CIE Automotive, S.A.
and subsidiaries

Audit report,
Consolidated annual accounts at 31 December 2012
and Consolidated Directors' Report for 2012

(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

REPORT OF THE AUDITORS 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. (the parent company) and subsidiaries (the Group) at 31 December 2012, the consolidated balance sheet, the consolidated income statement, the consolidated statement of other 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 is explained in Note 2.1 of the accompanying notes to the consolidated annual accounts, the Company's directors are responsible for the preparation of these consolidated annual accounts in accordance with 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 carried out in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated 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 2012 present fairly, in all material respects, the consolidated financial position of CIE Automotive, S.A. and subsidiaries at 31 December 2012 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with 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 2012 contains the information that the Parent Company's Directors consider relevant to the Consolidated Group's, the development of its businesses and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2012. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records kept by CIE Automotive, S.A. and subsidiaries.

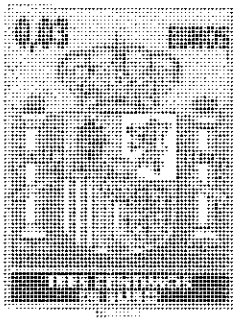
PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo
Partner

27 February 2013

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

Consolidated Annual Accounts
and Consolidated Directors' Report
for the year ended
31 December 2012



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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONTENTS

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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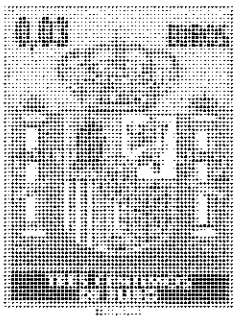
CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012 AND 2011
(Thousand euro)

	Note	At 31 December 2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	680,753	752,469
Goodwill	7	308,215	295,738
Other intangible assets	7	29,857	32,533
Non-current financial assets	8	38,236	30,481
Investments in associates	8	393	1,349
Deferred tax assets	23	162,404	104,453
Other non-current assets	9	5,133	12,798
		1,224,991	**1,229,821**
Current assets			
Inventories	11	189,994	187,519
Trade and other receivables	10	181,379	166,718
Other current assets	-	2,920	2,483
Current tax assets	-	43,276	41,194
Other current financial assets	8	61,914	44,459
Cash and cash equivalents	12	471,692	530,343
		951,175	**972,716**
Disposal group assets classified as held-for-sale	13	**38,813**	**1,676**
Total assets		**2,214,979**	**2,204,213**

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts

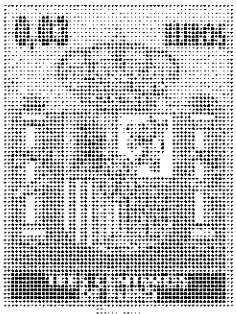


CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012 AND 2011
(Thousand euro)

	Note	At 31 December 2012	At 31 December 2011
EQUITY			
Capital and reserves attributable to the parent company's shareholders			
Share capital	14	28,500	28,500
Treasury shares	14	(53,230)	(22,697)
Share premium	14	33,752	33,752
Retained earnings	15	401,529	383,036
Interim dividend	15	(9,345)	(9,847)
Cumulative exchange differences	15/16	(54,730)	(30,806)
Non-controlling interests	18	161,340	143,579
Total equity		**507,816**	**525,517**
Deferred income	19	**22,255**	**29,939**
LIABILITIES			
Non-current liabilities			
Non-current provisions	25	45,163	52,534
Non-current borrowings	20	645,078	556,507
Oeferred tex liabilities	23	55,809	51,176
Other non-current liabilities	22	97,261	79,088
		843,311	**739,305**
Current liabilities			
Current borrowings	20	281,322	359,793
Trade and other payables	21	439,098	445,727
Other current financial liabilities	8	1,488	618
Current tex liabilities	22	37,900	41,108
Current provisions	25	8,210	5,613
Other current liabilities	22	70,776	55,601
		838,794	**908,460**
Disposal group liabilities classified as held-for-sale	13	**2,803**	**992**
Total liabilities		**1,684,908**	**1,648,757**
Total equity and liabilities		**2,214,979**	**2,204,213**

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts



CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Thousand euro)

	Note	Year ended 31 December 2012	2011
OPERATING REVENUE		1,709,971	1,910,967
Revenue	26	1,645,705	1,833,217
Other operating income	26	68,840	64,534
Change in inventories of finished goods and work in progress	11/26	(4,574)	13,216
OPERATING EXPENSES		(1,568,594)	(1,757,272)
Consumption of raw materials and secondary materials	11	(963,112)	(1,143,328)
Employee benefit expense	28	(343,979)	(346,496)
Depreciation and amortisation	5	(82,683)	(84,939)
Other operating expenses	27	(178,820)	(182,509)
OPERATING PROFIT		**141,377**	**153,695**
Finance income	29	41,004	30,526
Finance costs	29	(81,274)	(78,066)
Net exchange differences	29	(4,179)	880
Share of profit/(loss) of associates	8	(166)	(9,941)
PROFIT BEFORE TAX		**96,762**	**97,094**
Income tex	30	15,688	(9,288)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**112,450**	**87,806**
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	13	**(36,482)**	**(7,627)**
PROFIT FOR THE YEAR		**75,968**	**80,179**
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18	**(14,940)**	**(19,602)**
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**61,028**	**60,577**
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in euro per share)			
- Basic earnings per share:	31	0.57	0.54
From continuing operations		0.90	0.61
From discontinued operations		(0.33)	(0.06)
- Diluted earnings per share:	31	0.57	0.54
From continuing operations		0.90	0.61
From discontinued operations		(0.33)	(0.06)

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Thousand euro)

	Note	Year ended 31 December 2012	2011
PROFIT FOR THE YEAR		75,968	80,179
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	**8**	(154)	3,118
Net investment hedge	**2.11/3**	(5,861)	(16,430)
Currency translation differences	**16/18**	(39,774)	(19,745)
Other comprehensive income for the year		(1,392)	-
Tax effect	**23**	2,002	3,315
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**30,789**	**50,437**
Attributable to:			
- Owners of the parent	**15**	31,209	35,723
. Continuing operations		67,691	35,709
. Discontinued operations		(36,482)	14
- Non-controlling interests	**18**	(420)	14,714
		30,789	**50,437**

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Thousand euro)

	Share capital (Note 14)	Treasury shares (Note 14)	Share premium (Note 14)	First-time IFRS-EU application reserve, other restatement reserves and fair value adjustments (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 2010 (*)	**20,400**	**-**	**89,551**	**-**	**(12,182)**	**105,924**	**-**	**147,306**	**350,999**
Effect of the merger (Notes 1 and 14) (*)	8,100	(7,314)	(55,799)	2,974	(5,689)	170,214	-	(112,486)	-
Balance at 1 January 2011 restated for merger	**28,500**	**(7,314)**	**33,752**	**2,974**	**(17,871)**	**276,138**	**-**	**34,820**	**350,999**
Total comprehensive income for 2011	**-**	**-**	**-**	**(9,997)**	**(14,857)**	**60,577**	**-**	**14,714**	**50,437**
Interim dividend 2011	-	-	-	-	-	-	(9,847)	-	(9,847)
Acquisition/disposal of treasury shares	-	(15,383)	-	-	-	-	-	-	(15,383)
Changes in consolidation scope and other transactions with non-controlling interests (Notes 1.1, 18 and 35)	-	-	-	60,076	1,922	(38)	-	100,880	162,840
Other movements (**)	-	-	-	-	-	(6,694)	-	(6,835)	(13,529)
Balance at 31 December 2011	**28,500**	**(22,697)**	**33,752**	**53,053**	**(30,806)**	**329,983**	**(9,847)**	**143,579**	**525,517**

(*) As a result of the merger process described in Note 1, the equity of INSSEC (target company) was restructured by the equity of CIE Automotive, S.A. (acquiring company).

(**) Basically relates to the distribution of reserves, agreed in 2011, to certain Group companies (CIE Autometal), paid out to non-controlling interests in these companies: euro 4,107 thousand (from equity attributable to owners of the parent) and euro 6,835 thousand (from equity attributable to non-controlling interests).

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENOED 31 DECEMBER 2012 AND 2011
(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**	**(30,808)**	**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 reserves, agreed in 2012, to certain Group companies in Brazil on the basis of the distribution of dividends or the cancellation of commitments with non-controlling interests euro 2,667 thousand charged against parent company shareholder company).

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 (Thousand euro)

	Notes	Year ended 31 December 2012	2011
Cash flows from operating activities			
Cash generated from continuing and discontinued operations	33	169,569	289,772
Interest paid		(69,590)	(71,460)
Interest received		38,589	28,899
Income tax paid		(17,663)	(21,017)
Net cash generated from operating activities		120,905	226,194
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired/transferred	1/35	(17,814)	(1,207)
Acquisition of property, plant and equipment	6	(78,214)	(103,602)
Proceeds from the sale of property, plant and equipment and intangible assets	33	4,776	10,295
Acquisition/disposal of intangible assets	7	(6,811)	(6,950)
Acquisition/disposal of other current assets	-	-	2,773
Acquisition/disposal of other financial assets	-	(10,751)	29,154
Net cash used in investing activities		(108,814)	(69,537)
Cash flows from financing activities			
Acquisition/disposal of treasury shares	14	(30,533)	(15,383)
Proceeds from IPO	1	-	165,442
Sale of interest in a subsidiary to non-controlling interests	1	19,955	-
Proceeds from borrowings	20	320,036	350,000
Income (net of reimbursements) from high-rotation borrowings	20	(19,788)	(44,282)
Loan repayments	20	(289,015)	(233,000)
Grants received (net)	-	898	6,101
Other payments/income to/from non-controlling interests	-	(15,730)	(6,835)
Dividends paid by the parent company	15	(19,525)	-
Net cash (used in)/from financing activities		(33,702)	222,043
Exchange gains/(losses) on cash and cash equivalents		**(37,040)**	**(11,276)**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(58,651)**	**367,424**
Cash, cash equivalents and bank overdrafts at beginning of year	12	530,343	162,919
Cash, cash equivalents and bank overdrafts at end of year	12	**471,692**	**530,343**

The accompanying notes to the annual accounts set out on pages 8 to 89 form an integral part of these consolidated annual accounts

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2012 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousand euro)

1. General information and Regulatory Framework

1.1 CIE Automotive Group and activities

Merger with INSSEC

The merger of CIE Automotive, S.A. (acquiring company) and Instituto Sectorial de Promoción y Gestión de Empresas, S.A. – INSSEC (target company) closed on 1 January 2011 for accounting purposes. Until that date the latter was the majority shareholder of the former. The merger plan was approved by the Board of Directors of both companies on 30 June 2010 and by shareholders in general meeting in October 2010 and entered into the Mercantile Registry in December 2010.

As a result of the final merger, INSSEC (transferor for legal purposes) was wound up without liquidation while CIE Automotive, S.A. (transferee for legal purposes) obtained through this 'reverse' merger (where the subsidiary takes over the parent company for legal purposes, although for accounting purposes INSSEC is the acquiring company) the technology solutions and services business from the Global Dominion Access subgroup and acquired full control (100%) of the biofuel business through CIE Automotive Bioenergía, S.L.

As a result of the merger, the shares in INSSEC were written off and eliminated and its shareholders received in exchange 73,817,005 shares in CIE Automotive, S.A. that were owned by INSSEC; the total number of shares in CIE Automotive, S.A. did not change.

The exchange ratio for this merger, based on the fair values of both companies, was 20.44450319 shares in CIE Automotive, S.A. for each share in INSSEC after the spin-off (see process described below).

Prior to the merger certain corporate transactions were carried out by INSSEC and the technology business group led by Global Dominion Access, S.A. These transactions are described below:

- Corporate reorganisation of the subgroup led by Global Dominion Access, S.A. This reorganisation, carried out through the purchase/sale of assets, lines of business and subsidiaries on 25 June 2010 allowed to separate, the technology services and solutions business from the rest of the activities carried out by the subgroup (basically the sale of mobiles and telephony services), which are now led by a new parent company called Distribución y Desarrollo Global de Tecnologías de la Información, S.L.
- Merger into INSSEC of its wholly-owned holding companies SALTEC, S.L.U., INSSEC Participadas, S.L.U. and SALTEC Participadas, S.L.U. with effect from 1 January 2010 for accounting purposes.
- Spin-off of INSSEC into two groups that would each include:
  - INSSEC (the parent company of CIE Automotive Group): CIE Automotive subgroup, Global Dominion Access subgroup (technology solutions and services) and the shareholding (19.5%) in CIE Automotive Bioenergía, S.L. (the remaining 80.5% is held by CIE Automotive)
  - INSSEC DOS: Beroa subgroup, the Distribución y Desarrollo Global de Tecnologías de la Información subgroup and the rest of the Company's investees.

  This spin-off took effect for accounting purposes on 14 December 2010, the date on which the resolution was entered into the Mercantile Registry.

With respect to the technology solutions and services business merged into CIE Automotive Group, the agreement concluded on 20 September 2010 between CIE Automotive, INSSEC and the shareholders of INSSEC DOS also stipulated, in addition to the normal guarantees covering damages to the contributed assets that could be incurred by CIE Automotive Group as a result of actions or omissions on the part of INSSEC before the merger's effective date (1 January 2011), that in the event that the mathematical average of the normalised EBITDA (as this ratio is defined) of the technology solutions and services business (Dominion Group) being integrated into CIE Automotive Group for 2011 and 2012 varies by more than 10% with respect to the figure established in the Business Plan (€10,280 million), CIE Automotive and INSSEC DOS (Newco) will compensate each other (based on whether the figure is positive or negative) in an amount resulting from applying a multiple of 5.35 to the difference plus interest of 8%. Similarly, the agreement provides for the early calculation of this

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2012 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousand euro)

compensation in the event of the sale of the Dominion Group before the end of the guarantee period, establishing that in that case the sale value will provide the benchmark and the limit of the compensation to be paid, regardless of the result of applying the aforementioned calculation. The heading "Financial assets" accordingly records a €21 million deposit made to secure this possible adjustment (Note 8). As stipulated in the agreement, the corresponding assessment of this compensation will be made when all the required information is available, and by 30 June 2013 at the latest.

The merger between INSSEC and CIE Automotive, S.A. availed of the tax system established by Regional Law 3/1996 on Corporate Income Tax that provides a tax exemption.

Activity

Until 2010, CIE Automotive Group carried out its activities in two different sectors: the automotive and biofuel segments, described below;

- Automotive

  CIE Automotive, S.A. is the parent company of 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 market. It applies 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), France, Portugal, Czech Republic, Romania, Morocco, Lithuania, NAFTA (Mexico and the US), South America (Brazil), the People's Republic of China and Russia.

- Biofuel

  CIE Automotive Group is also involved in this business which is in the initial stages of development and which, moreover, offers synergies with the automotive business of CIE Automotive with respect to industry, project management, R&D, purchases and finance. The biofuel business is made up of several companies engaged in the production and distribution of biofuels and the purchase and commercialisation of oils and derivative products. Note 1.2 to these consolidated annual accounts summarises the main lines of the regulatory framework governing this developing business.

  The principal facilities from which this activity is carried on are located in Spain, Brazil and Guatemala.

As from the date of the aforementioned reverse merger (1 January 2011), CIE Automotive Group commenced activities in a new sector:

- IT Solutions and Services (formerly known as Information Technologies and Communications Segment (ITC))

  As from 1 January 2011 and as a result of the aforementioned merger, a new group of companies entered into CIE Automotive Group. The parent company of this subgroup is Global Dominion Access, S.A.

  This subgroup has an international presence and develops sustainable global solutions in emerging technologies for the new digital society, offering technology solutions in the Education, Health, Sustainability, Transportation and Communications sectors. Its main facilities are located in Spain, Mexico, Brazil, Argentina, Chile and Peru (the latter since 2012). In addition to this stable presence, it develops international projects, mainly in Latin America.

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).

The Group has also decided to abandon a line of activity, the only one in the Group dedicated, to namely the design, manufacture and supply of certain automotive parts for the 'engine equipment' market, in which Group subsidiary Tarabusi, S.A.U. acted as TIER 1 supplier, with a direct relationship with the OEMs (Note 13).

The registered office of CIE Automotive is located at Iparraguirre 34 - 2º derecha, 48011 Bilbao (Vizcaya).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE 2012 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousand euro)

Group structure

CIE Automotive, S.A. (publicly listed) currently holds a direct or indirect 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. and, finally, an 84.95% stake in Global Dominion Access, S.A., holding companies to which the Group's productive companies report.

The list of subsidiaries and associates at 31 December 2012, 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).

The associates consolidated under the equity method are as follows:

	% interest	
	31/12/2012	**31/12/2011**
Belgium Forge, N.V. (1)	100%	100%
Biocombustibles de Zierbana, S.A. (2)	20%	20%
Biocombustibles La Seda, S.L. (2)	40%	40%
Galfor Eólica, S.L. (2) (3)	50%	50%
Advanced Comfort Systems México, S.A. de C.V. (4)	50%	50%
Gescrap – Autometal Comercio de Sucatas, Ltd. (2)	30%	-

(1) In liquidation/dormant
(2) No control
(3) Company being launched
(4) Newly created company launching its installations

Listing on the stock market in Brazil

On 30 April 2010 CIE Automotive Group notified the Brazilian stock market authority (CVM de Brasil) its intention to list its Brazilian subsidiary Autometal, S.A. on the stock market and registered an initial public offering of shares issued by Autometal, S.A. (hereinafter the "IPO") in Brazil by filing the provisional registration forms and prospectus. On 19 January 2011, Autometal S.A. published the "Market Announcement", stating its intention of carrying out the initial public offering of the shares issued by Autometal in Brazil in accordance with CVM Regulations 480/09 and 400/03, including an underwriting effort and public share placement abroad. Finally, on 4 February 2011 it was publicly announced that Autometal, S.A. had concluded the relevant contracts and published the IPO "Initiation Announcement".

The placement price was BRL14 per share and Autometal, S.A.'s shares began to trade on the Brazilian stock market (BMF&BOVESPA – Novo Mercado) on 7 February 2011. A total of 31,482,300 new shares (equivalent to 25% of the total number of shares representing share capital after the IPO) totalling BRL440,752 thousand were issued. A total of 27,482,300 shares were placed with external investors in the market while CIE Autometal, S.A. bought the remaining 4,000,000 shares, in accordance with the commitments with the IPO placement agents and the terms of the prospectus that allowed the controlling shareholder (CIE Autometal, S.A.) to subscribe up to 15% of the capital increase.

On 18 February 2011, as agreed with the placement agents, the option for the supplementary placement of up to 968,530 shares owned by CIE Autometal, S.A. (the greenshoe option originally established in the prospectus providing for the placement of up to 15% of the total IPO and at the same placement price) was partially executed and the IPO "Closing Announcement" was published on 24 February 2011. Following the IPO, CIE Automotive, S.A. controlled, indirectly, 97,132,501 shares, equivalent to 77.146% of the share capital of Autometal, S.A.

The transaction costs were €9.3 million; therefore the transaction proceeds for CIE Automotive Group totalled €165.5 million.

This transaction represented a significant increase in the Group's equity (Note 14), the addition of new non-controlling interests totalling €103 million (Note 18) and a significant decrease in net debt.

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The impact on equity of the listing on the Brazil stock market breaks down as follows:

	At the time of the transaction (thousand euro)
Funds obtained from shareholders	174,713
- Transaction costs	(9,271)
Net proceeds	165,442
Equity acquired by non-controlling interests	(103,441)
Equity increase from parent shareholders (*)	**62,001**

(*) This amount is shown in the consolidated statement of changes in equity for the year ended 31 December 2011 broken down into the headings "Cumulative exchange differences" and "Retained earnings".

The change during the year in non-controlling intarests is detailed in Note 18.

In 2012 and pursuant to the commitments acquired with the Brazilian stock exchange in connection with the IPO, a number of shares representing 2.146% of Autometal, S.A.'s share capital were sold in a series of transactions. As a result, at year-end 2012, the Group's shareholding in this subsidiary stood at 74.76%.

Changes in the scope of consolidation

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 Nanging Forging, 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 stemp forging and complementary technologies at Nanjing Forging and, particularly, to develop and make crankshafts. CIE Group has direct experience making this product in its European facilities (Note 35).

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.

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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 does 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) IT Solutions and Services segment

On 22 February 2012 a peruan company was incorporatad, 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. (transferee) 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 equivalent to the carrying amount of this investment, so that this transaction did not have any impact on the consolidated figures.

2011

a) Automotive segment

On 1 January 2011 the following mergers took place within the Mexican automotive segment subgroup (Appendix):

- Mexican company Percaser de México S.A. de C.V. (transferee) merged with Mexican companies Organización ADTEC, S.A. de C.V. and Pesimex, S.A. de C.V. (transferors).
- Blanking, S.A. de C.V. (transferee) merged with Nugar S.A.P.I. de C.V. (transferor), and the new company's name was changed to Nugar, S.A. de C.V.

On 7 June 2011, CIE Automotive Group reached an agreement with the "HISPAMOLDES" business group in Galicia for the creation of a joint venture, in which each of the parties would hold a 50% stake. The joint venture between CIE Automotive, S.A. and HISPAMOLDES, which is structured as a limited liability company, has the primary objective of promoting the joint participation in projects in the automobile component manufacturing sector in the Kingdom of Morocco. The agreement stipulates that the first project covered by the initial phase would be in the plastic component technology area, specifically the development of a manufacturing plant for injection-moulded plastic parts for subsequent assembly and painting, subject to sustainable development and environmentally-friendly criteria, all with a view to providing high-quality affordable parts. This plant would be located in the Free Zone of Tangiers (Kingdom of Morocco), the recognised automobile sector cluster in that country.

In May 2011, the Group acquired a 55% shareholding in the Portuguese company Apolo Blue Tratamentos, Lda through the Group's subsidiary Plasfil Plásticos da Figueira, S.A. (Note 35).

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On 22 June 2011 the shares in GSB-TBK Automotive Components, S.L. owned by minority shareholders were acquired and the company became wholly-owned (Note 35).

On 30 June 2011, the Group acquired the shareholding in CIE Galfor, S.A. until then owned by minority shareholders, and the company became wholly-owned by the Group (Note 35).

In September 2011 the mergers of CIE Berriz, S.L. (transferee) and CIE Azkoitia, S.L. (transferor) and CIE Galfor, S.A. (transferee) and GSB-TBK Automotive Components, S.L. (transferor) were approved. Neither merger had any effect on the consolidated figures.

On 28 October 2011 the Spanish companies, wholly-owned by the Group, CIE Recyde S.A.U and CIE Azkoitia S.L., sold their shareholdings (99.95% and 0.05%, respectively) in the Mexican company Recycomex S.A. de C.V to the Mexican companies CIE Autometal de Mexico S.A. de C.V. and Cie Celaya S.A.P.I. de C.V. for a price in Mexican pesos equivalent to €28 thousand euro at the time of the transaction. Subsequently, on 15 December 2011 the merger of Recycomex S.A de C.V. (transferor) into CIE Autometal de México S.A. de C.V. (surviving transferee) was approved. This transaction had no effect whatsoever on the consolidated figures of CIE Automotive Group.

On 4 October 2011, the Group, together with Spanish company DOGA, S.A. and Russian company Avtokom, created a new Russian company, DOGA AVTOKOM CIE LLC (DAC, LLC), with Group subsidiary CIE Automotive Nuevos Mercados S.L. taking a 25% stake. The Group's effective interest in the newly created company is 18.75%.

In 2011 Group company Advanced Comfort System France, S.A.S. incorporated the wholly-owned subsidiary Advanced Comfort System México, S.A. de C.V. in Mexico.

b) Biofuels segment

On 15 June 2011, Bionor Inversiones e Inmuebles S.L. (which merged with Bionor Transformación S.A. with effect from 1 January 2011 for accounting purposes) sold its 100% interest in the Brazilian company Naturoil Combustíveis Renováveis S.A. to the Brazilian company CIE Autometal, S.A. This transaction did not have any effect whatsoever on the consolidated figures of CIE Automotive Group.

In 2011, the resolution to merge Bionor Transformación S.A.U. (transferee) and Bionor Inversiones e Inmuebles S.L. (transferor, subsequently dissolved) was approved. This merger took effect for accounting purposes on 1 January 2011 and does not have any effect on the consolidated figures of the CIE Automotive Group.

On 15 October 2011, CIE Automotive Group, through its subsidiary Bioauto Participaçoes, S.A., sold its 75% stake (65% through Bioauto Participaçoes and 10% through Bionor Transformación) in the Brazilian company Bioauto SP Indústria e Comércio de Biodiesel, Ltda.

The transaction gave rise to a gain of €81 thousand, broken down as follows:

	Thousand euro (*)
Prepayments and liabilities sold:	
Assets	1,181
Receivables	2
Current liabilities	(24)
Net assets sold	1,159
% interest	75%
Assignable to CIE Group	869
Sale price	950
Gain /(loss) on the transaction	**81**
Cash on hand at the target	-
Cash obtained from the transaction (**)	**950**

(*) Figures in Brazilian reais converted to euro at the exchange rate on the transaction date (15 October 2011).
(**) At 31 December 2012, €319 thousand remained outstanding; this sum is recognised as a receivable on the asset side of the balance sheet at year-end 2012 as a function of the due date (€760 thousand at 31 December 2011).

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c) Information Technologies and Communications Segment (ITC) (IT Solutions and Services segment since 2012)

In 2011 Dominion Soluciones Tecnológicas, S.L.U., Dominion Instalaciones y Montajes, S.A.U., Install Telecom, S.A. and Dominion Seguridad, S.A. merged. The transferee company was Dominion Instalaciones y Montajes, S.A.U. This merger did not have any effect 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 2012 and 2011 are as follows (Nota 14):

	% Interest
Corporación Gestamp, S.L.	(*) 25.923%
Elidoza Promoción de Empresas, S.L.	10.865%

(*) 11.098% directly and 14.825% indirectly, through Risteel Corporation, B.V.

Authorisation for issue

These consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2013. 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, that currently prevailing being Royal Decree 459/2011 (2 April)). Said certificates are understood to mean the document issued at the request of the party subject to the Order certifying that the latter has accredited sales or consumption of a tonne of oil equivalent (toe) of biofuels in a given year. Failure by these parties to certify the levels of consumption shown in the table below set up a penalty of €350 per biofuel certificate not presented.

As noted above, Royal Decree 459/2011 was published on 2 April 2011, replacing Royal Decree 1783/2010 and establishing the following targets for biofuels in general and as substitutes for diesel in particular:

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	2011	2012	2013
Biofuel targets	6.2%	6.5%	6.5%

	2011	2012	2013
Biofuel mix targets for diesel	6%	7%	7%

Sustainability

Royal Decree 1597/2011, published on 4 November 2011, regulates the sustainability criteria for biofuels and bioliquids, the National Susteinability 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. This Order will be effective for 24 months and can be extended for another 2-year period.

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 Secretery of State for Energy to issue a ruling to start the term for applying for biodiesel quotas.

This resolution was ultimately issued by the Secretary of State for Energy (Ministry for Industry, Energy and Tourism) on 9 February 2013, effectively calling the new tender for allocating biodiesel quotas.

2. Summary of the 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 2012 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 2012.

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.

In 2012 the Board of Directors has decided to abandon certain business activities and to put certain companies up for sale (Note 13). As a result, and in keeping with IFRS 5, the results of these discontinued activities have been reclassified from those of continuing operations for all years presented and included within results from discontinued activities. As a result, the consolidated 2011 income statement included in these financial statements for comparative purposes has been newly presented. The impact of this new presentation on the 2011 income statement figures is disclosed in detail in Note 13.

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The preparation of consolidated financial statements in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 2012 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 2012 are detailed below.

The operating profit shown in the income statement for 2012 and 2011 does not include unusual items that require disclosure and reconciliation.

2.1.1 List and summary of the standards, amended standards and interpretations published to date

a) Standards, amended standards and interpretations effective for annual periods beginning on or after 1 January 2012

- **IFRS 7 (amendment) 'Financial instruments: Disclosures – Transfers of financial assets'**

The amended IFRS 7 requires additional disclosures regarding exposure to risks deriving from financial assets transferred to third parties. The amended standard requires disclosures on the evaluation of risks and rewards performed in relation to transactions which have not qualified for derecognition, as well as more detailed disclosures on transactions which have qualified for derecognition (the gain/loss generated by the transaction, the retained risks and rewards, their initial and subsequent recognition for accounting purposes and the estimated fair value of the 'continuing involvement' recognised on the balance sheet). The amended IFRS 7 is mandatorily applicable for annual periods beginning on or after 1 July 2011.

The Group has included these disclosure requirements in the notes for the related line items.

b) Standards, amended standards and interpretations that are not yet effective but can be early applied in years beginning on or after 1 January 2012

At the date of authorising the consolidated financial statements for issue, the IASB and IFRS Interpretations Committee had published the following standards, amended standards and interpretations that are mandatorily applicable from 2013 and which the Group has not early applied.

- **IAS 1 (amendment), 'Presentation of financial statements'.**

This amendment changes the presentation of the statement of comprehensive income, requiring that the items presented in other comprehensive income (OCI) be grouped into two categories depending on whether they are potentially reclassifiable to profit or loss subsequently.

This standard is effective for annual periods beginning on or after 1 July 2012. Early application is permitted.

- **IAS 19 (amendment), 'Employee benefits'**

The amended IAS 19 significantly changes how defined benefit pension and termination expenses are recognised and measured, as well as changing disclosure requirements for all employee benefits.

The amended IAS 19 is mandatorily applicable for annual periods beginning on or after 1 January 2013. Early application is allowed.

- **IFRS 1 (amendment), 'Severe hyperinflation and removal of fixed dates for first-time adopters'**

Although this amendment was mandatorily applicable in annual periods beginning on or after 1 July 2011 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2013.

- **IAS 12 (amendment), 'Deferred tax: Recovery of underlying assets'**

The amendment to IAS 12 provides a practical approach for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value, one of the valuation options allowed by IAS 40, 'Investment property'.

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Although this amendment was mandatorily applicable in annual periods beginning on or after 1 January 2012 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2013.

- **IFRS 10, 'Consolidated financial statements'**

IFRS 10 introduces changes to the definition of control, which remains the crucial factor in determining whether or not an entity must be consolidated. IFRS 10 replaces the guidelines on control and consolidation laid down in IAS 27, 'Consolidated and separate financial statements' and eliminates SIC 12, 'Consolidation – Special purpose entities', which is thereby repealed.

Control presents two prerequisites: power over an entity and exposure to or rights over its variable returns. Power is defined as the current ability to direct the activities of the investee that significantly affect the investee's returns.

Although this amendment was mandatorily applicable in annual periods beginning on or after 1 January 2013 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2014. It may be applied early under certain conditions.

- **IFRS 11, 'Joint arrangements'**

IFRS 11 provides the accounting treatment framework for joint arrangements on the basis of the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its proportionate interest in the operation's assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the profit or net assets of the arrangement and hence equity accounts for its interest. Proportionate consolidation of joint ventures is no longer allowed.

Although this amendment was mandatorily applicable in annual periods beginning on or after 1 January 2013 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2014. The accounting treatment changes required under IFRS 11 are shown at the start of the earliest period presented in the financial statements.

IFRS 11 may be applied early under certain conditions.

- **IFRS 12, 'Disclosures of interests in other entities'**

IFRS 12 includes the disclosure requirements for all entities reporting under the new IFRS 10, 'Consolidated financial statements', and the new IFRS 11, 'Joint arrangements'. It additionally replaces the disclosure requirements formerly included in the old IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'. Under IFRS 12, reporting entities must disclose information that allows financial statement users to assess the nature, risks and financial consequences associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

Although this amendment was mandatorily applicable in annual periods beginning on or after 1 January 2013 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2014.

Early adoption is permitted.

- **IAS 27 (amendment), 'Separate financial statements'**

The requirements previously established in IAS 27 with respect to the preparation of consolidated financial statements are included in the new IFRS 10 and therefore the former scope of application is reduced to the accounting for investments in subsidiaries, joint ventures and associates in the individual financial statements prepared under IFRS by the investing company, which have not changed with respect to existing rules (i.e. recognition at cost or fair value as per IFRS 9).

Although the amended IAS 27 was mandatorily applicable in annual periods beginning on or after 1 January 2013 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2014.

It may be applied early under certain conditions.

- **IAS 28 (amendment), 'Investments in associates and joint ventures'**

IAS 28 has been updated basically to make reference to the joint ventures which under the new IFRS 11, 'Joint arrangements', must be accounted for using the equity method of consolidation.

Although the amended IAS 28 was mandatorily applicable in annual periods beginning on or after 1 January 2013 according to the date of effectiveness established by the IASB, for European Union purposes, the amendment is effective for annual periods beginning on or after 1 January 2014.

It may be applied early under certain conditions.

- **IFRS 13, 'Fair value measurement'**

IFRS 13 is the outcome of a joint initiative by the IASB and the FASB (the US Financial Accounting Standards Board) and is intended to explain how to value items at fair value, all with a view to improving and expanding fair value disclosures. This standard does not establish which items must be measured at fair value. 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 (the exit price). It is based on the perspective of market participants rather than simply that of the reporting entity. It introduces a three-level fair value hierarchy, equivalent to that established in IFRS 7, for fair value measurement.

This standard is mandatorily applicable for annual periods beginning on or after 1 January 2013. The new standard will be applied gradually from the beginning of the fiscal year in which it is applied for the first time. The disclosure requirements do not apply to the comparative information presented in respect of fiscal years prior to that of first-time application of IFRS 13.

- **IAS 32 (amendment) and IFRS 7 (amendment), 'Offsetting financial assets and financial liabilities'**

The IASB issued an amended IAS 32, 'Offsetting financial assets and financial liabilities', and an amended IFRS 7, 'Disclosures – 'Offsetting financial assets and financial liabilities' in December 2011.

The so-amended IFRS 7 is mandatorily applicable for annual periods beginning on or after 1 January 2013 and must be applied retroactively. Early adoption is permitted.

These new standards, amended standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements.

c) New standards and amendments to and interpretations of existing standards that cannot be early adopted or have not yet been adopted by the European Union

At the date of authorising the accompanying consolidated financial statements for issue, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations that have not yet been adopted by the European Union.

- **IFRS 9, 'Financial instruments'**

The issuance of IFRS 9, 'Financial Instruments', in November 2009 marked the first milestone in the IASB's proposed overhaul which will culminate in the substitution of IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 simplifies the accounting treatment of financial assets and introduces new classification and measurement requirements. It requires that financial assets held principally for the collection of the contractual cash flows, representing payments of principal and interest, be measured at amortised cost and that all other financial assets, including those held for trading, be carried at fair value. As a result, the impairment testing model is only required for financial assets carried at amortised cost.

This standard is applicable for annual periods beginning on or after 1 January 2015; early application is permitted.

- **IFRS 9 (amendment) and IFRS 7 (amendment) 'Mandatory effective date and transition disclosures'**

The IASB has published an amendment which has the effect of pushing back effectiveness of IFRS 9 'Financial instruments', currently mandatorily applicable in annual periods beginning on or after 1 January 2015. Under the original transitional provisions, IFRS 9 was to take effect on 1 January 2013. Early application of IFRS 9 is still permitted.

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The IASB has also extended the timeline for completing the other phases of the project for replacing IAS 39, 'Financial instruments: Recognition and measurement' (i.e. covering the accounting treatment of impairment losses and hedge accounting).

- **Annual improvements to IFRSs, the 2009-2011 Cycle**

  - **IAS 1, 'Presentation of financial statements'**

    IAS 1 has been amended to clarify that the comparative information required under IAS 1 is that of a complete set of financial statements. It further clarifies the minimum comparative disclosure requirements when an entity changes accounting policy or makes retrospective restatements or reclassifications: in this instance, the reporting entity is required to present an opening statement of financial position (known as the third balance sheet); however it is not required to accompany the third balance sheet with the related notes.

    This amendment must be applied retroactively and is mandatorily applicable for annual periods beginning on or after 1 January 2013. Early application is allowed.

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

    This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. In the wake of this amendment, servicing equipment expected to be used for more than one year will be classified as part of property, plant and equipment rather than as inventories.

    This amendment must be applied retroactively and is mandatorily applicable for annual periods beginning on or after 1 January 2013. Early application is allowed.

  - **IFRS 32, 'Financial instruments: Presentation'**

    This amendment resolves a conflict perceived to exist between IAS 32 and IAS 12, 'Income Taxes'. It clarifies that tax credits related to distributions to equity holders and to transaction costs corresponding to any equity item must be accountad for in accordance with IAS 12. As a result, the tax incentives related to distributions to equity holders are recognised in profit or loss and the tax credits relating to transaction costs corresponding to equity instruments are recognised in equity.

    This amendment must be applied retroactively and is mandatorily applicable for annual periods beginning on or after 1 January 2013. Early application is allowed.

  - **IAS 34, 'Interim financial reporting'**

    IAS 34 has been amended to align the disclosure requirements stipulated by IAS 34 and IFRS 8, 'Operating segments'. The amendment clarifies that an entity that reports interim information under IAS 34 need only disclose information regarding total assets and liabilities for a particular reportable segment when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements.

    This amendment must be applied retroactively and is mandatorily applicable for annual periods beginning on or after 1 January 2013. Early application is allowed.

- **Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)**

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

  The amendments to the above-listed standards are mandatorily applicable for annual periods beginning on or after 1 January 2013, in keeping with the dates of effectiveness of the standards so amended. Early adoption is required if the related standards (IFRS 10, IFRS 11 and IFRS 12) are also early adopted.

The Group is analysing the potential impact these standards and interpretations will have at the time of their possible adoption by the European Union; however, management does not expect their adoption to have a material impact on the Group's consolidated financial statements.

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 financial 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 originatas from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised 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 the 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, 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 reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's shares 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 reporting

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

(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 in foreign at 31 December 2012 and 2011 (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.

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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 on 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	20 – 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 are estimatad 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 level is 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 life. 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 life 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 the estimate of 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.

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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 costs

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 and has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period of 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 life of no more than 5 years.

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 development employee 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 assets' 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 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 Classification

The Group classifies its financial assets into the following categories: fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of investments at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired principally for the purpose of selling 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 maturities greater 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.

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.

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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 and 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 in the period in which they arise under "Result financial instruments at fair value". 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 only 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 impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Impairment testing of receivables is described in Note 2.13.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised liabilities (fair value hedge);
b) Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or
c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Traded derivatives are classified as a current asset or liability.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance 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 the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Gains/losses on financial instruments at fair value' 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 sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable 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 hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred 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 stetement when the foreign operation is sold.

d) Derivatives that do not qualify for hedge accounting

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

2.12 Inventories

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

a) Automotive segment

- Items purchased for resale: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the average 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 estimated 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) has been entered in the operator register in order 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

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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 Vía 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 Vía Operador Petrolífero, S.L.U. In order to maintain these buffer stocks, this company carries out, 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) IT Solutions and Services 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 include 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.

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2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants 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.

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 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.

In 2010 Group subsidiary CIE Automotive Nuevos Mercados, S.L. increased share capital by issuing new shares that were subscribed by a non-Group non-controlling shareholder, giving rise to additions to share capital and the share premium accounts totalling €10 million and €13 million, respectively. The shares contemplate a preferred dividend over a 7-year term in an amount that approximates the share premium; therefore this amount has not been considered an equity instrument but rather a liability stated at fair value at the time the shares were issued in accordance with the aforementioned accounting criteria.

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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 appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

- CIE Bérriz, S.L.
- CIE Inversiones e Inmuebles, S.L., Sociedad Unipersonal (merged into CIE Berriz, S.L. in 2012)
- CIE Automotive Bioenergía, S.L. (merged into CIE Berriz, S.L. in 2012)
- Autokomp Ingeniería, S.A.
- CIE Legazpi, S.A.
- CIE Mecauto, S.A., Sociedad Unipersonal
- CIE Udalbide, S.A., Sociedad Unipersonal
- 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 Oeco, S.A., Sociedad Unipersonal
- Alurecy, S.A., Sociedad Unipersonal
- Componentes de Automoción Recytec, S.L., Sociedad Unipersonal
- Nova Recyd, S.A., Sociedad Unipersonal
- Recyde, S.A., Sociedad Unipersonal
- Tarabusi, S.A., Sociedad Unipersonal
- Alcasting Legutiano, S.L., Sociedad Unipersonal
- Bionor Transformación, S.A., Sociedad Unipersonal
- Bionor Berantevilla, S.L., Sociedad Unipersonal
- Via Operador Petrolífero, S.A., Sociedad Unipersonal
- Mecanizaciones del Sur - Mecasur, S.A., Sociedad Unipersonal
- 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. Sociedad Unipersonal

The other Group companies file individual returns.

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b) Deferred taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 2.5); this right is recognised with a credit to deferred income (Note 19). Tax deductions in respect of R&D investment, are classified, depending on the nature of the subsidy, upon recognition as 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 recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as other income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities 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 intantion 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 pension benefit that an employee will receive on retirement, normally on the basis of one or more factors such as age, years or service or compensation.

A defined benefit plan is a pension 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 respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. 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 yields on government bonds denominated in the currency in which the benefits will be paid with terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement over employees' expected remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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b) Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contracts before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. 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 share-based payment plans settled in equity instruments in the listed Group subsidiary, Autometal, S.A. (Appendix).

Under these plans, the Group receives services from certain executives in exchange for equity instruments in the aforementioned subsidiary.

The fair value of the employee services received in exchange for the grant of the shares is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the rights granted over shares of Autometal, S.A. at the grant date:

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions (for example, the obligation to remain at the Group for a certain period of time).

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 Group).

The balancing entry for the employee benefit expense recognised is a credit to the Group's equity until the shares in Autometal, S.A. 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

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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 date and materials, or a fixed price contract.

Revenue from specific date and materials contracts, which normally relate to the rendering of telecommunication system integration services, are recognized at the rates stipulated in the contract 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 where 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 is 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.

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2.26 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

2.27 Environment 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 Short-and long-term balances

Non-current assets and liabilities are those maturing more than 12 months from the end of the reporting 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, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program 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 factors 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 in the balance sheet within a period of no more than 18 months.

In this respect, an internal review document is prepared at least monthly setting out each section of the Management Scope.

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.

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In order to analyse how sensitive the equity of investees denominated in currencies other than the functional currency is to exchange rate fluctuations, the Group uses value-at-risk methodology in order to estimate the maximum potential statistical loss as a result of the depreciation of the currencies in which the investees' equity is denominated. To date, the Group has not specifically managed its exchange rate risk. However, in light of prevailing exchange rate instability, it is analysing various alternatives in this respect. 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 (the Brazilian real being the most significant) in respect of operations in countries outside the eurozone is handled basically by denominating borrowings in these currencies, without applying hedge accounting under IAS 39.

If at 31 December 2012, the euro had depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining consistent, equity would have increased/decreased by €63,644/52,072 thousand (2011: €62,045 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 2012 with respect to all functional currencies other than the euro, all other variables being equal, profit after tax for the year would have been higher/lower by €4,766/3,899 thousand (2011: €4,102 thousand) , 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 held by it that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. Risk factor is not material due to the low weight of these securities of the totel assets and equities of CIE group.

(iii) Interest rate risk

The Group's borrowings are largely benchmarked to variable rates, exposing it to exchange 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 debentures recognised in the balance sheet of the Group or any of its companies. On occasion, hedges are arranged to cover loans already 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. As an example, the basic hedging instruments are the following:

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- 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 tied to a range, which will not exceed a cap. In this way, the Group curtails 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 2012 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 €932 thousand (2011: €711 thousand) lower/higher, largely as a result of an increase/decrease in the interest expense owing to interest on variable interest rate loans.

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 €186/226 thousand, respectively (such a change would not have had any impact in 2011), due to the impact on profit for the year. The impact on profit for the year would have been zero (2011: an increase/decrease of 44 and 22 thousand, respectively).

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 enough availability 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 one-third of trade receivable balances, 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 2012 and 2011 as follows:

	2012	2011
Cash and cash equivalents (Note 12)	471,692	530,343
Other current financial assets (Note 8)	61,914	44,459
Undrawn lines of credit (Note 20)	49,886	55,588
Liquidity buffer	583,492	630,390
Bank borrowings (Note 20)	926,400	916,300
Other current financial liabilities (Note 8)	1,488	618
Cash and cash equivalents (Note 12)	(471,692)	(530,343)
Other current financial assets (Note 8)	(61,914)	(44,459)
Net debt	394,282	342,116
Non-current bank borrowings	(645,078)	(556,507)
Current net debt	(250,796)	(214,391)

The Group's Treasury Department believes that the initiatives that are being pursued will prevent liquidity shortfalls. Specifically, the Group's cash flow generation forecasts for 2013 will allow meet its payment obligations for the year without having to increase net debt.

The Group's Finance Department monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient 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.

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In addition, the Group is strategically diversifying the financial markets and sources its taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets. The Autometal listing on the Sao Paulo stock exchange has opened the door to Group financing in the Brazilian and Mexican financial markets. Along these lines, the Group undertook two key initiatives: (i) it brought Brazilian banks into the Group's pool of banks at both Autometal and in Europe; and (ii) it issued BRL250 million of Brazilian debt instruments (debentures) locally in 2012.

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:

- €41.6 million originating from the recurring discounting of commercial paper issued by Group customers (€58.9 million at 31 December 2011) (Note 20).
- €9.8 million originating from recurring import financing (€19.1 million at 31 December 2011) (Note 20).

Although both components of bank debt are presented as current liabilities for accounting purposes, they are stable and generated in the ordinary course of business and therefore provide financing that is similar to non-current debt.

Note the existence at 31 December 2012 of €49.9 million in undrawn credit lines and loans (31 December 2011: €55.6 million).

Although working capital is not meaningful as a standalone metric in terms of understanding the Group's financial statements, the Group actively manages working capital in terms of net operating working capital and short and long-term net debt on the basis of its solid, stable and high-quality relationships with its customers and suppliers, as well as exhaustive monitoring its standing with the banks, which often automatically renew its outstanding credit facilities. Liquidity risks are not considered material.

The table below analyses working capital as per the Group's consolidated balance sheet at 31 December 2012, as compared with working capital at year-end 2011:

	2012	2011
Inventories	189,994	187,519
Trade and other receivables	181,379	166,718
Other current assets	2,920	2,483
Current tax assets	43,276	41,194
Current operating assets	**417,569**	**397,914**
Other current financial assets	61,914	44,459
Cash and cash equivalents	471,692	530,343
CURRENT ASSETS	**951,175**	**972,716**
Trade and other payables	439,098	445,727
Current tax liabilities	37,900	41,108
Current provisions	8,210	5,613
Other current liabilities	70,776	55,601
Current operating liabilities	**555,984**	**548,049**
Current bank borrowings	281,322	359,793
Other financial liabilities	1,488	618
CURRENT LIABILITIES	**838,794**	**908,460**
NET WORKING CAPITAL	**112,381**	**64,256**

The main reasons behind the year-on-year improvement in working capital at 31 December 2012 comparing previous year are the lengthening of the maturity profile on borrowings as a result of the Group's new financing (Note 20) and the ongoing monitoring by the Group of the management of net operating working capital under the scope of its resource optimisation strategy, as explained below.

One of the Group's lines strategic initiative is to ensure the optimisation and maximum saturation of the resources devoted to the business. The Group therefore pays special attention to the net working capital invested in the business. In keeping with this, and as in previous years, the Group went to lengths to control and reduce collection periods from customers and

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other debtors and minimise inventories thanks to logistics and industrial management excellence that enables it to supply customers on a JIT (just in time) basis. In this way supplier payment periods are continually optimised, unifying policies and terms and conditions across the Group, driving an improvement in this parameter.

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 value, as the effect of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	More than 5 years
At 31 December 2012			
Bank borrowings (Note 20)	281,322	728,393	1,244
Trade and other payables	547,774	97,269	33,662
Derivatives	1,488	-	-
At 31 December 2011			
Bank borrowings (Note 20)	359,793	624,377	2,135
Trade and other payables	542,436	72,394	43,949
Derivatives	618	-	-

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 considers 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 the Group's 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. Despite the complex environment, 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 dependent 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 manage this risk suitably, 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 has decided to discontinue the manufacture of biodiesel from virgin oil, including the related raw material (jatropha) plantation activity (Note 13).

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3.2 Hedge accounting

IAS 39 stringently governs the need for documentation that makes it possible to establish that an instrument meets the prerequisites for qualifying as a hedge.

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 a hedge, there is formal documentation of the hedging relationship, the scope of the hedge and the risk management objective, identifying the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and an explanation of how the hedging instrument's effectiveness will be assessed. 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 value of the assets or liabilities hedged which is attributable to the hedged risk.

b) Cash flow hedges

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the 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 has several investments in Mexican companies, whose net assets are exposed to foreign exchange risks as they are denominated in US dollars. Foreign exchange exposure arising on the net assets of the Group's foreign operations is partly managed using loans denominated in US dollars, which are arranged by Autometal, S.A. and CIE Autometal, S.A. (Appendix) (parent and ultimate parent for the investments in Mexico), as well as by arranging specific derivatives, as warranted.

d) Derivatives that do not qualify for hedge accounting

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

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

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

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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. For these valuations, the Group uses professional market tools provided by platforms licensed by Reuters and Bloomberg, and publications specialising in financial modelling such as Financialcad.

3.3 Fair value estimation

In accordance with IFRS 7 on financial instruments measured at fair value, the Group provides a breakdown of its fair value measurements 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 2012 and 31 December 2011 (Note 8.b)):

2012

	Level 2	Total at 31/12/2012
ASSETS		
Assets at fair value through profit or loss:		
- Trading derivatives	4,724	4,724
- Hedging derivatives	418	418
TOTAL ASSETS AT FAIR VALUE	**5,142**	**5,142**
LIABILITIES		
Liabilities at fair value through profit or loss:		
- Trading derivatives	-	-
- Hedging derivatives	(1,488)	(1,488)
TOTAL LIABILITIES AT FAIR VALUE	**(1,488)**	**(1,488)**

2011

	Level 2	Total at 31/12/11
ASSETS		
Assets at fair value through profit or loss:		
- Trading derivatives	4,711	4,711
- Hedging derivatives	-	-
TOTAL ASSETS AT FAIR VALUE	**4,711**	**4,711**
LIABILITIES		
Liabilities at fair value through profit or loss:		
- Trading derivatives	(618)	(618)
- Hedging derivatives	-	-
TOTAL LIABILITIES AT FAIR VALUE	**(618)**	**(618)**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

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The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of techniques such as estimated discounted cash flows and makes assumptions based on prevailing market conditions at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The carrying amounts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

If all the inputs for measuring a financial instrument at fair value are observable in the market, the financial instrument is included in Level 2.

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.

None of the Group's financial instruments were included in Levels 1 or 3 at either year end and previous year end.

3.4 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may 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 gearing 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 2012, the Group's strategy, which was unchanged from 2011, was to maintain the gearing ratio at close to 0.50. The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
Borrowings (Note 20)	926,400	916,300
Current financial liabilities (Note 8)	1,488	618
Less: Cash and cash equivalents and current financial assets (Notes 8 and 12)	(533,606)	(574,802)
Net debt (Note 3.1.b)	394,282	342,116
Equity	507,816	525,517
Total capital employed	902,098	867,633
Gearing ratio	**0.44**	**0.39**

Over the course of 2011 the Group took important measures to improve its gearing ratio, most noteworthy of which the Autometal, S.A. IPO (Note 1), the debt restructuring and initiatives to improve working capital.

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

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the actual circumstances.

4.1 Critical accounting estimates and judgements

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

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a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7).

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

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortisation, essential for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment provisions in either 2012 or 2011 (Note 7).

b) Estimate of the 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 tex 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. In 2009 resolutions were received from various tax inspection and collection authorities that adjusted the self-assessments previously presented by Group companies. The assessments raised by the tex authorities did not entail a significant outflow of resources from the Group. Therefore, it was deemed that the assessments raised by the tax authorities represent the best estimate of the risk related to Community legislation; the provision recognised to cover the aforementioned contingencies was therefore reversed. In 2011, and after the European Court of Justice issued a judgement on 28 July 2011 confirming the Commission's Decision dated 13 October 2011, the tax administrations were notified of the effectiveness of the ruling; the amounts involved were claimed and paid in 2011.

In 2012 the Group settled the sums required in this same respect pursuant to a ruling issued and notified to the Group on 19 March 2012. The amount payable had already been provisioned in the 2011 consolidated financial statements.

The calculation of income tax 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, deferred tax assets would decrease with income tax expense increasing in proportion the change in estimates, if estimates would not be favourable (a favourable change in outcome would trigger an opposite movement).

d) Product warranties

Product warranty risks are recognised when there is a firm claim not covered by the relevant insurance policy.

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Due to the nature of its business, the IT Solutions and Services 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 lifes 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 compensated with share-based payments (Notes 2.22 and 28).

5. Segment information

The Delegate Executive Committee, consisting of four members of the Board of Directors, is the Group's chief operating decision-maker. The Delegate Executive 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 Delegate Executive Committee.

The Delegate Executive Committee analyses the business of CIE Automotive Group from both a geographical and product perspective.

Since 1 January 2011 (Note 1) the Group operates with three types of product families:

- Automotive
- Biofuel
- IT Solutions and Services segment

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 since with the OEMs assuming the role of TIER 1 suppliers in these instances.

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

Multi-technology: command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.

Global market: Worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from different geographic areas.

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This operating segment is also analysed based on geographic criteria (basically Europe and the Americas, since the rest of the geographic areas, grouped with Europe, are not significant).

As indicated in Note 13, the Group has decided to abandon a line of activity, the only one in the group dedicated to namely the design, manufacture and supply of certain automotive parts for the "engine equipment" market, in which Group subsidiary Tarabusi, S.A.U. acted as TIER 1 supplier, with a direct relationship 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, the production and distribution of biofuels.

- Raw materials: the idea is to integrate activities that guarantee a competitive supply of all raw materials, both those deriving from agriculture (virgin oil) and 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.

As disclosed in Note 1, 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 biofuels made from recycled oils (Note 13).

IT Solutions and Services segment

This business consists of the development of sustainable global solutions in emerging technologies for the new digital society, offering technology solutions in the Education, Health, Sustainability, Transportation and Communications sectors. The main geographic markets in this segment are Spain and Latin America.

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

a) Segment information

The earnings performance by segment:

	2012				
	Automotive				
	Europe	Americas	Biofuel	IT	Total
Revenue	667,502	640,957	198,921	138,325	1,645,705
Other operating expenses and income (excluding depreciation and amortisation)	(567,910)	(533,551)	(194,940)	(125,244)	(1,421,645)
Depreciation and amortisation	(52,074)	(22,837)	(3,709)	(4,063)	(82,683)
EBIT (operating profit)	47,518	84,569	272	9,018	141,377
EBITDA	99,592	107,406	3,981	13,081	224,060

	2011				
	Automotive				
	Europe	Americas	Biofuel	IT	Total
Revenue	719,203	670,455	316,258	127,301	1,833,217
Other operating expenses and income (excluding depreciation and amortisation)	(620,518)	(545,274)	(311,540)	(117,251)	(1,594,583)
Depreciation and amortisation	(55,594)	(22,785)	(3,850)	(2,710)	(84,939)
EBIT (operating profit)	43,091	102,396	868	7,340	153,695
EBITDA	98,685	125,181	4,718	10,050	238,634

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Sales between segments (which are not significant) are carried out in the same terms and conditions as usual commercial transactions with third parties.

Other profit and loss disclosures by segment:

	2012				
	Automotive				
	Europe	Americas	Biofuel	IT	Total
Depreciation and amortisation:	(52,074)	(22,837)	(3,709)	(4,063)	(82,683)
Property, plant and equipment	(45,587)	(21,698)	(3,235)	(2,515)	(73,035)
Intangible assets	(6,487)	(1,139)	(474)	(1,548)	(9,648)
Impairment	(183)	-	-	-	(183)

	2011				
	Automotive				
	Europe	Americas	Biofuel	IT	Total
Depreciation and amortisation:	(55,594)	(22,785)	(3,850)	(2,710)	(84,939)
Property, plant and equipment	(50,613)	(20,874)	(876)	(1,409)	(73,772)
Intangible assets	(4,981)	(1,911)	(2,974)	(1,301)	(11,167)
Impairment	(87)	-	-	-	(87)

The reconciliation of operating profit and profit attributable to owners of the parent in 2012 and 2011:

	2012	2011
Operating profit	141,377	153,695
— Finance income/(cost)	(48,787)	(53,081)
— Gains/losses on financial instruments at fair value	4,338	6,421
— Share of profit/loss of associates	(166)	(9,941)
— Income tax	15,688	(9,288)
— Loss for the year from discontinued operations (Note 13)	(36,482)	(7,627)
— Profit/(loss) attributable to non-controlling interests	(14,940)	(19,602)
Profit attributable to owners of the parent	**61,028**	**60,577**

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

	2012					2011				
	Automotive					Automotive				
	Europe	Americas	Biofuel	IT	Total	Europe	Americas	Biofuel	IT	Total
Total assets (*)	939,932	1,039,484	128,042	107,521	2,214,979	916,760	987,182	189,986	110,285	2,204,213
Total liabilities	964,588	573,662	13,120	133,538	1,684,908	777,120	522,562	212,133	136,942	1,648,757
Additions to non-current assets (Notes 6 and 7)	41,789	34,695	1,954	6,587	85,025	59,829	42,194	2,287	6,242	110,552
Disposal of assets net of depreciation and amortisation (Notes 6 and 7)	(1,544)	(583)	(1,908)	(91)	(4,126)	(2,560)	(2,865)	(3,086)	(522)	(9,033)
Net investments for the year (Notes 6 and 7) (**)	40,245	34,112	46	6,496	80,899	57,269	39,329	(799)	5,720	101,519

(*) Does not include financial investments included in the scope of consolidation.
(**) 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.

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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 (*)	
	2012	2011	2012	2011
AUTOMOTIVE				
Spain (**)	153,292	143,586	121,715	148,168
Rest of Europe	514,210	575,617	323,974	367,400
Total Europe	667,502	719,203	445,689	515,568
Brazil	359,368	422,539	257,142	250,100
NAFTA	281,589	247,916	196,905	161,288
Total Americas	640,957	670,455	454,047	411,388
Total automotive	**1,308,459**	**1,389,658**	**899,736**	**926,956**
BIOFUEL				
Spain	198,921	316,258	90,835	135,136
Total biofuel	**198,921**	**316,258**	**90,835**	**135,136**
IT SOLUTIONS				
Spain	61,863	70,181	17,294	17,326
Americas	76,462	57,120	16,093	14,120
Total IT Solutions	138,325	127,301	33,387	31,446
TOTAL	**1,645,705**	**1,833,217**	**1,023,958**	**1,093,538**

(*) 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.

b) Customer information

The Group's sales policy limits its credit risk. In no instance does invoicing per customer or platform reach 10% or 6%, respectively, of total revenue.

6. Property, plant and equipment

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

2012

	Balance at 31/12/2011	Additions due to changes in consolidation scope (Notes 1, 35 and 37)	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						
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).

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2011:

	Balance at 31/12/2010	Additions due to changes in consolidation scope (Notes 1, 35 and 37)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2011
Cost						
Land and buildings	310,755	(625)	2,329	(690)	6,684	318,453
Plant and machinery	936,316	(17)	31,424	(52,372)	72,787	988,138
Other assets	225,401	293	9,161	(2,338)	(63,308)	169,209
Prepayments and assets under construction	107,986	-	60,688	(708)	(55,466)	112,500
	1,580,458	(349)	103,602	(56,108)	(39,303)	1,588,300
Depreciation						
Land and buildings	(74,335)	-	(6,201)	79	364	(80,093)
Plant and machinery	(581,672)	423	(58,487)	47,162	31,837	(560,737)
Other assets	(165,104)	(43)	(13,337)	1,655	(17,893)	(194,722)
	(821,111)	380	(78,025)	48,896	14,308	(835,552)
Provisions						
Plant and machinery	(237)	-	(87)	45	-	(279)
	(237)	-	(87)	45	-	(279)
Carrying amount	759,110					**752,469**

(*) 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.

a) Restatements

The amount of accumulated net restatements at year-end 2012 made in accordance with the corporate laws prevailing in the various countries in which the subsidiaries are located totals approximately €12.3 million (2011: €11.8 million). The impact of these revaluations on the depreciation provision is scantily material at 31 December 2012 and 2011.

New laws were passed in various Spanish tax jurisdictions in December 2012 providing for the voluntary revaluation of balance sheet items. As of 31 December 2012, none of the Group companies planned to avail of these measures.

b) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 31 December 2012 and 2011:

	Million euro					
	2012			2011		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
America	556	(277)	279	522	(253)	269
Europe	1,023	(621)	402	1,066	(583)	483
	1,579	**(898)**	**681**	**1,588**	**(836)**	**752**

c) Property, plant and equipment not in active use

At 31 December 2012 and 2011 no items of property, plant and equipment were not in active use.

d) Fully depreciated assets

The gross carrying amount of fully depreciated property, plant and equipment that is still in use at 31 December 2012 is €475 million (2011: €426 million).

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

At 31 December 2012 items of property, plant and equipment (land and buildings) with a carrying amount of €19.2 million (2011: €15.3 million) are pledged to guarantee debts totalling 16.4 million with government bodies and financial institutions with outstanding balances at year-end of €16.4 million (year-end 2011: €54.8 million) (Note 22).

f) 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.

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g) Finance leases

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

	2012	2011
Cost-capitalised finance lease	19,013	16,181
Accumulated depreciation	(5,613)	(4,449)
Carrying amount	13,400	11,732

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

h) Capitalisation of borrowing costs

The Group did not capitalise any borrowing costs in 2012 or 2011.

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:

2012:

	Balance at 31/12/2011	Additions/ (changes) in scope (Notes 35 and 37)	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

2011:

	Balance at 31/12/2010	Additions/ (changes) in scope (Notes 35 and 37)	Additions	Disposals	(*) Transfers and other	Balance at 31/12/2011
Cost						
Goodwill	293,146	192	-	-	2,400	295,738
R&D (development)	59,211	(815)	3,579	(3,432)	(2,719)	55,824
Computer software	31,584	-	2,717	(3,617)	(1,002)	29,682
Prepayments and other	4,885	-	654	(609)	51	4,981
	388,826	(623)	6,950	(7,658)	(1,270)	386,225
Accumulated amortisation	(55,280)	-	(11,187)	5,837	2,676	(57,954)
Carrying amount	333,546					328,271

(*) 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	2012	2011
Automotive	22,668	192
Biofuel	93	-
	22,761	192

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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.

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

	Goodwill	
Cash-generating units	**31/12/2012**	**31/12/2011**
Automotive segment:		
Europe	93,735	92,301
Brazil	98,617	106,650
NAFTA	78,039	59,042
Biofuel segment		
Biofuel business	16,631	16,554
IT Solutions and Services segment		
IT	21,193	21,191
	308,215	**295,738**

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated on the basis of conservative estimated growth rates that are in all instances lower than the average long-run growth rate for the business in which each of the CGUs operates.

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

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

	2012	**2011**
Automotive		
Europe	7.88%-13.65%	7.98%-12.20%
Brazil	11.19%	11.81%
NAFTA	9.81%-12.62%	12.89%
Biofuel	8.62%-12.32%	8.98%-13.20%
IT	9.91%-12.87%	10.48%-13.75%

The discount rates is after tax and reflects the specific risks relating to the relevant operating segments; they have been used for goodwill impairment testing purposes in 2012 and 2011.

The main changes in the discount rates used in 2012 with respect to those modelled in 2011 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	
	2012	**2011**
Automotive	10%-35%	10%-25%
Biofuel	5%-30%	5%-25%
ITs	7%-12%	6%-13%

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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.

The cash flows beyond the five-year period covered by the Group's internal projections are extrapolated using conservative growth rate assumptions (0%).

c) Results of the analysis

The Group has verified that goodwill did not suffer any impairment loss in either 2012 or 2011. Note 4 includes sensitivity analysis with respect to the goodwill impairment calculation.

The recoverable amount of the CGUs was determined based on value-in-use calculations, which require the use of estimates. To calculate value in use in 2012 and 2011, 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.

d) Fully amortised assets

The gross carrying amount of fully amortised intangible assets, mainly computer software, that are still in use at 31 December 2012 is €36.8 million (2011: €25.4 million).

8. Financial assets

	Held-to-maturity financial assets	Available-for-sale financial assets	Derivative financial instruments	Deposits, guarantees and securities portfolio	Non-trade loans and receivables	Investments carried using the equity method	Total
At 31 December 2010	69,952	-	(*) (7,200)	8,511	21,090	(**) (1,275)	91,078
Additions	10,737	-	1,605	880	-	192	13,414
Disposals	(40,941)	-	-	-	-	-	(40,941)
Transfers	-	-	-	21,090	(21,090)	-	-
Fair value adjustment							
- Profit or loss	-	-	6,570	-	-	-	6,570
- Equity	-	-	3,118	-	-	-	3,118
Share of profit/(loss) of associates	-	-	-	-	-	(9,941)	(9,941)
At 31 December 2011	39,748	-	(*) 4,093	30,481	-	(**) (11,024)	63,298
Additions	36,420	13,246	-	224	-	291	50,181
Disposals	(28,000)	-	(3,846)	(469)	-	-	(32,315)
Transfers	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	51,526	13,246	(*) 3,654	30,236	-	(**) (10,274)	88,388
2012							
Non-current	8,224	-	-	30,012	-	-	38,236
Current	43,302	13,246	5,142	224	-	-	61,914
Investments in associates	-	-	-	-	-	393	393
2011							
Non-current	-	-	-	30,481	-	-	30,481
Current	39,748	-	4,711	-	-	-	44,459
Investments in associates	-	-	-	-	-	1,349	1,349

(*) This total is presented net, with €1,488 thousand (year-end 2011: €618 thousand) corresponding to derivatives recognised on the liability side of the consolidated balance sheet (Note 8.b)

(**) Of this amount, €10,667 thousand (year-end 2011: €12,373 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 for the cost of the investment in the segment (Note 25).

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The maximum exposure to credit risk deriving from these assets at the reporting date is the carrying amount of the assets. The carrying amounts of financial assets do not differ from their fair values, derived from their yields and maturity dates.

a) Held-to-maturity financial assets

	2012		2011	
	Amount	Interest rate	Amount	Interest rate
Term deposits	14,834	-	7,320	Euribor - 0.5
Short-term loans	36,692	4.5%	8,428	4%
Other	-	-	(*) 24,000	2,1%
	51,526		39,748	

(*) Current accounts and deposits pledged to secure loans at that date. At 31 December 2011 this heading includes €24 million on deposit as a pledge to the European Investment Bank, equivalent to 40% of the principal outstanding with respect to the financing granted in 2009. The related EIB loan was cancelled in 2012.

Financial assets held to maturity include an impairment loss of €4.7 million generated in 2012 as a result of a liquidity issue at one of the Brazilian banks with which the Group does business.

No held-to-maturity financial assets were reclassified.

b) Derivative financial instruments

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Swaps (interest rate and others)				
- Cash flow hedges	-	(1,488)	-	-
- Trading	4,724	-	4,711	(618)
Foreign exchange forward contracts – cash flow hedges	418	-	-	-
Total	**5,142**	**(1,488)**	**4,711**	**(618)**

- Swaps (interest rate and others)

  The notional principal on interest rate swaps (variable to fixed rate) outstanding at 31 December 2012 amounted to €3.5 million (year-end 2011: €13 million); they are classified as hedging instruments (year-end 2011: nil).

  At 31 December 2012, the fixed rates range between 0.62% and 1.30% (2011: between 2.14% and 3.70%) while variable interest rates are indexed to EURIBOR.

  In addition, the Group has several loans denominated in dollars, arranged by its Brazilian subsidiaries, for which interest rate swaps were written in order to reduce the original interest rate as much as possible and prevent exposure to fluctuations in exchange rates. The notional principal on these interest rate swaps (variable to variable) outstanding at 31 December 2012 amounted to €14.3 million using the year-end exchange rate (year-end 2011: €48.3 million); none of these instruments is classified as a 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 understands that the financial investment should 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. 480 thousand shares were settled early in December under the swap agreement, leaving 2,020 thousand shares outstanding at year-end. The valuation (positive) of the derivative at 31 December 2012 is €2,468 thousand.

  The amount paid by the third party that acquired the option over these shares, €13,246 thousand, is presented within "Other current liabilities" (Note 22), while the asset which has not been derecognised is recorded, in this same amount, within available-for-sale financial assets.

- Foreign currency cash-flow hedges

  At 31 December 2012, the Group's forward foreign exchange contracts amounted to:

  – Contract for the forward sale of USD6,000 thousand (2011: nil).

- Hedge of net investments in foreign operations

  As indicated in Note 3.1 a)(i), since 2011 the Group manages the foreign exchange exposure on the net assets of its Mexican automotive operations, which are denominated in US dollars, through loan hedges and foreign exchange derivatives.

  Part of the Group's borrowings, in the amount of €174 million (denominated in US dollars) is designated as a hedge of the net investment in the Group's subsidiaries in the Mexican automotive segment (€70.3 million at 31 December 2011).

  The loss of €5.9 million arising on the translation of this debt into euro at the balance sheet date is recognised within other comprehensive income (2011: loss of €16 million).

  Through one of the Brazilian companies, the Group also had a US dollar denominated loan for which it arranged an interest rate hedge with the goal of minimising the original fixed rate on the loan. This interest rate swap (variable to variable) was cancelled in 2011. This derivative did not qualify for hedge accounting.

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Biocombustibles de Zierbana, S.A. (*)	20%	20%	-	-	-	(9,219)	44,749	44,749	57,073	57,073
Biocombustibles La Seda, S.L. (*)	40%	40%	31	1,160	-	(696)	79	2,911	5	11
Belgium Forge, N.V.(**)	100%	100%	-	-	(26)	(26)	-	-	-	-
Gescrap – Autometal Comercio de Sucatas, Ltd.	30%	-	291	-	-	-	-	-	-	-
Other	50%	-	71	189	(140)	-	-	-	-	-
			393	1,349	(166)	(9,941)				

(*) The provision for the losses accumulated on these investments in associates and the losses on commitments assumed by them, in the amount of €10,667 thousand (€12,373 thousand at year-end 2011) are included under non-current provisions on the liability side of the consolidated balance sheet.

(**) Immaterial company being liquidated.

The carrying amount of investments in associates does not include goodwill.

d) Credit quality of financial assets

All of the Group's financial assets that are neither past due nor impaired are considered high-quality and do not present indications of impairment, except as detailed in Note 8.a.

9. Other non-current assets

This balance sheet heading includes the following items and amounts:

	2012	2011
Loans to employees (Note 36)	-	7,310
Loans to unconsolidated Group companies and associates	-	547
Loans to third parties and other	5,133	4,941
	5,133	12,798

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Loans to employees essentially include the amortised cost of loans due in 2013; since settlement is forecasted in 2013, at 31 December 2012 they are classified as current assets (Note 8).

Loans to Group companies relate to:

	2012	2011
Biocombustibles de Zierbana, S.A. (Notes 1.1 and 8.c))	-	547
	-	**547**

The heading "Loans to third parties and other" includes €1,004 thousand of loans granted to third parties (€3,963 thousand at year-end 2011) mainly in the automotive sector. They break down as follows:

	2012	2011
Between 1 and 2 years	234	3,609
Between 3 and 5 years	770	354
	1,004	**3,963**

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

	2012	2011
Trade receivables	168,273	159,330
Less: Provision for impairment of trade receivables	(6,130)	(6,027)
Trade receivables – Net	162,143	153,303
Other receivables	19,236	13,415
Total	**181,379**	**166,718**

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 2012, trade and other receivables amounting to €41,570 thousand had been discounted and monetised at banks (€58,943 thousand at year-end 2011). These transactions have been accounted for as a bank loan (Note 20).

The amounts covered by non-recourse factoring or account receivable sales agreements at year-end have been derecognised as the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At 31 December 2012 this balance totals €95.6 million (year-end 2011: €119.8 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 2012 receivables past due by more than 60 days totalled €19.7 million (year-end 2011: €16.2 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.

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The ageing analysis of these trade receivables is as follows:

	2012	2011
Between 2 and 4 months	4,726	4,680
Between 4 months and 12 months	7,639	5,057
Over 12 months	7,330	6,479
	19,695	16,216
(Impairment provision)	(6,130)	(6,027)
	13,565	**10,189**

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 2012 and 2011).

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):

	2012	2011
US dollar	39,764	31,581
Czech koruna	668	686
Mexican peso	1,732	1,916
Brazilian real	40,176	35,428
Chinese yuan renminbi	14,143	3,035
Romanian Lei	1,077	484
Russian roubles	914	456
Euro	69,053	85,393
Other	746	351
	168,273	**159,330**

Movements on the Group provision for impairment of trade receivables are as follows:

	2012	2011
At 1 January	6,027	5,923
Changes in consolidation scope	101	-
Additions (Note 27)	2,056	2,163
Recoveries (Note 27)	(390)	(303)
Profit/loss from discontinued operations (Note 13)	23	10
Receivables written off	(1,687)	(1,766)
At 31 December	**6,130**	**6,027**

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11. Inventories

	2012	2011
Goods purchased for resale	18,169	20,501
Raw materials and supplies	68,116	86,387
Work in progress and semi-finished goods	50,821	31,810
Finished goods	45,388	47,434
Prepayments to suppliers	7,500	1,387
	189,994	**187,519**

In its capacity as an oil product operator, 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:

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 (*)	(2,554)	(4,226)	(6,780)
Closing balance	(86,284)	(96,210)	(182,494)
Cost of sales	963,112	4,574	967,686

2011

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	98,586	65,535	164,121
Changes in consolidation scope	53	3	56
Purchases/Changes in provisions	1,151,675	2,169	1,153,844
Profit/loss from discontinued operations	(4,667)	1,560	(3,107)
Other movements (*)	4,569	(3,239)	1,330
Closing balance	(106,888)	(79,244)	(186,132)
Cost of sales	1,143,328	(13,216)	1,130,112

(*) Corresponds basically to the effect of exchange rata fluctuations on the foreign companies.

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presentad below:

	Amount
At 31 December 2010	**4,533**
Additions (Note 27)	448
Profit/loss from discontinued operations	35
Balance write-offs	(1,282)
At 31 December 2011	**3,734**
Additions (Note 27)	2,428
Profit/loss from discontinued operations	3,503
Balance write-offs/transfers	312
At 31 December 2012	**9,977**

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12. Cash and cash equivalents

Cash and other cash equivalents at 31 December 2012 and 2011 break down as follows:

	2012	2011
Cash and bank deposits	125,082	87,072
Short-term bank deposits	346,610	443,271
	471,692	530,343

Short-term bank deposits relate to investments of cash surplus maturing in less than 3 months.

These deposits generate a market interest rate (country-specific) that ranged between 0.5% and 9.24% in 2012, depending on the currency (2011: 1%-12%).

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

	2012	2011
Brazilian real	271,960	349,299
Euro	125,165	137,011
US dollar	51,550	36,094
Mexican peso	5,070	3,956
Chinese yuan renminbi	15,473	585
Czech koruna	768	808
Other	1,706	2,590
	471,692	530,343

13. Disposal groups assets and liabilities 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. 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

	2012	2011
Property, plant and equipment	36,836	458
Inventories	192	77
Other current assets	1,033	619
Cash and cash equivalents	752	522
Total	38,813	1,676

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

The recoverable amount of these productive assets was calculated on the basis of their enterprise value, to which end a series of estimates were made. The calculations use cash flow projections based on business projections approved by management covering a five-year period. To extrapolate cash flows beyond year five, a growth rate of 0% was assumed. The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the capital asset pricing model (CAPM), which is widely used for discount rate calculation purposes. The discount rate calculation additionally factored in a specific risk premium to reflect the specific characteristics of the business and the risk profile intrinsic to the cash flow projections for the business. The rate used to discount the cash flow projections was 9.88%. It is an after-tax rate. The EBITDA projected by management was adjusted for other forecast cash inflows and outflows to arrive at free cash flow for each year modelled.

The result of this analysis and the performance of sensitivity analysis, varying the key variables by +/-10%, yielded an impairment loss of between €17 and €27 million. The impairment loss recognised was €25 million.

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Liabilities of disposal group classified as held for sale

	2012	2011
Government grants	986	-
Deferred tax liabilities	423	-
Borrowings	372	126
Trade and other payables	458	250
Other current liabilities	564	77
Provisions	-	539
Total	2,803	992

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. acted as TIER 1 supplier, with a direct relationship with the OEMs. This activity is a separate identifiable activity within Tarabusi, S.A.U. Its net assets are 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:

	2012	2011
Revenue	5,226	6,456
Changes in inventories	(5,248)	1,560
Other income	347	330
Total income	325	8,346
Expenses	(2,390)	(4,666)
Employee benefits expense	(10,734)	(5,649)
Depreciation and amortisation	(4,942)	(4,273)
Asset impairment	(29,629)	(47)
Other expenses	(1,581)	(2,969)
Total expenses	(49,276)	(17,604)
Profit/(loss) before tax of discontinued operations	(48,951)	(9,258)
Taxes	12,469	1,631
PROFIT/(LOSS) AFTER TAX OF DISCONTINUED OPERATIONS	**(36,482)**	**(7,627)**

Cash flows generated by these discontinued operations are as follows:

	2012	2011
Operating cash flows	1,412	(8,652)
Investing cash flows	-	2,276
Financing cash flows	(1,163)	6,811
Total cash flows	249	435

Cash flows from operating activities break down as follows:

	2012	2011
Profit/(loss) before tax	(48,951)	(9,258)
Taxes paid	-	-
Adjustments to profit/(loss):		
- Impairment provisions	29,629	-
- Depreciation and amortisation	4,942	4,273
- Gain on disposal of non-current assets	534	(468)
Changes in working capital	15,257	(3,199)
Net cash flows from (used in) operating activities	1,412	(8,652)

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14. Share capital and premium

	No. of shares (thousand)	Share capital	Share premium	Treasury shares	Total
At 1 January 2011	114,000	28,500	33,752	(7,314)	54,938
Acquisition/sale of treasury shares	-	-	-	(15,383)	(15,383)
At 31 December 2011	114,000	28,500	33,752	(22,697)	39,555
At 1 January 2012	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

a) Share capital

On 1 January 2011, as a result of the merger between CIE Automotive, S.A. and INSSEC described in Note 1, the shareholder and equity structure that prevails is that relating to the legal transferee in the merger, CIE Automotive, S.A. Accordingly, INSSEC's consolidated equity was restructured as at 31 December 2010 to reflect the legal equity structure of CIE Automotive, S.A.

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2012 and 2011 is represented by 114,000,000 fully paid ordinary bearer shares with a par value of €0.25 each, all listed on the Spanish stock market. 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
Corporación Gestamp, S.L.	(*) 25.923%
Elidoza Promoción de Empresas, S.L.	10.865%

(*) 11.098% of which held directly and the remaining 14.825% held indirectly through Risteel Corporation, B.V..

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

The movement in treasury shares in 2012 and 2011 breaks down as follows:

	2012		2011	
	Number of shares	Amount	Number of shares	Amount
Opening balance	4,573,071	22,697	1,824,873	7,314
Acquisitions	5,591,546	30,533	2,748,198	15,383
Closing balance	**10,164,617**	**53,230**	**4,573,071**	**22,697**

CIE Automotive, S.A. held 10,164,617 treasury shares, representing 8.92% of share capital (4,573,071 shares and 4.01% at 31 December 2011, respectively) at year-end 2012. Their market value at 31 December 2012 was €52,586 thousand (€25,609 thousand at 31 December 2011).

Similarly, the mandate conferred at the Annual General Meeting of 29 April 2010, 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 28 April 2015.

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 or loss	Subtotal	Cumulative translation differences (Note 16)	Total
At 31 December 2010	4,116	82,808	19,000	105,924	(12,182)	93,742
Effect of the merger (Notes 1 and 14) (*)	1,584	190,604	(19,000)	173,188	(5,689)	167,499
Balance at 1 January 2011 restated for merger	5,700	273,412	-	279,112	(17,871)	261,241
Distribution of 2010 profit	-	-	-	-	-	-
Income/(expense) recognised directly in equity, net	-	(9,997)	60,577	50,580	(14,857)	35,723
Additional dividends to non-controlling interests (Automotive segment)	-	(4,107)	-	(4,107)	-	(4,107)
Changes in consolidation scope (Note 35)	-	60,038	-	60,038	1,922	61,960
Other changes	-	(2,587)	-	(2,587)	-	(2,587)
At 31 December 2011	5,700	316,759	60,577	383,036	(30,806)	352,230

(*) As a result of the merger described in Note 1, the equity of INSSEC (legal transferor) was restructured by that of CIE Automotive, S.A. (legal transferee).

	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 or 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

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.

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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

The distribution of profit motion approved at the Annual General Meeting of 25 April 2012 included approval for a dividend in addition to the interim dividend paid 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 pre-tax 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 for the distribution of results

The proposal for distributing the parent company's 2012 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 2011, is as follows:

	Under Spanish GAAP	
	2012	**2011**
Available for distribution		
Profit for the year	41,336	37,051
Distribution		
To voluntary reserves	21,731	16,944
To retained earnings (prior year losses)	-	-
To the interim dividend	9,345	9,847
To the final dividend	10,260	(*) 10,260
	41,336	37,051

(*) The final dividend corresponding to all shares gave rise to a total payment of €9,678 thousand.

16. Cumulative exchange differences

The breakdown of cumulative translation differences by company/subgroup at year-end 2012 and 2011 is as follows:

	2012	**2011**
Company or subgroup		
Automotive segment		
Brazil	(56,875)	(21,121)
Europe	252	(1,096)
Mexico	3,264	(7,552)
Biofuel segment		
Biofuel	1,412	769
IT Solutions and Services segment		
IT	(2,783)	(1,806)
	(54,730)	**(30,806)**

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 total €334,801 thousand at 31 December 2012 (€316,759 thousand at 31 December 2011).

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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:

	2012	2011
Legal reserve	34,989	36,766
Reserves for asset revaluations	1,076	2,817
Restricted reserves in Brazil	27,646	33,130
	63,711	**72,713**

Asset revaluation reserves are basically unavailable other than to offset losses or increase capital in individual companies.

18. Non-controlling interests

Movements in non-controlling interests:

	2012	2011
Opening balance	143,579	34,820
Net income/(expense) recognised directly in equity:		
- Profit for the year	14,940	19,602
- Translation differences	(14,750)	(4,888)
- Other (gross cash-flow hedges, tax effect, etc.)	(610)	-
	(420)	14,714
Non-controlling interests generated by the Brazilian IPO (Note 1)	-	103,441
Dividends paid to non-controlling interests	(10,658)	(6,835)
Changes in consolidation scope and business combinations (Notes 1 and 35)	29,711	(1,216)
Other changes	(872)	(1,345)
Closing balance	161,340	143,579

The breakdown by segment is set out below:

Segment	2012	2011
Automotive	161,611	144,840
Biofuel	1,910	2,970
IT Solutions and Services	(2,181)	(4,231)
	161,340	143,579

On 29 September 2010 the Group incorporated the wholly-owned subsidiary CIE Automotive Nuevos Mercados, S.L. (now on CIE Nuevos Mercados), contributing its businesses in Russia, Romania, Lithuania and China (Appendix), with an initial share capital of €33.8 million. On 13 October 2010 an investment agreement was reached with Ekarpen SPE, S.A. to bring it in as an investor at the recently incorporated CIE Nuevos Mercados, by means of an injection of €25 million by Ekarpen SPE, S.A. in exchange for 25% of the share capital of CIE Nuevos Mercados. To this end CIE Nuevos Mercados increased its share capital, waiving existing shareholders' pre-emptive subscription rights, by €11.3 million and added to the share premium by €13.7 million. The new shares were fully subscribed by Ekarpen. The shares granted to Ekarpen include a set preferred dividend consisting of dividends payable in the coming years (2011-2017) with a charge against profits generated or freely available reserves, including the share premium account if appropriate. This dividend is recognised under "Other non-current liabilities" and "Other current liabilities" on the liability side of the consolidated balance sheet, with a charge against the share premium account.

The Group, through CIE Automotive, S.A., in accordance with the terms of the investment agreement concluded with Ekarpen, is entitled to acquire the shares held by Ekarpen at a price to be determined based on the investment made by the latter. The investment agreement provides that Ekarpen may exit the joint venture under certain contractually-agreed circumstances under the control of CIE Automotive Group.

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19. Deferred income

The movement in deferred income is as follows:

2012	Balance at 31/12/2011	Additions	Decreases	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 classified as held for sale (Note 13).

2011	Balance at 31/12/2011	Additions	Decreases	Taken to profit or loss	Balance at 31/12/2011
Tax credits arising from investment deductions	3,425	-	-	(540)	2,885
Government grants	21,241	5,198	(168)	(3,881)	22,390
Other deferred income	4,187	2,604	(1,533)	(594)	4,664
	28,853	7,802	(1,701)	(5,015)	29,939

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

In 2012 and 2011 the Group received assistance for its automotive segment under the Competitiveness Plan for strategic industrial sectors implemented by the Spanish Ministry of Industry, Tourism and Commerce. The objective of this assistance is to encourage process optimisation and the reorientation of production to higher added-value products. It totalled €4.0 million in 2012 (€5.2 million in 2011), consisting of interest-free loans repayable over 15 years after a 5-year grace period.

The aid received is summarised in the following table:

	Interest-free loan	Embedded subsidy in interest-free loans
2011	5,198	3,265
2012	4,047	801

The accounting treatment of these interest-free loans, calculated in both instances by restating the loans using a market discount rate and taking into consideration subsidized investment expenditure, gave rise the recognition of a grant relating to costs directly in the income statement for 2011 in the amount of €0.4 million (€1.5 million in 2011) and a grant relating to assets in the amount of €0.4 million in 2012 (€1.8 million in 2011). The amortised cost of the loan is recognised under "Other liabilities" as current or non-current, based on their maturity.

20. Borrowings

	2012	2011
Non-current		
Bank borrowings (*)	645,078	556,507
	645,078	556,507
Current		
Bank borrowings (*)	104,960	134,959
Current portion of non-current loans (*)	124,955	146,790
Import trade finance (*)	9,837	19,101
Discounted bills pending maturity and prepayments of export bills (Note 10)	41,570	58,943
	281,322	359,793
	926,400	**916,300**

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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 31 December	At 1 year	At 5 years
At 31 December 2011			
Total borrowings (*)	857,357	556,507	1,778
Effect of interest rate swaps (Note 8)	(12,792)	-	-
Exposure	844,565	556,507	1,778
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

Non-current borrowings have the following maturities:

	2012	2011
Between 1 and 2 years	186,949	191,054
Between 3 and 5 years	457,092	363,675
More than 5 years	1,037	1,778
	645,078	556,507

The effective interest rates at the balance sheet dates were the usual market rates (benchmark rate + 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 500 basis points (2011: between 100 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:

	2012	2011
Euro	607,753	612,400
US dollar	69,922	123,105
Brazilian real	244,518	176,962
Other	4,207	3,833
	926,400	916,300

At 31 December 2012 the Group had drawn down bank facilities in the amount of €152 million (year-end 2011: €145 million). The total limit on these facilities is €202 million (year-end 2011: €201 million).

The Group has the following undrawn credit lines:

	2012	2011
Floating rate:		
- Expiring within one year	37,175	45,350
- Expiring beyond one year	12,711	10,238
	49,886	55,588

During the first half of 2012, through its Brazilian subsidiary, Autometal, S.A., the Group issued BRL250 million of non-convertible bonds. This subsidiary issued 250 bonds with a par value of BRL1 million. The proceeds from these five-year bonds were used to restructure the Group's debt.

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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%).

On 14 July 2011, CIE Automotive, S.A. obtained a syndicated loan from 17 leading financial institutions for €350 million. The proceeds from the first draw-down were used to:

(i) Repay the syndicated loans obtained in 2005 and 2009, the outstanding balance of which at 31 December 2010 was €233 million, of which €96 million was recognised under current liabilities. Pledges were granted over bank accounts in an initial amount of €7.4 million to secure the syndicatad loan concluded in 2005 and of €8.6 million for the syndicated financing agreement concluded in 2009 (Note 8). There was also a commitment to supplement this pledge with an additional pledge of similar charactaristics of up to 40% of the outstanding balance of these loans in the event of an Autometal IPO. This pledge was cancelled in 2011 together with the syndicated financing.

(ii) Repay the financing agreement arranged with Banco Itau BBA in 2010, drawn down and repaid in 2011. This financing agreement was for €80 million and the draw-downs were subject to the effective listing of the Brazilian subsidiary Autometal, S.A. on the Brazilian stock market (Note 1). The proceeds from this loan had been used to create certain guarantees. In turn this loan implied the provision of collateral to Banco Itau consisting of up to a maximum of 20% of the shares in CIE Autometal, S.A., a number of shares in Autometal, S.A. whose market value did not exceed BRL180 million, the royalties paid by Autometal, S.A. and subsidiaries and the bank accounts into which the dividends paid by Autometal, S.A. and subsidiaries would be paid from June 2011.

(iii) Obtain additional liquidity for new investments.

The financing raised, which was oversubscribed by more than 50%, effectively diversifies the Group's pool of banks by adding 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 syndicated financing contains covenants in respect of net debt, EBITDA, equity and interest expense parameters that are customary in these types of agreements. Compliance with these covenants is verified every six months based on the audited consolidated financial statements of CIE Automotive Group, of the subgroup that is listed on the Brazilian stock exchange, Autometal, and CIE Automotive Group excluding the latter's contribution. The Group was in compliance with all its covenants at both year-ends.

To secure this financing, in addition to the personal guarantee of certain subsidiaries of CIE Automotive Group, the Group has pledged as collateral the percentage of shares in Autometal, S.A., not less than 27% and not more than 35%, that is necessary so that, within these limits, the market value of the pledged shares totals five hundred and ninety million Brazilian reais (BRL590,000,000).

In addition, other borrowings are subject to compliance with certain ratios that are customary in the market for these types of contracts. There was no risk of non-compliance with these covenants at either year-end.

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

Furthermore, the Group has several loans denominated in US dollars and Brazilian reais totelling €301 million (€292 million at 31 December 2011), the last instalment on which is due in 2017.

In 2012, the Group repaid €289 million of bank borrowings (2011: €158 million), in addition to the specific loan repayments outlined above, and arranged new loans, in addition to those detailed above, in the amount of €320 million.

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

21. Trade and other payables

	2012	2011
Trade payables	399,672	400,008
Other accounts payable	39,426	45,719
	439,098	**445,727**

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

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In 2012 the Group made purchases in US dollars with an equivalent value in euro of €167,981 thousand (2011: €150,043 thousand). At 31 December 2012 balances payable denominated in foreign currency totalled €119,436 thousand (€97,691 thousand at year-end 2011).

With respect to the disclosures required under Law 15/2010 regarding supplier payment terms, the balance pending payment at 31 December 2012 outstanding by more than 75 days was €11,690 thousand (year-end 2011: €9,363 thousand, past due by over 85 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	
	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	

	Payments made and payments outstanding at the balance sheet date	
	2011	
	Thousand euro	%
Payments made during the year within the maximum legal limit	669,371	92%
Other	55,102	8%
Total payments during the year	724,474	100%
Average period by which payments were past due (days)	59	
Balance pending payment at year-end that exceeds the maximum legal limit (85 days)	9,363	

22. Other liabilities

	2012	2011
Non-current		
Fixed asset suppliers	6,345	11,041
Payable to Public Administrations	10,462	12,247
Other non-current liabilities	80,454	55,800
	97,261	79,088
Current		
Current tax liabilities	33,811	38,506
Payable to Public Administrations	4,089	2,602
Fixed asset suppliers	11,640	17,303
Employee benefits payable	35,993	31,843
Other current liabilities	16,281	3,131
Accruals and deferred income	6,862	3,324
	108,676	**96,709**

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

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Deferred Public Administrations payables

The balances included under the non-current portion of this heading include:

a) €2,949 thousand (year-end 2011: €6,015 thousand) in respect of amounts owed to Brazilian Public Administration bodies for various items (repayment of grants, court deposits and other).

b) Taxes payable by Group companies to Public Administrations in the amount of €7,513 thousand (year-end 2011: €6,232 thousand). These liabilities were generated by the deferral of VAT, personal income tax and social security payments. Most of these liabilities accrue interest at 4%.

Other non-current liabilities

This heading records the outstanding discountad non-current portion of the preferred dividends payable to Ekarpen, under the terms of its investment in CIE Automotive Nuevos Mercados, S.L. in November 2010, for a total of €6,870 thousand (year-end 2011: €7,594 thousand). A current liability of €1,577 thousand is recognised in this respect at year-end 2012 (2011: €1,392 thousand).

In addition, this heading includes loans to finance investment projects received from public financing institutions totalling €25,025 thousand (year-end 2011: €19,841 thousand) and the non-current portion (€9,992 thousand) of the loan granted to the Group by COFIDES in 2010, of which €12,000 thousand was drawn down at year-end 2012 (year-end 2011: €12,216 thousand), repayable in 12 half-yearly instalments with a 2-year grace period (until 2018) and accruing interest at a rate indexed 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 USD31.2 million (equivalent to €23.6 million at 31 December 2012) (Note 35).

Other current liabilities

"Other current liabilities" in the amount of €16,281 thousand (€3,131 thousand at year-end 2011) basically relate to the amounts payable on the acquisitions made by CIE Automotive Group (Notes 35 and 37), which are recognised at fair value, and the balancing entry for the €13,246 thousand received from third parties on the sale of shares of Autometal, S.A. (Note 8.b), in addition to the items mentioned in the preceding paragraphs.

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:

	2012	2011
Between 1 and 2 years	11,272	17,370
Between 2 and 5 years	58,268	36,626
More than 5 years	27,721	25,092
	97,261	79,088

23. Deferred taxes

Deferred tax assets and liabilities are offset if the right to offset assets and liabilities against taxes is recognised by law and the deferred taxes relate to the same tax authority. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012	2011
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	120,981	68,173
- Deferred tax assets to be recovered within 12 months	41,423	36,280
	162,404	104,453

Deferred tax liabilities:

- Deferred tax liabilities to be recovered after more than 12 months	53,227	48,688
- Deferred tax liabilities to be recovered within 12 months	2,582	2,488
	55,809	51,176
Deferred tax assets (net)	106,595	53,277

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

	2012	2011
Opening balance	53,277	31,416
(Charged)/credited to the income statement (Note 30)	39,714	12,632
(Charged)/credited to equity	2,002	3,315
Changes/additions to consolidation scope	876	-
Transfers and reclassifications	(1,743)	4,283
Tax effect of discontinued operations (Note 13)	12,469	1,631
Closing balance	106,595	53,277

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

Deferred tax assets	Hedging instruments	Impairment losses	Tax losses	Tax credits	Other	Total
At 31 December 2010	**1,088**	**26,073**	**46,387**	**12,844**	**1,683**	**88,075**
(Charged)/credited to the income statement	-	(935)	(467)	15,865	-	14,463
(Charged)/credited directly to equity	3,315	-	-	-	-	3,315
Transfers and reclassifications (**)	-	5,056	(6,295)	(161)	-	(1,400)
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**

(*) Tax credits related to R&D investments, in the amount of €2,502 thousand, are recognised as grants relating to costs, in accordance with IAS 20.

(**) 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 tax liabilities	Deducted goodwill	Fair value gains (*)	Exchange differences	Accelerated tax depreciation and other	Total
At 31 December 2010	**10,923**	**31,040**	**2,843**	**11,853**	**56,659**
Charged /(credited) to the income statement	3,835	(2,136)	(634)	(865)	200
Transfers and reclassifications (**)	(1,040)	(4,563)	(203)	123	(5,683)
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**

(*) 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 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.

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Deferred tax liabilities/(assets) charged/(credited) to equity in 2012 and 2011:

	2012	2011
Fair value measurement reserves in equity:		
- Reserve for hedging transactions and other	2,002	3,315
	2,002	**3,315**

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 2012 are as follows:

	2012		2011	
	Tax losses	**Tax credits**	**Tax losses**	**Tax credits**
Spain	43,096	55,285	32,464	20,243
Rest of Europe	1,340	9,474	609	8,305
Brazil	8,529	245	2,623	-
Mexico	3,013	-	3,929	-
	55,978	**65,004**	**39,625**	**28,548**

The Group has not recognised deferred tax assets totalling €41.4 million (2011: €37.4 million) relating to losses at certain Spanish and European plants totalling €130.5 million (2011: €130.8 million) to be offset in future years (the period for offset ranges from 10 years to open-ended application, depending on the legislation applicable to the Group company concerned) against taxable profits.

Additionally, there are tax credits for unused deductions that have not been recognised amounting to €44.5 million (2011: €50 million).

24. Post-employment benefits

	2012	2011
Balance sheet obligations for:		
Pension benefits	-	-
Income statement charge for (Note 28):		
Pension benefits	55	82

Several companies in the automotive segment have externalised the pension liability relating to certain retired and pre-retired employees (22 people in 2012 and 2011) with the insurance company Biharko. Payments to this insurer amounted to €90 thousand in 2012 (€469 thousand in 2011). There are no non-current amounts recognised in this respect at either year-end.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	2012	2011
Present value of funded obligations	1,670	1,708
Fair value of plan assets	(1,670)	(1,708)
Liabilities in the balance sheet	-	-

The movement in the defined benefit obligation over the year is as follows:

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	2012	2011
Opening balance	-	460
Additions/decreases	-	(50)
Expense charged in the income statement (Note 28)	55	82
Result of discontinued operations	35	(23)
Contributions paid, continuing operations	(55)	(366)
Contributions paid, discontinued operations	(35)	(103)
Closing balance	-	-

The principal actuarial assumptions used are as follows:

	2012	2011
Technical interest rate	3%	3%
Expected annual return on plan assets	2.5%-3%	2.5%-3%
Expected annual return on reimbursements recognized 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 obligations are externalised.

The actual return on plan assets amounted to 5.5% in 2012 (5.1% in 2011).

25. Provisions

The breakdown of the movements in provisions in 2012 and 2011 is as follows:

	Amount
At 31 December 2010	**47,561**
- Additions	31,054
- Amounts used	(16,744)
- Transfers and other movements (*)	(3,724)
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**

(*) Mainly relate to exchange rate effects

Non-current provisions at 31 December 2012 mainly include the following:

- A €12.1 million provision (2011: €17.7 million) corresponding almost entirely to tax contingencies in Brazil, of which €4.1 million are on court deposit pending court rulings (2011: €6 million) (Note 8).
- A €1.7 million provision established to guarantee the sale of assets and closure and winding up of companies (2011: €1.5 million).
- Provisions for other personnel liabilities amounting to €11.2 million (2011: €10 million).
- A €20.2 million provision (2011: €23.3 million) relating to the hedging of operational business risks expected to materialise in the long-term.

Current provisions at 31 December 2012 relate basically to the streamlining of the Group's productive structure in Spain (€3.8 million at year-end 2012 and €1.4 million at year-end 2011), as well as provisions for operational business risks at several Group companies that are expected to materialise in the short term (€3.9 million at year-end 2012 and €4 million at year-end 2011). This heading also includes provisions for tax contingencies and customer claims at certain subsidiaries (€0.5 million at year-end 2012 and €0.2 million at year-end 2011).

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26. Operating income

	2012	2011
Revenue	1,645,705	1,833,217
Changes in inventories of finished goods and work in progress (Note 11)	(4,574)	13,216
Other income	68,840	64,534
	1,709,971	1,910,967

"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 €650 thousand (€1,262 in 2011).

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

	2012	2011
Brazilian real	390,232	422,539
US dollar	279,252	239,270
Mexican peso	44,494	43,705
Czech koruna	958	2,317
Chinese yuan renminbi	19,482	8,066
Other	12,419	6,956
	746,837	722,853

27. Other operating expenses

	2012	2011
Utilities	47,928	51,132
Vehicles	18,806	16,911
Repairs	19,588	19,952
Expenses intrinsic to the biofuel segment	470	397
Operating leases	17,148	16,530
Provision for impairment of accounts receivable (Note 10)	1,666	1,860
Provision for inventory impairment (obsolescence) (Note 11)	2,428	448
Other operating expenses	70,786	75,279
	178,820	182,509

28. Employee benefit expense

	2012	2011
Wages and salaries	241,694	237,472
Share-based payments	1,670	528
Social security costs	53,777	56,488
Other welfare expenses	41,101	39,863
Pension costs – defined benefit plans (Note 24)	55	82
Personnel restructuring costs	5,682	12,063
	343,979	346,496

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The average Group headcount by category is as follows:

	Number			
	2012		2011	
Category	Joint ventures (*)	Consolidated Group (**)	Joint ventures (*)	Consolidated Group
Executives	125	297	38	280
University graduates, specialists and administrative staff	310	4,912	407	4,634
Semi-skilled workers	480	9,666	474	8,567
	915	14,875	919	13,481

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

The gender breakdown of the Group's headcount and the parent company's directors at 31 December 2012 and 2011 is as follows:

	Year-end 2012			Year-end 2011		
Category	Men	Women	Total (**)	Men	Women	Total
Members of the Board of Directors	(*) 11	2	13	(*) 11	2	13
Executives	343	73	416	255	54	309
University graduates, specialists and administrative staff	4,074	1,227	5,301	3,857	1,082	4,939
Semi-skilled workers	8,640	1,915	10,555	7,460	1,618	9,078
	13,068	3,217	16,285	11,582	2,756	14,338

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

Share-based payments

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 recognised is calculated by reference to the fair value of the shares to be delivered and the beneficiaries' continued association with the Group at the time the plan is settled. The total cost is recognised in the period in which the rights are acquired, which is the period in which the specific vesting conditions must be met. At the balance sheet date, the entity reviews the basic assumptions that determine the amount of the compensation, essentially the expectation that each beneficiary will remain in the Group's service at the settlement date. The impact of the review of the original estimates, if any, is recognised in the income statement along with the corresponding adjustment to equity.

Shares to be delivered

The share reference price used to determine the consideration payable is BRL14, the same 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 price during the period between 1 April 2015 and 30 June 2015 and the share price on 29 June 2015 (on the Sao Paolo stock exchange as per the Bovespa or equivalent index). The date for calculating the compensation and the delivery of the equivalent shares (strike date) is 30 June 2015, both of which subject to the beneficiaries remaining with the Group at that date.

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The total number of rights granted is 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 average weighted fair value of the rights (or the embedded options) granted during 2012, established using the Black-Scholes valuation model, was BRL4.9544 per option (2011: a weighted average fair value of BRL4.0461). The most significant valuation model inputs included the share price on the grant date, the strike price presented above, volatility, the expected dividend yield, an expected life of 5 years and an annual risk-free annual interest rate.

29. Finance income and costs

	2012	2011
Interest expense:		
- Bank borrowings	(85,612)	(84,487)
Interest income:		
- Other interest and finance income	41,004	30,526
Net gains/(losses) on foreign currency transactions	(4,179)	880
Ne gains/(losses) on financial instruments at fair value:		
- Interest-rate swaps	4,338	6,421
	(44,449)	(46,660)

30. Income tax

	2012	2011
Current tax	21,524	21,920
Net change in deferred tax	(49,681)	(14,263)
Total income tax expense (income)	**(28,157)**	**7,657**
Tax expense of discontinued operations	12,469	1,631
Tax expense (income) of continuing operations	**(15,688)**	**9,288**

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

	2012	2011
Consolidated accounting profit before tax for the year from continuing operations	96,762	97,094
Accounting profit before tax from discontinued operations (Note 13)	(48,951)	(9,258)
Consolidation adjustments	207,021	197,385
Aggregate profit before tax of consolidated companies	254,832	285,221
Income not subject to tax and non-deductible expenses (*)	(179,762)	(214,254)
Net temporary differences in individual companies (**)	(22,115)	(14,274)
Offset of tax losses	(12,725)	(18,968)
Aggregate taxable profit	40,230	37,725

(*) Dividends distributed among Group companies, portfolio provisions eliminated and other permanent differences totalling €75.74 million, €93.61 million and €10.42 million, respectively (2011: €87.25 million, €103.55 million and €23.45 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.

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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:

	2012	2011
Aggregate profit before tax of consolidated companies	254,832	285,221
Tax calculated at domestic rates applicable to profits in the respective countries	83,532	90,850
Income not subject to tax	(58,800)	(68,248)
Utilisation of tax credits and tax losses	(3,208)	(5,464)
Recovered aid expenses	-	4,782
Deferred tax expense/(income) (Note 23)	(49,681)	(14,263)
Tax charge	**(28,157)**	**7,657**
Transfer to discontinued operations	12,469	1,631
	(15,688)	**9,288**

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

	Statutory rate	
	2012	2011
Basque country	28%	28%
Rest of Spain	30%	30%
Mexico	30%	30%
Brazil	34%	34%
Rest of Europe (average rate)	19% - 35%	19% - 35%
China	25%	25%
Americas	18.50%-30%	18.50%-30%

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 2012 is that relating to Bizkaia Regional Regulation 3/1996 (26 June).

The parent company's directors have calculated the amounts associated with this tax for 2012 and those years open to inspection in accordance with provincial 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.

No significant non-current assets were sold in either 2012 or 2011 for which the capital gain was used to apply for a reinvestment tax exemption.

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).

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	2012	2011
Profit attributable to owners of the parent (thousand euro)	61,028	60,577
Profit/(loss) from discontinued operations attributable to owners of the parent (thousand euro) (*)	(35,243)	(7,086)
Weighted average number of ordinary shares in issue (thousand)	106,403	111,469
Basic earnings per share from continuing operations (euro per share)	0.90	0.61
Basic earnings per share from discontinued operations (euro per share)	(0.33)	(0.06)

(*) Of the loss for the year from discontinued operations of CIE Automotive Group (a loss of €36,482 thousand in 2012 and a loss of €7,627 thousand in 2011; Note 13), the balances shown in this table represent the portion attributable to owners of the Group's parent.

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 19 December 2012, the Board of Directors approved the payment of a pre-tax interim dividend from 2012 profit of €0.09 per share carrying dividend rights, amounting to a dividend payment of €9,345 thousand. This dividend was paid on 3 January 2013 (Note 22).

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 €10,260 thousand. An amount of €9,678 thousand was paid in this respect on 8 May 2012.

On 21 December 2011, the Board of Directors approved the payment of an interim dividend from 2011 profits of €0.09 per share, implying a total of €9,847 thousand. This dividend was paid on 3 January 2012.

33. Cash generated from operations

	2012	2011
Profit for the year	75,968	80,179
Adjustments for:		
– Tax (Note 30)	21,524	21,920
– Deferred tax (Notes 23 and 30)	(49,681)	(14,263)
– Grants released to income (Note 19)	(5,977)	(5,015)
– Depreciation of property, plant and equipment (Note 6)	77,945	78,025
– Amortisation of intangible assets (Note 7)	9,680	11,187
– Asset impairment charge (Notes 6, 7 and 13)	29,604	42
– (Profit)/loss on disposal of property, plant and equipment (see below)	(650)	(1,262)
– Net change in provisions (Nota 25)	(3,765)	4,369
– Net fair value (gains)/losses on derivative financial instruments (Nota 8)	(4,171)	(6,570)
– Interest income (Note 29)	(41,004)	(30,526)
– Interest expense	85,612	84,962
– Exchange differences (Note 29)	4,179	(880)
– Share of loss/(profit) from associates (Notes 8 and 25)	166	9,941
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	1,478	(14,674)
– Trade and other receivables	1,195	39,730
– Other assets	(4,659)	(698)
– Trade and other payables	(27,875)	33,305
Cash generated from operations	169,569	289,772

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

	2012	2011
Carrying amount (Notes 6 and 7)	4,126	9,033
Profit/(loss)on disposal of property, plant and equipment (Note 26)	650	1,262
Proceeds from disposal of property, plant and equipment	4,776	10,295

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:

	2012	2011
Property, plant and equipment	10,920	12,174
Obligations deriving from irrevocable lease agreements	35,833	35,554

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 machinery under cancellable operating lease agreements. The Group is required to provide six months' notice for the termination of these agreements.

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

	2012	2011
Less than one year	7,647	5,746
Between one and five years	27,937	27,516
Later than five years	249	2,292
	35,833	35,554

d) Other information

The IT Solutions and Services segment has posted bonds to guarantee works and services rendered to customers and commercial guarantees totalling approximately €10.6 million (2011: approximately €10.2 million)

35. Business combinations

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 is as follows:

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

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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 movement from the transaction are as follows:

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

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

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 is as follows:

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

The assets and liabilities arised from the acquisition were as follow:

	(*) 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
Trade and other payables	545
Liabilities assumed	**546**
Total net assets acquired	**3**

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The cash flows deriving from the transaction are 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 Oonghua Automotive Industrial Co. Ltd. Under the terms of the agreement, Autometal has become 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 gives Autometal, S.A. control of Nanjing Forging 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 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 the net assets acquired and resulting goodwill is as follows:

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

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
Trade and other payables	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 are 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).

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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, 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, is 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
Trede and other payables	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**

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The amounts of identifiable assets acquired and liabilities assumed:

	Fair value of the net assets acquired
Fixed assets	16
Non-current financial assets	4
Accounts receivable	12
Cash and cash equivalents	6
Assets acquired	**38**
Trade and other payables	27
Current tax liability	1
Liabilities assumed	**28**
Total assets	**10**
Total net assets acquired	**7**

The cash flows deriving from the transaction are 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 a €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.

2011

Automotive segment

On 9 June 2011, the Group acquired the 7.16% shareholding that Sodiga Galicia, SCR, S.A. held in Group subsidiary CIE Galfor, S.A. (Appendix). The Group thus became this subsidiary's sole shareholder.

The acquisition of the shares owned by Sodiga Galicia, SCR, S.A. was carried out by the company itself (treasury shares).

The price paid for the acquisition was €1,131 thousand. At the time of the acquisition, the value of the non-controlling interest was €909 thousand.

	Amount
Carrying amount of non-controlling interests acquired	909
Consideration paid for the shareholding acquired	(1,131)
Recognised gain/(loss)	(222)

This loss was recognised with a charge against parent company's reserves.

In addition, on 21 June 2011, the Group acquired, through its subsidiary CIE Azkoitia, S.L., the shares in GSB-TBK Automotive Components, S.L., which until that time were owned by the rest of the shareholders, rendering it a sole-shareholder company.

The price paid for the 25% stake acquired was €72 thousand. The summary of the business combination is as follows:

	Amount Thousand euro
Carrying amount of non-controlling interests acquired	184
Consideration paid for the shareholding acquired	(72)
Recognised gain/(loss)	**112**

This gain was recognised with a credit to the parent company's reserves.

On 17 May 2011, CIE Automotive Group acquired a 55% shareholding in the Portuguese company Apolo Blue Tratamentos, Lda through the Group's subsidiary Plasfil Plásticos da Figueira, S.A.

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The summary of the business combination is as follows:

	Amount (*)
Cost of the business combination	397
Fair value of the net assets acquired	(205)
Goodwill	**192**

The amounts of identifiable assets acquired and liabilities assumed:

	(*) Fair value of the net assets acquired
Cash and cash equivalents	130
Fixed assets	397
Inventories	56
Accounts receivable	450
Non-controlling interests	(167)
Trade and other payables	(661)
Net assets acquired	**205**

(*) Data in euro.

The fair values of the net assets acquired do not differ significantly from their carrying amounts. The Group deemed that there were no intangible assets that met the prerequisites for separate recognition, or any separate contingent liabilities or transactions.

The cash flows deriving from the transaction are as follows:

Total consideration	397
Cash and cash equivalents in the subsidiary acquired	(130)
Outflow of cash on the acquisition	**267**

The acquisition price was fully paid at 31 December 2011.

All these business combinations contributed €235 thousand to profit in 2011.

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.

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 2012, excluding that included within the compensation paid to the members of the Board of Directors, amounted to €1,393 thousand (2011: €1,406 thousand).

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

Year-end balances (at present value) arising from other transactions with these related parties:

	2012	2011
Non-current assets	-	4,879
Current assets	5,069	-
	5,069	4,879

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

	2012	2011
Business transactions:		
- Services received	610	204
- Services rendered	768	768

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

	2012	2011
Balances:		
- Accounts receivable from related parties (Note 8)	46,836	28,284
- Accounts payable to related parties	122	1,702
- Dividend pending payment	9,345	9,847

c) Compensation of the directors of the parent company

Compensation paid to the members of the Board of Directors

Overall total compensation paid to the members of the Board of Directors, consisting of salaries, per diems and other remuneration during 2012 amounted to €4,300 thousand (2011: €1,882 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.

d) Article 229 of the Spanish Corporate Enterprises Act

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.

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., 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 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.L., which is 65.00%-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 offices in any company that carries out activities in the sectors in which CIE Automotive Group conducts its business activities.

Three members of the parent company's Board of Directors are directors or hold management positions in the parent's subsidiaries. Detailed information concerning these positions at 31 December 2011 is as follows:

Name or company name of the director	Name of the Group company	Position
Antonio María Pradera Jáuregui	Autometal, S.A.	Director
Antonio María Pradera Jáuregui	CIE Autometal, S.A.	Director
Antonio María Pradera Jáuregui	CIE Bérriz, S.L.	Chairman
Antonio María Pradera Jáuregui	CIE Avtocom, LLC	Director
Antonio María Pradera Jáuregui	CIE Avtocom Kaluga, LLC	Director
Antonio María Pradera Jáuregui	Global Dominion Access, S.A.	Chairman
Fermín del Río Sanz de Acedo	Autometal, S.A.	Director
Fermín del Río Sanz de Acedo	CIE Autometal, S.A.	Director
Fermín del Río Sanz de Acedo	Gescrap – Autometal Comercio de Sucatas, Ltd.	Director

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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:

	31/12/2012	31/12/2011
Assets:		
Non-current assets	12,766	11,000
Current assets	10,410	11,930
	23,176	22,930
Liabilities:		
Non-current liabilities	5,293	4,451
Current liabilities	8,553	8,910
	13,846	13,361
Net assets	9,330	9,569

	31/12/2012	31/12/2011
Income	34,764	38,794
Expenses	(34,767)	(37,706)
Profit/(loss) after taxes	(3)	1,088
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, S.A. 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.

The following amounts represent the Group's 50% share at 31 December 2012 (35% at 31 December 2011) of the assets and liabilities, and income and results of the joint venture. They are included in the consolidated balance sheet and income statement:

	31/12/2012	31/12/2011
Assets:		
Non-current assets	3,188	1,315
Current assets	2,512	1,380
	5,700	2,695
Liabilities:		
Non-current liabilities	1,094	637
Current liabilities	3,284	1,724
	4,378	2,361
Net assets	1,322	334

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	31/12/2012	31/12/2011
Income	8,105	4,961
Expenses	(8,570)	(5,138)
Profit/(loss) after taxes	**(465)**	**(177)**
Proportionate interest in the joint venture's commitments	(*) 50%	35%

(*) Reflects 35% of the joint venture's results until the date of the business combination (Note 35) and 50% thereafter.

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

38. Joint arrangements (UTEs)

The IT Segment participates in several consortia or temporary joint arrangements (UTEs for their acronym in Spanish). The following amounts represent the Group's percentage interest in the assets and liabilities, and sales and results of these joint arrangements. They are included in the balance sheet and income statement:

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Income	Expenses	Results
2012	2,134	-	2,116	-	1,961	9,943	18
2011	7,573	9	6,012	-	9,102	7,750	1,342

39. Other information

a) Auditor fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for audit services performed in 2012 totalled €1,706 thousand (€1,726 thousand in 2011). This amount includes the audit of the financial statements of the individual companies and the consolidated financial statements for 2012. The amount relating to 2011 also includes the audit of the interim financial statements.

Other services provided by PricewaterhouseCoopers Auditores, S.L. and other firms associated with the PricewaterhouseCoopers trademark amounted to €187 thousand (2011: €69 thousand).

The fees charged by other firms for financial statament audit services in respect of other investees amounted to €70 thousand in 2012 (2011: €39 thousand).

b) Environmental issues

i) The parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

ii) Investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

iii) The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associatad with its operations and improve the Group's environmental management and record. The combined amounts of investments and expenses accrued in 2012 in relation to environmental protection work totalled €2.7 million in 2012 (€1.9 million in 2011) 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 statement.

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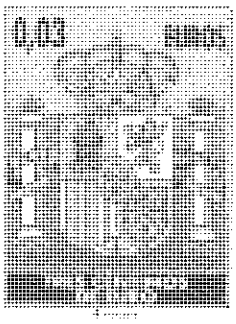
40. Events after the balance sheet date

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

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

The joint venture will begin operations in the town of Valašské Meziríčí (Czech Republic). Grupo Antolin Irausa, the technological leader in the development and manufacture of complete lightweight seat systems, will contribute its track record in the manufacture of metallic seat structures and relations with customers in the sector. CIE Automotive, an industrial group specialised in the management of value added processes and the manufacture of parts for the automotive market, will bring its ability to develop processes, including painting, stamping, machining and tube shaping processes, which will be embedded into the process of producing metallic structures and subassemblies for seats, to the venture.



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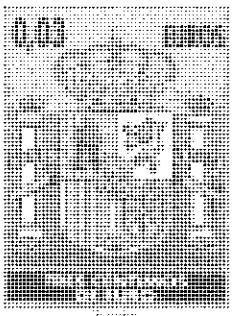
			Direct	Indirect	Direct	Indirect	Direct	Indirect
CIE Berriz, S.L. (*) (merged with CIE Inversiones Inmuebles, S.L. and CIE Automotive Bioenergía, S.L.U. in 2012)	Holding company	Vizcaya	100%	-	-	-	-	-
CIE Legazpi, S.A.	Manufacture of automotive components	Guipuzcoa	-	100%	100%	-	-	-
CIE Galfor, S.A.U. (*)	Manufacture of automotive components	Orense	-	100%	100%	-	-	-
Galfor Eólica, S.L.	Production and marketing of electricity	La Coruña	-	50%	-	50%	50%	-
Belgium Forge, N.V. (in liquidation)	Manufacture of automotive components	Belgium	-	100%	100%	-	-	-
CIE Udalbide, S.A.U.	Manufacture of automotive components	Vizcaya	-	100%	100%	-	-	-
CIE Mecauto, S.A.U.	Manufacture of automotive components	Álava	-	100%	100%	-	-	-
Mecanizaciones del Sur-Mecasur, S.A.	Manufacture of automotive components	Álava	-	100%	100%	-	-	-
Gameko Fabricación de Componentes, S.A.	Manufacture of automotive componants	Álava	-	100%	100%	-	-	-
Grupo Componentes Vilanova, S.L.	Manufacture of automotive components	Barcelona	-	100%	100%	-	-	-
Alfa Deco, S.A.U.	Manufacture of automotive components	Guipuzcoa	-	100%	100%	-	-	-
Alurecy, S.A.U.	Manufacture of automotive components	Vizcaya	-	100%	100%	-	-	-
Componentes de Automoción Recytec, S.L.U.	Manufacture of automotive components	Álava	-	100%	100%	-	-	-
Componentes de Dirección Recylan, S.L.U.	Manufacture of automotive components	Navarre	-	100%	100%	-	-	-
Nova Recyd, S.A.U.	Manufacture of automotive components	Álava	-	100%	100%	-	-	-
Recyde, S.A.U.	Manufacture of automotive components	Guipuzcoa	-	100%	100%	-	-	-
Recyde CZ, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-
CIE Zdánice, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-
Alcasting Legutiano, S.L.U.	Manufacture of automotive components	Álava	-	100%	100%	-	-	-
Egaña 2, S.L.	Manufacture of automotive components	Vizcaya	-	100%	100%	-	-	-
Inyectametal, S.A.	Manufacture of automotive components	Vizcaya	-	100%	100%	-	-	-
Orbelan Plásticos, S.A.	Manufacture of automotive components	Guipuzcoa	-	100%	100%	-	-	-
Transformaciones Metalúrgicas Norma, S.A.	Manufacture of automotive components	Guipuzcoa	-	100%	100%	-	-	-
Tarabusi, S.A.U.	Manufacture of automotive components	Vizcaya	-	100%	100%	-	-	-
Plasfil Plásticos da Figueira, S.A. (*)	Manufacture of automotive components	Portugal	-	100%	100%	-	-	-
ApoloBlue Tratamentos, Lda	Manufacture of automotive components	Portugal	-	55%	-	55%	55%	-
CIE Metal CZ, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-
CIE Plasty CZ, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-
CIE Unitools Press CZ, a.s.	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-



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			Direct	Indirect	Direct	Indirect	Direct	Indirect
CIE Joamar, s.r.o.	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-
CIE Automotive Maroc, s.a.r.l. d'au	Manufacture of automotive components	Morocco	-	100%	100%	-	-	-
CIE Praga Louny, a.s. (*)	Manufacture of automotive components	Czech Rep.	-	100%	100%	-	-	-
Praga Service, s.r.o.	Installations	Czech Rep.	-	100%	-	100%	100%	-
CIE Deutschland, GmbH	Services and installations	Germany	-	100%	100%	-	-	-
Leaz Valorización, S.L.U. (dormant)	Waste management and recovery	Vizcaya	-	100%	100%	-	-	-
CIE Compiègne, S.A.S.	Manufacture of automotive components	France	-	100%	100%	-	-	-
CIE Automotive Hispamoldes, S.A.	Holding company	Vizcaya	-	50%	50%	-	-	-
CIE Hispamoldes Plastielles, s.a.r.l. d'au	Manufacture of automotive components	Morocco	-	50%	-	50%	100%	-
CIE Autometal, S.A. (*)	Holding company	Brazil	-	100%	100%	-	-	-
Naturoil Combustíveis Renováveis, S.A.	Biofuel production and sale	Brazil	-	100%	-	100%	100%	-
Bioauto Participações, S.A. (*)	Holding company	Brazil	-	75%	-	75%	75%	-
Bioauto MT Agroindustrial, Ltda.	Agrobiotechnology	Brazil	-	75%	-	75%	-	100%
Mutum Álcool Combustíveis e Energia, Ltda. (dormant)	Biofuel production and sale	Brazil	-	75%	-	75%	-	100%
Biojan MG Agroindustrial, Ltda. (dormant)	Agrobiotechnology	Brazil	-	75%	-	75%	-	100%
Autometal, S.A. (*)	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	74.76%	-
Nanjing Automotive Forging Co., Ltd. (1)	Manufacture of automotive components	China	-	37.38%	-	37.38%	37.38%	-
Durametal, S.A.	Manufacture of automotive components	Brazil	-	37.4%	-	37.4%	37.4%	-
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automotive components	Brazil	-	74.76%	-	74.76%	74.76%	-
Autometal Investimentos a Imóveis, Ltda. (*)	Services and installations	Brazil	-	74.76%	-	74.76%	74.76%	-
Gescrap – Autometal Comercio de Sucatas, Ltd.	Sale of scrap	Brazil	-	22.4%		22.4%		22.4%
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 Sistemes 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. (1)	Holding company	Spain	-	74.76%	-	74.76%	74.76%	-
CIE Autometal de México, S.A. de C.V. (*)	Holding company	Mexico	-	74.76%	-	74.76%	74.76%	-
Pintura y Ensembles 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 Mexico, S.A. de C.V.	Manufacture of automotive components	Mexico	-	22.42%	-	22.42%	-	22.42%
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 Bérriz 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%

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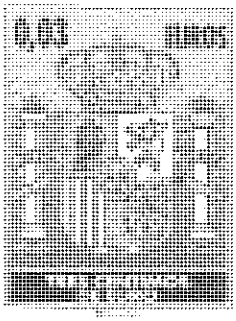
			Direct	Indirect	Direct	Indirect	Direct	Indirect
Percaser de México, S.A. de C.V.	Services and installations	Mexico	-	74.76%	-	74.76%	-	74.76%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	Services and installations	Mexico	-	74.76%	-	74.76%	-	74.76%
Inmobiliaria El Puente, S.A. de C.V.	Services	Mexico	-	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%
CIE Automotive, USA Inc (*)	Services and installations	USA	-	74.76%	-	74.76%	-	74.76%
Century Plastics, Llc (1)	Manufacture of automotive components	USA	-	48.6%	-	48.6%	-	48.6%
Bionor Transformación, S.A.U. (*)	Holding company	Vizcaya	-	100%	100%	-	-	-
Bionor Beranteville, S.L.U.	Biofuel production and sale	Álava	-	100%	-	100%	100%	-
Cornlube s.r.l.(*) (in liquidation)	Biofuel production and sale	Italy	-	80%	-	80%	80%	-
Glycoleo s.r.l. (dormant)	Production and marketing of glycerine	Italy	-	40.8%	-	40.8%	40.8%	-
Biosur Transformación, S.L.U.	Biofuel production and sale	Huelva	-	100%	-	100%	100%	-
Biocombustibles de Zierbena, S.A.	Biofuel production and sale	Vizcaya	-	20%	-	20%	20%	-
Via Operador Petrolífero, S.L.U.	Biofuel production and sale	Vizcaya	-	100%	-	100%	100%	-
Biocombustibles La Seda, S.L.	Production and marketing of glycerina	Barcelona	-	40%	-	40%	40%	-
Biocombustibles de Guatemala, S.A.	Agrobiotechnology	Guatemala	-	51%	-	51%	51%	-
Gestión de Aceites Vegetales, S.L. (GAVE) (*)	Sale of fatty oils	Madrid	-	88.7%	-	88.7%	88.7%	-
Reciclado de Rasiduos Grasos, S.L.(Resigras), Sociedad Unipersonal	Sale of fatty oils	Madrid	-	88.7%	-	88.7%	-	88.7%
Recicledos Ecológicos de Residuos, S.L.U.	Sale of fatty oils	Alicante	-	100%	-	100%	100%	-
Biodiesel Mediterráneo, S.L.	Biofuel production and sale	Alicante	-	100%	-	100%	100%	-
Recogida de Aceites y Grasas Maresme, S.L. (Rema) (1)	Sale of fatty oils	Barcelona	-	51%	-	51%	51%	-
RS Automotive B.V. (*)	Holding company	Netherlands	50%	-	-	-	-	-
Advanced Comfort Systems International B.V. (*)	Holding company	Netherlands	-	50%	100%	-	-	-
Advanced Comfort Systems Ibérica, S.L.U.	Manufacture of automotive components	Orense	-	50%	-	100%	100%	-
Advanced Comfort Systems France, S.A.S. (*)	Manufacture of automotive components	France	-	50%	-	100%	100%	-
Advanced Comfort Systems Romania, S.R.L.	Manufacture of automotive components	Rumania	-	50%	-	100%	-	100%
Advanced Comfort Systems México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	50%	-	100%	-	100%
Advanced Comfort Systems Shanghai Co. Ltd	Manufacture of automotive components	China	-	50%	-	100%	-	100%
RS Automotive GmbH	Holding company	Germany	-	50%	100%	-	-	-
CIE Automotive Nuevos Mercados, S.L. (*)	Holding company	Vizcaya	26.96%	(2) 48.04%	-	-	-	-
CIE-Avtocom Kaluga, LLC	Asset holding company	Russia	-	37.50%	50%	-	-	-
CIE-Avtocom, LLC (*)	Holding company	Russia	-	37.5%	50%	-	-	-
Kinelagroplast, LLC (merged with Plastik, LLC in 2012)	Manufacture of automotive components	Russia	-	37.5%	-	50%	100%	-
Doga Avtokom CIE LLC	Manufacture of automotive components	Russia	-	18.75%	25%	-	-	-
UAB CIE Lt Forge	Manufacture of automotive components	Lithuania	-	75%	100%	-	-	-
SC CIE Matricon, S.A.	Manufacture of automotive components	Rumania	-	75%	100%	-	-	-
CIE Automotive Parts	Manufacture of	China	-	75%	100%	-	-	-



CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDICES TO THE NOTES TO THE CONSOLIDATED 2012 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
(Shanghai) Co., Ltd.	automotive components							
Global Dominion Access, S.A. (*)	Holding company/IT Solutions and Services	Bilbao	84.95%	-	-	-	-	-
Dominion Instalaciones y Montajes, S.A.U. *(*)*	IT Solutions and Services	Zamudio	-	84.95%	100%	-	-	-
Dominion Networks, S.L.	IT Solutions and Services	Madrid	-	42.47%	-	50%	50%	-
Dominion Centro de Gestión Personalizada, S.L.	IT Solutions and Services	Madrid	-	84.95%	-	100%	100%	-
Dominion I+D, S.L., Sociedad Unipersonal	IT Solutions and Services	Bilbao	-	84.95%	100%	-	-	-
Dominion Limitada Ltda.	IT Solutions and Services	Chile	-	84.95%	99.99%	-	-	-
Dominion Perú Soluciones y Servicios S.A.C. (1)	IT Solutions and Services	Peru	-	84.95%	99.99%	-	-	-
E.C.I. Telecom Ibérica, S.A.	IT Solutions and Services	Madrid	-	68.80%	81%	-	-	-
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	IT Solutions and Services	Mexico	-	84.95%	100%	-	-	-
Dominion TI México, S.A. de CV	IT Solutions and Services	Mexico	-	84.95%	-	99.99%	99.99%	-
Prosat Comunicaçoes, Ltda.	IT Solutions and Services	Brazil	-	84.95%	99.99%	-	-	-
Global Dominion Brasil Participaçoes, Ltda.(*)	Holding company	Brazil	-	84.95%	99.99%	-	-	-
Halógica Tecnología, S.A.	IT Solutions and Services	Brazil	-	84.95%	-	84.95%	100%	-
Dominion Instalaçoes e Montagnes do Brasil Ltda.	IT Solutions and Services	Brazil	-	84.95%	-	99.99%	100%	-
Dominion Baires, S.A.	IT Solutions and Services	Argentina	-	84.95%	95%	-	-	-
Autokomp Ingeniería, S.A.U.	Services and installations	Vizcaya	-	100%	-	-	-	-

(1) Companies added to the scope of consolidation in 2012.

(2) The shares of CIE Automotive Nuevos Mercados, S.L. are owned 26.96% by CIE Automotive, S.A. and 48.04% by CIE Bérriz, S.L., giving the Group a total ownership interest of 75%.

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2012
(Thousand euro)

BUSINESS PERFORMANCE:

CIE Automotive Group's earnings performance in 2012 was as follows:

CONSOLIDATED GROUP:

(Thousand euro)	2012	2011 (**)
Consolidated revenue	1,645,705	1,839,674
Adjusted consolidated revenue (*)	1,562,468	1,673,282
EBITDA	224,060	234,110
EBIT	141,377	144,898
Profit before tax, continuing operations	96,762	87,822
Profit for the year, continuing operations	112,450	80,165
Result of discontinued operations	(36,482)	14
Profit attributable to non-controlling interests	(14,940)	(19,602)
Profit attributable to owners of parent	61,028	60,577

(*) Pro forma data eliminating sales of diesel for fuel mixing.
(**) In order to boost transparency and information clarity, the Group's earnings performance is compared with the figures reported by CIE Automotive for the year ended 31 December 2011. The 2011 figures presented in the 2012 consolidatad financial statements are different from those presented in 2011 as prevailing accounting rules governing the businesses discontinued by CIE in December 2012 require restatement in order to provide the reader with comparable figures.

Business performance:

- The earnings recovery gained momentum during the second half of the year, with 2H12 net profit rising by 13% over that of 2H11.
- Throughout the year the improvement in margins offset the adverse impact of falling volumes, underpinning year-on-year growth in net profit of 1% in 2012, thanks to enhanced management and increased flexibility.
- Non-recurring gains and losses offset each other in the Group's income statement in 2012.

CIE Automotive Group reports its financial information broken down by the following segments: (i) Automotive; (ii) Biofuel and (iii) IT Solutions and Services (IT). There follows an explanation of the business performance by segment.

AUTOMOTIVE:

Recovery in Europe and strength in emerging markets.

	AUTOMOTIVE	
(Thousand euro)	2012	2011 (*)
Consolidated revenue	1,308,459	1,396,111
% EBITDA (EBITDA / Consolidated Revenue)	206,998	221,928
% EBITDA margin (EBIT / Consolidated Revenue)	15.8%	15.9%
EBIT	132,087	142,808
EBIT margin	10.1%	10.2%

(*) In order to boost transparency and information clarity, the Group's earnings performance is compared with the figures reported by CIE Automotive for the year ended 31 December 2011. The 2011 figures presented in the 2012 consolidated financial statements are different from those presented in 2011 as prevailing accounting rules governing the businesses discontinued by CIE in December 2012 require restatement in order to provide the reader with comparable figures.

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2012
(Thousand euro)

Market performance:

- Despite the decline in revenue, the EBITDA margin held steady year-on-year at 15.8% in 2012.
- The EBIT margin remained in the double digits, at 10.1%
- Earnings improvement in Europe thanks to management improvements and productivity gains, underpinning margin expansion. The operating performance and margin trend were also strong in Mexico.

BIOFUEL:

(Thousand euro)	BIOFUEL	
	2012	2011 (**)
Consolidated revenue	198,921	316,262
Adjusted consolidated revenue (*)	115,684	149,870
EBITDA	3,981	2,132
EBIT	272	(5,250)

(*) Pro forma data eliminating sales of diesel for fuel mixing.
(**) In order to boost transparency and information clarity, the Group's earnings performance is compared with the figures reported by CIE Automotive for the year ended 31 December 2011. The 2011 figures presented in the 2012 consolidated financial statements are different from those presented in 2011 as prevailing accounting rules governing the businesses discontinued by CIE in December 2012 require restatement in order to provide the reader with comparable figures.

Business performance:

- Management reinforces the strategy of focusing on the recycled oils segment.
- Regulatory uncertainty affecting the sector, driven by continuous changes to regulations governing the use and manufacture of biofuels, prompted the Group to discontinue the lines of business in the Biofuel segment that are not related to the manufacture and sale of biodiesel made from recycled oils.
- Against this backdrop, the Group has discontinued the production of biodiesel from virgin oils and the plantation of the raw material (jatropha) for making biodiesel from virgin oils. These discontinued activities accounted for an aggregate loss of €25.6 million in 2012.

IT SOLUTIONS AND SERVICES

(Thousand euro)	DOMINION	
	2012	2011
Consolidated revenue	138,325	127,301
EBITDA	13,081	10,050
EBIT	9,018	7,340

Business performance:

- Revenue growth of 8.7%, underpinned by growth in Latin America, which more than offset the weak performance in Spain. Particularly noteworthy in 2012 is the growth in Brazil and the start-up of service provision in Peru.
- EBITDA growth was a healthy 30.2% over 2011.
- Latin America accounted for 80% of this segment's overall contribution margin.
- The strategy in this segment is to continue to penetrate new emerging markets, leveraging the synergies available in these markets with CIE Automotive Group.

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2012
(Thousand euro)

QUALITY AND ENVIRONMENTAL INITIATIVES

Management model

The principles of business excellence are at the heart of Group strategy.

The overall efficiency of the Group's productive processes, underpinned by its record on quality, environmental awareness, safety and customer orientation, which are inextricably intertwined, is the reason why CIE Automotive is recognised as a market leader.

The four key tenets of our quality management model remain unchanged:

- Prevention
- Training
- Systematic reviews
- Continuous improvement

Certification

At the behest of the Group's customers, the quality management model is reviewed and its certification renewed annually.

The Group's goal of achieving triple quality certification at every plant is ever closer.

Certification status is summarised below:

Automotive

	CIE plants	Certified plants	%
ISO TS 16949	46	46	100
ISO 14000	46	41	89
OHSAS 18000	46	23	51

Biofuel

	CIE plants	Certified plants	%
ISO 9000	1	100	100
ISCC	1	100	100

Continuous quality improvement

'Continuous' is a keyword and CIE Automotive has understood that from the start; that is why the Group's continuous quality improvement approach remains in place.

All the Group's plants are engaged in and committed to continuous improvement, understanding that this does not come from major projects but rather from the sum of little things that make this business successful. The direct consequence of this effort is efficiency gains, as noted earlier.

In 2012 we once again awarded prizes to the plants standing out on any aspect of quality management.

The plants and projects so awarded were:

- CIE Celaya "Stamping tool workshop"
- PEMSA Saltillo "Bed liner productivity, quality and costs"
- Autoforjas "Automation of line 1000 B"
- Nakayone "Improvement to process 5U0.803.097-098"

Customer recognition

CIE Automotive once again garnered the acknowledgement of its customers in 2012.

The following customer-awarded prizes stand out:

- Ford awarded the Group its Q1 award at the following plants:
  - San Bernardo Inyección
  - Autocromo
  - Dias D'Avila

- Volkswagen awarded the Group its A certificate at the following plants:
  - San Bernardo Inyección
  - Autocromo

- Nissan
  - PEMSA Celaya was distinguished for the third year running with Nissan's Quality Origin Award, for its quality and service standards and its rapid incident response times

- Robert Bosch
  - CIE Egaña was rewarded for the improvement in its quality and logistics standards by a taskforce made up of members of both companies

R&D

2012 was a year of transition in terms of European strategy on R&D, marked by the end of the Seventh Framework Programme, FP7, and the start of Horizon 2020, H2020, a pan-European strategy with a triple objective:

- A 20% reduction in greenhouse gas emissions
- A 20% increase in the share of renewable energy
- 20% cut in energy consumption

To meet these targets, the European Commission has enacted legislation that has a direct impact on the automotive sector.

Some of these regulations encourage investment in technologies aligned with the manufacturing sector that are designed to deliver the following goals:

- Reduction of emissions in manufacturing processes
- Reduction of the environmental impact of vehicles throughout their entire life cycle
- The reuse of automotive waste at the end of vehicles' useful lifes

CIE Automotive Group has reacted by focusing its R&D effort strategically on initiatives such as:

- ECO-DESIGN. The Group has developed strategies to promote the efficient use of resources and cost savings, to which end it has worked on the entire life cycle of its products and the entire value chain. It has focused particularly on the use of alternative materials to those currently used, making the parts supplied lighter. More lightweight products imply lower carbon emissions. The Group continues to pay close attention to meeting the mechanical, aesthetic and financial requirements demanded by the OEMs.

- ENERGY EFFICIENCY. Work was ongoing on analysing the energy efficiency of the productive facilities of the Group's plants, mainly those that consume electric power to generate the temperature needed to transform raw materials. This work is focused primarily on evaluating the facilities' actual vs. theoretical consumption, analysing the opportunities for the recovery of energy and reduction of contaminating emissions and the real-time capture of consumption parameters.

- SMART FACTORY. The XXI century is being shaped by clearly defined characteristics that are in turn being driven by ever shorter innovation cycles and growing demand for customised products with increasingly shorter life cycles. This paradigm requires manufacturers to redesign their productive facilities. Systems need to be increasingly flexible and customisable in order to remain sufficiently competitive. IT and communication technologies are helping achieve these objectives thanks to the 'connected factory' concept, housed in smart environments in which technology such as wireless networks, sensors and mobile interconnectivity help to foster such development.

Other legal standards are demanding work on the product front:

- Reduction of carbon emissions for passenger vehicles
- Reduction of vehicle energy consumption

CIE Automotive Group has reacted by focusing its R&D effort strategically on initiatives such as:

- ENGINE FUEL MANAGEMENT
- ENGINE OIL MANAGEMENT
- ENGINE DOWNSIZING
- POWERTRAIN ELECTRONICS
- TRANSMISSION
- FUEL FILLING SYSTEM
- THERMAL & ACOUSTIC MANAGEMENT
- LIGHTWEIGHT HIGH PERFORMANCE

Under the umbrella of CIE Automotive Group's R&D programme in 2012, the Group also carried out projects in the field of electric and hybrid cars, mainly related to active and passive security and energy storage and management.

In the areas of competitiveness and the customisation of various automotive functions, the Group developed innovative propositions covering metal, forging, aluminium, machining, plastic and smelting technologies.

It is also worth mentioning the work performed in terms of panoramic roofing, solar protection for vehicle occupants and boot safety features.

CIE AUTOMOTIVE continues to have a voice in various regional, national and international R&D forums, notable among which is its participation in the forums run by associations such as CLEPA, ERTRAC and CDTI in their respective panels regarding strategy definition and implementation of the multi-year programmes associated with H2020.

The Group's participation in R&D initiatives being run by international consortia involving leading OEMs, technology centres and universities continually add to the Group's know-how and developments, positioning it as a first-class technology player in the global playing field.

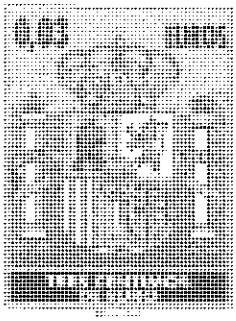
To fund this far-reaching effort, CIE Automotive devotes 2.2% of revenue to R&D work.

TREASURY SHARE TRANSACTIONS

As indicated in Note 14.c) of the consolidated annual financial statements prepared under IFRS-EU, the parent company acquired 5,591,546 own shares in 2012 (2011: 2,748,198 shares), for a year-end balance of treasury shares of 10,164,617 (year-end 2011: 4,573,071 shares).

RISK MANAGEMENT

Note 3 to the accompanying consolidated financial statements describes Group management's risk management efforts in all their manifestations. Risk management strategy has not changed as of the date of authorising the annual accounts for issue.



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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

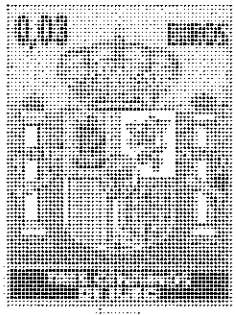
AUTHORISATION FOR THE ISSUANCE OF THE 2012 CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS' REPORT

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** 2012, made up of the documents itemised and identified below, for issue:

- The table of contents, printed on class 8 state-stamped paper, sheet numbers OL2575061 to OL2575062.
- The balance sheet, printed on class 8 state-stamped paper, sheet numbers OL2575063 to OL2575064.
- The income statement, printed on class 8 state-stamped paper, sheet number OL2575065.
- The statement of comprehensive income, printed on class 8 state-stamped paper, sheet number OL2575066.
- The statement of changes in equity, printed on class 8 state-stamped paper, sheet numbers OL2575067 to OL2575068.
- The statement of cash flows, printed on class 8 state-stamped paper, sheet number OL2575069.
- The notes to the annual financial statements, printed on class 8 state-stamped paper, sheet numbers OL2575070 to OL2575151.
- The Directors' Report (appended to which are the Annual Report on Activities of the Audit and Compliance Committee, the Annual Report on Board Remuneration, the Annual Corporate Governance Report, the appendix to 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 OL2575152 to OL2575157.
- 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 OL2575161, OL2575159 and OL2575160.

The directors of the 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 companies consolidated 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 companies consolidated taken as a whole, together with the description of the main risks and uncertainties they face.

Bilbao, 27 February 2013



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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

AUTHORISATION FOR THE ISSUANCE OF THE 2012 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)

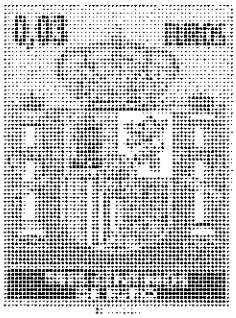
_____

Juan M. Riberas Mera
(Member)

_____

Fermín del Río Sanz de Acedo
(Member)

_____



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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

AUTHORISATION FOR THE ISSUANCE OF THE 2012 CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS' REPORT

ADDVALIA CAPITAL, S.A., represented by
María Teresa Salegui Arbizu *(Member)*

AUSTRAL, B.V., represented by
Bernardino Díaz-Andreu García *(Member)*

COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.

CORPORACIÓN GESTAMP, S.L., represented by
Francisco López Peña *(Member)*

QMC DIRECTORSHIPS, S.L., represented by
Jacobo Llanza Figueroa *(Member)*

(*) Director form COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A. doesn't sign this Consolidated Anual Accounts due to lack of natural person representing during 2012 year.