluding depreciation and amortisation)	(533,551)	(139,270)	(428,640)	(194,940)	(125,244)	(1,421,645)
Depreciation and amortisation	(22,837)	(6,810)	(45,264)	(3,709)	(4,063)	(82,683)
EBIT (operating profit)	84,569	4,300	43,218	272	9,018	141,377
EBITDA	107,406	11,110	88,482	3,981	13,081	224,060

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:

	2013					
	Automotive					
	Autometal ExMahindra	**Mahindra CIE (Rest of Autometal)**	**Rest of Automotive**	**Biofuel**	**TSS**	**Total**
Depreciation and amortisation:	(24,100)	(11,687)	(45,408)	(3,498)	(4,997)	(89,690)
Property, plant and equipment	(23,033)	(11,435)	(39,633)	(3,164)	(3,365)	(80,630)
Intangible assets	(1,067)	(252)	(5,775)	(334)	(1,632)	(9,060)
Impairment	-	-	-	-	-	-

	2012					
	Automotive					
	Autometal ExMahindra	**Mahindra CIE (Rest of Autometal)**	**Rest of Automotive**	**Biofuel**	**TSS**	**Total**
Depreciation and amortisation:	(22,837)	(6,810)	(45,264)	(3,709)	(4,063)	(82,683)
Property, plant and equipment	(21,698)	(6,635)	(38,952)	(3,235)	(2,515)	(73,035)
Intangible assets	(1,139)	(175)	(6,312)	(474)	(1,548)	(9,648)
Impairment	-	-	(183)	-	-	(183)

The reconciliation of operating profit to profit attributable to owners of the parent at December 2013 and 2012:

	2013	**2012**
Operating profit	150,436	141,377
– Financial income/(cost) (Note 29)	(48,123)	(48,787)
– Gains/losses on financial instruments at fair value (Note 29)	(1,598)	4,338
– Change in fair value of assets and liabilities taken to income statement (Note 29)	(16,369)	-
– Interest in the result of companies participation method	(257)	(166)
– Income tax	3,418	15,688
– Gain/loss after tax from discontinued operations (Note 13)	(9,621)	(36,482)
– Non-controlling interests (attributed profit)	(17,761)	(14,940)
Profit attributable to owners of the parent	**60,125**	**61,028**

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Segment assets and liabilities at year-end and investments made during the year:

	2013					
	Automotive					
	Autometal ExMahindra	Mahindra CIE (Rest of Autometal)	Rest of Automotive	Biofuel	TSS	Total
Total assets (1)	810,062	501,413	727,520	135,594	169,907	2,344,496
Total liabilities	509,409	378,853	715,042	60,694	120,926	1,784,924
Additions to non-current assets (Notes 6 and 7)	56,805	5,532	31,906	574	15,390	110,207
Disposal of assets net of depreciation and amortisation (Notes 6 and 7)	(541)	(102)	(3,117)	-	(2,669)	(6,429)
Net investments for the year (Notes 6 and 7) (2)	56,264	5,430	28,789	574	12,721	103,778

	2012					
	Automotive					
	Autometal ExMahindra	Mahindra CIE (Rest of Autometal)	Rest of Automotive	Biofuel	TSS	Total
Total assets (1)	957,770	112,265	909,381	89,229	107,521	2,176,166
Total liabilities	490,156	102,786	945,308	10,317	133,538	1,682,105
Additions of assets (Notes 6 and 7)	34,695	7,556	34,233	1,954	6,587	85,025
Disposal of assets net of depreciation and amortisation (Notes 6 and 7)	(583)	-	(1,544)	(1,908)	(91)	(4,126)
Net investments for the year (Notes 6 and 7) (2)	34,112	7,556	32,689	46	6,496	80,899

(1) Does not include financial investments in companies included in the scope of consolidation.
(2) Excludes movements in goodwill.

Segment assets mainly include property, plant and equipment, intangible assets, inventories, accounts receivable and cash. Investments in investees included in the consolidation scope are excluded.

Segment liabilities include operating liabilities and long-term financing, excluding intragroup liabilities eliminated on consolidation.

Investments in non-current assets include additions to property, plant and equipment (Note 6) and intangible assets (Note 7).

Revenue and non-current assets by geographic area:

	Revenue		Non-current assets (*)	
	2013	2012	2013	2012
AUTOMOTIVE				
Spain (**)	159,248	153,292	122,338	121,715
Rest of Europe	567,440	514,210	447,944	323,974
Brazil	333,037	359,368	218,391	257,142
NAFTA	363,327	281,589	204,782	196,905
Asia (***)	60,206	-	112,636	-
Total Automotive	**1,483,258**	**1,308,459**	**1,106,091**	**899,736**
BIOFUEL				
Spain	120,706	198,921	58,210	90,835
Total Biofuel	**120,706**	**198,921**	**58,210**	**90,835**

TECHNOLOGICAL SERVICES AND SOLUTIONS & EPCS				
Spain	67,760	61,863	22,880	17,294
Americas	88,529	76,462	17,217	16,093
Total TSS Solutions	**156,289**	**138,325**	**40,097**	**33,387**
TOTAL	**1,760,253**	**1,645,705**	**1,204,398**	**1,023,958**

(*) Non-current assets that are not financial instruments, deferred tax assets, assets relating to post-employment benefits and rights deriving from insurance policies.

(**) Sales in Spain in the Automotive segment mainly go to end customers that are located abroad.

(***) This line includes the Indian companies of the Mahindra Group that joined the Group during the year (Notes 1 and 35); recognising the European companies in a separate line, moreover the Chinese Autometal Group companies.

b) Customer information

The Group's sales policy limits its credit risk. In no instance does invoicing per customer or platform account for more than 11% of total revenue (2012, 10%).

6. Property, plant and equipment

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

2013

	Balance at 31/12/2012	Additions due to changes in consolidation scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2013
Cost						
Land and buildings	302,060	78,749	2,531	(2,677)	(16,288)	364,375
Plant and machinery	1,004,370	241,276	23,669	(33,101)	(9,365)	1,226,849
Other assets	175,669	58,340	5,485	(13,166)	4,983	231,311
Prepayments and assets under construction	96,520	13,095	59,958	(589)	(47,142)	121,842
	1,578,619	**391,460**	**91,643**	**(49,533)**	**(67,812)**	**1,944,377**
Depreciation and amortisation						
Land and buildings	(88,096)	(27,287)	(9,258)	1,221	(1,688)	(125,108)
Plant and machinery	(599,496)	(183,476)	(60,240)	30,361	5,920	(806,931)
Other PPE	(207,730)	(49,144)	(11,135)	12,796	29,612	(225,601)
	(895,322)	**(259,907)**	**(80,633)**	**44,378**	**33,844**	**(1,157,640)**
Provisions						
Plant and machinery	(2,544)	-	3	1,810	(1,247)	(1978)
	(2,544)	**-**	**3**	**1,810**	**(1,247)**	**(1,978)**
Carrying amount	**680,753**					**784,759**

(*) Basically includes the effect of movements in the currencies in which the property, plant and equipment of foreign subsidiaries are denominated and transfers from property, plant and equipment in progress to PPE held for use.

2012

	Balance at 31/12/2011	Additions due to changes in consolidation scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2012
Cost						
Land and buildings	318,453	6,703	5,806	(3,606)	(25,296)	302,060
Plant and machinery	988,138	31,254	22,591	(10,670)	(26,943)	1,004,370
Other assets	169,209	1,844	10,691	(1,872)	(4,203)	175,669
Prepayments and assets under construction	112,500	-	39,126	(1,076)	(54,030)	96,520
	1,588,300	**39,801**	**78,214**	**(17,224)**	**(110,472)**	**1,578,619**

Depreciation and amortisation						
Land and buildings	(80,093)	(3,075)	(7,549)	1,687	934	(88,096)
Plant and machinery	(560,737)	(13,779)	(53,928)	10,384	18,564	(599,496)
Other assets	(194,722)	(539)	(16,468)	1,115	2,884	(207,730)
	(835,552)	**(17,393)**	**(77,945)**	**13,186**	**22,382**	**(895,322)**
Provisions						
Plant and machinery	(279)	-	(29,812)	208	27,339	(2,544)
	(279)	**-**	**(29,812)**	**208**	**27,339**	**(2,544)**
Carrying amount	**752,469**					**680,753**

(*) Basically includes the effect of movements in the currencies in which the property, plant and equipment of foreign subsidiaries are denominated, transfers from property, plant and equipment in progress to PPE held for use and the transfer of assets associated with businesses classified as held for sale (Note 13).

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 2013 and 2012:

	Million euro					
	2013			2012		
	Cost	Accumulated depreciation/ Provisions	Carrying amount	Cost	Accumulated depreciation/ Provisions	Carrying amount
Americas	516	(256)	260	556	(277)	279
Europe	1,290	(855)	435	1,023	(621)	402
Asia	137	(47)	90	-	-	-
	1,943	**(1,158)**	**785**	**1,579**	**(898)**	**681**

b) Property, plant and equipment not in active use

At 31 December 2013 and 2012 no items of property, plant and equipment were not in active use.

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

At 31 December 2013 items of property, plant and equipment (land and buildings) with a carrying amount of €95.8 million (2012: €19.2 million) are pledged to guarantee debts with government bodies and financial institutions with outstanding balances at year-end 2013 of €92.8 million (year-end 2012: €16.4 million) (Note 22).

d) Insurance

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

e) Finance leases

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

	2013	2012
Cost-capitalised finance lease	18,358	19,013
Accumulated depreciation	(4,855)	(5,613)
Carrying amount	13,503	13,400

The amounts payable under finance leases are carried under Other liabilities (Nota 22).

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing costs in 2013 or 2012.

7. Intangible assets

Set out below is an analysis of the main intangible asset classes showing movements in assets generated internally and other intangible assets:

2013:

	Balance at 31/12/2012	Additions/ (changes) in scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2013
Cost						
Goodwill	308,215	98,272	-	-	(27,381)	380,106
R&D (development)	57,602	-	3,161	(3,953)	(1,731)	55,079
Computer software	32,632	4,759	14,650	(3,148)	(730)	48,163
Prepayments and other	6,455	589	753	(114)	(645)	7,038
	404,904	**104,620**	**18,564**	**(7,215)**	**(30,487)**	**490,386**
Accumulated amortisation	**(66,832)**	**(4,757)**	**(9,060)**	**4,131**	**1,638**	**(74,880)**
Carrying amount	**338,072**					**415,506**

(*) Mainly due to the impact of currency fluctuations.

2012:

	Balance at 31/12/2011	Additions/ (changes) in scope (Note 35)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2012
Cost						
Goodwill	295,738	22,761	-	-	(10,284)	308,215
R&D (development)	55,824	-	2,001	(543)	320	57,602
Computer software	29,682	6	4,398	(73)	(1,381)	32,632
Prepayments and other	4,981	42	412	(26)	1,046	6,455
	386,225	**22,809**	**6,811**	**(642)**	**(10,299)**	**404,904**
Accumulated amortisation	**(57,954)**	**(13)**	**(9,680)**	**554**	**261**	**(66,832)**
Carrying amount	**328,271**					**338,072**

(*) Mainly due to the impact of currency fluctuations and the transfer of assets classified as held for sale in 2012 (Note 13).

The additions to goodwill (Note 35) break down as follows:

Segment	2013	2012
Automotive	99,272	22,668
Biofuel	-	93
	99,272	**22,761**

a) Goodwill impairment testing

Goodwill has been assigned to the Group's cash-generating units (CGUs) on the basis of the criterion of grouping together under each CGU all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

As a result of the strategic operation with the Mahindra & Mahindra Group (Note 1), based on the new business reality and the Group's own organisation, a new CGU called "Mahindra CIE" has been created, encompassing the forged steel component manufacturing business that already formed part of the Group, which includes the companies CIE Galfor, S.A. and CIE Legazpi, S.A. (Spanish companies), and UAB CIE LT. Forge (Lithuanian company), plus the companies that joined the Group as from 4 October 2013 (Note 35), i.e. Mahindra Forgings, Ltd. (now Mahindra CIE Automotive, Ltd) and its subsidiaries (Appendix), Mahindra Composites, Ltd. and Mahindra Hinoday Industries, Ltd.

Accordingly, the goodwill relating to CIE's forging companies has been reclassified to the new CGU "Mahindra CIE" in both 2013 and 2012.

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

	Goodwill	
Cash-generating units	**2013**	**2012**
Automotive segment:		
Rest of Automotive (Europe)	86,649	90,238
Autometal – Brazil	85,959	98,617
Autometal – NAFTA	75,353	78,039
Mahindra-CIE	94,677	3,497

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Biofuel segment		
Biofuel business	16,601	16,631
Technological Services and Solutions & EPCs segment		
TSS	20,867	21,193
	380,106	**308,215**

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 instences lower than the average long-run growth rate for the business in which each of the CGUs operates.

b) Key assumptions used in the calculation of value in use

As in prior years, the pre-tax discount rate was determined on the basis of the weighted average cost of capitel (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:

	2013	2012
Automotive		
Rest of Automotive (Europe)	8.17%-12.76%	7.88%-13.65%
Autometal - Brazil	11.02%	11.19%
Autometal - NAFTA	8.03%-10.53%	9.81%-12.62%
Mahindra-CIE	8.17% - 14.40%	-
Biofuel	8.33% - 13.17%	8.62%-12.32%
TSS	9.78%-11.99%	9.91%-12.87%

These discount rates are after-tax and reflect the specific risks relating to the relevant operating segments; they have been used for impairment testing purposes in 2013 and 2012.

The main changes in the discount rates used in 2013 with respect to those modelled in 2012 derive from changes in risk-free rates.

Management determined budgeted EBITDA margins in preparing its business plans, taking into account operations with a similar structure to current operations and based on prior experience. These margins vary by type of business as follows:

	% of revenue	
	2013	**2012**
Automotive	9% - 31%	10%-35%
Biofuel	6% - 28%	5%-30%
TSS	7% - 10%	7%-12%

Other forecast net movements in cash and flows related to tax are factored in to obtain after-tax free cash flow for each year.

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

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

c) Results of the analysis

The Group has verified that goodwill did not suffer any impairment loss in either 2013 or 2012. Note 4 includes sensitivity analysis with respect to the goodwill impairment calculation.

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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 2013 and 2012, 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

	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 31 December 2011	**70,229**	**-**	**-**	**(**) 4,093**	**(***) (11,024)**	**63,298**
Additions	36,644	13,246	-	-	291	50,181
Disposals	(28,469)	-	-	(3,846)	-	(32,315)
Transfers and other movements (*)	8,058	-	-	-	625	8,683
Fair value adjustment						
- Profit or loss	(4,700)	-	-	4,337	-	(363)
- Equity	-	-	-	(930)	-	(930)
Share of profit/(loss) of associates	-	-	-	-	(166)	(166)
At 31 December 2012	**81,762**	**13,246**	**-**	**(**) 3,654**	**(***) (10,274)**	**88,388**
Additions to/(changes in) consolidation scope	5,365	-	-	(393)	-	4,972
Additions	34,308	54,983	43,580	-	10,828	143,699
Disposals	(14,064)	(20,722)	(32,502)	(4,329)	9,148	(62,469)
Transfers and other movements (*)	(18,617)	(9,935)	13,004	784	(28)	(14,792)
Fair value adjustment				-		
- Profit or loss	(6,599)	-	(17,977)	10	-	(24,566)
- Equity	-	(12,095)	-	(7,659)	-	(19,754)
Share of profit/(loss) of associates	-	-	-	-	(257)	(257)
At 31 December 2013	**82,155**	**25,477**	**6,105**	**(**) (7,933)**	**(***) 9,417**	**115,221**
2013						
Non-current	27,859	-	-	-	-	27,859
Current	54,296	25,477	6,105	118	-	85,996
Investments in associates	-	-	-	-	10,953	10,953
2012						
Non-current	38,236	-	-	-	-	38,236
Current	43,526	13,246	-	5,142	-	61,914
Investments in associates	-	-	-	-	393	393

(*) Basically includes the impact of currency fluctuations on the financial assets held by the Group's foreign subsidiaries and transfers.

(**) This total is presented net of €8.051 thousand (year-end 2012: €1,488 thousand) corresponding to derivatives recognised on the liability side of the consolidated balance sheet (Note 8.b))

(***) Of this amount, €1.536 thousand (year-end 2012: €10,667 thousand) from the Automotive Segment is recorded as a non-current provision on the liability side of the consolidated balance sheet in order to prevent a negative balance in respect of the cost of the investment in this segment (Note 25). During 2013, the provision recognised was applied in the amount of €9,148 thousand. This application is presented as a disposal for the period.

All the assets recognised at fair value are traded in an active market from which the value is obtained at each date.

At 31 December 2013, all the Group's financial assets that did not mature or become impaired during the year are treated as high quality and show no signs of impairment, except for the matter referred to in Note 8.a).

a) Loans and financial assets held to maturity

	2013	2012
Term deposits	29,461	45,070
Short-term loans (Nota 36)	37,321	36,692
Long-term loans (Nota 36)	15,373	-
	82,155	**81,762**

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The term deposits and loans bear market interest rates in the countries in which the financial assets are held.

No held-to-maturity financial asset has been reclassified.

Financial assets held to maturity show an impairment loss of €11.3 million generated in 2012 and 2013 by a liquidity issue in one of the Brazilian financial institutions with which the Group operated.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

b) Derivative financial instruments

	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Swaps (interest rate and others)				
- Cash flow hedges	-	(1,095)	-	(767)
- Trading	118	(373)	4,724	-
Foreign exchange forward contracts – cash flow hedges	-	-	418	-
Hedge of a net investment in foreign operations	-	(6,583)	-	(721)
Total	**118**	**(8,051)**	**5,142**	**(1,488)**

- Swaps (interest rate and others)

  The notional principal on interest-rate swaps (variable to fixed rate) outstanding at 31 December 2013 amounted to €47.5 million and USD40 million (year-end 2012: €35 million); they are classified as hedging instruments.

  At 31 December 2013, the fixed rates range between 0.62% and 4.48% (2012: between 0.62% and 1.30%) while variable interest rates are indexed to EURIBOR and LIBOR.

  Additionally, through one of its Brazilian subsidiaries, the Group records a USD loan for which an interest rate swap has been contracted. The notional principal of this contract is €775 thousand and it is classified as a non-hedging instrument.

  On 7 November 2012, the Group, through its Brazilian subsidiary, CIE Autometal, S.A., sold 2.5 million shares of Autometal, S.A., another Brazilian subsidiary. In conjunction with this sale the Group arranged a derivative associated with the listed share price. As the Group retains the exposure to the share price risk, as prescribed in IAS 39, management understood that the financial investment had to continue to be recognised on the balance sheet until the earlier of the date of expiry of the derivative contract (7 November 2013) or the date of early settlement. In December 2012 and during 2013, this swap was settled in advance and there was no balance remaining at 31 December 2013 (31 December 2012: swap balance equivalent to 2,020 thousand shares). The value (positive) of the derivative at 31 December 2012 was €2.5 million.

- Foreign currency cash-flow hedges

  At 31 December 2013 there were no forward currency purchase/sale contracts in force (2012: USD 6,000 thousand to sell US dollars).

- Hedge of net investments in foreign operations

  As indicated in Note 3.1 a)(i), the Group, through its Brazilian subsidiaries, Autometal, S.A. and CIE Autometal, S.A., manages the foreign exchange exposure deriving from the net assets of its Mexican and European automotive operations, which are denominated in US dollars and euros, respectively, through loan hedges and foreign exchange derivatives.

  Part of the Group's borrowings, in the amount of €62.8 million (denominated in US dollars), is designated as a hedge of the net investment in the Group's subsidiaries in the NAFTA automotive segment (€174 million at 31 December 2012). Furthermore, of the Group's borrowings denominated in euros through swaps contracted, the amount of €89.6 million is designated as a hedge of the net investmant in Autometal's subsidiaries located in Europe, forming part of Mahindra CIE's automotive segment.

  The negative effect of foreign exchange differences (€32.3 million) caused by the translation of the above-mentioned debt at the balance sheet date is recognised in equity in the Consolidated Statement of Comprehensive Income (2012: €5.9 million).

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c) Investments in associates

Except for the companies set out below, all subsidiaries have been consolidated under the full or proportionate consolidation methods.

The companies consolidated under the equity method are as follows:

	% effective shareholding		Carrying amount of investment		Share in profit/(loss)		Total (100%) Assets		Total (100%) Liabilities	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gescrap – Autometal Comercio de Sucatas, Ltd.	22.43%	22.43 %	326	291	(117)	-	2,805	-	1,352	-
Gescrap - Autometal de México, S.A. de CV	22.43%	-	234	-	16	-	4,228	-	3,183	-
CIE Hispamoldes Plastiques, s.a.r.l. d'au	50.00%	-	5	-	-	-	874	-	864	-
Antolin- Czech Republic, s.r.l.	30.00%	-	171	-	(120)	-	2,812	-	2,246	-
CIE Automotive Rus, Llc.	75.00%	-	114	-	-	-	152	-	-	-
Beroa Thermal Energy, S.L. (**)	21.45%	-	10,000	-	-	-	143,700		107,700	
Other (*)	-		103	102	(36)	(166)				
			10,953	**393**	**(257)**	**(166)**				

(*) 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 the losses on commitments assumed by them, in the amount of €1,536 thousand (€10,667 thousand at year-end 2012), are included under non-current provisions on the liability side of the consolidated balance sheet.

(**) Estimated consolidated data under IFRS

The carrying amount of investments in associates does not include goodwill, except for the investment in Beroa Thermal Energy, S.L., which includes goodwill of approximately €1.5 – 2 million.

d) Available-for-sale financial assets

The amount recognised in this item (€25.5 million) relates to Brazil government securities with inflation-linked interest rates (National Treasury Notes - NTN).

9. Other non-current assets

This balance sheet heading includes loans to third parties totelling €2,450 thousand (€1,004 thousand in 2012) relating basically to the automotive sector, as analysed below by maturity date:

	2013	2012
Between 1 and 2 years	625	234
Between 3 and 5 years	1,232	770
More than 5 years	593	-
	2,450	**1,004**

Loans to Group companies, associates and third parties accrue interest at variable rates benchmarked to Euribor. As a result, their fair value does not differ significantly from their carrying amount.

10. Trade and other receivables

	2013	2012
Trade receivables	178,361	168,273
Less: Provision for impairment of trade receivables	(8,617)	(6,130)
Trade receivables – Net	169,744	162,143
Other receivables	18,796	19,236
Total	**188,540**	**181,379**

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.

At 31 December 2013, trade and other receivables amounting to €35.4 million had been discounted and monetised at banks (€41.6 million at year-end 2012). These transactions have been accounted for as a bank loan (Note 20).

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The amounts covered by non-recourse factoring or account receivable sales agreements et 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 2013 this balance totals €112.6 million (year-end 2012: €95.6 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 5).

Given the characteristics of the Group's customers, particularly in the automotive segment, management has historically deemed that receivables due within 60 days present no credit risk, as they fall within the sector's normal collection cycle. Despite the difficulties facing the sector, the Group continues to consider that the credit quality of these outstanding balances, which it deems neither impaired nor non-performing, is strong. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

At 31 December 2013 receivables past due by more than 60 days totalled €19.4 million (year-end 2012: €19.7 million); however, most of these balances are not deemed impaired as they relate to a number of independent customers for whom there is no recent history of default. In addition, many payments are related to industrialisation milestones or the degree of project completion.

The ageing analysis of these trade receivables is as follows:

	2013	2012
Between 2 and 4 months	6,204	4,726
Between 4 months and 12 months	5,416	7,639
Over 12 months	7,825	7,330
	19,445	19,695
(Impairment provision)	(8,617)	(6,130)
	10,828	**13,565**

Trade receivables that are deemed impaired and have therefore been provided for mainly relate to balances that are past due by more than 18 months. The Group expects to recover a portion of its provisions trade receivables. The other classes within trade and other receivables do not contain impaired assets.

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

The Group has arranged credit insurance in respect of a significant portion of its sales covering de facto insolvency, legal insolvency and business and political risk. Credit insurance policies are arranged through first class international insurance companies and cover between 85% and 99% of sales (in both 2013 and 2012).

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):

	2013	2012
US dollar	41,627	39,764
Czech koruna	917	668
Mexican peso	6,945	1,732
Brazilian real	24,655	40,176
Chinese yuan renminbi	14,038	14,143
Romanian Lei	1,236	1,077
Russian rouble	782	914
Indian rupee	12,457	-
Euro	72,039	69,053
Other	3,665	746
	178,361	**168,273**

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Movements on tha Group provision for impairment of trade receivables ara as follows:

	2013	2012
Opening balance	6,130	6,027
Changes in consolidation scope	1,819	101
Additions (Note 27)	2,653	2,056
Recoveries (Note 27)	(678)	(390)
Profit/loss from discontinued operations	(78)	23
Receivables written off	(1,229)	(1,687)
Closing balance	**8,617**	**6,130**

11. Inventories

	2013	2012
Inventories of goods for resale	10,115	18,169
Raw materials and supplies	93,609	68,114
Work in progress and semi-finished goods	55,235	50,874
Finished goods	57,604	45,388
Prepayments to suppliers	9,575	7,449
	226,138	**189,994**

In its capacity as an oil product oparator, Group company Via Operador Petrolífero, S.L. is legally required to hold minimum buffer stocks (Notes 1.2 and 2.12). No amount was leased at either year-end in order to maintain these buffer stocks (Note 1.2).

The Group has insurance policies to cover the risks affecting its inventories and considers the coverage provided sufficient.

The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

2013

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	86,283	96,262	182,545
Changes in consolidation scope	16,841	34,269	51,110
Purchases/changes in provisions	1,015,984	(14,101)	1,001,883
Other movements (*)	(2,705)	(5,199)	(7,904)
Closing balance	(103,724)	(112,839)	(216,563)
Cost of sales	1,012,679	(1,608)	1,011,071

2012

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	106,888	79,244	186,132
Changes in consolidation scope	4,435	6,695	11,130
Purchases/changes in provisions	940,627	19,071	959,698
Other movements (*)	(2,555)	(4,174)	(6,729)
Closing balance	(86,283)	(96,262)	(182,545)
Cost of sales	963,112	4,574	967,686

(*) Corresponds basically to the effect of exchange rate fluctuations on the companies located abroad.

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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 31 December 2011	**3,734**
Additions	2,428
Result of discontinued operations	3,503
Balance write-offs/transfers	312
At 31 December 2012	**9,977**
Additions to/(changes in) consolidation scope	2,263
Additions	2,693
Balance write-offs/transfers	(7,525)
At 31 December 2013	**7,408**

12. Cash and cash equivalents

Cash and other cash equivalents at 31 December 2013 and 2012 break down as follows:

	2013	2012
Cash at bank and in hand	167,086	125,082
Short-term bank deposits	162,382	346,610
	329,468	**471,692**

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

These deposits earn interest at a market rate (country-specific) that ranged between 0.75% and 8.49% in 2013, depending on the currency (2012: between 0.5% and 9.24%).

The carrying amount of cash at Group companies is denominated in the following currencies:

	2013	2012
Brazilian real	121,197	271,960
Euro	132,198	125,165
US dollar	55,947	51,550
Mexican peso	10,076	5,070
Chinese yuan renminbi	5,046	15,473
Indian rupee	491	-
Czech koruna	1,062	768
Other	3,451	1,706
	329,468	**471,692**

13. Disposal groups classified as held-for-sale and discontinued operations

a) Items classified as held for sale and discontinued operations in the biofuel segment

In December 2012 the Group decided to discontinue its virgin oil-based biodiesel production activities, including the related raw material plantation activity (jatropha) and to sell Biosur Transformación, S.L.U. At year end 2013 commitment of sales plan is maintained because the delay was caused by circumstances beyond the Group. These activities can be clearly distinguished operationally and for financial reporting purposes. They represent a separate line of business within the biofuel segment and correspond to separate legal entities.

Assets of the disposal group classified as held for sale

	2013	2012
Property, plant and equipment	23,188	36,836
Inventories	192	192
Other current assets	1,552	1,033
Cash and cash equivalents	18	752
Total	**24,950**	**38,813**

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Liabilities of disposal group classified as held for sale

	2013	2012
Government grants	986	986
Deferred tax liabilities	423	423
Borrowings	204	372
Trade and other payables	510	458
Other current liabilities	208	564
Total	**2,331**	**2,803**

Estimated impairment losses were arrived at by estimating the recoverable amounts of each asset.

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

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

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

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

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

b) Discontinued activities in the Automotive segment

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

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

	2013	2012
Revenue	2,918	5,226
Change in inventories	9	(5,248)
Other revenue	611	347
Total income	**3,538**	**325**
Expenses	(343)	(2,390)
Employee benefits expense	(3,203)	(10,734)
Depreciation and amortisation	(92)	(4,942)
Asset impairment	(11,514)	(29,629)
Other expenses	(1,451)	(1,581)
Total expenses	**(16,603)**	**(49,276)**
Profit/(loss) before tax of discontinued operations	**(13,065)**	**(48,951)**
Tax	3,444	12,469
PROFIT/(LOSS) AFTER TAX OF DISCONTINUED OPERATIONS	**(9,621)**	**(36,482)**

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Cash flows generated by these discontinued operations are as follows:

	2013	2012
Operating cash flows	(2,678)	1,412
Investing cash flows	2,113	-
Financing cash flows	(169)	(1,163)
Total cash flows	**(734)**	**249**

Cash flows from operating activities break down as follows:

	2013	2012
Profit/(loss) before tax	(13,065)	(48,951)
Taxes paid	-	-
Adjustments to profit/(loss):		
- Impairment provisions	12,300	29,629
- Depreciation and amortisation	92	4,942
- Gain on disposal of non-current assets	(786)	534
Changes in working capital	(1,219)	15,258
Net cash flows from/(used in) operating activities	**(2,678)**	**1,412**

14. Share capital and premium

	No. of shares (thousand)	Share capital	Share premium	Treasury shares	Total
At 31 December 2011	**114,000**	**28,500**	**33,752**	**(22,697)**	**39,555**
Acquisition/sale of treasury shares	-	-	-	(30,533)	(30,533)
At 31 December 2012	**114,000**	**28,500**	**33,752**	**(53,230)**	**9,022**
Increase in capital	4,820	1,205	27,715	-	28,920
Acquisition/sale of treasury shares	-	-	-	53,230	53,230
At 31 December 2013	**118,820**	**29,705**	**61,467**	**-**	**91,172**

a) Share capital

On 25 April 2013, the General Shareholders' Meeting resolved to increase share capital by €1,205,011.50 by issuing and circulating 4,820,046 ordinary assets with a par value of €0.25 each, with a share premium of €5.75 per share; the capital increase was paid up at 4 October 2013, the date of the public deed, through non-cash contributions. The pre-emptive subscription right was not applied to this share issue in order to allow Mahindra & Mahindra, Ltd. to become a shareholder of CIE Automotive, S.A.

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2013 is represented by 118,820,046 fully paid ordinary bearer shares with a par value of €0.25 each, all listed on the Spanish stock market (year-end 2012: 114,000,000 ordinary shares with a unit par value of €0.25). The companies that, after the direct or indirect allocation of shares as a result of the merger, hold an interest exceeding 10% are as follows:

	% interest 2013	% interest 2012
Corporación Gestamp, S.L.	(*) 24.871%	(*) 25.923%
Mahindra & Mahindra, Ltd	(**) 13.500%	-
Elidoza Promoción de Empresas, S.L.	10.424%	10.865%

(*) 10.648% directly and 14.223% indirectly through Risteel Corpotation, B.V. (year-end 2012: 11.098% directly and the remaining 14.825% indirectly through Risteel Corporation, B.V.).
(**) Indirectly through Mahindra Overseas Investment Company Mauritius Limited.

The stock price of the parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €8 at 31 December 2013.

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b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

The movement in treasury shares in 2013 and 2012 breaks down as follows:

	2013		2012	
	Number of shares	Amount	Number of shares	Amount
Opening balance	10,164,617	53,230	4,573,071	22,697
Acquisitions	1,056,043	6,079	5,591,546	30,533
Disposals	(11,220, 660)	(59,309)	-	-
Closing balance	-	-	10,164,617	53,230

The Company has no treasury shares at 31 December 2013.

CIE Automotive, S.A. held 10,164,617 treasury shares, representing 8.92% of share capital, at year-end 2012. Their market value at 31 December 2012 was €52,586 thousand.

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

Similarly, the mandate conferred at the Annual General Meeting of 30 April 2018, whereby the parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 *et seq.* of the Spanish Corporate Enterprises Act, is in effect until 30 April 201B.

15. Retained earnings

Movements in retained earnings:

	Retained earnings and first-time application of IFRS-EU reserve					
	Legal reserve	Reserves in consolidated companies and effect of first-time application of IFRS-EU (Note 17)	Profit for loss	Subtotal	Cumulative translation differences (Note 16)	Total
At 31 December 2011	**5,700**	**316,759**	**60,577**	**383,036**	**(30,806)**	**352,230**
Distribution of 2011 profit	-	41,052	(60,577)	(19,525)	-	(19,525)
Income/(expense) recognised directly in equity, net	-	(4,795)	61,028	56,233	(25,024)	31,209
Additional dividends to non-controlling interests (Automotive segment)	-	(2,667)	–	(2,667)	–	(2,667)
Changes in consolidation scope and business combinations (Note 35)	-	(14,925)	-	(14,925)	1,100	(13,825)
Other changes	-	(623)	-	(623)	-	(623)
At 31 December 2012	**5,700**	**334,801**	**61,028**	**401,529**	**(54,730)**	**346,799**

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	Retained earnings and first-time application of IFRS-EU reserve					
	Legal reserve	Reserves in consolidated companies and effect of first-time application of IFRS-EU (Note 17)	Profit for loss	Subtotal	**Cumulative exchange differences (Note 16)**	Total
At 31 December 2012	**5,700**	**334,801**	**61,028**	**401,529**	**(54,730)**	**346,799**
Distribution of 2012 profit	-	42,406	(61,028)	(18,622)	-	(18,622)
Income/(expense) recognised directly in equity, net	-	(29,494)	60,125	30,631	(40,641)	(10,010)
Profit on disposal of treasury shares	-	7,981	-	7,981	-	7,981
Changes in consolidation scope and business combinations (Note 35)	-	17,456	-	17,456	(609)	16,847
Other changes	-	(3,100)	-	(3,100)	580	(2,520)
At 31 December 2013	**5,700**	**370,050**	**60,125**	**435,875**	**(95,400)**	**340,475**

a) Legal reserve

In accordance with the consolidated text of the Spanish Corporate 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 2012 this reserve was already equivalent to 20% of share capital. Nevertheless, following the capital increase completed during the year, the reserve does not reach this limit at 31 December 2013.

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

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

b) Dividends paid

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, implying a total payout of €10,694 thousand. Payment was made on 3 January 2014.

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

The provisional accounting statament of 30 November 2013 with has been formulated according to legal requirements and shows the existence enough cash-flow to distribute the dividend mentioned above, is as follows:

Provisional cash-flow statement	Amount
Profit forecast:	
- Available net profit of year 2013	38,613
To deduct:	
- Legal reserve	-
Maximum amount to distribute	38,613
Amount distribution proposal	(10,694)
Treasury forecast for one year	95,246
Treasury forecast before dividend payment	52,253
Interim dividend	(10,694)

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

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

The distribution of profit motion approved at the Annual General Meeting of 25 April 2012 included approval for a final dividend against 2011 profit in the amount of €9,678 thousand. This dividend was paid on 8 May 2012.

On 21 December 2011, the Board of Directors approved the payment of an interim dividend from 2011 profit of €0.09 per share, for a total payment of €9,847 thousand (excluding treasury shares). The payment was made on 3 January 2012.

c) Proposal distribution of profit

The proposal for distributing the parent company's 2013 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 2012, is as follows:

	Under Spanish GAAP	
	2013	**2012**
Available for distribution		
Profit for the year	37,110	41,336
Distribution		
To voluntary reserves	15,481	21,731
To legal reserve	241	-
To the interim dividend	10,694	9,345
To the final dividend	10,694	10,260
	37,110	41,336

16. Cumulative exchange differences

The breakdown of cumulative translation differences by segment at year-end 2013 and 2012 is as follows:

	2013	**2012**
Segment		
Automotive segment	(91,586)	(53,359)
Biofuel segment	1,460	1,412
Technological Services and Solutions & EPCs segment	(5,274)	(2,783)
	(95,400)	**(54,730)**

17. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first-time application of IFRS-EU stands at €370,050 thousand at 31 December 2013 (€334,801 thousand at 31 December 2012).

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:

	2013	**2012**
Legal reserve	49,603	34,989
Restricted reserves in Brazil	23,619	27,646
	73,222	**62,635**

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18. Non-controlling interests

Movements in non-controlling interests:

	2013	2012
Opening balance	161,340	143,579
Net income/(expense) recognised directly in equity:		
- Profit for the year	17,761	14,940
- Translation differences	(10,526)	(14,750)
- Other (gross cash-flow hedges, tax effect, etc.)	(7,974)	(610)
	(739)	(420)
Dividends paid to non-controlling interests	(4,420)	(10,658)
Changes in consolidation scope and business combinations (Notes 1 and 35)	(13,001)	29,711
Other changes	(1,300)	(872)
Closing balance	**141,880**	**161,340**

The breakdown by segment is set out below:

Segment	2013	2012
Automotive	137,595	161,611
Biofuel	1,687	1,910
Technological Services and Solutions & EPCs (TSS)	2,598	(2,181)
	141,880	**161,340**

19. Deferred income

The movement in deferred income is as follows:

2013

	Balance at 31/12/2012	Additions/ (changes) in scope (Note 35)	Additions	Disposals	Transfers (*)	Taken to profit or loss	Balance at 31/12/2013
Tax credits arising from investment deductions	2,468	-	-	-	-	(312)	2,156
Government grants	17,805	882	78	(3)	370	(3,172)	15,960
Other deferred income	1,982	-	263	(162)	(725)	(116)	1,242
	22,255	**882**	**341**	**(165)**	**(355)**	**(3,600)**	**19,358**

(*) Relates basically to transfer from deferred income to Capital grants and to Disposal group classed as held for sale, plus the exchange rate effect.

2012

	Balance at 31/12/2011	Additions	Disposals	Transfers (*)	Taken to profit or loss	Balance at 31/12/2012
Tax credits arising from investment deductions	2,885	-	-	-	(417)	2,468
Government grants	22,390	628	(142)	(1,770)	(3,301)	17,805
Other deferred income	4,664	588	(176)	(835)	(2,259)	1,982
	29,939	**1,216**	**(318)**	**(2,605)**	**(5,977)**	**22,255**

(*) Essentially reflects the transfer of deferred income as of 31 December 2012 to the disposal group classifies as held for sales (Note 13).

The conditions relating to tax credits and grants have been met and therefore the Group does not expect to have to return them.

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20. Borrowings

	2013	2012
Non-current		
Bank borrowings (*)	649,122	645,078
	649,122	645,078
Current		
Bank borrowings (*)	152,729	104,960
Current portion of non-current loans (*)	138,333	124,955
Import trade finance (*)	6,254	9,837
Discounted bills pending maturity and prepayments of export bills (Note 10)	35,427	41,570
	332,743	281,322
	981,865	**926,400**

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

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

	Balance at year-end	At 1 year	At 5 years
At 31 December 2012			
Total borrowings (*)	884,830	645,078	1,037
Effect of interest rate swaps (Note 8)	(35,000)	(40,000)	-
Exposure	849,830	605,078	1,037
At 31 December 2013			
Total borrowings (*)	946,438	649,122	29,206
Effect of interest rate swaps (Note 8)	(76,504)	(90,296)	(9,668)
Exposure	869,934	558,826	19,538

Non-current borrowings have the following maturities:

	2013	2012
Between 1 and 2 years	345,943	186,949
Between 3 and 5 years	273,973	457,092
Over 5 years	29,206	1,037
	649,122	**645,078**

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 250 and 550 basis points (2012: between 250 and 500 basis points).

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since a significant portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 3.1.a) and 8.

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

	2013	2012
Euro	608,860	607,753
US dollar	236,149	176,731
Brazilian real	116,656	137,709
Other	20,200	4,207
	981,865	**926,400**

At 31 December 2013 the Group had drawn down bank facilities in the amount of €153 million (year-end 2012: €196 million). The total limit on these facilities is €248 million (year-end 2012: €246 million).

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The Group has the following undrawn credit lines:

	2013	2012
Floating rate:		
- Expiring within one year	44,429	37,175
- Expiring beyond one year	51,052	12,711
	95,481	**49,886**

During the first half of 2012, through its Brazilian subsidiary, Autometal, S.A., the Group issued BRL250 million of non-convertible bonds. The unit par value of each bond will be paid in three consecutive annual instalments. The first instalment will be paid in 2015 (33%), the second in 2016 (33%) and the third and final instalment in 2017 (34%). The balance at 31 December 2013 was equivalent to €80.4 million (€95 million at 31 December 2012).

On 14 July 2011, CIE Automotive, S.A. obtained a syndicated loan from 17 leading financial institutions for €350 million. The financing raised, which was oversubscribed by more than 50%, effectively diversifies the Group's pool of banks by bringing Brazilian and French financial institutions into the Group's creditor ranks. The loan was structured with a 5-year maturity date, effectively extending the due date for a significant portion of the Group's debt at the time, on terms in line with prevailing market conditions. This loan commits the parent company to complying with covenants related to Net Debt, EBITDA, Equity and Interest Expense, as defined in the loan agreement, which are customary in agreements of this kind. The Company fulfilled the financial ratios at 31 December 2013 and 2012. The balance at 31 December 2013 amounted to €242.5 million (€341 million at 31 December 2012).

At 31 December 2013 no assets were pledged to secure this loan, the initial share pledge having been cancelled in the course of 2012.

Certain other financing is also subject to the fulfilment of ratios that are in line with common market practice for this type of contracts. These ratios are fulfilled at 31 December 2013 and 2012.

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

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.P.I. de C.V., for a seven-year term and a one-year grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. The balance at 31 December 2013 amounted to €86.7 million.

The Group also has a number of loans denominated in US dollars and Brazilian real for a total of €181 million (€206 million at 31 December 2012), maturing in 2017.

In 2013, the Group repaid €280 million in bank borrowings (2012: €289 million) and arranged new loans, in addition to those detailed above, in the amount of €257 million, of which €79 million relates to the companies included in the consolidation scope through the business combination completed during the year (Note 35).

These repayments largely reflect a debt refinancing effort designed to extend and enhance the Group's debt maturity profile.

21. Trade and other payables

	2013	2012
Trade payables	409,831	399,672
Other accounts payable	31,901	39,426
	441,732	**439,098**

The fair values of these payables do not differ from their carrying amounts.

With respect to the disclosures required under Law 15/2010 regarding supplier payment terms, the balance pending payment at 31 December 2013 outstanding by more than 60 days was €11,038 thousand (year-end 2012: €10,403 thousand, past due by over 75 days), a figure that is equivalent to just 3% of total payables to suppliers of goods and services to the Group companies subject to this legislative requirement and 2.4% of total payables at the consolidated level.

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

	Payments made and payments outstanding at the balance sheet date	
	2013	
	Thousand euro	**%**
Payments made during the year within the maximum legal limit	532,946	92%
Other	44,032	8%
Total payments during the year	576,978	100%
Average period by which payments were past due (days)	53	
Balance pending payment at year-end that exceeds the maximum legal limit (60 days)	11,038	

	Payments made and payments outstanding at the balance sheet date	
	2012	
	Thousand euro	**%**
Payments made during the year within the maximum legal limit	590,116	92%
Other	51,447	8%
Total payments during the year	641,563	100%
Average period by which payments were past due (days)	34	
Balance pending payment at year-end that exceeds the maximum legal limit (75 days)	10,403	

22. Other liabilities

	2013	**2012**
Non-current		
Fixed asset suppliers	4,680	6,345
Payeble to Public Administrations	6,858	10,462
Other non-current liabilities	91,950	80,454
	103,488	**97,261**
Current		
Current tax liabilities	37,627	33,811
Payable to public authorities	3,667	4,089
Fixed asset suppliers	24,058	11,640
Payable to Public Administrations	37,815	35,993
Other current liabilities	2,885	16,281
Accruals and deferred income	5,975	6,862
	112,027	**108,676**

The fair values of these liebilities do not differ significantly from their carrying amounts.

The balances included under 'Payable to public authorities' 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).

<u>Other non-current liabilities</u>

This heading includes the outstanding discounted non-current portion of the preferred dividends payable to the other shareholder in CIE Automotive Nuevos Mercados, S.L., namely Ekarpen, S.P.E., S.A., under the terms of the November 2010 agreement by which it invested in CIE Automotive Nuevos Mercados, S.L., for a total of €5,761 thousand (2012: €6,870 thousand). A current liability of €1,814 thousand, payable in 2014, is recognised in this respect (year-end 2012: €1,577 thousand).

In addition, this heading includes loans to finance investment projects received from public financing institutions totalling €31,280 thousand (year-end 2012: €25,025 thousand) and the non-current portion (€8,005 thousand) of the loan granted to the Group by COFIDES in 2010, of which €10,000 thousand was drawn down at year-end 2013 (year-end 2012: €12,000 thousand), repayable in 12 half-yearly instalments with a 2-year grace period (until 2018) and accruing interest at a rate benchmarked to Euribor plus a market spread.

This heading also includes the liability arising from the right granted to non-controlling interests in Century Plastics Inc., a subsidiary acquired in 2012, by means of the grant of a put option valued at USD31.4 million, equivalent to €22.8 million (year-end 2012: USD 31.2 million equivalent to €23.3 million) (Note 35).

Other current liabilities

The balance of €2,885 thousand in "Other current liabilities" (2012, €16,281 thousand) includes, in addition to the items mentioned in previous paragraphs, the amount pending payment on acquisitions made by the CIE Automotive Group (Note 35), recognised at fair value. In 2012 it also included the amount relating to the collection received from third parties for the sale of shares in Autometal, S.A. (€13,246 thousand), which was settled in 2013 (Note 8.b)).

The effective interest rate on non-interest bearing liabilities is a market rate consistent with the rate applicable to financing of a similar nature and with similar terms.

Other non-current liabilities have the following maturities:

	2013	2012
Between 1 and 2 years	21,662	11,272
Between 2 and 5 years	51,085	58,268
Over 5 years	30,741	27,721
	103,488	97,261

23. Deferred taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013	2012
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	162,606	120,981
- Deferred tax assets to be recovered within 12 months	60,536	41,423
	223,142	162,404
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	59,707	53,227
- Deferred tax liabilities to be recovered within 12 months	2,731	2,582
	62,438	55,809
Net	**160,704**	**106,595**

The gross movement on the deferred income tax account is as follows:

	2013	2012
Opening balance	106,595	53,277
Additions to/(changes in) consolidation scope	2,774	876
(Charged)/credited to the income statement (Note 30)	30,834	39,714
(Charged)/credited to equity	16,823	2,002
Transfers and reclassifications (*)	234	(1,743)
Tax effect of discontinued operations (Note 13)	3,444	12,469
Closing balance	**160,704**	**106,595**

(*) Includes movements in deferred items due to foreign exchange fluctuations.

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The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Hedging instruments	Impairment losses and other	Tax losses	Tax credits	Other	Total
At 31 December 2011	**4,403**	**30,194**	**39,625**	**28,548**	**1,683**	**104,453**
(Charged)/credited to the income statement	-	5,771	16,709	(*) 36,254	-	58,734
(Charged)/credited directly to equity	2,002	-	-	-	-	2,002
Changes/additions to consolidation scope	-	876	-	-	-	876
Transfers and reclassifications (**)	(2,744)	(762)	(356)	201	-	(3,661)
At 31 December 2012	**3,661**	**36,079**	**55,978**	**65,003**	**1,683**	**162,404**
(Charged)/credited to the income statement	-	(4,050)	19,546	(*) 20,755	-	36,251
(Charged)/credited directly to equity	2,279	14,544	-	-	-	16,823
Changes/additions to consolidation scope	-	10,809	-	3,770	-	14,579
Transfers and reclassifications (**)	(3,519)	733	(423)	(2,023)	(1,683)	(6,915)
At 31 December 2013	**2,421**	**58,115**	**75,101**	**87,505**	**-**	**223,142**

(*) Tax credits related to R&D investments, in the amount of €5,435 thousand, are recognised as grants relating to costs, in accordance with IAS 20. (2012: €2.502 thousand).

(**) Includes the effect of fluctuations in the exchange rates of the currencies in which foreign subsidiary balances are denominated and transfers due to the reclassification of the assets and liabilities of businesses classified as held for sale (Note 13), among other items.

Deferred income tax liabilities	Deducted goodwill	Fair value gains (*)	Exchange differences	Accelerated tax depreciation and other	Total
At 31 December 2011	**13,718**	**24,341**	**2,006**	**11,111**	**51,176**
Charged /(credited) to the income statement	4,205	-	(2,879)	5,225	6,551
Transfers and reclassifications (**)	(1,455)	(197)	(161)	(105)	(1,918)
At 31 December 2012	**16,468**	**24,144**	**(1,034)**	**16,231**	**55,809**
Charged /(credited) to the income statement	2,261	-	21	(309)	1,973
Changes/additions to consolidation scope (Note 35)	-	11,805	-	-	11,805
Transfers and reclassifications (**)	(2,677)	(2,845)	168	(1,795)	(7,149)
At 31 December 2013	**16,052**	**33,104**	**(845)**	**14,127**	**62,438**

(*) Includes the effect of measuring assets at fair value on first-time application of IFRS-EU, the allocation of fair value remeasurement gains on the acquisition of subsidiaries and loan revaluations.

(**) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries and, in 2012, transfers due to the reclassification of assets and liabilities of the held-for-sale businesses (Note 13).

Deferred tax liabilities/(assets) charged/(credited) to equity in 2013 and 2012:

	2013	2013
Fair value measurement reserves in equity:		
- Reserve for hedging transactions and other	16,823	2,002
	16,823	**2,002**

Deferred income tax assets are recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The deferred tax assets that were capitalised by the Group in 2013 and 2012 are as follows:

	2013		2012	
	Tax losses	**Tax credits**	**Tax losses**	**Tax credits**
Spain	60,685	76,940	43,096	55,285
Rest of Europe	573	6,131	1,340	9,474
Brazil	8,908	376	8,529	245
Mexico	4,935	353	3,013	-
Asia	-	3,705	-	-
	75,101	**87,505**	**55,978**	**65,004**

The Group did not recognise deferred income tax assets of €33.2 million (2012: €41.4 million) in respect of losses generated by certain Spanish and other European factories amounting to €113 million (2012: €130.5 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 €26 million (2012: €44.5 million).

24. Commitments with employees

Provisions relating to employee benefit commitments relate basically to benefits integrated due to the Mahindra & Mahindra operation (Notes 1 and 35).

Set out below is a breakdown of employee benefit provisions, all relating to the automotive segment, classified by country:

Breakdown by country	2013	2012
Spain (a)	-	-
Germany(b)	24,342	-
India (c)	1,734	-
Total (Note 25)	**26,076**	**-**

a) Post-employment benefit plans and other post-employment benefits in Spain

Several automotive segment companies have externalised the pension liability relating to certain retired and pre-retired employees (22 people in 2013 and 2012) to the insurance company Biharko. Payments to this insurance company totalled €33 thousand in 2013 (€90 thousand in 2012). At 31 December 2013 and 2012, no long-term amounts are recognised in this respect.

	2013	2012
Balance sheet commitments in respect of:		
Retirement benefits	-	-
Charges in the income statement in respect of (Note 28):		
Balance sheet commitments in respect of:	3	55

Retirement benefits

The amounts recognised in the balance sheet were calculated as follows:

	2013	2012
Present value of commitments financed	1,592	1,670
Fair value of plan assets	(1,592)	(1,670)
Balance sheet liability	-	-

Movements in the liability recognised in the balance sheet are as follows:

	2013	2012
Opening balance	-	-
Additions/ disposals	-	-
Expense charged to the income statement	3	55
Profit/(loss) from discontinued activities	30	35
Continuing contributions paid	(3)	(55)
Discontinued contributions paid	(30)	(35)
Closing balance	-	-

The principal actuarial assumptions used are as follows:

	2013	2012
Technical interest rate	3%	3%
Expected annual return on plan assets	2.5%-3%	2.5%-3%
Expected annual return on reimbursements recognised as assets	2.5%-3%	2.5%-3%
Future annual salary increase	0 – 2%	0 – 2%

Pension plan assets relate to the amounts contributed to the insurance company with which the commitments are externalised. Actual return on plan assets was 7.51% (5.5% in 2012).

b) Post-employment benefit plans and other long-term employee benefits in Germany

At 31 December 2013, several Group companies in Germany, acquired through the business combination with Mahindra & Mahindra (Notes 1 and 35) record the following defined benefit commitments with certain employees:

- Post-employment benefits:
  - o Lifetime retirement pensions
- Long-term employee benefits:
  - o Length-of-service awards
  - o Supplements under phased retirement arrangements

These commitments are not financed at 31 December 2013.

Post-employment benefits:

Movements in defined benefit commitments during 2013 are as follows:

	Present value of commitment	Fair value of plan assets	Total	Impact of minimum asset financing/financing limit requirement	Total
At 1 January 2013					
Scope additions	22,240	-	22,240	-	22,240
Cost of current services	161	-	161	-	161
Interest expense/(income)	568	-	568	-	568
	22,969	**-**	**22,969**	**-**	**22,969**
Recalculation of values:					
- (Gains)/Losses due to changes in financial assumptions	55	-	55	-	55
- (Gains)/Losses based on experience	81	-	81	-	81
	136	**-**	**136**	**-**	**136**
Plan payments:					
- Payment of benefits	(998)	-	(998)	-	(998)
At 31 December 2013	**22,107**	**-**	**22,107**	**-**	**22,107**

Long-term employee benefits:

Movements in defined benefit commitments and provisions during 2013 are as follows:

	2013
Opening balance	**-**
Scope additions	2,573
Cost of services during the period	321
Borrowing costs	35
Actuarial gains and losses recognised in the income statement	(56)
Benefits paid	(638)
Closing balance	**2,235**

The financial-actuarial assumptions used in the actuarial valuations are set out below:

	2013
Interest rate	1.13% - 3.47%
Expected yield on plan assets	-
Future salary increases	2.70%
Future pension increases	1%-2%
Mortality table	RT 2005 G
Retirement age	65 years
Valuation method	Projected credit unit

The curve used to determine the interest rate was the "IBoxx €Corporates AA Subindices von Markit1".

The weighted average duration of defined pension benefit commitments is 15 years for post-employment benefits and 9.47 for long-term benefits.

Based on the mortality table employed, life expectancy for men and women is as follows:

	2013
Life expectancy of a person that would retire at the year end:	
- men	18.71
- women	22.79
Life expectancy of a person that would retire 20 years after the year end:	
- men	21.39
- women	25.34
Retirement age	65 years

The sensitivity of the defined benefit commitment to changes in the main assumptions weighted is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	0.25%	(3.13%)	3.30%
Growth in pensions	0.25%	1.90%	(1.85%)

The above sensitivity analysis is based on a change affecting one assumption while the rest of the assumptions remain constant.

c) Post-employment benefit plans in India

At 31 December 2013, several Group companies in India, also acquired through the business combination with Mahindra & Mahindra (Notes 1 and 35) record the following defined benefit commitments with certain employees:

- Post-employment benefits:
    - Lifetime retirement pensions
    - Retirement awards. This commitment is financed externally under insurance contracts.
    - Retirement awards in the event of the termination of the employment contract.

Movements in provisions recognised in the consolidated balance sheet in 2013 are as follows:

	2013
Opening balance	-
Scope additions	1,990
Charged to the income statement	501
Contribution paid to insurance policy	(71)
Benefits paid	(307)
Currency translation differences	(379)
Closing balance	**1,734**

The financial-actuarial assumptions used in the actuarial valuations are set out below:

	2013
Interest rate	8.00% - 8.30%
Expected yield on plan assets	7.50% - 9.00%
Future salary increases	5.00% - 7.00%
Mortality table	L.I.C. (1994-1996) ULTIMATE
Retirement age	60 years
Valuation method	Projected credit unit

25. Provisions

The breakdown of the movements in provisions del Grupo in 2013 and 2012 is as follows:

	Amount
At 31 December 2011	**58,147**
- Additions to consolidation scope (Note 35)	1,884
- Additions	11,418
- Amounts used	(11,789)
- Unused amounts reversed	(3,228)
- Transfers and other movements (*)	(3,059)
At 31 December 2012	**53,373**
- Additions to consolidation scope (Note 35)	43,851
- Additions	10,114
- Amounts used	(25,921)
- Unused amounts reversed	(3,612)
- Transfers and other movements (*)	(2,482)
At 31 December 2013	**75,323**
Non-current provisions	**66,109**
Current provisions	**9,214**

(*) Mainly relate to exchange rate effects.

Non-current provisions at 31 December 2013 mainly include the following:

- A €8.84 million provision (2012: €12.1 million) corresponding almost entirely to tax contingencies in Brazil, of which €6 million are on court deposit pending court rulings (2012: €4.1 million) (Note B).
- A €1.7 million provision established to guarantee the sale of assets and closure and winding up of companies (2012: €1.7 million).
- Provisions for other personnel liabilities amounting to €34.6 million (2012: €11.2 million), including €26.1 million relating to pension plans (Note 24) of the German and Indian companies intagrated into the Group on 4 October 2013 (Note 35).
- A €20.9 million provision (2012: €20.2 million) relating to the hedging of operational business risks expected to materialise in the long-term.

Current provisions at 31 December 2013 relate basically to the streamlining of the Group's productive structure in Spain (€1.7 million at year-end 2013 and €3.B million at year-end 2012), as well as provisions for operational business risks at several Group companies that are expected to materialise in the short term (€5.7 million at year-end 2013 and €3.9 million at year-end 2012). This heading also includes provisions for tax contingencies and customer claims at certain subsidiaries (€1.9 million at year-end 2013 and €0.5 million at year-end 2012).

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26. Operating income

	2013	2012
Revenue	1,760,253	1,645,705
Changes in inventories of finished goods and work in progress (Note 11)	1,608	(4,574)
Other income	68,957	68,840
	1,830,818	**1,709,971**

"Other income" basically includes the government grants relating to income and the transfer of grants relating to assets to the income statement, as well as the sale of scrap metal and gains on the sale of assets totalling €641 thousand (€650 thousand in 2012).

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousand euro) is as follows:

	2013	2012
Brazilian real	373,782	390,232
US dollar	362,741	279,252
Indian rupee	21,976	-
Mexican peso	53,053	44,494
Chinese yuan renminbi	48,598	19,482
Other	25,635	13,377
	885,785	**746,837**

27. Other operating expenses

	2013	2012
Utilities	51,274	47,928
Transportation	21,660	18,806
Repairs and upkeep	22,211	19,588
Operating leases	16,490	17,148
Provision for impairment of accounts receivable (Note 10)	1,975	1,666
Provision for inventory impairment (obsolescence)	1,709	2,428
Other operating expenses	80,973	71,256
	196,292	**178,820**

28. Employee benefit expense

	2013	2012
Wages and salaries	278,905	241,694
Share-based payments	567	1,670
Social security costs	56,098	53,777
Other welfare expenses	39,059	41,156
Personnel restructuring costs	7,092	5,682
	381,721	**343,979**

The average Group headcount by category is as follows:

	Number			
	2013		**2012**	
Category	**Joint ventures (*)**	**Consolidated Group (**)**	**Joint ventures (*)**	**Consolidated Group (**)**
Executives	103	357	125	297
University graduates, specialists and administrative staff	285	5,372	310	4,912
Semi-skilled workers	436	13,209	480	9,666
	824	**18,938**	**915**	**14,875**

(*) Included at 100%.
(**) Includes 30 people assigned to discontinued operations (2012: 87 people).

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The gender breakdown of the Group's headcount and the parent company's directors at 31 December 2013 and 2012 is as follows:

	Year-end 2013			Year-end 2012		
Category	**Men**	**Women**	**Total (**)**	**Men**	**Women**	**Total (**)**
Members of the Board of Directors	12	2	14	(*) 11	2	13
Executives	412	54	466	343	73	416
University graduates, specialists and administrative staff	4,590	1,109	5,699	4,074	1,227	5,301
Semi-skilled workers	11,127	1,941	13,068	8,640	1,915	10,555
	16,141	**3,106**	**19,247**	**13,068**	**3,217**	**16,285**

(*) One of the members of the Board of Directors is an executive director.
(**) Includes 11 people assigned to discontinued operations (2012: 58 people).

Share-based payments

Autometal, S.A. - Brazil

The Group has two payment schemes based on the shares of its listed Brazilian subsidiary Autometal, S.A. that can be settled in shares or cash, at the Group's decision (currently to be settled in shares). The schemes were approved by the subsidiary's shareholders at an Extraordinary General Meeting and executed by the Board of Directors. As resolved by the subsidiary's shareholders, the potential beneficiaries include the directors, employees and service providers of the subsidiary itself and of other Group companies. Under the plans, the entity receives 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, is recognised as a cost for the services rendered (employee benefit expense). The total amount to be recorded is 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 time the plans are settled. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the entity reviews the basic assumptions underpinning the estimated amount of compensation payable, essentially the expectation that each beneficiary will remain in the Group's service at the settlement date. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

The total number of rights granted is 2,984,460 (2012: 3.984.460), it is impossible to determine the number of shares to be delivered when the plan is settled.

All of the rights granted expire on 30 June 2015.

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

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

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

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

The granted options by the company Mahindra Forgings Ltd. are dividend into three tranches:

- Up to 400,000 options will be exercised at a fixed price of 83 rupees.
- Up to 750,000 options will be exercised at a fixed price of 197 rupees.
- Other options will be exercised at a price equal to the market price of the stock less a discount of not more than 15% of the average share price on the grant date. The final exercise price will be determined by the management committee based on factors prevailing at the grant date, on the trend followed by the company's shares in the Bombay Stock Exchange and on other factors related to the employees' performance. The options vest in tranches determined by the company's remuneration committee, subject to completion of a one-year vesting period. Once they are vested, the options may be exercised as from the vesting date for a maximum period of five years.

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

	Fair value at grant date (Thousand euro)	No. of options (Thousand)
At 1 October 2013	1,925	3,465
Granted	-	-
Forfeited	(307)	(528)
Value of employee services	100	
Exercised	(36)	(87)
Currency translation differences	(9)	
At 31 December	**1,673**	**2,850**

Of the 2,849,283 options issued, 1,540,548 options could be exercised at year-end 2013. Exercised options during the period from 1 October 2013 to 31 December 2013 totalled 87,143 option, valued at a weighted average price of 34.92 rupees.

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

Grant - vesting	Expiration date	Exercise price per share (*)	Options at year end
Plan October 2007-2011	2016	197	89,250
Plan February 2008-2012	2017	83	309,000
Plan February 2008-2012	2017	197	10,000
Plan May 2008-2012	2017	152	111,475
Plan July 2008-2012	2017	102	97,940
Plan August 2008-2012	2017	109	284,000
Plan May 2010-2014	2019	97	69,000
Plan April 2011-2015	2020	57	1,473,668
Plan January 2012-2016	2021	44	341,957
Plan Composites 2009-2014	2019	47	62,993
			2,849,283

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

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29. Finance income and costs

	2013	2012
Interest expense		
- Bank borrowings interests	(72,039)	(80,912)
- Impairment of held-to-sale financial assets (Note 8)	(6,599)	(4,700)
Interest income:		
- Other interest and finance income	18,639	41,004
Net gains/(losses) on foreign currency transactions	11,876	(4,179)
Net gains/(losses) on financial instruments at fair value:		
- Interest-rate swaps (Note 8)	(1,598)	4,338
Change in fair value of assets and liabilities taken to income statement (Note 1)	(16,369)	
	(66,090)	**(44,449)**

30. Income tax

	2013	2012
Current tax	21,981	21,524
Net change in deferred tax (Note 23)	(*) (28,843)	(*) (49,681)
Total income tax expense (income)	**(6,862)**	**(28,157)**
Tax expense of discontinued operations	3,444	12,469
Tax expense (income) of continuing operations	**(3,418)**	**(15,688)**

(*) Does not include tax credit for R&D&i, €5,435 thousand, that are registered, according to IAS1, as operating grants (€2,502 thousand at 31 December 2012).

The reconciliation of the Group's accounting profit and taxable profit is as follows:

	2013	2012
Consolidated accounting profit before tax for the year from continuing operations	84,089	96,762
Accounting profit before tax from discontinued operations (Note 13)	(13,065)	(48,951)
Consolidation adjustments	213,615	207,021
Aggregate profit before tax of consolidated companies	284,639	254,832
Income not subject to tax and non-deductible expenses (*)	(207,892)	(179,762)
Net temporary differences in individual companies (**)	(34,792)	(22,115)
Offset of tax losses	(6,105)	(12,725)
Aggregate taxable profit	35,850	40,230

(*) Dividends distributed among Group companies, portfolio provisions eliminated and other permanent differences totalling €70.3 million, €25.9 million and €111.7 million, respectively (2012: €75.74 million, €93.61 million and €10.42 million, respectively)

(**) Net temporary differences in the individual companies basically include adjustments for workforce restructuring and temporary differences for accounting and tax purposes in the recognition of expenses and income and in the recognition and reversal of provisions.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2013	2012
Aggregate profit before tax of consolidated companies	284,639	254,832
Tax calculated at domestic rates applicable to profits in the respective countries	85,180	83,532
Income not subject to tax	(62,213)	(58,800)
Utilisation of tax credits and tax losses	(209)	(3,208)
Recovered aid expenses	(777)	-
Deferred tax expense/(income) (Note 23)	(28,843)	(49,681)
Tax charge	**(6,862)**	**(28,157)**
Transfer to discontinued operations	3,444	12,469
	(3,418)	**(15,688)**

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

	Statutory rate	
	2013	**2012**
Basque region	28%	28%
Rest of Spain	30%	30%
Mexico	30%	30%
Brazil	34%	34%
Rest of Europe (average rate)	15% - 35%	19% - 35%
China	25%	25%
Americas	18,50%-30%	18.50%-30%
India	30%-32%	-

As mentioned in Note 2.20, the parent company, CIE Automotive, S.A., is authorised to file consolidated tax returns with certain subsidiaries.

The other CIE Automotive Group companies file individual returns.

Generally speaking, the Group companies have their tax returns open to inspection for all years for which the statute applying under the various bodies of tax legislation to each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filing tax returns passes.

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

The parent company's directors have calculated the amounts associated with this tax for 2013 and those years open to inspection in accordance with legislation in force at each year-end on the understanding that the final outcome of the various legal proceedings and appeals that have been filed in this respect will not have a significant impact on the annual financial statements taken as a whole.

During 2013 and 2012, non-current assets were sold for a gain of €660 thousand to which the tax exemption for reinvestment has been applied. The total amount of the sale has already come to new non-current assets, with the result of non pending additional investments to cover the reinvestment.

Each of the companies that has applied this incentive will disclose the relevant information required by law in its individual annual accounts.

31. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased and held as treasury shares (Note 14).

	2013	**2012**
Profit attributable to owners of the parent (thousand euro)	60,125	61,028
Profit/(loss) from discontinued operations attributable to owners of the parent (thousand euro) (*)	(9,639)	(35,243)
Weighted average number of ordinary shares in issue (thousand)	106,973	106,403
Basic earnings per share from continuing operations (euro per share)	0.65	0.90
Basic earnings per share from discontinued operations (euro per share)	(0.09)	(0.33)

(*) Of the loss for the year from discontinued operations of CIE Automotive Group, a loss of €(9,621) thousand (2012: a loss of €36,482 thousand) corresponds to the shareholders of the Group's parent company (Note 13).

b) Diluted

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

32. Dividends per share

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, implying a dividend payment of €10,694 thousand. The payment was made on 3 January 2014.

On 30 April 2013, the parent company's shareholders in General Meeting approved the motion for the distribution of 2012 profit (individual) including the distribution of a final dividend against 2012 profit of €0.09 per share carrying dividend rights, amounting to a total payment of €9,277 thousand. This dividend was paid on 3 July 2013.

On 19 December 2012, the Board of Directors approved the payment of an interim dividend from 2D12 profit of €0.09 per share carrying dividend rights, amounting to a dividend payment of €9,345 thousand. The payment was made on 3 January 2013.

At the Annual General Meeting of 25 April 2012, the parent company's shareholders approved the dividend motion in respect of 2011 profits, giving rise to a final dividend (in addition to the interim dividend detailed above) of €0.09 per share, amounting to a total of €1D,260 thousand. An amount of €9,678 thousand was paid in this respect on 8 May 2012.

33. Cash generated from operations

	2013	2012
Profit for the year	77,886	75,968
Adjustments for:		
– Tax (Note 30)	21,981	21,524
– Deferred tax (Notes 23 and 30)	(28,843)	(49,681)
– Grants released to income (Note 19)	(3,600)	(5,977)
– Depreciation of property, plant and equipment (Note 6)	80,630	77,945
– Amortisation of intangible assets (Note 7)	9,D60	9,680
– Asset impairment charge (Note 13)	12,300	29,604
– (Profit)/loss on disposal of property, plant and equipment (see below)	(641)	(650)
– Net change in provisions (Nota 25)	(3,745)	(3,765)
– Net (gains)/losses on remeasurement to fair value of derivative financial instruments (Note 8)	24,566	(4,171)
– Interest income (Note 29)	(18,639)	(41,004)
– Interest expense (Note 29)	72,039	85,612
– Exchange differences (Note 29)	(11,876)	4,179
– Share of loss/(profit) of associates (Note 8)	257	166
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	3,685	1,478
– Trede and other receivables	6,463	1,195
– Other assets	2,364	(4,659)
– Trade and other payables	(46,027)	(27,875)
Cash generated from operations	**197,860**	**169,569**

In the cash flow statement, proceeds from the sale of property, plant and equipment comprise:

	2013	2012
Carrying amount (Notes 6 and 7)	6,428	4,126
Profit/(loss) on disposal of property, plant and equipment	641	650
Proceeds from disposal of property, plant and equipment	**7,069**	**4,776**

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34. Commitments, guarantees and other information

a) Capital and lease commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2013	2012
Property, plant and equipment	12,235	10,920
Obligations deriving from irrevocable lease agreements	**65,469**	**35,833**

b) Financing of capital commitments

These investments are financed through the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and, if necessary, bank borrowings.

c) Operating lease commitments

The Group has been leasing various offices and warehouses under non-cancellable operating lease agreements since 2008. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. The Group also leases various plant and items of machinery under cancellable operating lease agreements. The Group is required to provide six months' notice to terminate these agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
Less than one year	13,043	7,647
Between one and five years	33,499	27,937
Later than five years	18,927	249
	65,469	**35,833**

d) Other information

The Technological Services and Solutions & EPCs (TSS) segment has posted bonds to guarantee works and services rendered to customers and commercial guarantees totalling approximately €14.4 million (2012: approximately €10.6 million)

35. Business combinations

__**2013**__

__Automotive segment__

Consolidation scope changes are described in Note 1.

Within 12 months as from the acquisition, the liabilities of the company acquired on 18 September 2012, Nanjing Forging Co, Ltd, were restated in the amount of €2,010 thousand, entailing an adjustment to the business combination values published in 2012 and an increase of €1,005 thousand in goodwill (Note 7).

Set out below is a breakdown of net assets acquired following the completion of the analysis of the business combination performed in the first half of 2013 and resulting goodwill:

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

Additionally, following completion of the analysis of the business combination involving the company acquired on 4 October 2012, Century Plastics, LLC, the values allocated to each shareholder's net assets were adjusted, as reflected in movements in equity for the period (€9.7 million).

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As part of the strategic agreement described in Note 1, the purpose being to integrate the automotive component manufacturing business, on 4 October the Group, through subsidiaries of its Brazilian subsidiary Autometal, S.A., completed phase one of the operation, acquiring controlling interests in Mahindra Forgings Ltd. (now Mahindra CIE Automotive, Ltd), Mahindra Composites, Ltd. and Mahindra Hinoday Industries, Ltd. The total price paid was INR 8,809 billion (equivalent to approximately Euros 110 million).

Autometal, S.A.'s shareholdings in these companies through its subsidiaries currently stand at 79.16% of Mahindra CIE Automotive, Ltd., 61.74% of Mahindra Composites, Ltd. and 64.96% of Mahindra Hinoday Industries, Ltd.

A breakdown of net assets acquired and goodwill is set out below:

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

	Fair value			
	Mahindra Forgings Limited	**Hinoday**	**Mahindra Composites**	**Total**
Fixed Assets	85,636	45,364	1,144	132,144
Inventories	41,549	8,859	702	51,110
Accounts receivable	14,771	7,596	2,315	24,682
Other assets	4,926	1,116	283	6,325
Deferred taxes	10,859	3,687	33	14,579
Other financiel assets	4,884	481	-	5,365
Cash and cash equivalents	1,697	573	51	2,321
Assets acquired	**164,322**	**67,676**	**4,528**	**236,526**
Deferred income	600	282	-	882
Bank borrowings	62,542	15,138	983	78,663
Provisions	41,141	2,657	53	43,851
Accounts payable	48,257	14,456	1,640	64,353
Deferred taxes	3,497	8,233	75	11,805
Other liabilities	14,170	1,095	-	15,265
Liabilities assumed	**170,207**	**41,861**	**2,751**	**214,819**
Assets – Liabilities	**(5,885)**	**25,815**	**1,777**	**21,707**
Stock options included in equity	**(1,114)**	**-**	**(22)**	**(1,136)**
Total net assets	**(6,999)**	**25,815**	**1,755**	**20,571**
Total net assets acquired	**(5,544)**	**16,769**	**1,084**	**12,309**

The fair values of non-current assets were determined in accordance with appraisals performed by independent experts with knowledge of the Indian and European markets; their estimates are based on market purchase or construction prices, taking into account the assets' residual useful lives, and are subject to no limitations or additional risks.

Pre-existing contingent liabilities in the businesses acquired and recognised in a document signed together with the former shareholder have been recognised in the amount of €7.5 million. These contingencies relate to certain lawsuits filed by customers, workers and other third perties on which rulings are expected to be unfavourable. The Group has estimated the amount of all potential undiscounted future payments that the Group might have to make if the rulings are unfavourable. No change was made to this estimate at 31 December 2013.

TIMBRE DEL ESTADO

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CLASE 8.ª

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The cash flows deriving from the transaction are as follows:

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

(*) Data in Indian rupees, euros and sterling pounds converted to euros at the exchange rate on the transaction date.

This business combination contributed sales of approximately €90 million and losses of €2.5 million; had the effective date been 1 January 2013, it would have contributed sales of approximately €390 million.

The business volume of the Mahindra Systech companies (Note 1) that will be included in CIE Automotive, S.A.'s consolidation scope during phase two of the operation total approximately €150 million, although the transaction is expected to have effect in the middle of the year, entailing an effect of approximately €75 million on the CIE Group's 2014 revenue. These companies' financial situation is sound and they will not contribute a significant amount of debt to CIE Automotive, S.A.

The analysis of the business combination and allocation of the acquisition price to the net assets acquired is practically completed, pending the analysis and valuation of certain contracts that are expected only to affect the values of certain intangible assets for immaterial amounts.

2012

Automotive segment

On 10 April 2012, the Group acquired 15% of Russia's CIE-Avtocom, LLC through CIE Automotive Nuevos Mercados, S.L., thereby increasing its shareholding in this investee from 35% to 50%.

The breakdown of the net assets acquired and resulting goodwill was as follows:

	Amount
Cost of the business combination	1,453
Fair value of the net assets acquired	4
Goodwill	**1,457**

The amounts of identifiable assets acquired and liabilities assumed:

	(*) Fair value of the net assets acquired (15%)
Fixed assets	333
Deferred taxes	6
Inventories	132
Accounts receivable	624
Cash and cash equivalents	9
Assets acquired	**1,104**
Translation differences	(2)
Non-current provisions	21
Bank borrowings	535
Accounts payable	546
Current provisions	8
Liabilities assumed	**1,108**
Total net assets acquired	**(4)**

The cash flows deriving from the transaction were as follows:

	Amount
Total consideration	1,453
Cash and cash equivalants in the subsidiary acquired	(9)
Outflow of cash on the acquisition	**1,444**

(*) Data in Russian roubles translated to euro at the exchange rete on the transaction date (10 April 2012).

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On that same date, through CIE Automotive Nuevos Mercados, S.L. and CIE-Avtocom, LLC, the Group subscribed for equity issued by Russian company CIE-Avtocom Kaluga, LLC, thereby increasing its shareholding in this investee by 15% to 50%.

The breakdown of the net assets acquired and resulting goodwill was as follows:

	Amount
Cost of the business combination	171
Fair value of the net assets acquired	(3)
Goodwill	**168**

The amounts of identifiable assets acquired and liabilities assumed:

	(*) Fair value of the net assets acquired (15%)
Fixed assets	361
Deferred taxes	10
Inventories	118
Accounts receivable	47
Cash and cash equivalents	13
Assets acquired	**549**
Translation differences	1
Accounts payable	545
Liabilities assumed	**546**
Total net assets acquired	**3**

The cash flows deriving from the transaction were as follows:

	Amount Thousand euro
Total consideration	171
Cash and cash equivalents in the subsidiary acquired	(13)
Outflow of cash on the acquisition	**158**

(*) Data in Russian roubles translated to euro at the exchange rate on the transaction date (10 April 2012).

On 18 September 2012, through Group subsidiary Autometal, S.A. (Appendix), the Group signed a joint venture agreement with Chinese group Donghua Automotive Industrial Co. Ltd. Under the terms of the agreement, Autometel became a shareholder, having subscribed for new shares, in Chinese company Nanjing Automotive Forging Co., Ltd. The size of the equity issue was CNY140 million (equivalent to approximately €17 million) and the equity injection gave Autometal, S.A. control of Nanjing Automotive Forging Co. Ltd. by means of agreements giving it more than 50% of voting rights on a shareholding of 50%. The main purpose of the joint venture is to develop and make automotive parts using stamp forging and complementary technologies at Nanjing Automotive Forging, Co. Ltd. and, particularly, to develop and manufacture crankshafts. CIE Automotive Group has an extensive track record making this product at its European facilities.

This transaction was ratified by the shareholders of Autometal, S.A. in general meeting on 4 October 2012.

The breakdown of tha net assets acquired and resulting goodwill was as follows:

	Amount
Cost of the business combination	17,188
Fair value of the net assets acquirad	(16,192)
Goodwill	**996**

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The amounts of identifiable assets acquired and liabilities assumed:

	(*) Fair value of the net assets acquired
Fixed assets	11,599
Deferred taxes	859
Inventories	6,794
Accounts receivable	7,584
Cash and cash equivalents	19,227
Assets acquired	**46,063**
Non-current provisions	1,855
Bank borrowings	5,525
Accounts payable	6,299
Liabilities assumed	**13,679**
Total net assets	**32,384**
Total net assets acquired (Note 8)	**16,192**

The cash flows deriving from the transaction were as follows:

	Amount
Total consideration	17,188
Cash and cash equivalents in the subsidiary acquired	(19,227)
Outflow of cash on the acquisition	**(2,039)**

(*) Data in Chinese renminbis translated to euro at the exchange rate on the transaction date (4 October 2012).

On 4 October 2012, through its US investee, CIE Automotive USA, Inc. (an investment held by CIE Automotive, S.A. through its Brazilian subsidiary, Autometal, S.A.), the Group acquired a controlling shareholding (65%) in US company Century Plastics, LLC.

The cost of the business combination was USD23.5 million (€18.2 million at the acquisition-date exchange rate).

Century Plastics is located in Detroit (Michigan), the heart of the US automotive industry. It makes car parts using plastic injection moulding technology.

In addition to the above cost, the Group awarded additional consideration by granting the selling shareholders a put option over the remaining 35% of Century Plastics, LLC, exercisable in 2016. As a result, the Group has recognised a liability to reflect the right granted to the non-controlling interests in this acquiree, which is valued at the present value of the estimated price of settling the put, i.e., €23.6 million. This liability is included in "Other non-current liabilities" (Note 22).

In this business combination, the Group chose to recognise the non-controlling interest in the acquiree at the fair value of the acquiree's identifiable net assets.

The breakdown of the net assets acquired and resulting goodwill, factoring in the option detailed above, was as follows:

	Amount Thousand euro
Cost of the business combination for CIE Automotive Group (65%)	18,162
Fair value of the net assets acquired	(7,893)
Fair value of the non-controlling interests	9,780
Goodwill	**20,049**

The amounts of identifiable assets acquired and liabilities assumed:

	(*) Fair value	(*) Carrying amounts of the net assets acquired
Fixed Assets	10,148	11,238
Inventories	4,085	4,085
Accounts receivable	13,399	13,399
Assets acquired	**27,632**	**28,722**
Bank borrowings	7,898	7,898
Accounts payable	11,841	11,841
Liabilities assumed	**19,739**	**19,739**
Total net assets acquired	**7,893**	**8,983**

The cash flows deriving from the transaction are as follows:

	Amount
Total consideration	18,162
Cash and cash equivalents in the subsidiary acquired	-
Outflow of cash on the acquisition	**18,162**

(*) Data in US dollars translated to euro at the exchange rate on the transaction date (4 October 2012).

Biofuel segment

On 4 January 2012, the Group acquired 51% of Spain's Recogida de Aceites y Grasas Maresme, S.L. (REMA) through its subsidiary Bionor Transformación, S.A.U.

The summary of the business combination is as follows:

	Amount Thousand euro
Cost of the business combination	100
Fair value of the net assets acquired	(7)
Goodwill	**93**

The amounts of identifiable assets acquired and liabilities assumed:

	Fair value of the net assets acquired
Fixed Assets	16
Non-current financial investments	4
Accounts receivable	12
Cash and cash equivalents	6
Assets acquired	**38**
Accounts payable	30
Current tax liability	1
Liabilities assumed	**31**
Total net assets acquired	**7**

The cash flows deriving from the transaction were as follows:

	Amount
Total consideration	100
Cash and cash equivalents in the subsidiary acquired	(6)
Outflow of cash on the acquisition	**94**

These business combinations contributed in €1,126 thousand to profit in 2012.

As is indicated in the applicable accounting regulations, transaction costs are not included in the amount of consideration paid for the businesses acquired. The business combinations do not entail contingent consideration.

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36. Related-party transactions

The direct shareholders of the Group (including non-controlling interests), the directors and key management personnel and these parties' close relatives are considered related parties.

The following transactions were carried out with related parties:

a) Key management compensation and loans

The total compensation paid to key management in 2013, excluding that included within the compensation paid to the members of the Board of Directors, amounted to €4,808 thousand (2012: €1,393 thousand).

The parent company has not entered into any commitments relating to pensions or other types of complementary post-employment benefits with key management personnel.

At year-end 2013 there is no balance relating to transactions with these related parties (2012: €5,069 thousand in current assets).

b) Balances and transactions during the year with Group companies and related parties

	2013	2012
Transactions effected:		
- Services received	1,567	610
- Services rendered	1,942	768
- Purchases	994	-
- Sales	17,227	-
- Change in fair value of assets	16,369	-

Year-end balances with Group companies and related parties are as follows:

	2013	2012
Balances:		
- Accounts receivable from related parties (Note 8)	50,575	46,836
- Accounts payable to related parties	7,116	122
- Dividend pending payment	10,694	9,345

Trade receivables of related –parties show the balance of financial transactions that accrue a market interest (Note 8).

c) Compensation of the directors of the parent company

<u>Compensation paid to the members of the Board of Directors</u>

Total compensation paid to the members of the Board of Directors has amounted to €1,093 thousand in 2013 (2012: €4,300 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 2013, there is a balance receivable (at present value) of €1,165 thousand arising from other transactions with these related parties (2012: €0 thousand), classified in current assets.

d) Article 229 of the Spanish Corporate Enterprises Act

Article 229 of Spain's Corporate Enterprises Act, enacted by means of Legislative Royal Decree 1/2010, of 2 July 2010, obliges senior management to report to the Board of Directors and in the absence of them, to their fellow directors, or if they are sole directors, the General Meeting, on any potential direct or indirect conflict of interest vis-à-vis the entity whose interests they uphold. A potentially-conflicted director must abstain from intervening in the resolutions or decisions concerning the transaction giving rise to the conflict in question. In addition, directors must disclose any direct or indirect shareholdings they or their related parties hold in the capital of any other company with the same, similar or complementary corporate purpose as that of the parent company, additionally disclosing the positions/duties discharged at those companies.

The members of the parent company's Board of Directors are not subject to any the conflicts of interest outlined in article 229 of the Corporate Enterprises Act.

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Mr Francisco José Riberas Mera and Mr Juan María Riberas Mera, members of the Board of Directors of CIE Automotive, S.A., are shareholders and directors of Corporación Gestamp, S.L., which is also a member of the parent company's Board of Directors. Corporación Gestamp, S.L. is the parent of an industrial group that largely carries on operations in the iron and steel market through the manufacture and marketing of metal parts, the manufacture and marketing of parts for the automotive industry and the promotion, construction and operation of solar energy, wind and biothermal energy plants. The manufacture and marketing of parts for the automotive industry is carried on through a subgroup of companies, the parent of which is Gestamp Automoción, S.A., which is 65%-owned by Corporación Gestamp, S.L.

None of the remaining members of the Board of Directors or their individual representatives on the Board or their related persons has a shareholding or holds positions or performs duties in any company that carries out activities in the sectors in which CIE Automotive Group conducts its business activities.

The members of the Board of Directors have reported that the only positions held and duties discharged in 2013 at companies with the same, similar or complementary core business that constitutes the corporate purpose of the parent company are the positions held and duties performed at other CIE Automotive Group companies (Note 1); given that the Group is managed as a whole, no conflicts of interest were produced in the course thereof. Nevertheless, the parent company's shareholders are aware of these situations and have similarly determined that they do not pose conflicts of interest.

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 hold 50%. In September 2009 this joint venture carried out its first corporate transaction involving the acquisition of a group of companies.

The amounts set out below represented the Group's 50% share in the joint venture's assets and liabilities, and income and results. They are included in the consolidated balance sheet and income statement:

	2013	**2012**
Assets:		
Non-current assets	13,412	12,766
Current assets	10,397	10,410
	23,809	23,176
Liabilities:		
Non-current liabilities	5,444	5,293
Current liabilities	10,254	8,553
	15,698	13,846
Net assets	**8,111**	**9,330**
	2013	2012
Income	35,528	34,764
Expense	(36,666)	(34,767)
Profit/(loss) after taxes	**(1,138)**	**(3)**
Proportionate interest in the joint venture's commitments	50%	50%

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

Elsewhere, in 2010, together with the Russian companies Sam LTD LLC and JSC KZAE, the Group incorporated CIE Avtocom, LLC and CIE Avtocom Kaluga, LLC, in which CIE Automotive Nuevos Mercados, S.L. holds 35% and the Russian companies hold the remaining 65%.

As detailed in Note 35, during the first half of 2012, CIE Automotive Group acquired an additional 15% shareholding in these companies.

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As explained in Note 1, on 4 September 2013 the Spanish company CIE Automotive Nuevos Mercados, S.L. sold all its shares in the Russian company Doga Avtokom CIE LLC (DAC, LLC) for 8.2 million roubles (€187 thousand). This transaction generated a loss of €57 thousand for the Group.

The following amounts represent the Group's 50% share at 31 December 2013 (50% at 31 December 2012) of the assets and liabilities, and income and results of the joint venture. They are included in the consolidated balance sheet and income statement:

	2013	**2012**
Assets:		
Non-current assets	2,824	3,188
Current assets	1,673	2,512
	4,497	5,700
Liabilities:		
Non-current liabilities	1,467	1,094
Current liabilities	2,251	3,284
	3,718	4,378
Net assets	**779**	**1,322**

	2013	2012
Income	16,872	8,105
Expense	(17,100)	(8,570)
Profit/(loss) after taxes	**(228)**	**(465)**
Proportionate interest in the joint venture's commitments	50%	(*) 50%

(*) Reflects 35% of the joint venture's results until the date of the business combination (Note 35) and 50% thereafter.

There are no contingant liabilities relating to the Group's intarest in the joint venture, and no contingent liabilities of the venture itself.

38. Joint arrangements (UTEs)

The Technological Segment participates in several consortia or temporary joint arrangaments (UTEs for their acronym in Spanish). The following amounts represent the Group's percentaga interest in the assats and liabilities, and sales and results of these joint arrangements. Thay are included in the balance sheet and income statament:

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Expense	Results
2013	1,291	-	1,457	-	4	170	(166)
2012	2,134	-	2,116	-	1,961	9,943	18

39. Other information

a) Auditor fees

The fees charged by PricawaterhouseCoopers Auditores, S.L. for audit services performed in 2013 total €1,879 thousand (€1,706 thousand in 2012). This amount includes the audit of the financial statements of tha individual companies and the consolidated financial statements for 2013. The amount relating to 2012 also includas 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 €317 thousand (2012: €187 thousand).

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The fees charged by other firms for financial statement audit services in respect of other investees amounted to €507 thousand in 2013 (2012: €70 thousand). This amount includes the services rendered for all the period of the companies joined to the consolidation scope of the period.

b) Environmental issues

i) The parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

ii) Investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

iii) The expenses deriving from environmental action incurred during the year basically relata 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 2013 in relation to environmental protection work totalled euro 1.9 million (euro 2.7 million in 2012) and are recorded under the relevant headings of "Property, plant and equipment" in the accompanying balance sheet and "Other operating expenses" in the accompanying income statament.

40. Events after the balance sheet date

On 24 January 2014, CIE Automotive entered into an agreement to acquire the remaining 50% of the French group Advanced Comfort Systems – ACS (purchasing shares in RS Automotive B.V., the holding company of Advanced Comfort Systems – ACS) for €10.7 million, plus an additional sum payable bases on the evolution of EBITDA for periods 2014 and 2015, and payable the first semester of 2016. The acquisition has been completed on 17 February 2014 once all procedures have been fulfilled. As result of this acquisition, CIE Automotive wholly owns R.S. Automotive B.V.

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			Direct	Indirect	Direct	Indirect	Direct	Indirect
CIE Berriz, S.L. (*) (merged in 2012 with CIE Inversiones Inmuebles, S.L.U. and with CIE Automotive Bioenergía, S.L.U.)	Holding company	Vizcaya	100.00%	-	-	-	-	-
Antulin – CIE Czech Republic s.r.o. (1)	Manufacture of automotive components	Czech Rep.		30.00%	30.00%			-
Belgium Forge, N.V. (in liquidation)	Manufacture of automotive components	Belgium	-	100.00%	100.00 %	-	-	-
CIE Udalbide, S.A.U.	Manufacture of automotive components	Vizcaya	-	100.00%	100.00 %	-	-	-
CIE Mecauto, S.A.U.	Manufacture of automotive components	Álava	-	100.00%	100.00 %	-	-	-
Mecanizaciones del Sur-Mecasur, S.A.	Manufacture of automotive components	Álava	-	100.00%	100.00 %	-	-	-
Gameko Fabricación de Componentes, S.A.	Manufacture of automotive components	Álava	-	100.00%	100.00 %	-	-	-
Grupo Componentes Vilanova, S.L.	Manufacture of automotive components	Barcelona	-	100.00%	100.00 %	-	-	-
Alfa Deco, S.A.U.	Manufacture of automotive components	Guipúzcoa	-	100.00%	100.00 %	-	-	-
Alurecy, S.A.U.	Manufacture of automotive components	Vizcaya	-	100.00%	100.00 %	-	-	-
Componentes de Automoción Recytec, S.L.U.	Manufacture of automotive components	Álava	-	100.00%	100.00 %	-	-	-
Componentes de Dirección Recylan, S.L.U.	Manufacture of automotive components	Navarre	-	100.00%	100.00 %	-	-	-
Nova Recyd, S.A.U.	Manufacture of automotive components	Álava	-	100.00%	100.00 %	-	-	-
Recyde, S.A.U.	Manufacture of automotive components	Guipúzcoa	-	100.00%	100.00 %	-	-	-
Recyde CZ, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
CIE Zdánice, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
Alcasting Legutiano, S.L.U. (merged in 2013 with Tarabusi, S.A.U.)	Manufacture of automotive components	Álava	-	100.00%	100.00 %	-	-	-
Egaña 2, S.L.	Manufacture of automotive components	Vizcaya	-	100.00%	100.00 %	-	-	-
Inyectametal, S.A.	Manufacture of automotive components	Vizcaya	-	100.00%	100.00 %	-	-	-
Orbelan Plásticos, S.A.	Manufacture of automotive components	Guipúzcoa	-	100.00%	100.00 %	-	-	-
Transformaciones Metalúrgicas Norma, S.A.	Manufacture of automotive components	Guipúzcoa	-	100.00%	100.00 %	-	-	-
Plasfil Plásticos da Figueira, S.A. (*)	Manufacture of automotive components	Portugal	-	100.00%	100.00 %	-	-	-
ApoloBlue Tratamentos, Lda	Manufacture of automotive components	Portugal	-	55.00%	-	55.00%	55.00%	
CIE Metal CZ, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
CIE Plasty CZ, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
CIE Unitools Press CZ, a.s.	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
CIE Joamar, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
CIE Automotive Maroc, s.a.r.l. d'au	Manufacture of automotive components	Morocco	-	100.00%	100.00 %	-	-	-
CIE Praga Louny, a.s. (*)	Manufacture of automotive components	Czech Rep.	-	100.00%	100.00 %	-	-	-
Praga Service, s.r.o.	Installations	Czech Rep.	-	100.00%	-	100.00%	100.00%	-

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			Direct	Indirect	Direct	Indirect	Direct	Indirect
CIE Deutschland, GmbH	Services and installations	Germany	-	100.00%	100.00 %	-	-	-
Leaz Valorización, S.L.U. (dormant)	Waste management and recovery	Vizcaya	-	100.00%	100.00 %	-	-	-
CIE Compiègne, S.A.S.	Manufacture of automotive components	France	-	100.00%	100.00 %	-	-	-
CIE Automotive Hispamoldes, S.A. (*)	Holding company	Vizcaya	-	50,00%	50,00%	-	-	-
CIE Hispamoldes Plastiques, s.a.r.l. d'au	Manufacture of automotive components	Morocco	-	50,00%	-	50,00%	100,00%	-
CIE Autometal, S.A. (*)	Holding company	Brazil	-	100.00%	100.00 %	-	-	-
Naturoil Combustíveis Renováveis, S.A.	Biofuel production and sale	Brazil	-	100.00%	-	100.00%	100.00%	-
Bioauto Participações, S.A. (*)	Holding company	Brazil	-	75.00%	-	75.00%	65.00%	-
Bioauto MT Agroindustrial, Ltda.	Agrobiotechnology	Brazil	-	75.00%	-	75.00%	-	65.00%
Mutum Álcool Combustíveis e Energia, Ltda. (dormant)	Biofuel production and sale	Brazil	-	75.00%	-	75.00%	-	65.00%
Biojan MG Agroindustrial, Ltda. (dormant)	Agrobiotechnology	Brazil	-	75.00%	-	75.00%	-	65.00%
Autometal, S.A. (*)	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	74.76%	-
Nanjing Automotive Forging Co., Ltd.	Manufacture of automotive components	China	-	37.38%	-	37.38%	-	37.38%
Durametal, S.A.	Manufacture of automotive components	Brazil	-	37.38%	-	37.38%	-	37.38%
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (*)	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	-	74.76%
Autocromo Cromaçao de Plásticos Ltda (1)	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	-	74.76%
Autometal Investimentos e Imóveis, Ltda. (*)	Services and installations	Brazil	-	74.76%	-	74.76%	-	74.76%
Gescrap – Autometal Comercio de Sucatas Ltda	Sale of scrap	Brazil	-	22.43%	-	22.43%	-	22.43%
Componentes Automotivos Taubaté, Ltda. (*)	Holding company	Brazil	-	74.76%	-	74.76%	-	74.76%
Autoforjas, Ltda.	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	-	74.76%
Jardim Sistemas Automotivos e Industriais, S.A.	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	-	74.76%
Metalúrgica Nakayone, Ltda.	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	-	74.76%
Participaciones Internacionales Autometal, S.L.U. (*)	Holding company	Spain	-	74.76%	-	74.76%	-	74.76%
CIE Autometal de México, S.A.P.I. de C.V. (*)	Holding company	Mexico	-	74.76%	-	74.76%	-	74.76%
Pintura y Ensambles de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	74.76%	-	74.76%	-	74.76%
CIE Celaya, S.A.P.I. de C.V.	Manufacture of automotive components	Mexico	-	74.76%	-	74.76%	-	74.76%
Gescrap Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	22.43%	-	22.43%	-	22.43%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	Manufacture of automotive components	Mexico	-	74.76%	-	74.76%	-	74.76%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	Manufacture of automotive components	Mexico	-	74.76%	-	74.76%	-	74.76%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	Services and installations	Mexico	-	74.76%	-	74.76%	-	74.76%
Nugar, S.A .de C.V.	Manufacture of automotive components	Mexico	-	74.76%	-	74.76%	-	74.76%
Percaser de México, S.A. de C.V.	Services and installations	Mexico	-	74.76%	-	74.76%	-	74.76%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	Services and installations	Mexico	-	74.76%	-	74.76%	-	74.76%
Inmobiliaria El Puente, S.A. de C.V.	Services	Mexico	-	74.76%	-	74.76%	-	74.76%
Forjas de Celaya, S.A. de C.V.	Manufacture of automotive components	Mexico	-	74.76%	-	74.76%	-	74.76%

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CIE Automotive, USA Inc (*)	Services and installations	US	-	74.76%	-	74.76%	-	74.76%
Century Plastics, Llc	Manufacture of automotive components	US	-	48.59%	-	48.59%	-	48.59%
Participaciones Internacionales Autometal Dos S.L. (*) (1)	Holding company	Spain	-	81.82%	27.98%	53.83%	-	53.83%
Participaciones Internacionales Autometal Tres S.L. (*) (1)	Holding company	Spain	-	81.82%	27.98%	53.83%	-	53.83%
CIE Galfor, S.A.U. (*)	Manufacture of automotive components	Spain	-	81.82%	27.98%	53.83%	-	53.83%
CIE Legazpi, S.A.	Manufacture of automotive components	Spain	-	81.82%	27.98%	53.83%	-	53.83%
UAB CIE LT Forge	Manufacture of automotive components	Lithuania	-	81.82%	27.98%	53.83%	-	53.83%
Galfor Eólica, S.L.	Production and marketing of electricity	Spain	-	40.91%	13.99%	26.92%	-	26.91%
Mahindra CIE Automotive, Ltd. (before Mahindra Forgings Limited) (*) (1)	Manufacture of automotive components	India	-	64.77%	22.15%	42.61%	-	42.61%
Stokes Group Limited (1) (*)	Manufacture of automotive components	United Kingdom	-	64.77%	22.15%	42.61%	-	42.61%
Stokes Forgings Limited (1)	Manufacture of automotive components	United Kingdom	-	64.77%	22.15%	42.61%	-	42.61%
Stokes Forgings Dudley Limited (1)	Manufacture of automotive components	United Kingdom	-	64.77%	22.15%	42.61%	-	42.61%
Mahindra Forging Global (1)	Holding company	Republic of Mauritius	-	64.77%	22.15%	42.61%	-	42.61%
Mahindra Forgings International Limited (1) (*)	Holding company	Republic of Mauritius	-	64.77%	22.15%	42.61%	-	42.61%
Mahindra Forgings Europe AG (1)(*)	Holding company	Germany	-	64.77%	22.15%	42.61%	-	42.61%
Gesenkschmiede Schneider GmbH (1)	Manufacture of automotive components	Germany	-	64.77%	22.15%	42.61%	-	42.61%
Jeco Jellinghaus GmbH (1)	Manufacture of automotive components	Germany	-	64.77%	22.15%	42.61%	-	42.61%
Falkenroth Umformtechnik GmbH (1)	Manufacture of automotive components	Germany	-	64.77%	22.15%	42.61%	-	42.61%
Schoneweiss & Co. GmbH (1)	Manufacture of automotive components	Germany	-	64.77%	22.15%	42.61%	-	42.61%
Mahindra Hinoday Industries Limited (1)	Manufacture of automotive components	India	-	53.15%	18.18%	34.97%	-	34.97%
Mahindra Composites Limited (1)	Manufacture of automotive components	India	-	50.52%	17.27%	33.23%	-	33.23%
Bionor Transformación, S.A.U. (*)	Holding company	Vizcaya	-	100.00%	100.00 %	-	-	-
Bionor Berantevilla, S.L.U.	Biofuel production and sale	Álava	-	100.00%	-	100.00%	100.00%	-
Biosur Transformación, S.L.U.	Biofuel production and sale	Huelva	-	100.00%	-	100.00%	100.00%	-
Comlube s.r.l. (*) (in liquidation)	Biofuel production and sale	Italy	-	80.00%	-	80.00%	80.00%	-
Glycoleo s.r.l. (dormant)	Production and marketing of glycerine	Italy	-	40.80%	-	40.80%	-	40.80%
Biocombustibles de Guatemala, S.A.	Agrebiotechnology	Guatemala	-	51.00%	-	51.00%	51.00%	-
Biocombustibles de Ziarbana, S.A.	Biofuel production and sale	Vizcaya	-	20.00%	-	20.00%	20.00%	-
Biocombustibles La Seda, S.L.	Production and marketing of glycerine	Barcelona	-	40.00%	-	40.00%	40.00%	-
Vía Operador Petrolífero S.L.U.	Biofuel production and sale	Vizcaya	-	100.00%	-	100.00%	100.00%	-
Gestión de Aceites Vegetales, S.L. (GAVE) (*)	Sale of fatty oils	Madrid	-	88.73%	-	88.73%	88.73%	-
Reciclado de Residuos Grasos, S.L.U, (Resigras),	Sale of fatty oils	Madrid	-	88.73%	-	88.73%	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U.	Sale of fatty oils	Alicante	-	100.00%	-	100.00%	100.00%	-
Recogida de Aceites y Grasas Maresma, S.L. (Rema)	Sale of fatty oils	Barcelona	-	51.00%	-	51.00%	51.00%	-
Biodiesel Mediterráneo, S.L.	Biofuel production and sale	Alicante	-	100.00%	-	100.00%	100.00%	-

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE NOTES TO THE CONSOLIDATED 2013 FINANCIAL STATEMENTS

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Business activity	Registered office	% effective shareholding of CIE Automotive		% shareholding of subgroup (Level 1)		% shareholding of subgroup (Level 2)	
			Direct	Indirect	Direct	Indirect	Direct	Indirect
RS Automotive B.V. (*)	Holding company	Netherlands	50,00%	-	-	-	-	-
Advanced Comfort Systems International B.V. (*)	Holding company	Netherlands	-	50.00%	100.00%	-	-	-
Advanced Comfort Systems Ibérica, S.L.U.	Manufacture of automotive components	Orense	-	50.00%	-	100.00%	100.00%	-
Advanced Comfort Systems France, S.A.S. (*)	Manufacture of automotive components	France	-	50.00%	-	100.00%	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Manufacture of automotive components	Rumania	-	50.00%	-	100.00%	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	50.00%	-	100.00%	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd	Manufacture of automotive components	China	-	50.00%	-	100.00%	-	100.00%
CIE Automotive Nuevos Mercados, S.L. (*) (2)	Holding company	Vizcaya	75,00%		-	-	-	-
CIE-Avtocom Kaluga, LLC	Asset holding company	Russia	-	37.50%	43.10%	6.90%	13.80%	-
CIE-Avtocom, LLC (*)	Holding company	Russia	-	37.50%	50.00%	-	-	-
Kinelagroplast, LLC (merged in 2012 with Plastik, LLC)	Manufacture of automotive components	Russia	-	37.50%	-	50.00%	100.00%	-
SC CIE Matricon, S.A.	Manufacture of automotive components	Romania	-	75.00%	100.00%	-	-	-
CIE Automotive Parts (Shanghai) Co., Ltd.	Manufacture of automotive components	China	-	75.00%	100.00%	-	-	-
CIE Automotive Rus, LLC (1)	Manufacture of automotive components	Russia	-	75.00%	100.00%	-	100.00%	-
Global Dominion Access, S.A. (*)	Holding company/IT Solutions and Services	Bilbao	94,43%	-	-	-	-	-
Dominion Instalaciones y Montajes, S.A.U. *(*)*	IT Solutions and Services	Zamudio	-	94.43%	100.00%	-	-	-
Dominion Networks, S.L.	IT Solutions and Services	Madrid	-	94.43%	-	100.00%	50.00%	-
Dominion Centro de Gestión Personalizada, S.L.	IT Solutions and Services	Madrid	-	94.43%	-	100.00%	100.00%	-
E.C.I. Telecom Ibérica, S.A.	IT Solutions and Services	Madrid	-	76.49%		81.00%	81.00%	-
Dominion Investigación y Desarrollo S.L.U.	IT Solutions and Services	Bilbao	-	94.43%	100.00%		-	-
Prosat Comunicaçoes, Ltda.	IT Solutions and Services	Brazil	-	94.43%	100.00%	-	-	-
Global Dominion Brasil Participaçoes, Ltda.(*)	Holding company	Brazil	-	94.43%	100.00%	-	-	-
Halógica Tecnología, S.A.	IT Solutions and Services	Brazil	-	94.43%	-	100.00%	55.00%	-
Dominion Instalaçoes e Montagnes do Brasil Ltda.	IT Solutions and Services	Brazil	-	94.43%	-	100.00%	100.00%	-
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	IT Solutions and Services	Mexico	-	94.43%	100.00%	-	-	-
Dominion TI México, S.A. de CV	IT Solutions and Services	Mexico	-	94.43%	-	100.00%	100.00%	-
Dominion Baires, S.A.	IT Solutions and Services	Argentina	-	89.71%	95.00%	-	-	-
Dominion Limitada Ltda.	IT Solutions and Services	Chile	-	93.49%	99.00%	-	-	-
Dominion Perú Soluciones y Servicios S.A.C.	IT Solutions and Services	Perú	-	94.43%	100.00%	-	-	-
Visual Line, S.L. (1)	IT Solutions and Services	Bilbao	-	51.94%	55.00%	–	55.00%	-
Beroa Thermal Energy, S.L. (3)	Portfolio company	Vizcaya	-	21.45%	22.72%	-	-	-
Autokomp Ingeniería, S.A.U.	Services and installations	Vizcaya	100,00%		-	-	-	-

(1) Companies added to the scope of consolidation in 2013.
(2) The shares of CIE Automotive Nuevos Mercados, S.L. are owned 26.96% by CIE Automotive, S.A. and 48.04% by CIE Bárriz, S.L., giving the Group a total ownership interest of 75%.
(3) Parent company of the Beroa Group (Note 1).
(*) Parent of all investees listed subsequently in the table.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2013
(Thousand euro)

BUSINESS PERFORMANCE

CIE Automotive Group's business hes developed as follows during 2013:

CONSOLIDATED GROUP

(Thousand euro)	2013	2012
Consolidated revenue	1,760,253	1,645,705
Adjusted consolidated revenue (*)	1,695,971	1,562,468
Gross operating profit/(loss)-EBITOA	240,126	224,060
Net operating profit/(loss)-EBIT	150,436	141,377
Profit/(loss) before taxes cont. act. -EBT	84,089	96,762
Profit/(loss) for the year cont. act.	87,507	112,450
Profit/(loss) on discontinued operations	(9,621)	(36,482)
Profit/(loss) attributable to non-controlling interests	(17,761)	(14,940)
Profit/(loss) attributable to parent company	60,125	61,028

(*) Pro-forma figure eliminating sales of diesel for mixture

Business performance:

- Operating mergins on similar levels, ettaining 14.2% of EBITDA end B.9% of EBIT
- Good performence by margins in all lines of business
- Increase in financiel expenses which partly offsets the improvement in operating income, mainly due to: higher debt in Autometal as a result of acquisitions in 4T2012 and 4T2013; increase in financial expenses in Brazil due to the higher differential in asset/liability remuneration and payment for investments in reals to reduce exposure due to currency risk and so for non recurrent effects.
- In 2013 there have been offset positive and negetive non recurrent net effects in the income statement: two negative effects 1) impeirment of held for sale assets related to the activity of manufecturing biofuel and 2) effect of covenants settled as consequence of the reverse merge carried out in 2011. The positive effect-mainly corresponds to an activation of tax credits.

The financial information of the CIE Automotive Group is segmented into Automotive, Biofuels and Technological Services and Solutions & EPCs (TSS). The development of business in each of these three activities is analysed below.

AUTOMOTIVE:

Recovery of European business and strength of emerging economies.

	AUTOMOTIVE	
(Thousand euro)	2013	2012
Consolidated revenue	1,483,258	1,308,459
Gross operating profit/(loss)-EBITOA	223,221	206,998
% EBITOA / consolidated revenue	15,0%	15,8%
Net operating profit/(loss)-EBIT	142,026	132,087
% EBIT / consolidated turnover	9.6%	10.1%

Market evolution:

- EBIT close to double digit at 9,6%
- Margins are maintained in Europe with improvements in management and productivity, despite declining sales
- Good performance of sales in Brazil and inclusion in consolidation scope of new companies offsets the lower volume in Europe and the effect of the Brazilian real exchange rate mentioned above

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2013
(Thousand euro)

BIOFUELS:

	BIOFUELS	
(Thousand euro)	**2013**	**2012**
Consolidated revenue	120,706	198,921
Adjusted consolidated revenue (*)	56,423	115,684
Gross operating profit/(loss)-EBITDA	3,743	3,981
Net operating profit/(loss) – EBIT	245	272

(*) Pro-forma figure eliminating sales of diesel for mixture

Business performance:

- Focus on recycling segment seeking efficiency and profitability through biodiesel sales, production through recycled oils and oil collection.
- The complex regulatory situation in the industry and commercial uncertainty will result in a low profile for business activity.

TECHNOLOGICAL SERVICES AND SOLUTIONS & EPCS (TSS):

	DOMINION	
(Thousand euro)	**2013**	**2012**
Consolidated revenue	156,289	138,325
Gross operating profit/(loss)-EBITDA	13,162	13,081
Net operating profit/(loss)-EBIT	8,165	9,018

Business performance:

- 13% improvement in sales based mainly on growth in Latin America. Growth in Brazil and the opening of the services market in Peru are particularly significant.
- Latin America retains is position as the business driver, accounting for 83% of the Contribution Margin; being company of reference in the Latin American market.

QUALITY AND ENVIRONMENT ACTIVITY IN 2013

Business model

After being if force for 11 years and being revised six times during that period, the management model is still a cohesive force for the group and an identifying factor for its plants.

Sustainability

CIE Automotive views sustainability as a key factor in its management model.

An essential component of sustainability is transparency. In this respect, CIE Automotive has made a new effort and in its annual CDP declaration it has been recognised as the company showing the greatest improvament, with a rating of 85%.

Carbon Disclosure Project (CDP) *international not-for-profit organisation offering the only global system for companies and cities to measure, publish, manage and share environmental information.*

The main matters the Group reports are:

- Management
- Corporate governance
- Strategy

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2013
(Thousand euro)

- Objectives and initiatives
- Communication
- Risks and opportunities
- Greenhouse gas emissions

All issues relating to climate change.

Certificates

This model is being evaluated permanently and continues to receive the highest ratings from both agencies and customers of the group.

This is summarised in the following table:

Automotive

Certificates	CIE plants	Certified plants	%
ISO TS 16949	54	54	100
ISO 14000	54	43	80
OHSAS 18000	54	23	43

Biofuels

Certificates	CIE plants	Certified plants	%
ISO 9000	1	100	100
ISCC	1	100	100

Continuous improvement

Continuous improvement remains a key factor in CIE Automotive´s success.

It covers all activities and each year the management plan studies and monitors its evolution.

Basic tools like 5'S, daily production management or industrialisation project management remain absolutely valid and bring to light a multitude of small improvements which contribute to the final objective.

A key factor in this improvement process is the customer's perception of CIE Automotive as a supplier. For this reason, a new tool has been implemented which enables to monitor this perception on a global basis and orient our actions towards its improvement.

Customer recognition

CIE Automotive has again obtained the recognition of its customers.

The following should be noted:

- Ford

  We received the Q1 award for the San Bernardo injection plant.

- Nexteer

  For the best launch of the Opel Adam project. This case is particularly interesting since it involved various CIE plants and they were all excellent in the launch.

- Magna

  We were named "strategic world supplier". It should be noted that only 28 suppliers world-wide have received this acknowledgement.

- Nissan

  PEMSA Celaya recognised for fourth consecutive year as "Quality origin", praising the excellent level of quality and service, and the swift response to any situation.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2013
(Thousand euro)

- GM

  Nominating Autometal Diadema as "Supplier of the year" in recognition of its quality, service, technology and price.

  Awarded the "Platinum Certificate of Excellence" to CIE Celaya for its excellent level of deliveries.
- Continental

  In its "North American supplier Day" Continental acknowledged CIE Celaya for its successful implementation in Mexico.
- Maruti-Suzuki

  Nominated Mahindra forgings for "Best quality and delivery performance"
- Automotive Axels

  Nominated our Mahindra Hinoday plant as "Best supplier"
- Denso

  Nominated our Mahindra Hinoday plant as "Best delivery performance supplier"

Recycling of raw materials

The use of recycled matarials as raw materials for production processes remains key, particularly in aluminium and biofuals divisions.

- The aluminium division has recycled 32,186 tonnes
- The biofuels division has reprocessed 31,000 tonnes of vegetable oil, oleints and fatty acids

R&D ACTIVITIES

2012 was a transitional stage for CIE Automotive in the European R&D strategy since the change took place from the VII Framework Programme FP7 to Horizon 2020 (H2020), while 2013 has been characterised by clear commitment with the European as the priority area in which to share and develop ideas in the field of innovation.

The priority R&D market for CIE Automotive are reflected in the European programmes:

- Mobility for Growth (MfG)
- Green Vehiclas (GV)
- Factorias of the Future (FoF)
- Sustainable Process Industry (SPIRE)

In each of these European research areas, CIE Automotive is focusing its efforts on the creation and development of international collaboration consortia. In these consortia, in which CIE Automotive may participate both as a laader and as a member responsible for a specific development area, projects are included that address topics related to the products and processes defined as priorities in our strategic plan for the coming years, including:

- Supercharger
- New concepts for heat exchangers
- New energy storage systems
- New fuel management systems in dual-fual engines
- Hybrid systems
- Monitoring, management and reuse of different energy sources

And which are mainly focused on:

- Weight reduction
- Consumption and emission reduction
- Increase in active and passive safety
- Increase in user comfort

The activities in the R&D area were not only focused on developing ideas in the European environment of FP VII and now H2020, but many of the projects have been developed both on a regional level, mainly in Galicia and the Basque Country, and on a national and international level involving Latin America, Canada, China and India.

Despite this diversification in the approach to R&D projects around the world, its important to highlight as an example one of the European projects that have been developing during 2013, namely the ODIN project in FP VII.

ODIN
Optimized electric Drivetrain by Integration

These companies are involved:

BOSCH, CIE Automotive, FUCHS, GKN Driveline, ISEA RWTH AACHEN, RENAULT, Romax TECHNOLOGY

And results from the continuous demand in the automotive market for electric car driving systems which are functionally more efficient and have better cost levels. These requirements open up a path for research in the development of highly integrated driving systems using high-speed electrical motors. The main objective of the project is to combine a new generation gearbox, high-speed electric motor and electronics with embedded capacity in a single block common to all components.

CIE Automotive continues increasing its presence in regional, national and international R&D events. On a Spanish level, CIE Automotive is an active participant in the SPRI and CDTI forums and on a European scale it participates actively in various technological platforms such as ERTRAC, as active member of CLEPA and its R&D forum, and recently as part of EGVIA.

Participation in international consortia involving different OEMs, Centres and Universities with the common goal or developing research projects such as the one described above enables to broaden areas of knowledge and helps to situate CIE Automotive on the top technological rank in relation to products and strategic processes.

In 2012 part of new projects have been channelled towards:

- ECODESIGN
- ENERGY EFFICIENCY
- THE SMART FACTORY

In 2013 a product/process strategy has been developed aimed at managing risks and opportunities related to climate change.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2013
(Thousand euro)

This strategy has been managed through the reduction of emissions on the level of production facilities and that of third parties on a corporate scale. This work is reflected in the Carbon Reporting CDP Climate Change.

To be able to perform this work, CIE Automotive allocates 2.2% of sales revenue to research and development projects.

TRADING IN TREASURY SHARES

During the year and up to 4 October 2013, the Company has acquired a total of 1,056,043 shares (0.926% of total voting rights existing prior to the capital increase carried out with effect from 4 October 2013) and has sold all the 11,220,660 shares (9.843% of said total voting rights) which it owned at that date to the Mahindra Group. As a result, at 4 October 2013 CIE Automotive, S.A. holds no treesury sheres.

At 31 December 2013 the Compeny did not hold any treesury shares.

RISK MANAGEMENT

Note 3 to the accompanying annual accounts contains a deteiled description of all areas of risk management carried out by the Group's management. There have been no chenges in risk management policy at the date of preparation of the annual accounts.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF ENTITY

CLOSING DATE PERIOD OF REFERENCE:	12/31/2013

C.I.F.	A-20014452

BUSINESS NAME
CIE AUTOMOTIVE, S.A.

REGISTERED OFFICE
CL Alameda Mazarredo Nº 69, 8º Piso BILBAO (BIZKAIA)

TIMBRE DEL ESTADO

CLASE 8.ª

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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
10/04/2013	29,705,011.50	118,820,046	118,820,046

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
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	0	5,950,000	5.01%
QMC II IBERIAN CAPITAL FUND, FIL	4,518,659	0	3.80%
MAHINDRA MAHINDRA	0	16,040,706	13.50%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	9,734,650	0	8.19%
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	0	8,339,208	7.02%
RISTEEL CORPORATION, B.V.	16,900,002	0	14.22%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	LA FUENTE SALADA, S.L.	5,950,000
MAHINDRA MAHINDRA	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	16,040,706
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	OTHER SHAREHOLDERS	8,339,208

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

Name of shareholder	Date of the transaction	Description of the transaction
MAHINDRA MAHINDRA	10/04/2013	Exceed 10% of share capital
MR. JOSE IGNACIO COMENGE SANCHEZ-REAL	10/18/2013	Exceed 5% of share capital
AUSTRAL, B.V.	08/02/2013	Decrease a 5% of share capital
NMAS1 ASSET MANAGEMENT, SGIIC, S.A.	08/02/2013	Exceed 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	5,700,009	9,734,650	12.98%
MR. HEMANT LUTHRA	5	0	0.00%
ADDVALIA CAPITAL, S.A.	5,942,009	0	5.00%
CORPORACION GESTAMP, S.L.	12,652,182	16,900,021	24.87%
ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	10.42%
AUSTRAL, B.V.	5,951,003	0	5.00%
MR. VANKIPURAM PARTHASARATHY	5	0	0.00%
MR. JESUS MARIA HERRERA BARANDIARAN	450,000	0	0.37%

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.	9,734,650
CORPORACION GESTAMP, S.L.	RISTEEL CORPORATION, B.V.	16,900,021

% total of voting rights held by the Board of Directors	58.66 %

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:

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, 2018, inclusive, the mandate given by the General Meeting of Shareholders held on April 30, 2013, whereby the Board of Directors of the Company is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotive, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

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

YES [ ] NO [X]

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

YES [X] NO [ ]

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

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

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

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

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

YES [ ] NO [X]

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

B. - SHAREHOLDERS' MEETING

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

YES [X] NO [ ]

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

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

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

YES [ ] NO [X]

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

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

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

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

Attendance figures					
Date of the General Meeting	% physically present	% represented by proxy	% distance voters		Total
			Electronic voting	Other	
04/30/2013	75.38%	2.43%	0.00%	0.00%	77.81%

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

YES [ ] NO [X]

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

YES [X] NO [ ]

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

The items that must be published in accordance with Law 26/2003, of 17 July, on the transparency of listed public limited liability companies, enabling Order ECO/3722/2003, of 26 December, and those required by CNMV Circular 1/2004, of 17 March, on the Annual Corporate Governance Reports for listed public companies are directly accessible at 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 Board members:

Name of the Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR. ANTONIO MARIA PRADERAJAUREGUI		CHAIRMAN	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCION DE EMPRESAS, S.L.		1st VICE CHAIR	06/24/2002	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
AUSTRAL, B.V.		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR JUAN MARIA RIBERAS MERA		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMIN DEL RIO SANZ DE ACEDO		BOARD MEMBER	12/21/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Name of the Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR ÁNGEL MANUEL OCHOA CRESPO		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FRANCISCO JOSE RIBERAS MERA		BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARIA TERESA SALEGUI ARBIZU	BOARD MEMBER	04/26/2007	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
CORPORACION GESTAMP, S.L.	MR. FRANCISCO LOPEZ PEÑA	BOARD MEMBER	10/27/2010	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.		BOARD MEMBER	05/12/2005	10/27/2010	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARIA HERRERA BARANDIARAN		CHIEF EXECUTIVE OFFICER	01/21/2013	04/30/2013	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. HEMANT LUTHRA		BOARD MEMBER	10/04/2013	10/04/2013	CO-OPTATION
MR. VANKIPURAM PARTHASARATHY		BOARD MEMBER	10/04/2013	10/04/2013	CO-OPTATION

Total number of Directors	14

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
COMPAÑIA ANDALUZA DE RENTAS E INVERSIONES, S.A.	Institutional Outside Director	07/23/2013
MS. SUSANA MOLINUEVO APELLANIZ	Executive Director	10/04/2013

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

EXECUTIVE DIRECTORS

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

Total number of executive Directors	2
Total percent of the Board	14.29%

INSTITUTIONAL OUTSIDE DIRECTORS

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

Total number of Institutional Directors	10
Total percent of the Board	71.43%

INDEPENDENT OUTSIDE DIRECTORS

Name of the Director

MR. CARLOS SOLCHAGA CATALÁN

Profile

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

Name of the Director

MR ÁNGEL MANUEL OCHOA CRESPO

Profile

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

Total number of independent Directors	2
Total percent of the Board	14.29%

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

Not applicable

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

OTHER OUTSIDE DIRECTORS

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

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

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

	Number of female directors				% over each kind of directors			
	Year ended 2013	Year ended 2012	Year ended 2011	Year ended 2010	Year ended 2013	Year ended 2012	Year ended 2011	Year ended 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Institutional	2	2	2	2	20.00%	22.22%	22.22%	22.22%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Outsiders	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	2	2	14.29%	16.66%	15.38%	15.38%

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

Explanation of the measures

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

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

Explanation of the measures

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

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

Explanation of the measures

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

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

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

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

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

YES [ ] NO [X]

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

Name of the Director

MS. SUSANA MOLINUEVO APELLANIZ

Reason for exit

The outgoing Director has assumed other executive duties in the Company.

TIMBRE DEL ESTADO

CLASE 8.ª

0L7054959

Name of the Director

COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.

Reason for exit

The Director has disposed its share.

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

Name of the Director

MR. JESUS MARIA HERRERA BARANDIARAN

Brief description

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

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

Name of the Director	Name of the Group company	Position
MR. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIR
MR. ANTONIO MARIA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIR
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE AUTOMETAL, S.A.	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE AVTOCOM, LLC	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	CIE AVTOCOM KALUGA, LLC	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA COMPOSITES, LTD	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER
MR. ANTONIO MARIA PRADERA JAUREGUI	MAHINDRA HINODAY INDUSTRIES, LTD	BOARD MEMBER
MR. HEMANT LUTHRA	MAHINDRA CIE AUTOMOTIVE, LTD	CHAIR
MR. HEMANT LUTHRA	MAHINDRA COMPOSITES, LTD	CHAIR
MR. HEMANT LUTHRA	MAHINDRA HINODAY INDUSTRIES, LTD	CHAIR
MR. HEMANT LUTHRA	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA COMPOSITES, LTD	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	MAHINDRA HINODAY INDUSTRIES, LTD	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE NUEVOS MERCADOS, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALFA DECO, S.A.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ALURECY, S.A.U.	BOARD MEMBER

Name of the Director	Name of the Group company	Position
MR. JESUS MARIA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECICLADOS ECOLOGICOS DE RESIDUOS, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	VIA OPERADOR PETROLIFERO, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE MECAUTO, S.A.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	GAMEKO FABRICACION DE COMPONENTES, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCION RECYTEC, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	COMPONENTES DE DIRECCION RECYLAN, S.L.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	NOVA RECYD, S.A.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	ORBELAN PLASTICOS, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	PLASFIL PLASTICOS DA FIGUEIRA, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	RECYDE, S.A.U.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	TRANSFORMACIONES METALURGICAS NORMA, S.A.	BOARD MEMBER
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMETAL DE MEXICO, S.A.P.I. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	CIE BERRIZ MEXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	INMOBILIARIA EL PUENTE S.A. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	PERCASER DE MEXICO S.A. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MEXICO, S.A. DE C.V.	CHAIR
MR. JESUS MARIA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TECNICOS S.A. DE C.V.	CHAIR
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO, S.A. DE C.V.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MEXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER
MR. FERMIN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIR
MR. FERMIN DEL RIO SANZ DE ACEDO	CIE AUTOMETAL, S.A.	BOARD MEMBER

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

Name of the Director	Name of the listed company	Position
MR. CARLOS SOLCHAGA CATALÁN	DURO FELGUERA, S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	ZELTIA, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	UNIPAPEL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	AZKOYEN, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
AUSTRAL, B.V.	COMPAÑIA VINICOLA DEL NORTE DE ESPAÑA, S.A.	BOARD MEMBER

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

YES [ ] NO [X]

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

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

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

Remuneration of the Board of Directors (thousand euros)	1,094
Amount of the global remuneration corresponding to the benefits accrued by the directors on pensions (thousand euros)	0
Global remuneration of the Board of Directors (thousand euros)	1,094

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

Name	Position
MR. MIKEL FELIX BARANDIARAN LANDIN	GENERAL DIRECTOR OF TECHNOLOGICAL SERVICES AND SOLUTIONS & EPCs

Total senior management compensation (thousand euros)	298

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

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

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

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

YES [ ] NO [X]

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

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

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

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

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

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

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

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

Article 18. Appointment of Directors.

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

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

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

YES [X] NO [ ]

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

Description of modifications

Not applicable

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

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

Article 22. Removal of Directors

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

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

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

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

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

d)When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.

C.1.22 Indicate whether the CEO is also Chair of the Board of Directors. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

YES [ ] NO [X]

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board for the inclusion of new items on the agenda, to coordinate and echo the concerns of outside Directors and to direct evaluation by the Board of Directors.

YES [ ] NO [X]

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES [ ] NO [X]

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES [ ] NO [X]

C.1.25 State whether the Chair has a casting vote:

YES [ ] NO [X]

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES [X] NO [ ]

Age limit for CEO: 65 years old.

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES [ ] NO [X]

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 17 of the Board Regulations of CIE Automotive, S.A. reads as follows:

"2.- Directors will make every effort to attend meetings of the board and, if they cannot do it personally, may delegate their proxy to another Director, not limited the number of representations held by each member to the assistance to the Board. Without prejudice to the foregoing, the Directors shall seek to confer representation to a fellow board member of the same group to which it belongs and where possible include appropriate instructions. Representation may be conferred by any written means.

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

Number of Board meetings	9
Number of Board meetings without the Chair	0

Indicate the number of meetings held during the year by the various Board Committees:

Delegate Committee	9
Audit Committee	5
Nominations and Compensation Committee	5

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	112
% Number of assistances compared with the total votes cast during the year	91.80%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES [ ] NO [X]

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

Article 3 of the Audit and Compliance Committee Regulations stipulates the following, among other things:

(ii)Propose the appointment of the external auditors referred to by Article 204 of the Spanish Companies Law to the Board of Directors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.

(iii)Supervise the internal audit services.

(iv)Receive information regarding the financial information process and internal control systems at the Company and the group of companies.

(v)Maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

(vi)Review the annual accounts before presentation to the Board of Directors, as well as any 6-month and quarterly financial statements that must be filed with regulatory bodies or market supervisors.

C.1.33 Is the Secretary of the Board a Director?:

YES [ ] NO [X]

C.1.34 Explain the procedures for appointing and removing the Secretary of the Board, indicating whether or not the appointment and removal have been reported by the Nominations Committee and approved by the full Board of Directors.

Procedure for appointment and removal
Article 25.2 of the Articles of Association stipulate that the Board of Directors will appoint a Secretary and, if appropriate, a Vice Secretary, and the appointment may involve persons that are not Directors, in which case they will have the right to be heard but not to vote. The Vice Secretary will substitute the Secretary in the event of any absence, illness, disability or vacancy. Similarly, Article 10 of the regulations of the Board of Directors lays down the following: 1.- The Secretary of the Board of Directors may or may not be a Director, as determined at any given moment by the Board. 2.- The Secretary assists the Board with its duties and must ensure the proper operation of the Board, especially providing the advisory services requested, duly reflecting the meetings in the minutes and certifying the Resolutions adopted. 3.- The Secretary will handle the material and formal legalities concerning Board action and compliance with its procedures and rules of governance. 4.- The Secretary will perform the office of Expert Legal Adviser of the Board, provided that holds the condition of attorney.

	YES	NOT
Does the Nominations Committee report the nomination?	X	
Does the Nominations Committee report removals?	X	
Does the full Board approve the nomination?	X	
Does the full Board approve the removal?	X	

Does the Secretary of the Board have the responsibility of specifically monitoring Good Governance recommendations?

YES [ ] NO [X]

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 41 of the Regulations of the Board of Directors governs the relationships with external auditors:

"Article 41. Relations with the Auditors"

1.- The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committtee 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)	169	317	486
Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)	34.00%	14.00%	18.00%

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	12	12
Number of years audited by the present audit firm / Number of years the company has been audited (%)	40.00%	40.00%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES [X] NO [ ]

Procedure details
Article 25 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice: Article 25. Expert advice. 1.- In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity. 2.- The request must be made through the Chair of the Board of Directors and may be vetoed by the Board of Directors if it is considered that: a) such assistance is not required for the adequate performance of the duties with which Directors are charged; b) the related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues; c) the assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company; or d) may give rise to a risk to the confidentiality of the information that must be disclosed.

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES [X] NO [ ]

Procedure details
Article 24 of the Regulations of the Board of Directors governs the procedure for Members of the Board of Directors to obtain information regarding the issues to be deliberated: Article 24. Disclosure procedure. 1.- A Director may request the information reasonably needed regarding the Company, provided that it is required by the duties being fulfilled. The right to information extends to domestic and foreign subsidiaries. 2 - In order to not disturb the ordinary management of the Company, information requests will be made through the Chair, who will attend to Directors' requests by either providing the information directly, identifying the appropriate contacts within the Company, or providing the measures so that the requested information may be examined and inspected. 3 - The Board of Directors may deny the request for information if, in its judgment, the request might harm corporate interests, notwithstanding any provisions of the Spanish Companies Law.

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES [X] NO [ ]

Explain the rules
In accordance with the established in Article 22.2 of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any Board Member that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES [ ] NO [X]

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries: 0

Type of beneficiary

Not applicable

Description of the arrangement

Not applicable

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	General Shareholders Meeting
Board authorizing clauses	YES	NO

	YES	NO
Is the General Meeting reported about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of Institutional and independent Outside Directors that form it:

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIRMAN	INDEPENDENT
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	INSTITUTIONAL

% of executive members	0.00%
% of institutional members	66.66%
% of independent members	33.33%
% of other outsiders	0.00%

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	INSTITUTIONAL
AUSTRAL, B.V.	BOARD MEMBER	INSTITUTIONAL

% of executive members	0.00%
% of institutional members	66.66%
% of independent members	33.33%
% of other outsiders	0.00%

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Type
MR ANTONIO MARIA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	INSTITUTIONAL
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	INSTITUTIONAL
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	INSTITUTIONAL
MR. HEMANT LUTHRA	BOARD MEMBER	INSTITUTIONAL
MR. JESUS MARIA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE

% of executive members	33.33%
% of institutional members	66.66%
% of independent members	0.00%
% of other outsiders	0.00%

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2013		Year ended 2012		Year ended 2011		Year ended 2010	
	Number	%	Number	%	Number	%	Number	%
NOMINATIONS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	1	33.33%	1	33.33%	1	33.33%	1	33.33%
DELEGATED EXECUTIVE COMMITTEE	1	16.66%	1	20.00%	1	25.00%	1	25.00%

C.2.3 State whether or not the following duties fall to the Audit Committee.

	YES	NOT
Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.	X	
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.	X	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	X	
Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	X	
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of the engagement.	X	
Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.	X	
Ensure the independence of the external auditors	X	

C.2.4. Describe the rules of organization and operation and the responsibilities of each of the Board committees.

NOMINATIONS AND COMPENSATION COMMITTEE

The Nominations and Compensation Committee is governed by Article 15 of the Regulations of the Board of Directors and is formed by a minimum of three (3) Directors. Executive Directors or Members of the Audit and Compliance Committee cannot be Members of this Committee. Notwithstanding other duties assigned by the Board of Directors, the Nominations and Compensation Committee will have the following basic duties:

i) Prepare and review the criteria that must be followed when appointing the Board of Directors and the selection of candidates;

ii) Inform about Director nomination proposals as well as examine or organize, in the manner it deems appropriate, the succession of the Chairman and the Chief Executive so that the handover takes place in an orderly and well-planned form.

iii) Propose the members of each Committee to the Board.

iv) Propose the annual compensation system and amount for Directors and, in particular, for the Chair of the Audit and Compliance Committee due to the special dedication, to the Board of Directors.

v) Propose the compensation system and amount for senior management.

vi) Review regularly the compensation programmes, weighting their adequacy and performance.

vii) Ensure the transparency of the compensation process.

viii) Report on the appointment of the persons that will represent the Company at Board of Directors' Meetings at the most relevant subsidiaries and investee companies, as determined by the Board of Directors.

ix) Report on the appointment or removal of executives that report directly to the Board, the Chair, the Delegated Committee or the CEO.

The Nomination and Remuneration Committee will meet whenever it is convenient for the performance of their duties and will appoint among its members a Chairman and a Secretary who will not have to be a director. Regarding specific performance standards, will apply with the necessary modifications established for the Board of Directors.

AUDIT COMMITTEE

The Audit Committee Regulations (by remission to Article 14 of the Regulations of the Board of Directors) establishes the duties and rules for organising and operating of the Audit and Compliance Committee.

The Audit and Compliance Committee will consist of a minimum of three members and a maximum of five, which will be designated by the Company's Board of Directors. The Members of the Committee will be all of them external directors and will be appointed for terms of four years, notwithstanding possible re-election. The renewal, re-election and removal of Members will fall to the Board of Directors.

The Audit Committee will also designate a Chair from among its members. The Chair must be replaced every four years and may be re-elected again after one year elapses after leaving the position. In addition, the Audit and Compliance Committee will designate the Secretary to the Committee, which should not be a Director.

The duties of the Audit and Compliance Committee are:

i) Inform the General Meeting of issues raised by shareholders with respect to matters within the Committee's sphere of competence.

ii) Propose to the Board of Directors the appointment of the external auditors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.

iii) Supervise internal audit services.

iv) Be aware of the financial information process and internal control systems.

v) Maintain relations with external auditors to receive information regarding issues that may put their independence into question and any other issues relating to the audit of the accounts.

vi) Review the annual, biannual and quarterly financial accounts before presentation to the Board of Directors.

vii) Supervise compliance with the Internal Conduct Regulations with respect to the Stock Market and the Internal Code of Professional Conduct of Group executives and employees.

viii) Report about transactions that mean or could mean there is a conflict of interest.

ix) Prepare an annual report on the Committee's activities.

x) Any other duties that may be assigned by the Company's Board of Directors.

DELEGATED EXECUTIVE COMMITTEE

According to Article 13 of the Regulations of the Board of Directors, as representation of Board of Directors, and with a nature of standing body, the Delegated Executive Committee will have - unless the Board of Directors determines otherwise - all the powers inherent to the Board of Directors, except for those that cannot be delegated by law and statutorily and those specifically reserved to the Board.

The Delegated Executive Committee will meet at least once (1) per month and few others deemed appropriate by the Chair, who may also suspend one or more of the ordinary meetings when deemed appropriate in its sole judgment. It will also meet when requested by two (2) of the Directors of the Committee. The Delegated Executive Committee will deal with all matters concerning to the Board, which in the opinion of the Committee itself, should be resolved without further delay, with the only exceptions of accountability, presentation of financial statements to the General Meeting, the powers which are given to the Board without authorizing its delegation and the powers of the Board of Directors that are not delegable by law and statutorily.

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Regulation of the Audit and Compliance Committee is available for consultation on the website of CIE AUTOMOTIVE. This Committee prepares an annual report of its activities. The operation of other committees is regulated by the rules of the Board of Directors

C.2.6 State whether the composition of the Executive Committee reflects the participation in the Board of Directors of the various directors depending on their category:

YES [X] NO [ ]

D. - RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, where appropriate, the procedure for approval of transactions with related parties and intragroup.

Competent body

Board of Directors

Procedure for approval of transactions with related parties

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the board or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

Explain whether the approval of transactions with related parties has been delegated, indicating, where appropriate, the body or persons to whom the authority has been delegated.

Not applicable

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders.:

Name of Significant Shareholder	Group Company	Nature of the Relationship	Type of Transaction	Amount (thousand €)
MAHINDRA MAHINDRA	MAHINDRA CIE AUTOMOTIVE LTD	Comercial	Sale of goods	8,500
MAHINDRA MAHINDRA	MAHINDRA HINODAY LTD	Comercial	Sale of goods	4,000

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

Name of Directors	Name of Related Party	Link	Type of transaction	Amount (thousand €)
MR. FERMIN DEL RIO SANZ DE ACEDO	CIE AUTOMOTIVE AND SUBSIDIARIES (CIE AUTOMOTIVE GROUP)	Contractual	Services	872
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	1,165

D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered tax haven will be informed.

D.5 Provide the amount of transactions with other related parties.

€65,154 Tthousand

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 30 of the Regulations of the Board of Directors lays down the following:

Article 30.- Conflicts of Interest

1.- A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person.

For the purposes of these Regulations, persons related to a Director are considered to be:

1.- The Director's spouse or persons with a similar relationship.

2.- Ascendants, descendants and siblings of the Director or his/her spouse.

3.- The spouses of the Director's ascendants, descendants and siblings.

4.- Companies in which the Director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related persons are considered to be the following with respect to a legal person Director.

1.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4.- Persons who, with respect to the legal person Director, are considered to be related to the Directors in accordance with this section.

2.- The following rules will be applicable to conflict of interest situations:

a) Communication: the Director must report to the Board of Directors and the Audit and Compliance Committee, through the Chair or the Secretary, any conflict of interest that arises.

b) Abstention: the Director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Institutional Outside Directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.

c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving Directors that has been reported by the affected party or by any other means.

D.7 Are more than one of the Group's companies listed in Spain?

YES [ ] NO [X]

Identify the subsidiaries listed in Spain:

E. - RISK CONTROL AND MANAGING SYSTEMS

E.1 Explain the scope of the Risk Management System of the Company.

CIE AUTOMOTIVE is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one. Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee. The overall process for managing corporate risks at CIE Automotive is based on the COSO II method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives;

II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls;

III. Establish a response to each one;

IV. Monitor the action taken; and

V. Report the results of the analysis performed.

E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:

Audit and Compliance Committee

E.3 Describe the main risks that may affect the achievement of business objectives.

The main risks to which CIE Automotive is exposed to are as follows:

a) Market risk

i) Foreign exchange risk

ii) Price Risk

iii) Interest Rates

b) Liquidity Risk

c) Credit Risk

d) Market risk and commodities price risk

E.4 Identify whether the entity has a level of risk tolerance.

See heading E.3. about the different levels of analysis of business risks and tolerance

E.5 Indicate quo risks have materialized during the year. Indicate whether any of the different types of risks has been materialized during the year.

During the year 2013 and despite having maintained the situation of global crisis in the financial markets, thanks to this policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by different group companies, having the control systems worked adequately and not having produced significant impacts on the consolidated financial statements 2013.

E.6 Explain the response and supervision plans held for the company's major risks.

See heading E.3. about every risk identified.

TIMBRE DEL ESTADO

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F. - DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

F.1 Company control environment.

Report, noting the main features of at least:

F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognised corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the SICFR.

On the other hand, the Management of CIE is responsible for defining and implementing the SICFR and, in general, for the entire Internal Control System of the Group, overseeing the definition and design of the internal control procedures which need to be implemented in the Group's operations, as well as compliance with legal rules, internal policies, and established procedures.

The CIE Audit and Compliance Committee (hereinafter the ACC) is the body responsible for the supervision of the efficacy of the Company's internal control system, the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit. In relation to financial information, this Committee must be familiar with the process for its preparation, and with the controls in place for its approval. The supervision of the SICFR is therefore the responsibility of the ACC.

F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with:
  (i) the design and review of the organisational structure. The Board of Directors is the body ultimately responsible for defining and periodically reviewing the organisational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources.

  With regard to the process for the preparation of financial information, there exists an interrelated global financial department which reports to the CIE Corporate Finance Management team.

  (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions. The responsibilities and functions of all persons directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

  (iii) ensuring that there are sufficient procedures in place for this information - particularly that relating to the process for the preparation of financial information – to be correctly disseminated within the Company. There are internal protocols which guarantee that information on any change taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this connection.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analysing breaches of such code and proposing corrective action and penalties.

CIE currently has an "Internal Code of Conduct" and "Internal Regulations on Conduct in relation to Securities Markets". Both these documents are published on the CIE web site and are distributed to all personnel affected through the communication channels established for this purpose.

In either case, the body responsible for their definition and approval is the CIE Board of Directors.

The Code lays down basic rules and principles whose purpose is to ensure that there is commitment and transparency in relations and operations with customers, suppliers and employees, that the shareholders' investments are protected and optimised, and that there is adequate surveillance of health, safety and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

It contains a specific section on the reliability of financial information, which lays down a series of specific rules applicable to all persons involved in the process for the preparation of financial information.

The functions of the ACC include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organisation, indicating, where appropriate, the confidential nature of such information.

  CIE has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

  There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, the wishes of the whistle-blower with respect to confidentiality being respected at all times.

  The Regulations governing the CIE whistle-blowing channel appoint a Management Committee and establish a protocol indicating the steps to be taken for the analysis of reports received, and for their communication to the ACC for supervision purposes.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

  As well as a variety of staff training programmes, CIE has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information:

  - There is a CIE Accounting Policies Manual, which is updated on an on-going basis.
  - There is an Accounting Policies Function, whose tasks is to resolve any doubts regarding the interpretation of the Accounting Policies Manual, and provide advice regarding the treatment of complex transactions.
  - There are divisional/regional controllers who are involved in the support provided to all persons forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.
  - When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
  - Advice is received from external advisors in relation to changes in accounting, legal and tax rules which may affect the Company.

F.2 Risk assessment of financial information.

Report at least:

F.2.1 What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

  The process of identification and assessment of financial information risks forms part of CIE's global Corporate Risks Management process. It is based on the COSO II methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar.

The risk management process is based on a continuous cycle comprising five phases:

I.- the identification of key risks which may affect the fulfilment of the Organisation's objectives, including all financial information control objectives;
II.-the evaluation of such risks based on the probability of occurrence and their impact on the organisation, and based on the existence of controls;
III.-determination of the required response for each such risk;
IV.-monitoring of the agreed courses of action; and
V.-reporting of the results of the analysis made.

The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Internal Audit acting as coordinator in this process.

The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks.

The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Internal Audit department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

  As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information which may have a material impact on its reliability. The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

  The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialised management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

  As has been mentioned above, the model is based on the COSO II methodology and therefore, taking as its starting point the Organisation's objectives, it seeks to identify and manage all risks which may have an impact on the achievement of results.

  Risks are classed specifically as Strategic Risks, Operational Risks, Reporting Risks and Compliance Risks.

  The main risks to which CIE is exposed and the measures implemented for their correct management are detailed in section D, entitled Risk Control Systems, in the Annual Corporate Governance Report of CIE Automotive, S.A. for the year ended 31 December 2013.

- 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..

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F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Documentation describing the flows of activities and controls (including those related to the risk of fraud) for the different types of transactions which may have a material impact on the financial statements, including the closure-of-accounts procedure and the specific review of significant judgements, estimates, measurements and projections.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE has control procedures and activities taking place in other key areas of the company (purchases, inventory management, sales, and so on), the purpose of which is to ensure that transactions are properly recorded, measured, presented and broken down, and to prevent and detect fraud.

For this purpose CIE has, at process level (including the closure-of-accounts process), descriptions (in the form of narratives), and risk and control matrices.

For the review of judgements, estimates, measurements and projections, the Accounting Policies Manual defines the application criteria prevailing in CIE, and specific controls in the aforementioned risk and control matrices.

The aforementioned significant transactions are reviewed by the CIE Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and judgements used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE has internal control policies and procedures in place in respect of information systems which support its significant processes, including the process for the preparation and review of financial information.

CIE uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE identifies the systems and applications which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those which are used directly in the preparation of financial information, and those which are relevant to the efficacy of controls which reduce the risk of misstatement in such information.

CIE has "Systems Security Policies", defined at corporate level, which are designed to meet its defined general security objectives.

The objective is to adopt the pertinent measures of an organisational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes
- Back-up and recovery
- Physical security
- Control of subcontractors
- Allocation of means, elimination of risks and Maintenance of Business.

F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts which may have a material impact on the financial statements.

CIE has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties which have a significant impact on the financial information prepared by CIE.

Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of CIE is the Information Systems area. In this respect, CIE has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.

In addition, there are control activities taking place periodically in CIE (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within the Company, specific monitoring work being required to guarantee their reliability.

F.4 Communication and information.

Report, noting their main features, if you have at least:

F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as en updated accounting policies guide communicated to the units through which the entity operates.

The Role of CIE Accounting Policies is assumed by the Corporate Controlling department, which depends directly from the Finance Department of CIE.

In performing this function, the Corporate Controlling department assumes the following responsibilities:

- Meintenance the CIE Accounting Policy Manual (Continuous Update) and dissemination to other companies group.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individual or consolidated level) in the interpretation of the rules to be applied.

F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information evenly.

This system is used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the preparation of the financial statements and notes that require a detailed breakdown, CIE has defined reporting format, which allows the units to disclosure financial data reported through the reporting system. These forms are requested twice a year, and are reported to Corporate Controlling department for analysis, being as well validated by financial auditor.

F.5 System performance monitory.

Report, noting its main features, at least:

F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

CIE has a Corporate Internal Audit Department, which reports to the CAC, and coordinates the Internal Auditing teams in Europe, Mexico and Brazil. The members of the internal audit department are exclusively dedicated to these functions.

Among the functions of Internal Audit, aspects concerning identification and risk assessment are included, as well as the review of controls oriented to reliability of financial reporting and actions related to fraud risk management.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

F.6 Other relevant information.

CIE relies on the ACC, as indicated above, as responsible for oversight of ICFR.

In this sense, during the year the ACC has been responsible for overseeing the activities carried out in CIE for adequacy to ICFR. In particular, there have been two meetings for monitoring the overall internal control model of CIE and the measures implemented specifically related to the reliability of financial information.

In these special sessions, in addition to the CAC, Financial Management, Internal Audit and external auditors have been involved, approving and planning measures to implement regarding ICFR, as well as monitoring the implementation of previously agreed measures. These include the review of CIE Risk Mapresults , the process of identification and assessment of risks (including risks of financial information), the review and approval of key processes and risks tobe audited as well as thereview and approval of the definition of Risk and Control Matrices deemed relevant to the processes .

Besides, the ACC has developed, within its ordinary activity, sessions aimed at continuous review of the Group's control environment. In this regard,

- Audit plans have been approved for 2013 and 2014.
- Tthe results of internal Audit work and suggestions for improvements made during 2013 have been analysed.

F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotive has submitted for review by the external auditor the Company's ICFR operating description, whereno significant impact have been detected. Audit opinion report and PricewaterhouseCoopers report are included as appendix.

G. - COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation won't be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See headings: A.10, B.1, B.2, C.1.23 and C.1.24.

Comply [X] Explain [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See headings: D.4 and D.7

Comply [ ] Partially comply [ ] Explain [ ] Not applicable [X]

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e., reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

See headings: B.6

Comply [X] Partially comply [ ] Explain [ ]

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 2, should be made available at the same time as the publication of the Meeting notice.

Comply [ ] Explain [X]

The documents relating to the General Shareholders' Meeting, including the detailed proposals for resolutions to be adopted are made available to shareholders at the time the relevant General Meeting is called and on the website maintained by CIE Automotive, S.A. and in the Shareholder forum for the time between tha call and the date of the General Meeting.

As to the content of information on the directors referred to in Recommendation 27, we understand that the information contained in this report (which is accessible at all times via Web Page) is more than sufficient for the purposes that proposed and in connection with the profiles of the members of the Board of Directors.

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.

Comply [X] Partially comply [ ] Explain [ ]

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Comply [X] Explain [ ]

7. The Board of Directors should perform its duties with unity of purpose and independent judgment, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximize its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply [X] Partially comply [ ] Explain [ ]

8. The Board should see, as core components of its mission, to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

a) The Company's general policies and strategies and, in particular:

i) The strategic or business plan, management targets and annual budgets
ii) Investment and financing policy
iii) Design of the structure of the corporate group;
iv) Corporate governance policy
v) Corporate social responsibility policy;
vi) Compensation and evaluation of senior officers;
vii) Risk control and management, and periodic monitoring of internal information and control systems
viii)The policy for dividends, as well as treasury stock and, in particular, their limits.

See headings: C.1.14, C.1.16 and E.2

b) The following decisions:

i) Upon recommendation by the CEO, the appointment and possible removal of senior management and any indemnity clauses.

ii) Directors' compensation and, in the case of Executive Directors, additional compensation for their management duties and other contractual conditions.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorization is not required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full Board.

See headings: D.1 and D.6

Comply [X] Partially comply [ ] Explain [ ]

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See heading: C.1.2

Comply [X] Explain [ ]

10. External directors, institutional and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See headings: A.3 and C.1.3.

Comply [X] Partially comply [ ] Explain [ ]

11. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by institutional directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of institutional directors is greater than would strictly correspond to the total percentage of the capital they represent:

1. **In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**
2. **In companies with a plurality of shareholders represented on the Board but not otherwise related.**

See headings: A.2 and A.3 and C.1.3

Comply [X] Explain [ ]

12. The number of independent directors should represent at least one third of all Board members.

See heading: C.1.3

Comply [ ] Explain [X]

CIE Automotive considers that the number of Independent Directors correctly reflects the company's shareholder composition and, in particular, the proportion of the free float capital that currently exists. The Board has the intention of making a proposal at the General Meeting for the appointment of new Independent Directors in the event that these proportions vary significantly.

13. Such determination should subsequently be explained by the Board to the General Meeting and be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of institutional directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for an institutional directorship.

See headings: C.1.3 and C.1.8

Comply [x] Partially comply [ ] Explain [ ]

14. When female directors are few or non-existent, the Nomination Committee should take steps to ensure that:

a) The process of filling Board vacancies has no implicit bias against female candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See headings: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Comply [x] Partially comply [ ] Explain [ ] Not applicable [ ]

15. The Chair, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See heading: C.1.19 and C.1.41

Comply [x] Partially comply [ ] Explain [ ]

16. When a company's Chair is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chair.

See heading: C.1.22

Comply [ ] Partially comply [ ] Explain [ ] Not applicable [x]

17. The Secretary should take care to ensure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the company Articles of Association and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting, the relevant appointment and removal procedures being spelled out in the Board's regulations.

See heading: C.1.34

Comply [X] Partially comply [ ] Explain [ ]

18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See heading: C.1.29

Comply [X] Partially comply [ ] Explain [ ]

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See headings: C.1.28, C.1.29 and C.1.30

Comply [X] Partially comply [ ] Explain [ ]

20. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board, at the request of the person who is expressing them, they should be recorded on the minutes.

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

21. The Board in full should evaluate the following points on a yearly basis:

a) **The quality and efficiency of the Board's operation;**
b) **Starting from a report submitted by the Nomination Committee, how well the Chair and chief executive have carried out their duties;**
c) **The performance of its committees on the basis of the reports furnished by the same.**

See heading: C.1.19 and C.1.20

Comply [X] Partially comply [ ] Explain [ ]

22. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Articles of Association or Board regulations indicate otherwise, such requests should be addressed to the Chair or Secretary.

See heading: C.1.41

Comply [X] Explain [ ]

23. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See heading: C.1.40

Comply [X] Explain [ ]

24. Companies should organize induction programmers for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply [X] Partially comply [ ] Explain [ ]

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

    a) **Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;**
    b) **Companies should lay down rules about the number of directorships their Board members can hold.**

See headings: C.1.12, C.1.13 and C.1.17

Comply [ ] Partially comply [ ] Explain [X]

As a result of the composition of the Company's Board of Directors, which is a direct reflection of the make-up of its shareholders, the aforementioned obligations for its Members are not necessary.

26. The proposal for the appointment or renewal of directors that the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-optation, should be approved by the Board:

    a) **On the proposal of the Nomination Committee, in the case of independent directors.**
    b) **Subject to a report from the Nomination Committee in all other cases.**

See heading: C.1.3

Comply [X] Partially comply [ ] Explain [ ]

27. Companies should post the following directorship particulars on their websites end keep them permanently updated:

    a) **Professional experience and background;**
    b) **Directorships held in other companies, listed or otherwise;**
    c) **An indication of the director's classification as appropriate, stating, in the case of institutional directors, the shareholder they represent or are associated with.**
    d) **The date of their first and subsequent appointments as a company director, and;**
    e) **Shares held in the company and any options on the same.**

Comply [ ] Partially comply [X] Explain [ ]

Our understanding is that the information set out in this report (which is accessible at all times through the website) already maintains up-to-date the necessary information regarding Directors, in line with the items requested in Recommendation 27.

28. Institutional directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to institutional directors, the latter's number should be reduced accordingly.

See headings: A.2, A.3 and C.1.2

Comply [X] Partially comply [ ] Explain [ ]

29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, it is understood that there is just cause when the director has breached the duties inherent in his position or comes under any of the circumstances making it lose its independent status in accordance with the provisions of the Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See headings: C.1.2, C.1.9, C.1.19 and C.1.27

Comply [X] Explain [ ]

30. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a Director is indicted or tried for any of the crimes stated in article 213 of the Spanish Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See headings: C.1.42 and C.1.43

Comply [X] Partially comply [ ] Explain [ ]

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary to the Board, whether a Director or not.

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See heading: C.1.9

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

33. Compensation comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

34. External directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply [X] Explain [ ] Not applicable [ ]

35. In the case of compensation linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply [X] Explain [ ] Not applicable [ ]

36. In the case of variable awards, compensation policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply [X] Explain [ ] Not applicable [ ]

37. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Delegate Committee.

See headings: C.2.1 and C.2.6

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

38. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Comply [X] Explain [ ] Not applicable [ ]

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Compensation.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Compensation should be set forth in the Board regulations, and include the following:

a) **The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;**

b) **These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**

c) **Committees should be chaired by an independent director.**

d) **They may engage external advisors, when they feel this is necessary for the discharge of their duties.**

e) **Meeting proceedings should be minuted and a copy sent to all Board members.**

See headings: C.2.1 and C.2.4

Comply [X] Partially comply [ ] Explain [ ]

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See headings: C.2.3 and C.2.4

Comply [X] Explain [ ]

41. All members of the Audit Committee, particularly its Chair, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply [X] Explain [ ]

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See headings: C.2.3

Comply [X] Explain [ ]

43. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply [X] Partially comply [ ] Explain [ ]

44. Control and risk management policy should specify at least:

a) **The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**

b) **The establishment of the risk level that the Company considers acceptable;**

c) **Measures in place to mitigate the impact of risk events should they occur;**

d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See headings: E

Comply [X] Partially comply [ ] Explain [ ]

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a) That the main risks identified as a result of monitoring the effectiveness of internal control of the company and the internal audit function, if any, are managed and properly disclosed.

b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

a) Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.

b) Monitor the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See headings: C.1.36, C.2.3, C.2.4 and E.2

Comply [X] Partially comply [ ] Explain [ ]

46. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply [X] Explain [ ]

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) **The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**

b) **The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**

c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See headings: C.2.3 and C.2.4

Comply [X] Partially comply [ ] Explain [ ]

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chair of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See heading: C.1.38

Comply [X] Partially comply [ ] Explain [ ]

49. The majority of Nomination Committee members – or Nominations and Compensation Committee members as the case may be – should be independent directors.

See heading: C.2.1

Comply [ ] Explain [X] Not applicable [ ]

Due to the composition and type of the Board of Directors, which reflects the composition of the Company's shareholders, the understanding is that it is not necessary to comply with the content of Recommendation 49.

50. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) **Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**

b) **Examine or organize, in appropriate form, the succession of the Chair and the chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.**

c) **Report on the senior officer appointments and removals which the chief executive proposes to the Board.**

d) **Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See heading: C.2.4

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

51. The Nomination Committee should consult with the company's Chair and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

52. The Compensation Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the Board of Directors regarding:

i) The compensation policy for Directors and senior management;
ii) The individual compensation and other contractual conditions of executive directors.
iii) The standard conditions for senior management employment contracts.

b) Oversee compliance with the compensation policy set by the company.

See headings: C.2.4

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

53. The Compensation Committee should consult with the Chair and chief executive, especially on matters relating to executive directors and senior officers.

Comply [X] Partially comply [ ] Explain [ ]

H. - OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.

2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

   Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

D.5 OTHER RELATED PARTY TRANSACTIONS

The Company and certain of its subsidiaries maintain contractual relationships with INSTITUTO SECTORIALDE PROMOCIÓN Y GESTIÓN DE EMPRESAS DOS, S.A. (INSSEC 2) and various subsidiaries of this company, with which significant shareholders common shares, being the amounts and the following concepts:

Company of CIE Automotive Group/Related Party/Nature/Operation/Thousand Euro

- CIE AUTOMOTIVE SA - INSSEC 2 - Contractual – Change in fair value of assets: 16,369 €
- CIE AUTOMOTIVE and Subsidiaries- INSSEC 2 and Subsidiaries – Financing Agreements – Trade Receivables (Non-Current): 8,400 €
- CIE AUTOMOTIVE and Subsidiaries - INSSEC 2 and Subsidiaries - Financing Agreements - Trade Receivables (Current): 29,218 €
- GLOBAL DOMINION ACCESS –BEROA GROUP– Financing Agreements: 11,157 €

Also, at December 20, 2013 ACCESS GLOBAL DOMINION, SA signed an option agreement for the purchase of 50% the share capital of Group BEROA to INSSEC 2. Finally, certain subsidiaries of Mahindra Forging Europe had made supplies to Gestamp group companies amounting €2.000 thousand.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/28/2014

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES [ ] NO [X]

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(Free translation of the auditor's report originally issued in Spanish relating to the internal financial reporting control system. 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 14 November 2013, 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 2013, 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, but 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 control on the regulated annual financial information.

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 2013 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.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

TIMBRE DEL ESTADO

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CLASE 8.ª

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The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 5/2013 dated 12 June 2013.

2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.

4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.

6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2013, 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 Law 24/2003 of 28 July on the Securities Market, amended by Law 2/2011 of 4 March on the Sustainable Economy and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013 for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo
Audit Partner

28 February 2014

CLASE 8.ª

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

AUTHORISATION FOR THE ISSUANCE OF THE 2013 CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS' REPORT

In keeping with the provisions of article 253 of the prevailing Corporate Enterprises Act, 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 2013, made up of the documents itemised and identified below, for issue:

- The table of contents, printed on class 8 state-stamped paper, sheet numbers 0L7054846 to 0L7054847.
- The balance sheet, printed on class 8 state-stamped paper, sheet numbers 0L7054848 to 0L7054849.
- The income statement, printed on class 8 state-stamped paper, sheet number 0L7054850.
- The statement of comprehensive income, printed on class 8 state-stamped paper, sheet number 0L7054851.
- The statement of changes in equity, printed on class 8 state-stamped paper, sheet number 0L7054852.
- The statement of cash flows, printed on class 8 state-stamped paper, sheet number 0L7054853.
- The notes to the annual financial statements, printed on class 8 state-stamped paper, sheet numbers 0L7054854 to 0L7054942.
- 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 0L7054943 to 0L7054995.
- In compliance with the provisions of the abovementioned article 253, the directors declare that they have signed each and every one of the above-listed documents in their own hand by witnessing these class 8 state-stamped sheets, specifically sheet numbers 0L7054996, 0L7054997 and 0L7054998.

The directors of the parent company also declare that, to the best of their knowledge, the annual financial statements 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 28th February 2014

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

AUTHORISATION FOR THE ISSUANCE OF THE 2013 CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS' REPORT

UNDERSIGNED

Antonio María Pradera Jáuregui
(Chairman)

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.,
represented by **Goizalde Egaña Garitagoitia** *(Vice-Chairwoman)*

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)

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

AUTHORISATION FOR THE ISSUANCE OF THE 2013 CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS' REPORT

Hemant Luthra
(Member)

Vankipuram Parthasarathy
(Member)

ADDVALIA CAPITAL, S.A., represented by
María Teresa Salegui Arbizu *(Member)*

AUSTRAL, B.V., represented by
Bernardino Díaz-Andreu García *(Member)*

CORPORACIÓN GESTAMP, S.L., represented by
Francisco López Peña *(Member)*

QMC DIRECTORSHIPS, S.L., represented by
Jacobo Llanza Figueroa *(Member)*