CIE Automotive, S.A.
and subsidiaries

Audit report,
Consolidated annual accounts at 31 December 2009
and Directors' Report for 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Auditores, S.L.
Edificio Sota
Gran Vía, 45 – 6º
48011 Bilbao
Spain
Tel. +34 946 022 500
Fax +34 946 022 750
www.pwc.com/es

Free translation of the auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

REPORT OF INDEPENDENT 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) consisting of the consolidated balance sheet at 31 December 2009, the consolidated income statement, the statement of overall consolidated income statement, the statement of changes in consolidated equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the parent company. 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 auditing standards generally accepted in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with commercial legislation, the Directors of the parent company present, for the purposes of comparison, the figures from the 2008 consolidated balance sheet, consolidated income statement, overall consolidated income statement, the statement of changes in consolidated equity, consolidated cash flow statement and the notes to the consolidated annual accounts in addition to those from 2009, which differ from those expressed for that year due to the application of International Financial Reporting Standard 1 (Revised) - IAS 1, as is described in Note 2.1 of the accompanying notes to the consolidated annual accounts. Our opinion refers solely to the annual accounts for 2009. On 27 February 2009 we issued our audit report on the 2008 consolidated annual accounts in which we expressed a qualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2009 express, in all material respects, a true and fair view of consolidated equity and the consolidated financial situation of CIE Automotive, S.A. and subsidiaries at 31 December 2009 and the consolidated results of its operations, of changes in consolidated equity and consolidated statement of cash flow for the year then ended and contain sufficient information necessary for an adequate interpretation and understanding, in accordance with the international financial reporting standards adopted by the European Union applied on a consistent basis with respect to the figures and information for the previous year which have been included in the 2009 consolidated annual accounts for the purposes of comparison.

The accompanying consolidated Directors' Report for 2009 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 in the consolidated Directors' Report coincides with that contained in the consolidated annual accounts for 2009. 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 Ricardo Celada
Audit Partner

26 February 2010

Cie Automotive, S.A. and subsidiaries (Consolidated)

Consolidated annual accounts and Directors' Report for the year ended 31 December 2009

TIMBRE DEL ESTADO

0,03 EUROS

0J7897001

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONTENTS

Note		Page
	Consolidated balance sheet	**1-2**
	Consolidated income statement	**3**
	Consolidated income statement	**4**
	Consolidated statement of changes in equity	**5-6**
	Consolidated cash flow statement	**7**
	Notes to the consolidated annual accounts	
1	**General information and Regulatory Framework**	
	1.1 CIE Automotive group and activities	**8-12**
	1.2 Regulatory Framework	**12-13**
2	**Summary of the main accounting policies applied**	
	2.1 Basis of presentation	**13-24**
	2.2 Consolidation principles	**24.25**
	2.3 Segment information	**26**
	2.4 Foreign currency transactions	**26-27**
	2.5 Property, plant and equipment	**27-28**
	2.6 Interest costs	**28**
	2.7 Intangible assets	**28-29**
	2.8 Impairment of assets	**29**
	2.9 Non-current assets held for sale	**29**
	2.10 Financiel assets	**30-31**
	2.11 Derivative financial instruments and hedging	**32-33**
	2.12 Inventories	**33-34**
	2.13 Trade receivables	**34**
	2.14 Cash and cash equivalents	**35**
	2.15 Share capital	**35**
	2.16 Government grants	**35**
	2.17 Trade payables	**35**
	2.18 Borrowings	**36**
	2.19 Current and deferred taxes	**36-37**
	2.20 Employee benefits	**38**
	2.21 Provisions	**39**
	2.22 Revenue recognition	**39-40**
	2.23 Leeses	**40**
	2.24 Dividend distribution	**40**
	2.25 Environment	**40**
	2.26 Short and long-term balances	**41**
3	**Financial risk management**	
	3.1 Financial risk factors	**41-47**
	3.2 Hedge accounting	**47-48**
	3.3 Measurement method (fair value estimate)	**48-49**
	3.4 Capital risk management	**49-50**

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897002

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

Note		Page
4	**Accounting estimates and judgments**	
	4.1 Significant accounting estimates and judgments	**51-52**
	4.2 Significant judgments when applying accounting policies	**52**
5	**Segment information**	**52-55**
6	**Property, plant and equipment**	**56-58**
7	**Intangible assets**	**59-63**
8	**Financial assets**	**64-66**
9	**Other non-current assets**	**67**
10	**Trade and other receivables**	**68-70**
11	**Inventories**	**70-71**
12	**Cash and cash equivalents**	**71-72**
13	**Assets and disposable groups classified as held-for-sale and discontinued operations**	**72-73**
14	**Share capital and share premium**	**73-75**
15	**Reserves and retained earnings**	**75-76**
16	**Cumulative exchange differences**	**76-77**
17	**Reserves in consolidated companies and effect of first conversion**	**77-78**
18	**Minority shareholdings**	**78-79**
19	**Deferred revenues**	**79-80**
20	**Borrowings**	**81-84**
21	**Trade and other payables**	**84**
22	**Other liabilities**	**85**
23	**Deferred taxes**	**86-87**
24	**Retirement benefit commitments**	**87-88**
25	**Provisions**	**89**
26	**Operating income**	**90**
27	**Other operating expenses**	**90**
28	**Employee benefit expenses**	**91**
29	**Financial income and expense**	**92**
30	**Income tax**	**92-94**
31	**Earnings per share**	**94**
32	**Dividends per share**	**94**
33	**Cash generated from operations**	**95**
34	**Commitments**	**96**
35	**Business combinations**	**96-110**
36	**Related-party transactions**	**110-113**
37	**Joint ventures**	**113-115**
38	**Other information**	**116**
39	**Events after the balance sheet date**	**117**

Appendix: List of Subsidiaries and associates

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009 AND 2008
(Thousand euro)

		At 31 December	
	Note	**2009**	**2008**
ASSETS			
Non-current assets			
Property, plant and equipment	6	693,998	616,244
Goodwill	7	210,067	173,300
Other intangible assets	7	42,423	41,469
Non-current financial assets	8	8,911	9,927
Investments in associated companies	8	1,739	1,868
Deferred tax assets	23	58,736	41,492
Other non-current assets	9	14,898	15,911
		1,030,772	**900,211**
Current assets			
Inventories	11	138,335	176,044
Trade and other receivables	10	180,193	166,836
Other current assets	-	2,560	1,522
Current tax assets	-	29,033	38,095
Other current financial assets	8	23,075	22,201
Cash and cash equivalents	12	124,413	92,091
		497,609	**496,789**
Disposal groups of assets classified as held-for-sale	13	9,534	-
Total assets		**1,537,915**	**1,397,000**

The accompanying Notes on pages 8 to 123 are an integral part of these consolidated annual accounts

0J7897004

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009 AND 2008
(Thousand euro)

	Note	At 31 December 2009	2008
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	14	28,500	28,500
Treasury shares	14	(4,203)	(3,748)
Share premium	14	33,752	33,752
Reserves and retained earnings	15	237,579	231,425
Cumulative exchange differences	15/16	(30,942)	(57,181)
Minority shareholdings	18	**24,449**	**22,118**
Total equity		**289,135**	**254,866**
Deferred revenues	19	**30,738**	**23,202**
LIABILITIES			
Non-current liabilities			
Non-current provisions	25	27,947	26,106
Long-term borrowings	20	363,360	430,412
Deferred tax liabilities	23	45,902	30,306
Other non-current liabilities	22	47,801	48,938
		485,010	**535,762**
Current liabilities			
Short-term borrowings	20	312,908	212,134
Trade and other payables	21	290,013	269,749
Other current financial liabilities	8	8,823	6,579
Current tax liabilities	22	29,687	23,821
Current provisions	25	14,550	10,168
Other current liabilities	22	73,433	60,719
		729,414	**583,170**
Disposal groups of liabilities classified as held-for-sale	13	**3,618**	**-**
Total liabilities		**1,218,042**	**1,118,932**
Total equity and liabilities		**1,537,915**	**1,397,000**

The accompanying Notes on pages 8 to 123 are an integral part of these consolidated annual accounts

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897005

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousand euro)

		Year ended 31 December	
	Note	**2009**	**2008**
OPERATING REVENUES		1,157,463	1,533,809
Net revenues	26	1,149,013	1,455,310
Other operating revenue	26	39,807	63,640
Change in inventories of finished goods and work in progress	11/26	(31,357)	14,859
OPERATING EXPENSES		(1,104,807)	(1,430,149)
Consumption of raw materials end secondary materials	11	(656,440)	(945,932)
Employee benefit expenses	28	(254,840)	(254,641)
Depreciation/amortization	6/7	(63,718)	(76,977)
Other operating expenses	27	(133,316)	(161,172)
Other net profits / (losses)	35	3,507	8,573
OPERATING PROFIT		**52,656**	**103,660**
Financial income	29	11,852	17,647
Financial expense	29	(56,796)	(55,201)
Net exchange differences	29	20,691	2,616
Gains/ losses financial instruments at fair value	29	(171)	(870)
Share in profits companies carried under the equity method	8	(1,589)	(100)
PROFIT BEFORE TAXES		**26,643**	**67,752**
Income tax	30	(11,664)	(16,055)
PROFIT ON CONTINUED ACTIVITIES AFTER TAXES		**14,979**	**51,697**
LOSS ON CONTINUED ACTIVITIES AFTER TAXES	13	**(6,946)**	**-**
PROFIT FOR THE YEAR		**8,033**	**51,697**
Profit /(loss) attributable to minority shareholdings	18	(3,087)	(2,126)
PROFIT ATTRIBUTABLE TO COMPANY SHAREHOLDERS		**11,120**	**53,823**
Earning per share from continuing and discontinued activities attributable to equity holders during the year (expressed in euro per share)			
- Basic:	31	**0.10**	**0.47**
From continuing operations		**0.14**	**0.47**
From discontinued operations		**(0.04)**	**-**
- Diluted:	31	**0.10**	**0.47**
From continuing operations		**0.14**	**0.47**
From discontinued operations		**(0.04)**	**-**

The accompanying Notes on pages 8 to 123 are an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED OVERALL INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousand euro)

	Note	Year ended 31 December 2009	2008
PROFIT FOR THE YEAR		8,033	51,697
OTHER OVERALL PROFIT/(LOSS)			
Cash flow hedges	8	(2,103)	(6,782)
Differences on exchange		31,330	(69,175)
Tax effect		719	1,898
TOTAL AOVERALL PROFIT/(LOSS) NET OF TAXES		**37,979**	**(22,362)**
Attributable to:			
- Parent company shareholders		35,975	(16,709)
- Minority shareholders		2,004	(5,653)
		37,979	**(22,362)**

The accompanying Notes on pages 8 to 123 are an integral part of these consolidated annual accounts

TIMBRE DEL ESTADO

0J7897007

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousand euro)

	Attributable to the Company's shareholders								
	Share capital (Note 14)	Treasury stock (Note 14)	Share premium (Note 14)	Reserve for first Conversion IFRS-EU and other revaluation reserves (Note 15)	Accumulated differences on exchange (Note 16)	Retained earnings (Note 15)	Interim dividend (Note 15)	Minority shareholdings (Note 18)	Total equity
Balance at 1 January 2008	**28,500**	**(2,108)**	**33,752**	**5,777**	**8,467**	**204,393**	**(6,811)**	**24,931**	**296,901**
Total overall profit for 2008	**-**	**-**	**-**	**(4,884)**	**(65,648)**	**53,823**	**-**	**(5,653)**	**(22,362)**
Distribution of 2007 profit/(loss)	-	-	-	-	-	(6,811)	6,811	-	-
Complementary dividend for 2007	-	-	-	-	-	(7,975)	-	(752)	(8,727)
Acquisition/sale of treasury shares	-	(1,640)	-	-	-	-	-	-	(1,640)
Business combinations (note 34)	-	-	-	-	-	-	-	(627)	(627)
Other movements (*)	-	-	-	-	-	(12,898)	-	4,219	(8,679)
Balance at 31 December 2008	**28,500**	**(3,748)**	**33,752**	**893**	**(57,181)**	**230,532**	**-**	**22,118**	**254,866**

(*) Basically relates to the distribution of reserves agreed in 2008 in certain companies of the Group (CIE Autometal and Durametal, see Appendix), paid out to minority interests in these companies, €10,923 thousand, and the contribution of funds owing to the acquisition of a holding by minority interests, €5,787 thousand (Note 1).

The accompanying Notes on pages 8 to 123 are 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 2009 AND 2008
(Thousand euro)

	Attributable to the Company's shareholders							
	Share capital (Note 14)	Treasury stock (Note 14)	Share premium (Note 14)	Reserve for first Conversion IFRS-EU and other revaluation reserves (Note 15)	Accumulated differences on exchange (Note 16)	Retained earnings (Note 15)	Minority shareholdings (Note 18)	Total equity
Balance at 1 January 2009	**28,500**	**(3,748)**	**33,752**	**893**	**(57,181)**	**230,532**	**22,118**	**254,866**
Total overall profit for 2009	-	-	-	(1,384)	26,239	11,120	2,004	37,979
Distribution of 2008 profit/(loss)	-	-	-	-	-	-	-	-
Acquisition/sale of treasury shares	-	(455)	-	-	-	-	-	(455)
Business combinations	-	-	-	-	-	-	903	903
Other movements (*)	-	-	-	-	-	(3,582)	(576)	(4,158)
Balance at 31 December 2009	**28,500**	**(4,203)**	**33,752**	**(491)**	**(30,942)**	**238,070**	**24,449**	**289,135**

(*) Basically relates to the distribution of reserves agreed in 2009 in certain companies of the Group (CIE Autometal and Durametal, see Appendix), paid out to minority interests in these companies, €3,098 thousand, and the contribution of funds owing to the acquisition of a holding by minority interests, €530 thousand.

The accompanying Notes on pages 8 to 123 are an integral part of these consolidated annual accounts

TIMBRE DEL ESTADO

0J7897009

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousand euro)

		Year ended 31 December	
	Notes	**2009**	**2008**
Cash flows from operating activities			
Cash generated from continuing and discontinued operations	33	157,648	124,765
Interest collected		9,970	17,404
Interest paid		(52,014)	(54,538)
Taxes paid		(11,354)	(13,556)
Net cash generated from operating activities		104,250	74,075
Cash flows from investing activities			
Acquisition/disposal of subsidiaries, net of cash acquired	1/35	(24,465)	(30,940)
Acquisition of property, plant and equipment	6	(84,999)	(146,394)
Income from sale of property, plant and equipment	33	8,515	17,356
Acquisition of intangible assets	7	(7,032)	(15,310)
Acquisition/disposals of financial assets held to maturity and deposits	8	1,851	20,287
Acquisitions / disposals of other non-current assets	9	1,013	2,895
Capital grants received	19	9,235	2,959
Cash flows from investment activities	13	(419)	-
Net cash used in investing activities		(96,301)	(149,147)
Cash flows from financing activities			
Acquisition/sale of treasury shares	14	(455)	(1,640)
Income (net of reimbursements) from high rotation borrowings	20	82,829	160,099
Repayment of loans	20	(53,889)	(37,554)
Dividends paid to the Company's shareholders	15	-	(7,975)
Distribution of reserves to minority interests	18	(4,112)	(13,645)
Net cash used in financing activities		24,373	99,285
Net (decrease)/increase in cash and bank overdrafts		**32,322**	**24,213**
Cash, cash equivalents and bank overdrafts at the start of the year	12	92,091	67,878
Cash, cash equivalents and bank overdrafts at the end of the year	12	**124,413**	**92,091**

The accompanying Notes on pages 8 to 123 are an integral part of these consolidated annual accounts

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

1. General information and Regulatory Framework

1.1 CIE Automotive group and activities

CIE Automotive Group has carried out its activities in two different sectors: automotive and biofuels.

Set out below is a description of the two lines of business carried out by CIE Automotive Group:

- 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 automobile components and sub-units on the world market. It applies complementary technologies – aluminum, molding, metals and plastics - and several associated processes: welding, painting and assembly.

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

- Biofuels

The CIE 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 various companies devoted to the production and distribution of biofuels, which are listed and detailed in the table "Group structure" which is presented below. Note 1.2 to these annual accounts summarizes the main lines of the regulatory framework of this new business.

The principal facilities from where this activity is carried on are located in Spain (Álava, Vizcaya and Madrid) and Guatemala. Similarly, there are biodiesel plants under construction in Spain (Álava and Huelva).

CIE Automotive, S.A. (a listed company) currently, directly or indirectly, owns 100% of CIE Azkoitia, S.L., CIE Bérriz, S.L. and CIE Inversiones e Inmuebles, S.L.U., RS Automotive B.V., CIE-Avtocom Kaluga, LLC, CIE-Avtocom, LLC and 80.5% of CIE Automotive Bioenergía, S.L. which are the holding companies of the Group's production companies. All other indirect shareholdings are listed in Appendix I to these Notes to the annual accounts.

The parent company's registered address is located at "Calle Iparraguirre 34 - 2º derecha, 48011 Bilbao (Vizcaya–Spain)".

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Group structure

The list of subsidiaries and associates at 31 December 2009, together with information concerning the same, is set out in the Appendix to these Notes.

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

The companies consolidated under the equity method are as follows (Note 8.d):

	% interest	
	2009	**2008**
Belgium Forge, N.V. (1)	100%	100%
Biocombustibles de Zierbana, S.A. (2) (3)	16.1%	13.69%
Glycoleo, s.r.l. (2)	32.2%	27.38%
Biocombustibles La Seda, S.L. (2) (3)	32.2%	27.38%
CIE-Avtocom Kaluga, LLC (*) (2)	35%	-
CIE-Avtocom Kaluga, LLC (*) (2)	35%	-

(1) In liquidation/ dormant
(2) There is no control.
(3) Companies with facilities under construction/being launched.

(*) On 24 November 2009, the Group has concluded an agreement together with the Russian companies SAM LTD, LLC and JSC KZAE to incorporate CIE-AVTOCOM, LLC and CIE-AVTOCOM KALUGA,LLC, which are joint companies of Russian nationality.
CIE Automotive will own 35% of CIE-AVTOCOM, LLC and CIE-AVTOCOM KALUGA, LLC and the aforementionad Russian companies own the remaining the remaining 65%.
Within the framework of this transaction, at the end of 2009 the group maintained a stake in these companies.

Changes in the scope of consolidation

2009

On 23 January 2009, through the investee company (80.5% stake) CIE Automotive Bioenergía S.L., the Group formalized the acquisition of 14.923% of Bionor Transformación, S.A.U., thereby becoming the single shareholder of that company (Note 35).

Within the options agreed between CIE Bérriz, S.L. and Kuo Automotriz, S.A. de C.V. (up until 2010) covering 50% of the shares in the "Joint Venture" CIE DESC Automotive, S.A.P.I. de C.V. agreed on 4 March 2008, the Group has chosen to partially exercise options and carried out the following transactions during the first half of 2009:

- On 30 March 2009, through its wholly owned investee company CIE Bérriz de México, S.A. de C.V., formalized the acquisition from its 50% owned investee company CIE DESC Automotive, S.A.P.I. de C.V. of all the shares representing the share capital of the Mexican company CIE Celaya S.A.P.I. de C.V. (Notes 35 and 37).
- In addition, on 25 May 2009, CIE Bérriz de México S.A. de C.V. acquired 100% of the share capital of Pintura, Estampado y Montaje, S.A.P.I. de C.V., which until then had been wholly owned by the 50% investee company CIE DESC Automotive, S.A.P.I. de C.V. (Notes 35 and 37).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

On 9 April 2009 the company CIE Bérriz S.L. acquired the remaining 49% of the Czech company CIE Joamar, S.R.O. and thereby wholly acquired that company, as well as 100% of the shares in the Moroccan company Joamar Maroc, S.A.R.L. (Note 35).

On 2 July 2009, through its subsidiary Bionor Transformación, S.A.U. the Group formalized the acquisition of the remaining 49% of the Madrid company Reciclado de Residuos Grasos, S.L.U. for €2.04 million. With this acquisition Bionor Transformación, S.A.U. became the owner of all the shares of Reciclado de Residuos Grasos, S.L.U. (Note 35).

In addition, on 9 July the Group company Bionor Transformación, S.A.U. acquired the remaining 30% of the company Bionor Tecnología, S.L.U. for €250 thousand and the acquiring company therefore now wholly owns the shares in Bionor Tecnología, S.L.U. (Note 35).

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 has incorporated RS Automotive B.V., a Dutch joint venture in which both partners hold 50% (Note 37).

On 24 July 2009, the Group has disposed of all of the shares in the company Matxitxako Diversificada, Sociedad de Inversión de Capital Variable, S.A.

The operation generated a loss of €7 thousand, which is broken down below:

	Thousand euro
Assets and liabilities sold:	
Cash and deposits	3,088
Current liabilities	(10)
Net assets sold	3,078
Selling price (cash)	3,071
Profit/(loss) on the operation	**(7)**

On 14 September 2009 the Group company CIE Automotive Parts (Shanghai) Co., Ltd., sold 100% of its stake in Shanghai Sandum Auto Parts Manufacture Co., Ltd.

The transaction gave rise to a profit of €468 thousand, broken down as follows:

	Thousand euro
Assets and liabilities sold:	
Cash	1,301
Property, plant and equipment	5,181
Goodwill	722
Deferred tax liability	(488)
Current liabilities	(1,275)
Net assets sold	5,441
Selling price (cash)	5,909
Profit/(loss) on the operation	**468**
Cash held by the measured company	(1,301)
Cash obtained from the transaction	4,608

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

2008

In 2008 CIE Compiègne, S.A.S., which in the previous year had been consolidated under the equity method, was fully consolidated.

On 4 March 2008 CIE BERRIZ, S.L. and KUO AUTOMOTRIZ, S.A. de C.V., both holding 50% of the "joint venture" CIE DESC AUTOMOTIVE, S.A. de C.V., entered into an agreement under which:

- CIE BERRIZ, S.L., through its wholly-owned newly-formed subsidiary, CIE BERRIZ DE MÉXICO, S.A. de C.V. will acquire 100% of the share capital of PINTURA Y ENSAMBLES DE MÉXICO, S.A. de C.V.,until now wholly-owned by CIE DESC Automotive, S.A.P.I. de C.V. (Note 35).

  Similarly, KUO AUTOMOTRIZ, S.A. de C.V. has granted a purchase option in favor of CIE BERRIZ, S.L. so that it may itself or through the company it may freely designate, acquire 50% of the share capital of CIE DESC AUTOMOTIVE, S.A.P.I. de C.V. (the remaining 50% already pertained to CIE Bérriz, S.L.). The purchase option for the remaining 50% of CIE DESC Automotive, S.A.P.I. de C.V. may be executed during the first quarter of 2009 and during the first quarter of 2010. Furthermore, and within this context, CIE Bérriz, S.L. itself, or through another company it may freely designate, may make partial acquisitions of subsidiaries of CIE DESC Automotive S.A.P.I. de C.V. during the first quarter of 2009 (Notes 8 and 37).

On 11 January 2008 a capital increase was formalized in Bioauto Participações, S.A., as a result of which the CIE Automotive Group indirectly owns 71.8% of the subgroup Bioauto - 65% directly thorough CIE Autometal, S.A. and the remainder indirectly through Bionor Transformación, S.A. – (100% at 31 December 2007). After the acquisition of the 14.923% stake in the company Bionor Transformación, S.A. the indirect stake currently held totals 73.05%.

Also, on 11 January 2008, a capital increase was formalized in CIE Autometal, S.A. consisting of the creation of 2,871,855 non-voting preferred shares with no voting rights or par value, for a joint amount of 10 million Brazilian real, that was fully subscribed by members of the Company's management and former shareholders.

On 13 November 2007, CIE Autometal, S.A., a wholly-owned subsidiary of CIE Automotive, entered into an agreement for the formation, together with NNE Minas Agro Florestal Ltda. and a series of Brazilian researchers related to NNE, of a joint venture to engage in the following activities, among others:

(i) The production of *jatropha curcas* seed and shoots, with the introduction of new varieties suited to Brazil and the sowing of an own plantation and exploitation of *jatropha curcas*;
(ii) Guidance to local farmers concerning the expansion of *jatropha curcas* plantation areas;
(iii) The provision of technology and technical assistance; and
(iv) the future implementation of a plant to extract *jatropha curcas* oil in the region in order to take advantage of *jatropha curcas* products and derivatives and leverage other business opportunities connected with this crop and the production of biofuels.

This company was incorporated in 2008.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Shareholders of the Group's parent company

At 31 December 2009 the direct and indirect stake held by the parent company's majority shareholder, Instituto Sectorial de Promoción y Gestión de Empresas, S.A., amounted to 64.752% (31 December 2008: 64.752%)

Preparation of the accounts

These annual accounts were prepared by the Board of Directors on 26 February 2010. These consolidated annual accounts have yet to be ratified by Shareholders and management expects them to be approved without any modification.

1.2 Regulatory Framework

The Biofuel business is subject to a specific regulatory framework.

The fossil fuel sector in Spain is mainly governed by Law 34/1998, of 7 October 1998, and its enabling regulations and Royal Decree Laws 6/1999 and 6/2000, of 16 April 1999 and 23 June 2000, respectively, which have driven competition and the liberalization of the sector.

On 27 August 2004 Royal Decree 1716/2004 came into effect, developing the Law on Fossil Fuels, in relation to the obligation to maintain minimum inventory levels in the petrol and natural gas sectors and the obligation to diversify natural gas supplies. The parties subjects to these obligations are defined together 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 obligations. Royal Decree 1716/2004 also governs the operation of Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES) and shortages of fossil fuel supplies.

In this respect, the subsidiary VIA Operador Petrolífero, S.L.U., as an oil production operator, and in accordance with Royal Decree 1716/2004, of 23 July 2004, is subject to the obligation to maintain minimum inventory levels of oil products. Subsequently, under the Decision of 26 October 2007 of the Directorate General for Energy and Mining Policy (Official State Gazette 31/10/2007), oil production operators are required to maintain minimum inventory levels equivalent to 90 days' sales, of which Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES) covers 37 days and the operators 53 days. Inspection and control of compliance with this obligation are handled by Corporación de Reservas Estratégicas (CORES), which was set up on 7 July 1995.

In order to maintain these buffer stocks, the subsidiary VIA Operador Petrolifero, S.L.U. carries out, when necessary, product exchanges (under repos) with other operators or with other operators at the price agreed in the contract. These transactions are recorded at the amount resulting from the settlement of the transaction as other operating income and expenses and apportioned, if appropriate, over the contract term.

Additionally, Article 51 of Law 38/1992 on Special Taxes lays down a five- year exemption, which may be extended further, for biofuel production projects.

On 14 October 2008 the Official State Gazette published Order ITC/2877/2008, of 9 October 2008, in which it established an arrangement for promoting the use of biofuels and other renewable fuels for transport purposes. The arrangement for promoting the use of biofuels and other renewable fuels for transport purposes, that is approved through this Order, will enable the overall target to be attained with respect to 7% of the energy content of petrol and diesel marketed for such purposes. This Order lays down the obligation for subject parties to evidence annually to the certifying entity ownership of the minimum amount of biofuel certificates that enable compliance with the objectives of the following table, a certificate being understood as the document issued at the party's request, reporting that it has evidenced sales or consumption of tons of oil equivalent (toe) of biofuels in a specific year:

	2008	**2009**	**2010**
Biofuel objectives	1.9%	3.4%	5.83%

The Law defines a penalty for non-compliance with this obligation of 350 euro per biofuel certificate not reached.

However, the procedures necessary to properly regulate the operation of the mechanism established by that law have not yet been implemented.

On 13 June 2009 the Official State Gazette published the increase in the special duty levied on fuels, which rose by 29 euro/m^3 to 307 euro/m^3.

2. Summary of the main accounting policies applied

The main accounting policies adopted when preparing these consolidated annual accounts are described below. These policies have been applied consistently for all the years presented.

2.1 Basis of presentation

The Group's consolidated annual accounts at 31 December 2009 have been drawn up in accordance with the International Financial Reporting Standards adopted for utilization in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2009.
The consolidated annual accounts have been prepared on a historical cost basis, as modified by the revaluation of financial assets and financial assets and liabilities (including derivatives)at fair value through profit and loss.

EU-IFRS

The preparation of consolidated annual accounts under IFRS-EU requires the use of certain critical accounting estimates. The application of IFRS also requires that management exercise judgment in the process of applying the Company's accounting policies. Note 4 discloses the areas that require a higher level of judgment or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated annual accounts.

a) Standards adopted early

In 2008 and 2009 no IFRS standards were adopted early.

b) Mandatory standards, amendments and interpretation for all years starting 1 January 2009

IFRS 8, "Operating segments"

IFRS 8 replaces IAS 14 and brings segment reporting into line with US SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires segment information be presented on the same basis used by management for internal purposes, i.e. segmented financial information is presented in line with internal information prepared and supplied to the maximum decision making body within the company.

The application of this standard has changed the number of segments reported, but it has not required any substantial change in the manner of reporting in line with the internal information prepared and supplied to the maximum decision making bodies. It has not been necessary to reassign goodwill to other segments.

The comparative figures for 2008 have been restated in accordance with this change.

IAS 1 (Revised), "Presentation of financial statements".

This revised standard requires revenues and expenses associated with non-shareholder third parties, which are recognized directly under equity, and which had been presented in the statement of changes in equity, are presented separately within the income statement. Companies may choose to present a single statement ("Overall income statement") or two statements, one that reflects the components of profit and loss (separate "profit and loss account") and a second statement based on results and presenting the components of the other overall results ("Overall income statement"), and each must reflect the associated tax effect and any reclassifications applied during the year to each statement, either in the main statement or in the notes to the annual accounts. When a company re-expresses or reclassifies the comparative information it must present a balance sheet re-expressed at the beginning of the comparative period in its consolidated annual accounts, in addition to the balance sheet at the end of the current year and the comparative period (i.e., three balance sheets).

The Group has chosen to present one profit and loss account and one overall income statement and as a result has changed the presentation of 2008 accordingly.

IAS 23 (Revised), "Borrowing costs".

This Standard requires companies to capitalize borrowing costs that are directly attributable to the acquisition, construction, production of a qualified asset (any which necessarily requires a substantial period of time before being ready for use or for sale) as part of the cost of the asset. The option of immediately recognizing these borrowing costs as an expense for the period is eliminated.

The Group has decided to apply the revised IAS 23 on a prospective basis as from 1 January 2009, although it had already been capitalizing interest in line with the preceding standard.

IFRS 7 (Revised) – "Financial instruments: Disclosures"

This revision requires further disclosures regarding the measurement of fair value and liquidity risk. Specifically, the amendment requires that fair value measurements be disclosed in accordance with a hierarchical order of fair value parameters and that disclosures regarding liquidity risk be broader in scope.

The details and information required in the notes relating to these annual accounts have been included.

IFRS 2 (Revised), "Share-based payments - Conditions for irrevocability (or consolidation) of the concession and cancellations"

This revision clarifies the conditions determining the irrevocable nature of the concession of rights, as well as the determination of the treatment of unessential conditions and cancellations of share-based payments. The conditions of service and performance determine the irrevocable nature of the concession conditions. Other conditions (non-essential)are not considered to be concession conditions but will be taken into account for the purposes of calculating the fair value of the equity instruments assigned. These other conditions do not have any effect on the number of rights that are expected to be consolidated, or on the subsequent measurement at the concession date. The revision clarifies that the failure to comply with a non-essential condition for irrevocability, either on the part of the company or the other party, will be treated as a cancellation.

The Company does not recognize any share-based payments.

IAS 32 – (Revised) "Financial Instruments: Presentation" and IAS 1 (Revised) "Presentation of financial statements"-"Puttable instruments and obligations arising on liquidation".

These modifications require certain financial instruments issued by the company that had been classified as liabilities, despite having characteristics that are similar to ordinary shares, be classified as equity. The financial instruments that may be surrendered and instruments (or their components) that give rise to a company obligation to provide a third-party with a fraction of its net assets in the event of equity liquidation will be classified as equity, provided that the instruments have certain characteristics and strictly meet certain conditions.

The Company does not recognize any financial instruments that have been affected by this standard.

Other revisions to IFRS 39 "Financial instruments: Recognition and measurement" and IFRIC 9 "Reassessment of embedded derivatives" - "Embedded derivatives"

This amendment is mandatory for all years ending as from 31 December 2009. The amendments clarify that when a financial asset leaves a category of "at fair value through changes in profit and loss" due to reclassification, all embedded derivatives must be taken into consideration and, if necessary, they must be recognized separately.

The Company does not recognize any financial instruments that have been affected by this standard.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

IFRS 1 (Revised), "First time adoption of IFRS" and IAS 27 (Revised) " Consolidated and separate financial statements" - Cost of an investment in a jointly controlled subsidiary or associate"

The revised IFRS 1 allows first time adopters to use the fair value of investments in subsidiaries, joint ventures and associates as the cost at the date of transition of IFRS, or the carrying value at that date in accordance with the preceding accounting principles. The amendment also eliminates from IAS 27 the definition of the cost method, and requires that dividends received from a subsidiary, jointly controlled company or associate be recognized as revenue in the separate financial statements prepared by the investor, even if the dividend is charged against reserves before the acquisition. Finally, clarification is provided as to how to determine the cost of an investment when a parent reorganizes the operating structure of its group by establishing a new company. These amendments only affect the individual financial statements (not consolidated) prepared under IFRS-EU.

The Company does not recognize any situations that have been affected by this standard.

Improvement project (2008)

Improvement project published by the IASB in May 2008, which affects the following standards and interpretations:

- **IAS 1 (Revised), "Presentation of financial statements".** This revision clarifies that some, and not all, financial instruments classified as held for trading, in accordance with IAS 39 "Financial instruments: Recognition and measurement" are examples of current assets and liabilities, respectively. The Group has applied this revision as from 1 January 2009 and it has not had any effect on its annual accounts.
- **IAS 16 (Revision) "Property, plant and equipment" (and the relevant revision of IAS 7 "Cash flow statement").** Those companies whose primary activity consists of leasing and subsequently selling assets will present the amount received from those sales as revenues and assets must be reclassified to inventories at the time that the asset becomes held-for-sale. As a result, IAS 7 is amended indicating that cash flows that derive from the acquisition, rental and sale of those assets will be classified as cash flows from operating activities. The Company does not recognize any situations that have been affected by this standard.
- **IAS 19 (Revised) "Employee benefits":**
  - This revision clarifies that improvements to a plan that give rise to a change to the extent that the promised benefits will be affected by future salary increases and be considered a reduction, whereas revisions that give rise to a change in benefits attributable to past services give rise to a negative past service costs, provided that there is a decrease in the present value of the defined benefit obligation.
  - The definition for yields given by assets linked to the plan has been modified to indicate that plan administration costs are deducted from the calculation of the yield from linked assets only to the extent that those costs have been excluded from the measurement of the defined benefit obligation.

- The distinction between short and long-term employee benefits is based on whether or not the benefits will be settled within 12 months following the date on which the services have been rendered, or after that time.
- IAS 37 "Provisions, contingent assets and liabilities" requires that contingent liabilities be broken down, and not only recognized, in the financial statements. IAS 19 has been revised in line with this standard.

The Group has applied this revision as from 1 January 2009 and it has not had any effect whatsoever on its annual accounts.

- **IAS 20 (Revised) "Accounting for government grants and disclosure of government assistance".** The benefit of a loan at a lower-than-market rate granted by a public entity is measured at the difference between the carrying value in accordance with IAS 39 "Financial instruments: Recognition and measurement", and the amount received recognized in accordance with IAS 20. The Group has applied this revision since 1 January 2009 and the required details and information is provided under Note 19.

- **IAS 23 (Revised), "Borrowing costs".** The definition of borrowing costs has been revised so that interest is calculated in accordance with the effective interest rate defined under IAS 39 (Financial Instruments: Recognition and measurement". The terminological inconsistency between IAS 39 and IAS 23 is therefore eliminated. The Group has applied this revision as from 1 January 2009 and it has not had any effect whatsoever on its annual accounts.

- **IAS 27 (Revised) "Consolidated and separate financial statements".** In those cases in which an investment in a subsidiary is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement" as held-for-sale in accordance with IFRS 5 "Non-Current Assets held-for-sale and discontinued operations", IAS 39 will continue to be applicable. The business considered to be held-for-sale at the end of the year were not recognized in accordance with IAS 39 and therefore this revision does not affect the annual accounts.

- **IAS 28 (Revised) "Investments in associates"** (and the relevant amendments to IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures"). An investment in an associate is considered to be a separate asset for the purposes of calculating value impairment. Any impairment loss is not attributed to specific assets included under the investment, for example, goodwill. Any reversal of impairment losses are recognized as an adjustment to the investment balance to the extent that the recoverable amount of the investment has increased. When an investment in an associate is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", only certain breakdowns established by IAS 28 must be included, in addition to the requirements of IAS 32 and IFRS 7. The Group has applied this revision as from 1 January 2009 and it has not had any effect whatsoever on its annual accounts.

- **IAS 29 (Revised), "Financial reporting in hyperinflationary economies".** The standard's guidelines are revised to clarify that certain assets and liabilities must be measured at fair value instead of at historic cost. The Company does not recognize any situations of this type.

- **IAS 31 (Revised) "Investments in associates"** (and the relevant amendments to IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures"). When an investment in a combined business is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", only certain breakdowns established by IAS 31 must be included, in addition to the requirements of IAS 32 and IFRS 7. The Group has adapted its disclosures to apply this revision.

- **IAS 36 (Revision), "Impairment of asset values".** In cases where fair value, less selling costs, is calculated based on discounted cash flows equivalent breakdowns of value-in-use calculations must be presented. The Group has applied this revision as from 1 January 2009 and it has not had any effect whatsoever on its annual accounts.

- **IAS 38 (Revised), "Intangible assets".** An interim payment may only be recognized when made as a prepayment to obtain a right to access certain assets or services. For this reason, the expense for sending catalogs is recorded at the time that they become available and not at the time they are distributed to customers. This revision eliminates the mention of "on rare occasion, or perhaps never" to justify the use of a method that results in an amortization rate that is lower than the result of applying the straight-line method. The Group has applied this revision as from 1 January 2009 and it has not had any effect whatsoever on its annual accounts.

- **IAS 39 – (Revised) "Financial Instruments: Recognition and measurement".**
  - This revision clarifies that it is possible that there may be movements towards and from the category of financial assets at fair value through changes in profit and loss in cases in which a derivative starts (or ends) being classified as a hedging instrument in a hedge for cash flow or net investments.
  - The definition of a financial asset or liability at fair value through changes in profit and loss also changes, to the extent that they refer to items held for trading. A financial asset or liability that forms part of a financial instrument portfolio that is managed together, and for which there is evidence of a recent short-term profit, is included in that portfolio as from initial recognition.
  - The current guidelines for designating and documenting hedging relationships stipulate that a hedging instrument must involve a third-party outside the unit that is presenting financial information and uses as an example a company segment. This means that in order to apply hedge accounting at the segment level, the segment must meet hedge accounting requirements. The revision eliminates examples of segments to make them coherent with IFRS 8 "Operating segments" which requires that segment reporting be based on the information presented to the members of management responsible for taking decisions.
  - When a debt instrument is again measured, once the hedge accounting at fair value has ceased, the revision clarifies that the revised effective interest rate method must be used

  The Group has applied this revision as from 1 January 2009 and it has not had any effect whatsoever on its annual accounts.

- **IAS 40 (Revised) "Investment property" (and relevant amendments to IAS 16 "Property, plant and equipment").** Buildings under construction or being developed for future use as rental properties are included under the scope of IAS 40. Accordingly, when the fair value model is used these properties must be recognized at fair value. However, when the fair value of investment properties under construction cannot be reliably determined, the property will be measured at cost until the date on which construction ends or the date on which the fair value may be reliably determined, if earlier. The Company does not recognize any situations of this type.

- **IAS 41 (Revised), "Agriculture".** This revision requires a market discount rate be used in those cases in which the fair value is calculated based on discounted cash flows and the prohibition against considering biological transformation when calculating fair value is eliminated. The Company does not recognize any significant situations of this type.

- Other minor amendments to **IAS 8, "Accounting policies, changes in accounting estimates and errors"; IAS 10, "Events after the reporting period", IAS 34, "Interim financial reporting" and IFRS 1, "First-time adoption of International Financial Reporting Standards",** also included in the improvement project published by the IASB in May 2008 will not have an effect on the Group's annual accounts for the reasons mentioned above.

IFRIC 13, "Customer loyalty programs".

IFRIC 13 states that in those cases in which assets or services are rendered together with a loyalty incentives (for example, loyalty points or free products), the agreement is considered to be a multiple item contract and the amount received or to be received from the customer must be attributed among the components on a fair value basis. The Company does not recognize any situations of this type.

IFRIC 16 "Hedges of net investments in foreign businesses"

This interpretation is mandatory under IFRS-EU for all years commencing as from 1 October 2009. IFRIC 16 addresses the accounting treatment to be applied to hedges of a net investment, including the fact that the hedge of the net investment relates to differences in the functional currency and not presentation, as well as the fact that the hedging instrument may be maintained anywhere within the Group. The requirement of IAS 21 "Effects of changes in foreign exchange rates" are applicable to the hedged item.

The Group applied this revision in 2009 and it has not had any effect whatsoever on its annual accounts.

c) Standards, amendments and interpretations that may be adopted before the start of financial years commencing 1 January 2009

The standards and interpretations approved by the European Union for which the end of the first financial year of application is 31 December 2010 or afterwards but which may be applied early in 2009 are as follows:

IFRS 3 (Revised) "Business combinations"

IFRS 3 (Revised) has been adopted by the European Union and is mandatory for all years ending 31 December 2010 but it may be applied as from 1 July 2009. The revised standard maintains the acquisition method for business combinations, although significant changes are introduced. For example, all payments are recognized at fair value at the date of acquisition, and the contingent payments that are classified as liabilities are measured at each closing date at fair value, and all changes are recorded in the income statement. An accounting policy option is introduced at the business combination level, consisting of measuring minority shareholdings at fair value or the proportional value of the net assets and liabilities recorded by the acquired company. All transaction costs are taken to expenses.

The Group will apply IFRS 3 (Revised) on a prospective basis to all business combinations as from 1 January 2010.

The new standard may have a significant effect on the Group's annual accounts with respect to possible future business combinations.

IAS 27 (Revised) "Consolidated and separate financial statements"

IAS 27 (Revised) is mandatory for all years ending 31 December 2010 but it may be applied as from 1 July 2009. The revised standard requires that all transactions with minority shareholders be recorded under equity, provided that there are no changes in control, such that these transactions no longer have an effect on goodwill and do not lead to any profit or loss in the income statement. The revision also covers the accounting treatment to be applied when control is lost. In this case, any minority shareholding maintained must again be measured at fair value and the effect recorded in the income statement.

The Group will apply IAS 27 (Revised) on a prospective basis to transactions with minority shareholders as from 1 January 2010. This revised standard has been adopted by the European Union.

The new standard is not expected to have any effect on the Group's annual accounts.

IAS 39 (Revised), "Hedges"

This amendment is mandatory for all years ending 31 December 2010 but it may be applied as from 1 July 2009. This revision introduces two significant changes when it prohibits designating inflation as a component that may be hedge on a fixed-rate debt and including the temporary value in the hedged risk when options are designated to be hedges.

The new standard is not expected to have any effect on the Group's annual accounts.

Improvement project (2008)

IFRS 5 (Revised) "Non-current assets held for sale and discontinued operations" (and relating to the revision of IFRS 1 "First time adoption of IFRS") (in force for all years ended 31 December 2010, but was in force since 30 June 2009). This revision clarifies that all assets and liabilities at a subsidiary must be classified as held for sale if control over the subsidiary is lost as a result of a partial plan covering its sale. In the event that it meets the conditions to be considered a discontinued operation, the relevant breakdowns regarding the subsidiary must be included. As a result, IFRS 1 has also been adapted to take into account this revision, such that its application is prospective as from the date of transition to IFRS.

The Group will adopt IFRS 5 (Revised) on a prospective basis with respect to all partial sales of subsidiaries that take place as from 1 January 2010.

IFRIC 12, "Service concession arrangements"

IFRIC 12 is mandatory under IFRS-EU for all years commencing as from 1 January 2010 although it entered into force as from the start of the first year subsequent to 29 March 2009. This interpretation applies to public-private service concession agreements under which the public authority (assignor) controls the use of the infrastructure. The interpretation requires two different forms of accounting based on the specific terms of the concession agreement (there may be mixed models) although under both models ordinary revenues arising from the rendering of infrastructure construction services are recognized in accordance with the requirements of IAS 11 "Construction contracts". Specifically:

- When the concessionaire has an unconditional right to receive cash or other financial asset from the assignor, this right is classified as a financial asset and is recognized in accordance with the requirements of IAS 39 "Financial Instruments". Recognition and measurement".

- When the concessionaire has a right (a license) to collect from the users of the public service, this right is classified as an intangible asset and is recognized in accordance with the requirements of IAS 38 "Intangible assets".

The Group has not adopted IFRIC 12 early and does not carry out any operations that could be affected by this interpretation.

IFRIC 15 "Agreements for the construction of real estate"

This interpretation is mandatory for all years ending 31 December 2010 but it may be applied as from 31 December 2009. IFRIC 15 clarifies what type of transactions, and under what circumstances, should result in a transaction being recognized in accordance with IAS 18 "Ordinary revenues" or IAS 11 "Construction contracts".

The Group has not adopted IFRIC 15 early and does not carry out any operations that could be affected by this interpretation.

IFRIC 17 "Distributions of non-Cash assets to owners"

IFRIC 17 is mandatory for all years ending 31 December 2010 but it may be applied as from 1 July 2009. This interpretation addresses how distributions of non-cash assets should be measured when a company distributes dividends to shareholders. This interpretation demands that interim dividends be recorded when they have been appropriately authorized, the dividend must be measured at the fair value of the net assets to be distributed and the difference between the fair value of the dividend paid and the carrying value of the net assets distributed must be recognized in the income statement.

The Group has not adopted IFRIC 17 early and does not carry out any operations that could be affected by this interpretation.

IFRIC 18, "Transfers of customer assets"

IFRIC 18 is mandatory for all years ending 31 December 2010 but it may be applied as from 31 October 2009. This interpretation clarifies the manner in which to account for agreements under which property, plant and agreement provided by customers is used to supply an on-going service.

The Group has not adopted IFRIC 18 early and does not carry out any operations that could be affected by this interpretation.

d) Standards, amendments and interpretations applied to existing standards that have not been adopted to date by the European Union

At the date these consolidated annual accounts were prepared, the IASB and IFRIC had published the following standards, amendments and interpretations that have not yet been approved by the European Union. These standards, revisions and interpretations are mandatory for all financial years commencing as from 1 January 2010, although they have not been adopted early by the Group.

The Group is analyzing the impact that the standards and interpretations may have on its annual accounts should they be adopted by the European Union.

IFRIC 14 (Revised) "Prepayments of a minimum funding requirement" (applicable to years commencing as from 1 January 2011).

IFRIC 19 "Extinguishing financial liabilities with equity instruments" (applicable to years commencing as from 1 July 2010).

IFRS 1 (Revised) "Additional exemptions for first-time adoption" (applicable to years commencing as from 1 January 2010).

IFRS 2 (Revised) "Share-based payments: Transactions involving Group share-based payments settled in cash (applied to years commencing as from 1 January 2010).

IFRS 9, "Financial Instruments" (applicable to years commencing as from 1 January 2013).

IAS 24 (Revised) "Related party disclosures" (applicable to years commencing as from 1 January 2011).

IAS 32 (Revised) "Financial instrument presentation" (applicable to years commencing as from 1 January 2010)

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Improvement project (2009)

Improvement project published by the IASB in April 2009, which affects the following standards and interpretations:

- **IFRS 2 (Revised) "Share-based payments"** (in force as from 1 July 2009). This amendment clarifies that IFRS 2 does not apply to business combinations that are under common control or the contribution of a business to the creation of a joint venture.
- **IFRS 5 (Revised), "Non-current assets held-for-sale and discontinued operations"** (in force as from 1 January 2010). This amendment concerns breakdowns of non-current assets (or disposable groups of items) classified as held-for-sale or discontinued operations. Unless specifically mentioned in other standards, the requirements of IFRS 5 must be applied with respect to breakdowns of non-current assets held-for-sale and discontinued operations.
- **IFRS 8 (Revised), "Operating segments"** (in force as from 1 January 2010). This amendment involves the disclosure of information regarding segment assets. A company must report the measurement of total assets in each segment that must be reported only if this amounts is regularly reported to the maximum decision making body.
- **IAS 1 (Revised), "Presentation of financial statements"** (in force as from 1 January 2010). This amendment involves the classification of convertible instruments as current/non-current. If the financial liability component of a convertible instrument may be settled through the issue of equity instruments at the choice of the counterparty, this component does not have to be classified as a current liability.
- **IAS 7 (Revised), "Cash flow statement"** (in force as from 1 January 2010). This amendment involves the classification of expenses relating to unrecognized assets. Only the payments resulting in the recognition of an asset on the balance sheet may be classified as investment activities in the cash flow statement.
- **IAS 17 (Revised), "Leases"** (in force as from 1 January 2010). This amendment involves the classification of land and building leases. When a land lease transfers the significant risks and benefits inherent to the land to the lessee, even if ownership is not expected to be transferred to the lessee at the end of the lease, the lease will be classified as a financial lease. Previously such a land lease would have been classified as an operating lease.
- **IAS 18 (Revised), "Ordinary revenues"** (in force as from 1 January 2010). This amendment results in guidelines being included in IAS 18 to determine when a company is operating as a principal or as an agent.
- **IAS 36 (Revised), "Asset impairment"** (in force as from 1 January 2010). This amendment involves the accounting unit to be taken into consideration when applying impairment tests to goodwill. A cash generating unit or a group of cash generating units among which goodwill is distributed, may not be larger than a segment calculated in accordance with IFRS 8 "Operating Segments", before taking into consideration the aggregation criteria allowed by IFRS 8 (applicable to operating segments with long-term financial yields and similar financial characteristics).
- **IAS 38 (Revised), "Intangible assets"** (in force as from 1 July 2009). This amendment involves revisions deriving from IFRS 3, "Business Combinations" (Revised) as it relates to the calculation of the fair value of an intangible asset acquired by a business combination.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

- **IAS 39 – (Revised) "Financial Instruments: Recognition and measurement"** (in force as from 1 January 2010). This amendment clarifies the treatment of early payment penalties on loans as highly related embedded derivatives, an exception to the scope relating to business combination contracts and the accounting recognition of cash flow hedges.
- **IFRIC 9 (Revised), "New evaluation of embedded derivatives"** (in force as from 1 January 2010). This modification clarifies that IFRIC 9 does not apply to embedded derivatives in contracts acquired by business combinations as defined by IFRS 3 "Business combinations" (Revised), by business combinations under common control or the creation of a business combination in accordance with IAS 31 "Shares in combined businesses".
- **IFRIC 16 (Revised), "Hedges of a net investment in a foreign business"** (in force as from 1 January 2010). According to this amendment, foreign businesses being hedged may maintain the instrument, derivative or not, designated as a hedge instrument in a hedge of a net investment in a foreign business. Previously any company within the Group, except the foreign business being hedged, could maintain that hedging instrument.

2.2 Consolidation principles

a) Subsidiaries

Subsidiaries are all those companies where the Group is able to manage the financial and operating policies which is generally accompanied by a shareholding involving more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of net assets in the subsidiary acquired, the difference is recognized directly in the income statement (Note 2.7.a).

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The accompanying Appendix sets out the identification particulars of subsidiaries.

The annual accounts / financial statements used in the consolidation process are in all cases those for the year ended 31 December each year. With the exception of the combined business created in 2009, RS Automotive, B.V., which closes its financial year on 31 March. The Company applies all temporary adjustments that are necessary (Note 1).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

b) Minority shareholders and transactions

Given the fact that the Group applies IFRS 3 (Revised) on a prospective basis as from 1 January 2010, transactions with minority interests are considered to be transactions with third parties outside the Group. The disposal of minority shareholdings gives rise to gains and/or losses for the Group that are recognized in the income statement. The acquisition of minority shareholdings results in goodwill, which is the difference between the price paid and the relevant carrying value of the net assets recognized by the investee company.

c) Joint ventures

Shareholdings in combined businesses are consolidated using the proportionate method. The Group combines its shareholdings in the assets, liabilities, revenues and expenses, as well as cash flows of the jointly controlled company on a line by line basis together with those items in its accounts that are similar in nature. The Group recognizes its share in the profits or loss deriving from the sale of Group assets to jointly controlled entities in its consolidated annual accounts in the proportion corresponding to other participants. The Group does not recognize its share in the profits or loss of a jointly controlled entity deriving from the purchase by the Group of assets from the jointly controlled entity until the assets are sold to an independent third party. A loss is recognized immediately on a transaction if it reveals a reduction in the net realizable value of current assets, or any impairment loss.

See detailed information on these joint ventures in Note 37.

d) Associates

Associates (Note 8.d) are all those entities over which the Group exercises significant influence but not control, which is generally accompanied by a shareholding of 20 to 50% of voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes, where applicable, the goodwill (net of impairment) identified on the acquisition (Note 2.7.a)). Note 2.8 indicates the impairment policy for non-financial assets, including goodwill.

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 recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses in associates are recognized in the income statement.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

2.3 Segment information

Operating segments are presented in a manner coherent with the internal information presented to the highest decision-taking body. The highest decision-taking body is responsible for assigning resources to operating segments and evaluating the performance of the segments. The Delegated Committee has been identified as the maximum decision making body.

Segment information is analyzed in Note 5.

2.4 Foreign currency transactions

a) Functional and presentation currency

The items included in the annual accounts of each of the Group companies are measured using the currency of the principal economic environment in which the company operates («functional currency»). All Group companies use the currency in their country as the functional currency, except for the Mexican companies (Appendix) which uses the US dollar as their functional currency. The prospective effect, as from 1 January 2009, of this change in the consolidated annual accounts for 2009 is not significant.

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

b) Transactions and balances

Transactions in foreign currency are translated to the functional currency using the exchange rates in force at the transaction dates. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Exchange gains and losses are presented in the income statement under "Exchange differences net".

Changes in the fair value of currency securities denominated in foreign currency classified as available-for-sale are analyzed between exchange differences deriving from changes in the amortized cost of the security and other changes in the security's book value. Conversion differences are recognized in profit and loss for the year and other changes in book value are recognized under equity.

Translation differences in respect of non-monetary items such as equity instruments at fair value through profit or loss are presented as part of the fair value gain or loss. Translation differences in respect of non-monetary items such as equity instruments classed as available-for-sale financial assets are included in equity in the revaluation reserve.

c) Group companies

Results and the financial situation of all Group companies (none of which has the currency of a hyperinflationary economy) whose functional currency differs from the presentation currency are translated to the presentation currency as follows:

(i) The assets and liabilities on each balance sheet presented are translated at the closing exchange rate at the balance sheet date;

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

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

On consolidation, any exchange differences resulting from the translation of a net investment in foreign companies and loans and other instruments in foreign currency designated as hedges of those investments are taken to equity. When realized, or when the investment ceases to be classified as a net investment in a foreign business, these differences are recognized in the income statement as part of the profit or loss on the sale.

Adjustments to goodwill and fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the year-end exchange rate.

2.5 Property, plant and equipment

Property, plant and equipment is recognized at cost less depreciation and cumulative impairment losses, except for land, which is presented net of impairment losses.

Historical cost includes expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset may be reliably determined. The book value of the replaced component is eliminated from the accounts. All other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated on a straight-line basis in order to allocate costs to residual values based on the estimated useful lives of the assets in question:

	Estimated useful life
Buildings	20 – 50
Machinery	3 – 30
Vehicles	3 – 15
Furnishings, accessories and equipment	3 – 15

The asset's residual values and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Group management systematically determines the estimated useful lives of property, plant and equipment by applying the relevant depreciation rates. This estimate of useful lives is based on actual production levels and considers the maximum useful life to be the residual life of the assets concerned. Production levels in 2009 required a re-estimate of useful lives, resulting in a decrease in depreciation of approximately €6 million.

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 property, plant and equipment are calculated by comparing the revenue obtained with the carrying value and are included in the income statement in "Other operating revenue" (Note 26).

2.6 Interest costs

Interest costs incurred on the construction of any qualified asset are capitalized over the period of time necessary to complete and prepare the asset for its intended use. Other interest costs are expensed in the income statement.

2.7 Intangible assets

a) Goodwill

Goodwill is the excess of acquisition cost over the fair value of the Group's shareholding in the identifiable net assets of the subsidiary acquired at the acquisition date. Goodwill relating to acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses. Gains and losses on the sale of a company include the carrying amount of goodwill related to the company sold.

Goodwill is assigned to cash generating units (CGUs) in order to test for impairment losses. This assignment may group together various legal entities if they benefit from synergies of the business acquired, always in accordance with the operating segments (Note 2.8).

b) Research and development costs

Research expenditure is recognized as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or upgrades) are recognized as an intangible asset when the project will probably be successful taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, it has the capacity to use and sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs with a finite useful life that have been capitalized are amortized from the commencement of commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Development assets are subject to impairment testing under IAS 36.

c) Trademarks and licenses

Trademarks and licenses acquired from third parties are presented at cost. Those acquired through business combinations are recognized at fair value at the acquisition date. They have a defined useful life and are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis in order to assign the cost of the trademarks and licenses over their useful lives estimated at no more than 5 years.

d) Computer software

Acquired computer software licenses are capitalized 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 recognized 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 will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house are recognized as assets and amortized over their estimated useful lives, which do not exceed 5 years.

2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. The assets subject to depreciation are examined for impairment, provided that some event or change in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value of an asset less selling costs and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units).

Non-financial assets, other than goodwill, that present an impairment loss are reviewed at each balance sheet date to determine whether or not the loss has reversed.

2.9 Non-current assets (or disposal groups) held for sale

The Group classifies a non-current asset (or disposable group) as held-for-sale if the carrying value will be recovered fundamentally through the sale transaction and the sale is considered to be highly likely. Non-current assets (or disposable groups) classified as held-for-sale are measured at the lower of their carrying value and their fair value, less the costs of sale, if the carrying value will be recovered primarily through the sale instead of continuous use.

2.10 Financial assets

2.10.1 Classification

The Group classifies these items into the following categories: at fair value through profit or loss, loans and accounts receivable, investments that are to be held to maturity and available- for-sale financial assets. 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 changes in profit or loss are investments held for trading. A financial asset is classified under this category if it was acquired mainly for the purpose of being sold in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets under this category are classified as current assets.

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 assets maturing in more than 12 months of the balance sheet date 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 payments or payments that may be calculated and maturing on a fixed date for which Group Management has the intention and capacity to hold to maturity. If the Group disposes of a significant amount of the held-to-maturity assets, the entire category would be 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.

2.10.2 Recognition and measurement

Acquisitions and disposals of investments are recognized at the trading date, i.e., on the date the Group undertakes to acquire or sell the asset. Investments are recognized initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss Financial assets stated at fair value through profit and loss are initially recognized at their fair value and the transaction

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

costs are expensed in the income statement. Investments are written off when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and advantages deriving from 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 recorded at their amortized cost in accordance with the effective interest rate method.

Gains and losses resulting from changes in the fair value of financial assets at fair value with changes in the income statement are included in the income statement in the year in which they arise under "Profit/(loss) on financial instruments at fair value". Dividend income deriving from this type of financial assets is recorded in the income statement under "other income" when the Group's right to receive payment is established.

Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analyzed on the basis of differences resulting from changes in the amortized cost of the asset and other changes in its carrying value. The conversion differences relating to monetary securities are recognized in the income statement. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized under equity.

Unrealized gains and losses resulting from changes in the fair value of non-monetary instruments classified as available for sale are recognized in equity.

When instruments classified as available for sale are sold or are impaired, the cumulative fair value adjustments are included in the income statement as losses or gains on the instruments in question.

The fair values of quoted investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using measurement techniques which include the use of recent transactions between knowledgeable willing parties relating to other instruments which are substantially identical, the analysis of discounted cash flows and upgraded models for setting option prices by making maximum use of market input and relying as little as possible on the Company's specific inputs.

2.10.3 Impairment losses on financial assets

At the balance sheet date, the Group assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. For equity instruments classified as available for sale, in order to determine whether there are impairment losses, it will be necessary to examine whether there is a significant or protracted decline in the fair value of the securities to below cost. If there is any evidence of this type for available-for-sale financial assets, the cumulative loss determined as the difference between the acquisition cost and current fair value, less any impairment loss in that financial asset previously recognized in results is eliminated from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Impairment loss tests for receivables are described in Note 2.13.

2.11 Derivative financial instruments and hedging

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

a) fair value hedges of recognized liabilities (fair value hedging);

b) hedges of a specific risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedging); or

c) Hedging of a net investment in a foreign operation" (hedging of a net investment).

At the start of the transaction the Group documents the relationship existing between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its evaluation from the start, and continuously thereafter, as to whether the derivatives being used in the hedging transactions are highly effective to offset changes in fair value or in cash flows from hedged items.

The fair value of several instruments used for hedging purposes is set out under Note 8. Movements in the hedge reserve within equity are reflected in Note 15. The total fair value of hedging derivatives is classified as non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and as current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months. Traded derivatives are classified as a current asset or liability.

a) Fair value hedge

Changes in the fair value of derivatives which are designated and classified as fair value hedges are accounted for in the income statement together with any change in the fair value of the asset or liability hedged and which may be attributable to the risk hedged. The Group only applies fair value hedge accounting in order to hedge the fixed interest rate risk on borrowings. The profit or loss on the effective part of interest rate swaps which over fixed interest rate borrowings is recognized in the income statement under "finance costs ". The profit or loss on the inefficient part is recognized in the income statement under "other gains / (losses) - net". Changes in the fair value of fixed interest rate borrowings attributable to the interest rate risk are recognized in the income statement under "finance costs".

If the hedge ceases to comply with the criteria for carrying the hedge, the book adjustment for a hedged item which is carried using the effective interest rate method is amortized through profit and loss during the period until 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 recognized in equity. The gain or loss relating to the inefficient part is recognized immediately in the income statement.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The accumulated amounts in equity are taken to the income statement in the years in which the hedged item affects the gain or loss (e.g., when the forecast sale which is hedged takes place). The profit or loss on the effective part of interest rate swaps which over variable interest rate borrowings is recognized in the income statement under "finance costs ". The profit or loss on the effective part of foreign currency forward contracts which cover exports is recognized in the income statement under sales. However, when the forecast transaction which is hedged results in the recognition of a non-financial asset (for example, inventories or a tangible asset), the gains or losses previously deferred in equity are transferred from equity and included in the initial cost measurement of the asset or liability involved. The amounts deferred are ultimately recognized in cost of sales for inventories, or depreciation for Property, plant and equipment.

When a hedge instrument expires, is sold, or when it no longer meets the requirements or carrying the hedge, any accumulated gain or loss in equity up until that moment remains in equity and is recognized when the planned transaction is finally recognized in the income statement. When the forecast transaction is expected not to take place, the profit or loss accumulated in equity is taken immediately to the income statement.

c) Net investment hedges

Net investment hedges of foreign operations are recorded in a manner similar to cash flow hedges. Any profit or loss on the hedge related to the efficient part of the hedge is recognized in equity. The profit or loss on the inefficient part is recognized immediately in the income statement under "other gains / (losses) - net".

The profit or loss accumulated in equity is included in the income statement when the foreign operation is sold.

d) Derivatives that do not qualify for hedge accounting

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

2.12 Inventories

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

- 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 products and work in progress: at pre-set costs, which do not differ significantly from real costs incurred. These costs include raw materials, direct labor and direct and indirect manufacturing expenses (based on normal operational capacity).They do not include interest expense.

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

The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of sales.

The Group company Vía Operador Petrolífero, S.L.U. (Note 1.2) has been entered in the operator register in order to carry out the wholesale distribution of petroleum products and as a petroleum product operator and, in accordance with Royal Decree 1716/2004, of 23 July 2004, the Company is required at all times to keep minimum buffer stocks equivalent to 90 days of annual diesel sales, of which 40 days are held by Corporación de Reservas Estratégicas de Productos Petrolífersos (CORES). CORES maintains an additional 35 days beyond the strategic inventory obligation falling to Vía Operador Petrolífero, S.L.U. agreed under the lease agreement concluded by both parties. The remaining 15 days of the obligation are maintained by Vía Operador Petrolífero, S.L.U. In order to maintain these buffer stocks, the Company carries out, when necessary, product leases with other operators or with the group company, Bionor Berantevilla, S.L.U. These transactions are recognized as operating leases (Note 2.23).

In accordance with Transitional Provision Two of Royal Decree 1766/2007 (28 December), as from 1 January 2010 the minimum inventory requirement will be 92 days, of which 77 will be maintained by CORES, 42 on an obligatory basis and 35 under a lease agreement. The remaining 15 days will be maintained by Vía Operador Petrolífero, S.L.U.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization and the default or delay in payments are considered to indicate that the receivable is impaired. 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 value of the asset is reduced as and when the provision is used and the loss is recognized in the income statement. When a receivable cannot be collected it is written off against the provision for receivables. Any subsequent recovery of previously written-off amounts is recognized 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 through factoring without recourse, or the sale of trade receivables, enables the receivable to be written off because all associated risks have been transferred to the financial institution.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at credit institutions, other short-term highly liquid investments with an original maturity of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, from the revenue obtained. Incremental costs, directly attributed to the issue of new shares or options for the acquisition of a business, are deducted from the amount obtained on the issue of capital.

When a Group company acquires Company shares (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the Company's shareholders through to redemption, reissue or disposal. When these shares are sold or subsequently reissued, any amount received, net of any incremental cost on the transaction which is directly attributable and the corresponding income tax effects, is included in equity attributable to the Company's shareholder.

2.16 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grant will be collected and the Group will comply with all established terms and conditions.

Government grants related to costs are deferred and recognized in the income statement over the necessary period to match them to the costs which it is intended to cover.

Government grants for the acquisition of property, plant and equipment are included in deferred income as deferred government grants and credited to the income statement on a straight-line basis over the expected lives of the corresponding assets.

The benefit of a loan at a lower-than-market rate granted by a public entity is measured at the difference between the carrying value in accordance with IAS 39 "Financial instruments: Recognition and measurement" and the amount received, recognizing a subsidy for that difference, which is recorded in the income statement or under liabilities as an official deferred capital grant depending on whether it finances expenses for the year or investments in property, plant and equipment.

2.17 Trade payables

Suppliers are initially recognized at their fair value and subsequently they are stated at their amortized cost using the effective interest rate method.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

2.18 Borrowings

Borrowings are initially carried at fair value net of transaction costs. Borrowings are subsequently measured at amortized cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognized in the income statement over the life of the debt applying the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

The commissions paid for obtaining lines of credit are recognized as loan transaction costs to the extent that it is likely that some or all of the line of credit will be used. In these cases the commissions are deferred until the line of credit is accessed. Insofar as there is no evidence that it is probable that the credit line will be used, the commission is capitalized as an advance payment for liquidity services and amortized over the period during which the credit line is available.

2.19 Current and deferred taxes

a) Corporate income tax

Corporate income tax expense for the year includes current and deferred tax and is calculated based on profits before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation in effect or about to be approved relating to the calculation of the corporate income tax base in the countries where the subsidiaries operate. The tax is recognized in the income statement, except insofar as it relates to items recognized directly in equity, in which case, it is also recognized in equity.

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

The parent company is taxed under the tax consolidation system together with the subsidiaries listed below:

- CIE Azkoitia, S.L. (merged with Grupo Recyde, S.L. in 2009)
- CIE Bérriz, S.L.
- CIE Inversiones e Inmuebles, S.L., Sociedad Unipersonal
- CIE Automotive Bioenergía, S.L.
- Autokomp Ingeniería, S.A.
- CIE Legazpia, 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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A., Sociedad Unipersonal (incorporated in 2008)
- Alurecy, S.A., Sociedad Unipersonal (incorporated in 2008)
- Componentes de Automoción Recytec, S.L., Sociedad Unipersonal (incorporated in 2008)
- Nova Recyd, S.A., Sociedad Unipersonal (incorporated in 2008)
- Recyde, S.A., Sociedad Unipersonal (incorporated in 2008)
- Tarabusi, S.A. (incorporated in 2008)
- Fundición Alcasting, S.L. (incorporated in 2009 and wound up on 13 July 2009 due to its merger into Tarabusi, S.A.)
- Alcasting Legutiano, S.L., Sociedad Unipersonal (incorporated in 2009)

The vertical merger of the wholly-owned subsidiaries CIE Azkoitia, S.L. and Grupo Recyde, S.L. (Appendix) took place in 2008, the latter disappearing and the subsidiaries of the tax group previously led by the Recyde Group being included in the group led by CIE Azkoitia, S.L.

Similarly, for 2008 the companies of the Group resident in Mexico, except for Pintura y Ensambles de México, S.A. de C.V., opted to apply the tax consolidation regime as companies controlled by the KUO Group (previously Desc) (Note 37). In 2009 Group companies residing in Mexico are taxed under an individual tax system.

Other companies of the CIE group file individual returns.

b) Deferred taxes

Deferred income tax is calculated, using the liability method, based on the balance sheet, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred taxes on temporary differences arising on investments in subsidiaries, associates and interests in joint ventures are recognized, except where the Group may control the date on which the temporary differences reverse and such temporary differences are unlikely to reverse in the foreseeable future.

Deferred tax assets deriving from tax credits in respect of losses available for offset and corporate income tax allowances and deductions to which the company is entitled are recognized to the extent that there will be sufficient taxable profits in the future against which to offset the temporary differences. For investment deductions, the amount is recorded as a decrease in the expense over the time during which depreciation is charged on the property, plant and equipment that generated the tax credits (Note 2.5), the right being recognized by credit to deferred income (Note 19).

2.20 Employee benefits

a) Pension obligations

Plans are funded through payments to insurance companies or externally administered funds, determined by regular actuarial calculations. The Group has defined benefit plans. A defined benefit plan is a pension plan under which the amount of the benefit that will be received by an employee at the time of retirement is defined, normally on the basis of one or more factors such as age, years or service or remuneration.

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 previous years.

The liability recognized in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. Defined benefit obligations are calculated on an annual basis by independent actuaries using the projected credit unit method. The present value of the obligation is calculated by discounting the outgoing effective future cash flows estimated at interest rates applied to government bonds in the currency in which the benefits will be paid and applying maturity dates similar to those of the relevant bonds.

Actuarial gains and losses resulting from adjustments due to experience and changes in actuarial assumptions are credited or debited to the income statement over employees' expected remaining average working life.

Past service costs are recognized immediately in the income statement unless changes in the pension plan are conditional on the employees continuing in employment for a specific time period (consolidation period). In this case, past service costs are amortized on a straight-line basis over the consolidation period.

b) Severance indemnities

Severance payments are paid to employees as a result of the Company's decision to terminate their employment contract before normal retirement age or when the employee voluntarily accepts leaving the Company in exchange for these benefits. The Group recognizes 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 providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits which are not going to be paid within 12 months of the balance sheet date are discounted at present value.

c) Profit-sharing and bonus plans

The Group recognizes a liability and a bonus expense based on a formula which takes into account the profit attributable to the Company's shareholders following certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Provisions

The provisions for specific liabilities and charges are recognized when:

(i) The Group has a present legal or constructive obligation as a result of past events;

(ii) It is likely resources must be applied to settle the obligations; and

(iii) The amount has been reliably estimated.

The provisions for restructuring include employee severance payments. Provisions are not recognized for future operating losses.

When there is a number of similar obligations, the probable need for an outflow to settle them is determined taking into account the type of obligations as a whole. A provision is recognized even if the probability of an outflow with respect to any item included in the same class of obligations may be regarded as remote.

Provisions are carried at the present value of the payments that are expected to be necessary to settle the obligation, using a rate before taxes that reflects the evaluation of the current market for the temporary value of money and the specific risks relating to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

2.22 Revenue recognition

Revenues include the fair value of the consideration received or to be received for sales of assets and services in the ordinary course of group's business, net of VAT, refunds and discounts, following the elimination of intragroup sales. The Group recognizes income when the amount concerned may be reliably measured, it is likely that future financial benefits will flow to the company and the specific requirements for each of the Group's activities are met. It is understood that the amount of income cannot be reliably determined until all contingencies related to the sale have been resolved. Ordinary revenues are recognized as follows:

a) Sales of assets on a wholesale basis

Sales of assets are recognized 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 Entity. Accumulated experience is used to estimate and provide for such returns at the time of sale.

b) Sales of services

Sales of services are recognized in the accounting period in which the services are provided by reference to the completion of the specific transaction, assessed based on the actual service provided as a percentage of the total service to be provided. This type of transactions are residual in the Group's operations.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

c) Interest income

Interest income is recognized 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 recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

d) Royalty revenues

Royalty revenues are recognized on an accruals basis in accordance with the substance of the relevant agreements.

e) Dividend income

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

2.23 Leases

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the start of the contract at the lower of the fair value of the leased asset and the present value of the minimum lease installments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. 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. Assets acquired under finance leases are depreciated over their useful lives at the rates applied to property, plant and equipment.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight- line basis over the period of the lease.

2.24 Dividend distribution

The payment of dividends to the Company's shareholders is recognized as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the Company's shareholders.

2.25 Environment

Expenses deriving from business action taken to protect and improve the environment are recorded as an expense in the year incurred. When such expenses lead to additions of property, plant and equipment with the purpose of minimizing the environmental impact and improving the environment, they are capitalized as an increase in the value of fixed assets.

2.26 Short- and long-term balances

Long-term balances under both assets and liabilities are amounts maturing in more than 12 months as from the end of the accounting period.

3. Financial risk management

3.1 Financial risk factors

In the broadest sense, the management of financial risks aims to control the incidents generated by fluctuations in the exchange and interest rates and the price of raw materials. Management, which is the responsibility of Group Finance Management, is through the arrangement of financial instruments which enable as far as possible participation in favorable environments relating to movements in the exchange and interest rates to be compatible with the limitation in part or in whole of the adverse effects due to an unfavorable environment.

a) Market risk

(i) Foreign exchange risk

The presence of the CIE Automotive group in the international market requires the Group to arrange an exchange rate risk management policy. The basic objective is to reduce the negative impact on operations in general and on the income statement in particular of the variation in interest rates such that it is possible to protect against adverse movements and, if appropriate, leverage a favorable development.

In order to arrange such a policy, the CIE Automotive, group uses the concept of Management Scope. This concept encompasses all those flows for collection / payment in a currency other than the euro, which will arise over a specific time period. The Management Scope includes the assets and liabilities in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities in foreign currency are subject to management, irrespective of timing scope, while firm commitments for purchases or sales that form part of the management scope will be subject to the same if their forecast inclusion in the balance sheet takes place in not more than 18 months.

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

Following the definition of Management Scope, the CIE Automotive, S.A. group uses, in order to manage risks, a series of financial instruments that in some cases permit a certain degree of flexibility. These instruments will basically be as follows:

- Forward currency purchases/sales: An exchange rate known at a specific date is fixed which may, moreover, be subject to timing adjustments in order to adapt and apply it to cash flow.

TIMBRE DEL ESTADO

0,03 EUROS

0J7897044

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

- Other instruments: Other hedging derivatives may also be used, the arrangement of which will require specific approval by the relevant management body. This body will have to be informed beforehand as to whether or not it complies with the necessary requirements to be regarded as a hedging instrument, therefore qualifying for the application of the rule on hedge accounting.

In order to carry out an analysis of sensitivity to exchange rate fluctuations of equity in investee companies, denominated in a currency other than the functional currency, the Group uses Value at Risk methodology, in order to estimate the maximum statistical loss which could be incurred owing to the depreciation of the currencies in which investee equity is denominated. To date, the Group has not applied any specific exchange risk management. However, in light of the current instability in the exchange rate, it is analyzing various alternatives in this respect. Protection against impairment owing to the exchange rate on investments in countries with currencies other than the euro is covered, provided that it is possible, through borrowings in the currency of the actual countries if the market is sufficiently deep or in a strong currency such as the dollar, where the correlation with the local currency is significantly higher than with the euro. Correlation, estimated cost and depth of the debt and derivative market determine the policy in each country.

If at 31 December 2009, the value of the euro had decreased/ increased by 10% with respect to all other functional currencies, all other variables remaining consistent, equity would have increased/decreased €22,122 thousand (2008, €21,265 thousand) owing to the effect of the assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro in 2009 had fallen / increased by a further 10% with respect to all functional currencies other than the euro, all other variables being equal, profits after tax for the year would have been €3,260 thousand (2008, €4,121 thousand) higher / lower, mainly as a result of the exchange gains / losses on the translation of accounts receivable denominated in currencies other than the euro.

(ii) Price risk

The Group's exposure to the price risk relating to equity securities due to investments held by the Group and classified in the consolidated balance sheet as available for sale or at fair value through profit or loss is not significant because of the limited significance of these investments with respect to the Group's total assets and equity.

(iii) Interest rates

The existence in the CIE Automotive group of variable interest bank borrowings means that the CIE Automotive group is exposed to interest rate variations with a direct effect on the income statement. The general objective of the strategy will be to reduce the negative impact of interest rate rises and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the management strategy will be arranged through financial instruments that enable such flexibility. The possibility is expressly envisaged of arranging hedges for identifiable and measurable portions of flows, which enables, if appropriate, the completion of the efficiency test evidencing that the hedging instrument reduces the risk of the hedged component in the part assigned and is not incompatible with the established strategy and objectives.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The Scope of Management covers the debentures reflected in the balance sheet of the group or any of its companies. Circumstances may occasionally arise in which the hedges arranged cover the loans already committed in the final stage of formalization and where the principal should be protected against an increase in the interest rate.

In order to manage this risk, the CIE Automotive group will use financial derivatives that may be considered hedging instruments and therefore the rules confined to accounting for such instruments may be applied. The relevant accounting standard (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. However, the necessary conditions to be met in order to be considered such are specified. As with respect to the management of the exchange rate risk, the arrangement of any financial derivative which is suspected not to comply with the necessary conditions to be regarded as a hedge will require the express approval of the relevant management body. For reference, the basic hedging instruments will be the following:

- Interest rate swaps: Through these derivatives, the CIE Automotive group converts the variable interest rate reference of a loan to a fixed reference with respect to either the entire or part of the amount of the loan, affecting all or part of the life of the loan.
- Interest rate swaps: Through this derivative, the CIE Automotive Group converts a variable interest rate into a rate linked to a range, which will not exceed a cap. In this way we limit the negative impact of an unfavorable development.
- Other instruments: As discussed in the section relating to exchange rates, other hedging derivatives may also be used, the arrangement of which will require the specific approval of the relevant management body. It will have been previously reported whether the necessary requirements to consider them hedging instruments have been met and therefore whether the rule on accounting for hedges may be applied.

If during 2009 the average interest rate on borrowings denominated in euro had been 10 base points higher / lower, all other variables being equal, profits after tax for the year would have been €364 thousand (2008, €492 thousand) lower / higher, largely as a result of an increase/ decrease in the interest expense owing to interest on variable interest rate loans.

b) Liquidity risk

The prudent management of the liquidity risk entails maintaining sufficient cash and available financing through sufficient credit facilities. In this respect, the strategy of the CIE Automotive group is to maintain through the Group's Treasury department the necessary financing flexibility through committed credit lines. Additionally, and on the basis of its liquidity needs, the Group uses liquidity financial instruments (factoring without recourse and the sale of financial assets representing receivables, through which the risks and rewards on accounts receivable are transferred) that, in accordance with Group policy, do not exceed 30% of overdue trade receivable balances in order to maintain liquidity levels and the structure of working capital required under its business plans.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Management follows up the Group's liquidity reserve forecasts together with the development of the Net Financial Debt, which at 31 December 2009 and 2008 is calculated as follow:

	2009	**2008**
Cash and other cash equivalents (Note 12)	124,413	92,091
Other current financial assets (Note 8)	23,075	22,201
Available lines of credit (Note 20)	96,276	52,573
Liquidity reserve	243,764	166,865
Borrowings from credit institutions (Note 20)	676,268	642,546
Other current financial liabilities (Note 8)	8,823	6,579
Cash and other cash equivalents (Note 12)	(124,413)	(92,091)
Other current financial assets (Note 8)	(23,075)	(22,201)
Net financial debt	537,603	534,833
Non-current borrowings from credit institutions (Note 20)	(363,360)	(430,412)
Current net financial debt	174,243	104,421

The Group's Cash Department believes that the action in progress will allow illiquid situations to be avoided. The forecast for the generation of cash in 2010 indicates payments for the year will be met without the need to increase net financial debt.

It should be noted that on 23 December 2009 the Group concluded an agreement with the European Investment Bank (EIB) for an initial amount of €60 million that will be drawn down in 2010.

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

The Company actively manages working capital through net operating capital and net financial debt in the short and long-term, although the working capital figure taken into consideration on an isolated basis is not a key factor for understanding its financial statements. Based on the actions described below, there are no relevant risks regarding the company's liquidity situation in accordance with its solid, stable and quality relationships with customers and suppliers, as well as exhaustive monitoring of its situation with financial institutions which frequently automatically renew current loans.

We attach below a table setting out a breakdown of the working capital presented in the consolidated balance sheet of the CIE Automotive group at 31 December 2009, on a comparative basis with that at 31 December 2008, indicating the relative significance of each of the headings that comprise it:

TIMBRE DEL ESTADO

0J7897047

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

	2009	2008	Change
Inventories	138,335	176,044	(37,709)
Trade and other receivables	180,193	166,836	13,357
Other current assets	2,560	1,522	1,038
Current tax assets	29,033	38,095	(9,062)
Operating current assets	**350,121**	**382,497**	**(32,376)**
Other current financial assets	23,075	22,201	874
Cash and other liquid assets	124,413	92,091	32,322
CURRENT ASSETS	**497,609**	**496,789**	**820**
Trade and other payables	290,013	269,749	(20,264)
Current tax liabilities	29,687	23,821	(5,866)
Current provisions	14,550	10,168	(4,382)
Other current liabilities	73,433	60,719	(12,714)
Current operating liabilities	**407,683**	**364,457**	**(43,226)**
Short-term bank borrowings	312,908	212,134	(100,774)
Other financial liabilities	8,823	6,579	(2,244)
CURRENT LIABILITIES	**729,414**	**583,170**	**(146,244)**
TOTAL WORKING CAPITAL	**(231,805)**	**(86,381)**	**(145,424)**
OPERATING WORKING CAPITAL	**(57,562)**	**18,040**	**(75,602)**

The main reasons for the reduction in working capital at 31 December 2009 compared with last year was the Group's on-going examination of the management of its net operating capital within its strategy to optimize resources.
One of the Group's strategic lines is to ensure the optimization 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, in 2008 a major effort was made to control and reduce the collection periods of customers and other debtors and minimum inventories thanks to an excellent logistics and industrial management that enables us to supply customers on a JIT basis. In this way we constantly optimize supplier payment periods and unify policies and conditions throughout the Group, which has allowed this parameter to improve, as is shown in the preceding table.

As regards the Company's financing situation, it is currently implementing action intended to improve its "long-term financial debt", such as the aforementioned EIB loan, which had yet to be drawn down at 31 December 2009, and the negotiations with financial institutions to extend debt deadlines and move debt into the long-term category.

The Club Deal concluded in 2009 allowed a significant portion of bank debt to be restructured, integrating it into a bank syndicate.
Amounts payable to credit institutions in the short term include recurring loans:

- €63.9 million deriving from the recurring discount of our customers' commercial paper.
- €39,8 million deriving from the financing of recurring imports.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

In any event, although both components of bank debt (€103.7 million) appear as current liabilities for accounting purposes, the normal operation of the business show that they are stable and therefore provide financing that is similar to non-current debt (31 December 2008, €91.4 million).

Noteworthy once again is the existence at 31 December 2009 of €96.3 million in unused credit lines (31 December 2008, €52.5 million).

The table below sets out an analysis of the Group's financial liabilities that will be settled, grouped together by maturity, in accordance with the time at the balance sheet date to maturity stipulated in the contract. The amounts shown in the table relate to the cash flows (including the interest that will be paid) stipulated in the contract without discounting. Balances payable in the coming 12 months equal their carrying value, given that the effect of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2009				
Bank borrowings (Note 20)	312,908	226,826	173,273	-
Trade and other payables	416,507	11,199	28,063	20,164
At 31 December 2009				
Bank borrowings (Note 20)	212,134	160,134	306,284	37,497
Trade and other payables	371,036	13,887	23,562	12,872

Derivative financial instruments classed as hedging are settled at the net amount involved and maturities are detailed in Note 20 for interest rate swaps. Cash flow hedge derivatives are expected to be settled mainly in the short term (Note 8.b)).

c) Credit risk

Credit risks are not managed by customer groups. The credit risk deriving from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the credit standing of the banks with which the Group works.

In order to minimize this risk in trade receivable balances, the CIE Automotive group's strategy is based on the arrangement of customer credit insurance policies and the setting of customer credit limits. With respect to the customer credit limit, it should be noted that the Group's policy is to avoid a concentration of operations of more than 10% of business in individual customers or manufacturing platforms.

Historically, it has been borne in mind that given the characteristics of the Group's customers, particularly, in the automotive segment, balances receivable due in less than 60 days entail no credit risk. Despite the difficulties facing the industry, the Group continues to consider the credit quality of these outstanding balances good.

d) Raw material price risk

The results of the biofuel segment are subject to the volatility of oil prices and the prices of the raw materials necessary to produce biofuels. To reduce exposure to this risk the Group has applied a management policy based on the simultaneous closing of acquisition and sale transactions involving these products, thereby avoiding the risk of open operations.

3.2 Hedge accounting

IAS 39 is very strict as regards the need for documentation that makes it possible to establish that an instrument meets the necessary conditions to be regarded as a hedge.

Therefore, in the CIE Automotive group, clear and specific guidance has been established in order to prepare the documentation setting out all the necessary aspects for identifying and following up hedging relations under this rule. At inception, formal documentation is prepared of the hedging relation, the scope affected, its objective, while identifying the hedging instrument, the component or transaction hedged and the nature of the risk covered and including an explanation of how the hedge efficiency will be assessed. A hedge will be effective if at inception and over the life of the hedge the changes in cash flows from the hedged component attributable to the risk covered may be expected to be almost totally offset by changes in the cash flows of the hedge and the results are in the accepted gap of 80% - 125%.

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

a) Fair value hedges of assets and liabilities recognized or with a firm commitment

Changes in the fair value of these derivatives are recognized 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 recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

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

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 recognized when the forecast transaction is ultimately recognized in the income statement.

Occasionally, and even taking into account the perfect hedging of flows, there may be mismatches between the characteristics of the hedges and the debts hedged. As from the time it is detected and provided that this does not entail disproportionate readjustment costs, the precise modification of the derivative is sought in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the event of the existence of a hedge arranged in anticipation of a highly probable underlying and that requires at the time of its confirmation a readjustment of the derivative to adapt it to the underlying to which it is assigned. This situation may arise both if the derivative is not designated as a hedge at inception and in the opposite case, i.e, if the underlying has been defined as a highly probable transaction.

c) Derivatives that do not qualify for hedge accounting

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

d) Test of effectiveness and estimate of the fair value of derivative hedging instruments

Effectiveness testing: The measurement method adopted by the CIE Automotive group relates to its risk management strategy. If the principal terms of the hedging instrument and hedged underlying agree, the changes in cash flows attributable to the risk hedged may be entirely offset.

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

Based on the underlying asset and the type of hedge, CIE Automotive also uses the Variance Reduction Method and the Linear Regression method. 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 various tools to measure and management its risk in derivatives. If appropriate, the measurement of derivative instruments is carried out internally and is reinforced through the contribution of an independent advisors not related to any financial institution. For these valuations professional market tools are used provided by licensed platforms by Reuters and Bloomberg, and book stores specializing in financial calculations such as "Financialcad".

3.3 Measurement method (fair value estimate)

Effective 1 January 2009 the Group has adopted the amendment to IFRS 7 regarding financial instruments measured at fair value. This modification requires disclosures regarding fair value by level in accordance with the following hierarchy:

- Listed price (not adjusted) on active markets for similar assets and liabilities (Tier 1).
- Inputs other than the listed prices in Tier 1, which must be either directly observable (for example, prices of reference) or indirectly observable (for example, price derivatives) (Tier 2).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

- Inputs regarding the asset or liability that are not based on observable market data (non-observable data) (Tier 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009 (Note 8.b)):

	Tier 1	Tier 2	Tier 3	Total 31.12.09
ASSETS				
Assets at fair value through profit or loss:				
- Derivatives	-	-	-	-
Hedging derivatives	-	506	-	506
TOTAL ASSETS AT FAIR VALUE	**-**	**506**	**-**	**506**
LIABILITIES				
Liabilities at fair value through changes in profit or loss:				
- Derivatives	-	(243)	-	(243)
Hedging derivatives	-	(8,580)	-	(8,580)
TOTAL LIABILITIES AT FAIR VALUE	**-**	**(8,823)**	**-**	**(8,823)**

The fair value of the financial instruments that are marked on active markets is based on market prices at the balance sheet date. The listed market price used for financial assets is the ordinary buy price. These instruments are included in Tier 1.

The fair value of financial instruments that are not traded in an active market is determined by using measurement techniques. The Company uses a variety of methods such as estimated discounted cash flows and makes assumptions based on existing 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 listed forward exchange market rates at the balance sheet date. The carrying amounts of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company 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 Tier 2.

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

At 31 December 2009 and 2008 the Company did not record any financial assets in Tier 3.

3.4 Capital risk management

The Group's equity management objectives are to safeguard its capacity to continue operating on a going-concern basis in order to obtain a return for shareholders and profits for other equity holders and maintain an optimal equity structure by reducing its cost.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

In order to maintain or adjust the capital structure, the Group could adjust the amount of dividends payable to shareholders, refunding capital to shareholders, issue new shares or sell assets to reduce debt.

The Group follows up capital in accordance with the gearing ratio in line with industry practice. This ratio is calculated as the net financial debt divided into total capital employed in the business. Net financial debt is calculated as total borrowings, plus current financial liabilities, less cash and cash equivalents and less current financial assets, as each of these headings is shown in the consolidated accounts. Total capital employed in the business is calculated as equity, as shown in the consolidated accounts, plus the net financial debt.

In 2009 the Group's strategy which has not varied since 2008 has consisted of maintaining a gearing ratio of approximately 0.50. Leveraging indexes at 31 December 2008 and 2009 were as follows:

	2009	**2008**
Borrowings (Note 20)	676,268	642,546
Current financial liabilities (Note 8)	8,823	6,579
Less: Cash and cash equivalents and current financial assets (Notes 8 and 12)	(147,488)	(114,292)
Net financial debt (Note 3.1.b))	537,603	534,833
Equity	289,135	254,866
Total capital employed in the business	826,738	789,699
Leveraging index	**0.65**	**0.68**

The Company has obtained a Syndicated Loan which includes obligations regarding compliance with certain financial ratios. Net financial debt / EBITDA, EBITDA / Financial expense, Net financial debt/ Equity.

Furthermore, on 20 July 2009 the Group concluded a commercial loan agreement with a syndicate of creditors intended to repay and cancel the financing agreements that the Group maintained with several financial institutions, to finance production investments and R&D+i, and to finance the Group's cash needs. This contract requires compliance with certain financial ratios: Net financial debt / EBITDA, EBITDA / Financial expense, Net financial debt/ Equity and a maximum Capex (investments in fixed assets and acquisitions of shareholdings).

On 23 December 2009 the Group obtained financing from the European Investment Bank to finance R&D+i projects that also requires compliance with certain financial ratios, basically the same as the preceding loan. However, no amount had been drawn down from this loan at 31 December 2009.

Note 20 sets out a detailed description of these obligations.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

4. Accounting estimates and judgments

Estimates and judgments are evaluated continually and they are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances at hand.

4.1 Significant accounting estimates and judgments

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

a) Estimated impairment of goodwill

The Group verifies annually whether there is an impairment loss in respect of goodwill, in accordance with the accounting policy in Note 2.7. The amounts recoverable from cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7).

If the revised estimated discount rate which is applied to discounted cash flows were 10% higher than management's estimates, the Group would continue not to need to reduce the carrying value of goodwill.

With respect to the assumptions used to determine EBITDA (operating profit plus depreciation and amortization, basic to calculate the free cash flow) of the CGUs, the most conservative scenario has been used such that negative variations in the gross margin are unlikely to arise.

b) Income tax

The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. The Group recognizes deferred taxes which, in accordance with legislation effective in different tax administrations, result from multiple temporary differences in assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. Until 2007, inclusive, the Group recognized liabilities for possible tax contingencies brought forward on the basis of estimates of whether additional taxes will be necessary. In 2008 and 2009 resolutions were received from various competent tax authorities which adjusted the self-assessments previously presented by group companies. The assessments raised by the tax administrations do not entail a significant outflow of funds from the Group. Therefore, it has been understood that at the year end the assessments raised by the tax administrations represent the best estimate of the risk related to Community legislation and therefore the liabilities that would cover the aforementioned contingencies have been eliminated.

The calculation of income tax has not required making significant estimates except in the figure relating to the recognition of tax credits in the year. Had the premises used in this estimate changed by 10%, the effect on results for the year would not exceed (+/-) approximately 3% in both 2008 and 2009.

c) Product warranty

Warranty product risks are recognized when there is a firm claim not covered by the relevant insurance policy.

4.2 Significant judgments when applying accounting policies

The most significant judgments and estimates that have been taken into account when applying the accounting policies described in Note 2 relate to:

- Premises and calculations required in the analysis of the impairment of goodwill, as described in Notes 2.7.a), 4.1.a) and 7.
- Estimate of the recognition and application of tax credits, as described in Notes 2.19.b), 4.1.b), 23 and 30.
- Estimate of the useful lives of property, plant and equipment (Note 2.5).
- In order to evaluate financial derivatives and other assets, CIE Automotive applies methods commonly used in financial markets. In general, the measurement of any financial derivative is based on the discounting of cash flows, a method which is based on the interest rate curve and from which the zero coupon curve is obtained together with the discount factors and the embedded forward rates. In those cases in which optional elements are included, the implicit volatility affecting markets is used and option measurement methods are used such as Black-Scholes for plain vanilla options or Vanna-Volga when concerning options that include activating or deactivating conditions. Professional market applications are used in this respect and an independent external advisor is used when necessary.

5. Segment information

The Delegate Committee, consisting of the Chairman and Vice Chairman of the Board of Directors and the Managing Director, has been identified as the maximum decision making body within the Group. This Delegate Committee reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments.

Management has determined operating segments based on the structure of the reports examined by the Delegate Committee.

The Committee analyzes the business of CIE Automotive Group from both a geographical and product point of view.

The Group operates in two operating segments:

- Automotive
- Biofuels

Automotive segment

This segment relates to the production of parts and components for the automotive industry, operating as a TIER 2 in most cases. Although the group supplies certain automobile manufacturers directly (OEM) on some occasions, CIE normally acts as a TIER 2 since the role of TIER 1 is taken on by the OEMs.

The CIE Automotive group's model is based on two strategic focal points: multi-technology and the global market, which entails capacity to supply technology worldwide.

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

Global market: Worldwide industrialization and supply capacity. The Group has global customers and the CIE Automotive Group has the capacity to supply customers from different geographical areas.

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

Biofuel segment

CIE Automotive Group has an integral management strategy for the value chain in the biofuels sector.

This segment engages in supplying raw materials and producing and distributing biofuels.

- Raw materials: the intent is to add activities that guarantee the competitive supply of all raw materials, both those deriving from Agriculture (virgin oil), and recycled oil, animal fats, oleíne and other waste.
- Production: production of biofuels from recycled oils and virgin oils.
- Distribution: sales, logistics and distribution network, both nationally and internationally.

The Delegate Committee manages operating segments based mainly on the development of the main financial figures such as sales, EBITDA (operating profit plus depreciation) and EBIT (operating profit). The information received by the Delegate Committee also includes financial income and expense, tax issues, although these items are analyzed at the group level since they are managed in a centralized manner.

There are no sales between the two segments.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008 (Thousand euro)

a) Segment information

Results by segment are as follows:

	2009				2008			
	Automotive				Automotive			
	Europe	America	Biofuels	Total	Europe	America	Biofuels	Total
Revenues	510,204	458,830	179,979	1,149,013	687,604	470,512	297,194	1,455,310
Other operating income/(expense) (except depreciation/amortization)	(466,942)	(381,923)	(183,774)	(1,032,639)	(588,777)	(378,036)	(307,860)	(1,274,673)
Depreciation/amortization	(41,620)	(20,098)	(2,000)	(63,718)	(55,790)	(19,288)	(1,899)	(76,977)
Operating profit	1,642	56,809	(5,795)	52,656	43,037	73,188	(12,565)	103,660
EBITDA (Operating profit plus depreciation)	43,262	76,907	(3,795)	116,374	98,827	92,476	(10,666)	180,637

Other segment items included in the income statement are as follows:

	2009				2008			
	Automotive				Automotive			
	Europe	America	Biofuels	Total	Europe	America	Biofuels	Total
Amort/Deprec.:	(41,620)	(20,098)	(2,000)	(63,718)	(55,790)	(18,998)	(1,899)	(76,977)
- Property, plant and equipment (Note 6)	(34,056)	(18,875)	(1,578)	(54,509)	(50,609)	(17,421)	(1,788)	(69,818)
-Intangible assets (Note 7)	(7,564)	(1,223)	(422)	(9,209)	(6,258)	(790)	(111)	(7,159)

The reconciliation of operating profits and profits attributable to the parent company is set out below:

	2009	2008
Operating profit	52,656	103,660
- Other financial income/(expense)	(24,253)	(34,938)
- Gains/ losses financial instruments at fair value	(171)	(870)
- Share in results obtained by associates consolidated using the equity method	(1,589)	(100)
- Corporate Income Tax	(11,664)	(16,055)
- Results after taxes on discontinued operations	(6,946)	-
- Minority shareholders (attributed loss)	3,087	2,126
Profit /(loss) attributable to the parent company	**11,120**	**53,823**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

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

	2009				2008			
	Automotive				Automotive			
Area / location	**Europe**	**America**	**Biofuels**	**Total**	**Europe**	**America**	**Biofuels**	**Total**
Total assets (*)	757,754	592,099	188,062	1,537,915	793,488	414,025	189,487	1,397,000
Total liabilities	662,037	372,902	183,103	1,218,042	718,363	237,777	162,792	1,118,932
Fixed asset additions (Notes 6 and 7)	43,751	32,946	15,334	92,031	74,541	34,471	52,692	161,704
Asset disposals (Notes 6 and 7)	(6,536)	(2,683)	(158)	(9,377)	(21,501)	(2,638)	(809)	(24,948)
Net investments during the year (Notes 6 and 7) (**)	37,215	30,263	15,176	82,654	53,040	31,833	51,883	136,756

(*) Does not include 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 operating cash. Investments in investees included in the consolidated are excluded.

Segment liabilities include operating liabilities and long-term financing, excluding those pertaining to the Group which are eliminated on consolidation.

Investments in assets include additions of property, plant and equipment (Note 6) and intangible assets (Note 7).

Transfers or transactions between segments are conducted under ordinary business terms and conditions that should also be available to non-related third parties.

b) Customer information

The group is at limited risk due to its sales policy. Maximum invoicing per customer or platform does not reach 10% or 6%, respectively, of total ordinary revenues.

6. Property, plant and equipment

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

	Balance at 31.12.07	Inclusion due to changes in scope of consolidation (Notes 1, 35 and 37)	Additions	Disposals	Transfers	(*) Other movements	Balance at 31.12.08
Cost							
Land and buildings	215,862	18,634	10,790	(6,448)	-	(17,731)	221,107
Plant and machinery	666,495	27,303	36,464	(2,019)	1,005	(28,822)	700,426
Other assets	154,086	2,795	30,815	(13,707)	2,601	(4,586)	172,004
Prepayments and PPE in course of construction	56,841	248	68,325	(699)	(6,824)	(4,609)	113,282
	1,093,284	48,980	146,394	(22,873)	(3,218)	(55,748)	1,206,819
Depreciation							
Land and buildings	45,291	3,806	5,252	(5,485)	-	(3,580)	45,284
Plant and machinery	393,474	7,001	45,719	(6,243)	-	(25,364)	414,587
Other assets	113,828	2,022	18,847	(3,371)	-	(1,891)	129,435
	552,593	12,829	69,818	(15,099)	-	(30,835)	589,306
Provisions							
Plant and machinery	3,068	-	76	(**) (1,868)	-	(7)	1,269
	3,068	-	76	(1,868)	-	(7)	1,269
Net carrying value	**537,623**						**616,244**

(*) Basically includes the effect of exchange fluctuations of PPE in the currency of foreign subsidiaries.
(**) Provision relating to land and a building sold in 2008.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

	Balance at 31.12.08	Inclusion due to changes in scope of consolidation (Notes 1, 35 and 37)	Additions	Disposals	(**) Transfers	(*) Other movements	Balance at 31.12.09
Cost							
Land and buildings	221,107	16,474	3,618	(2,136)	14,415	10,801	264,279
Plant and machinery	700,426	45,554	28,399	(8,938)	6,873	36,394	808,708
Other assets	172,004	11,725	11,260	(2,408)	4,190	4,614	201,385
Prepayments and PPE in course of construction	113,282	-	41,722	(2,239)	(38,191)	5,625	120,199
	1,206,819	73,753	84,999	(15,721)	(12,713)	57,434	1,394,571
Depreciation							
Land and buildings	45,284	10,015	5,082	(211)	-	1,774	61,944
Plant and machinery	414,587	26,498	38,636	(4,497)	(4,214)	22,489	493,499
Other assets	129,435	6,046	10,791	(2,038)	(402)	1,061	144,893
	589,306	42,559	54,509	(6,746)	(4,616)	25,324	700,336
Provisions							
Plant and machinery	1,269	-	-	(1,032)	-	-	237
	1,269	-	-	(1,032)	-	-	237
Net carrying value	**616,244**						**693,998**

(*) Basically includes the effect of exchange fluctuations of PPE in the currency of foreign subsidiaries.
(**) Includes both transfers of property, plent and equipment under construction to completed assets and the reclassification of assets relating to assets associated with businesses classed as held-for-sale in 2009 (Note 13).

a) Restatements

The amount of the net restatements accumulated at the end of 2009 in accordance with commercial law in force in the various countries in which the subsidiaries are located totals approximately €12,317 thousand (2008, €16,570 thousand). The effect of these revaluations amounted to €149 thousand in depreciation (€134 thousand in 2008).

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 2008 and 2009:

	Million euro					
	2009			2008		
	Cost	Accumulated depreciation	Net carrying value	Cost	Accumulated depreciation	Net carrying value
America	413	(206)	207	270	(129)	141
Europe	982	(495)	487	936	(461)	475
	1,395	**(701)**	**694**	**1,206**	**(590)**	**616**

c) Property, plant and equipment not used in operations

At 31 December 2009 and 2008 there are no material assets not used in operations.

d) Impairment losses

Following the addition of the Recyde Group in 2007, a provision amounting to €1,211 thousand was included in the consolidated figures for the impairment of certain machinery which were no longer in use. At 31 December 2009 €210 thousand remained in that provision.

e) Fully depreciated assets

At 31 December 2009 there is fully-depreciated property, plant and equipment with a cost of €322,484 thousand still in use (2008, €226,272 thousand).

f) Property, plant and equipment subject to guarantees

At 31 Oecember 2009 there is property, plant and equipment (land and buildings) pledged to guarantee debts with public administrations totaling €10.5 million, which are pending payment at 31 December 2009 (€4.4 million in 2008) (Note 22).

g) Insurance

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

h) Finance leases

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

	2009	2008
Capitalized finance lease cost	12,868	11,442
Accumulated amortization	(7,578)	(5,944)
Net book value	5,290	5,498

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

i) Capitalization of interest

Borrowing costs capitalized during the year amount to €2,891 thousand (2008: €2,223 thousand).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

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:

2008

	Goodwill	R&D	Computer software	Prepayments and other	Total
Cost					
Balance at 31.12.07	184,589	27,472	15,836	4,171	232,068
Additions/disposals due to change in consolidation scope	6,694	5,414	89	815	13,012
Additions	-	(*) (11,507)	479	3,324	15,310
Disposals	-	(1,650)	(425)	-	(2,075)
Transfers	-	1,817	1,401	-	3,218
Other movements (**)	(17,983)	(394)	(227)	(976)	(19,580)
Balance at 31.12.08	173,300	44,166	17,153	7,334	241,953
Depreciation					
Balance at 31.12.07	-	11,933	9,241	1,112	22,286
Inclusion due to change in the scope of consolidation	-	72	26	444	542
Additions	-	5,232	1,661	266	7,159
Disposals	-	(1,290)	(292)	(148)	(1,730)
Transfers	-	-	-	-	-
Other movements (**)	-	(562)	(27)	(484)	(1,073)
Balance at 31.12.08	-	15,385	10,609	1,190	27,184
Net carrying value					
At 31 December 2009	184,589	15,539	6,595	3,059	209,782
At 31 December 2009	173,300	28,781	6,544	6,144	214,769

(*) Deriving from the industrialization of new projects launched during the year.
(**) Basically includes the effect of exchange fluctuations in the currencies in which intangible assets of foreign subsidiaries are denominated.

0J7897062

CLASE 8.ª

2009

	Goodwill	R&D	Computer software	Prepayments and other	Total
Cost					
Balance at 31.12.08	173,300	44,166	17,153	7,334	241,953
Additions/disposals due to change in consolidation scope	16,472	6,324	-	-	22,796
Additions	-	6,154	208	670	7,032
Disposals	-	(352)	-	(50)	(402)
Transfers (**)	(2,053)	(647)	3,005	(6,482)	(6,177)
Other movements (*)	22,348	1,400	160	2,273	26,181
Balance at 31.12.09	210,067	57,045	20,526	3,745	291,383
Depreciation					
Balance at 31.12.08	-	15,385	10,609	1,190	27,184
Inclusion due to change in the scope of consolidation	-	2,597	-	-	2,597
Additions	-	7,094	2,040	75	9,209
Disposals	-	-	-	-	-
Transfers (**)	-	(138)	49	(615)	(704)
Other movements (*)	-	(207)	40	774	607
Balance at 31.12.09	-	24,731	12,738	1,424	38,893
Net carrying value					
At 31 December 2009	173,300	28,781	6,544	6,144	214,769
At 31 December 2009	210,067	32,314	7,788	2,321	252,490

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

(**) Includes both transfers of property, plant and equipment under construction to completed assets and the reclassification of assets relating to assets associated with businesses classed as held-for-sale in 2009 (Note 13).

The variations in goodwill resulting from changes in consolidation are as follows (Note 35):

	2009	2008
Automotive segment		
Shanghai Sandum Auto Parts Manufacture Co., Ltd.	(722)	478
CIE Praga Louny, a.s.	-	1,024
Fundición Alcasting, S.L.U.	-	1,307
Pintura y Ensambles de México, S.A. de C.V.	-	4,063
CIE Celaya, S.A.P.I. de C.V.	5,202	-
Pintura, Estampado y Montaje S.A.P.I. de C.V.	3,695	-
CIE Joamar, s.r.o.	119	-
Joamar Maroc, S.A.R.L. d'A.U.	705	-
Biofuel segment		
Gestión de Aceites Vegetales, S.L. (G.A.V.E.)	-	586
Naturoil Combustíveis Renováveis, S.A.	-	(764)
Reciclado de Residuos Grasos, S.L.U. (Resigras)	1,558	-
Bionor Tecnología, S.L.U.	182	-
Bionor Transformación, S.A.U.	5,733	-
	16,472	6,694

a) Goodwill impairment testing

Goodwill has been assigned to the Group's cash generating units 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.

Set out below is goodwill allocation at CGU level (production company or group of production companies):

		2009		2008	
Group of companies	**Individual company or group of companies (Appendix)**	**Goodwill**	**Fair value assigned to assets (*)**	**Goodwill**	**Fair value assigned to assets (*)**
Automotive segment					
Metal Europe	Egaña 2, CIE Udalbide, CIE Unitools, T.M. Norma, CIE Metal	5,247	2,356	5,150	2,388
Aluminium Europe	G.C. Vilanova, Talleres Matrimold, Fabricación de Componentes de Motor, GSB-TBK, Tarabusi, Inyectametal, CIE Matricon, Fundición Alcasting	8,073	4,263	7,944	4,564
Brazil	Brazil Sub-Group	83,974	17,441	64,212	12,769
Plastic Europe	Plasfil, CIE Plasty, Orbelan, CIE Joamar, Joamar Maroc	8,684	-	7,872	-
Machining Europe	Gamako, CIE Meceuto, Mecasur, CIE Praga Louny, CIE Compiegne, Subgrupo Recyde	47,849	16,914	47,974	18,234
Others in Europe	Advanced Comfort Systems sub-group	1,607	-	-	-
Mexico	CIE-OESC subgroup, CIE Berriz de Mexico subgroup	29,574	1,208	19,725	1,174
Forging Europe	UAB CIE LT Forge, Galfor, Legazpi	272	1,811	277	1,848
China	CIE Automotiva Parts subgroup(Shanghai)	-	-	715	2,083
Biofuel segment					
Biofuels	CIE Automotive Bioanergía subgroup	24,787	-	19,431	-
		210,067	43,993	173,300	43,060

(*) Net of depreciation/amortization

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash- flow projections based on five year financial budgets approved by management. Cash flows for periods over five years are extrapolated on the basis of a prudent assumption concerning the estimated growth rates that are always lower than the average long-term growth rate for the automotive business in which each of the CGUs operates.

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

The discount rate applied to cash flow projections amounts to:

	2009	2008
Automotive		
Metal Europe	7.41% - 7.47%	7.24% - 7.27%
Aluminium Europe	7.41% - 7.47%	6.75% - 7.27%
Brazil	9.95%	10.29%
Plastic Europe	7.36% - 7.47%	7.14% - 7.27%
Mechining Europe	7.33% - 7.47%	7.07% - 7.27%
Others in Europe	7.31%	-
Mexico	8.27%	8.80%
Forging Europe	7.47% - 8.21%	6.71% - 7.27%
China	8.68%	6.88%
Biofuels		
Spain	8.33% - 8.47%	7.07% - 7.14%
Europe	8.31%	6.90%
Guatemala	12.02%	10.29%

The discount rate is after tax and reflects the specific risk related to significant segments and has been applied in the analysis of 2008 and 2009.

Budgeted EBITDA (operating profit plus depreciation/ amortization) is determined by Company management in their strategic plans, taking into account operations with a similar structure to the current structure and based on prior year experience. These EBITDAs (operating profit plus amortization/ depreciation) vary between 10% and 20% of revenues in 2009. Other net movements forecast in cash and flows related to taxes are added to these EBITDAs until free cash levels after tax generated in each year are reached.

The result of using cash flows before tax and a discount rate before tax does not differ significantly from the result of using cash flows after tax and a discount rate after tax.

c) Results of the analysis

The Group has verified that in 2009 and 2008 there is no impairment loss on goodwill. Note 4 includes a sensitivity analysis of the calculation of the impairment loss on goodwill.

d) Fully depreciated assets

At 31 December 2008 there are fully-amortized intangible assets, basically computer applications, with a cost of €9.9 million still in use (2008, €8.1 million).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

8. Financial assets

	Held-to-maturity financial assets	Derivative financial instruments	Deposits, guarantees and securities portfolio	Investments in associated companies	Total
At 31 December 2007	**43,934**	**1,132**	**7,549**	**2,218**	**54,833**
Additions to consolidation (Notes 8.d) and 35)	-	-	380	-	380
Additions	18,745	-	70	-	18,815
Disposals	(36,955)	(7)	(1,647)	(250)	(38,859)
Transfers					
Fair value adjustments					
- Results	-	(870)	-	(*) (100)	(970)
- Equity	-	(6,782)	-	-	(6,782)
At 31 December 2008	**25,724**	**(*) (6,527)**	**6,352**	**1,868**	**27,417**
2008					
Non-current	4,000	-	5,927	-	9,927
Current	21,724	52	425	-	22,201
Investments in associated companies	-	-	-	1,868	1,868

(*) €6,579 thousand classified as financial liabilities in Current liabilities on the balance sheet at 31 December 2008 (Note 8 b)).

	Held-to-maturity financial assets	Derivative financial instruments	Deposits, guarantees and securities portfolio	Investments in associated companies	Total
At 31 December 2008	**25,724**	**(6,527)**	**6,352**	**1,868**	**27,417**
Additions	-	-	1,348	627	1,975
Disposals	(706)	-	(1,238)	-	(1,944)
Fair value adjustments					
- Results	-	(56)	-	(1,589)	(1,645)
- Equity	-	(1,734)	-	-	(1,734)
At 31 December 2009	25,018	(*) (8,317)	6,462	(**) 906	(*)(**) 24,069
2009					
Non-current	2,667	-	6,244	-	8,911
Current	22,351	506	218	-	23,075
Investments in associated companies	-	-	-	1,739	1,739

(*) Of this amount €506 thousand relate to derivative financial assets and €8,823 thousand relates to derivative financial liabilities, recorded under liabilities in the consolidated balance sheet.

(**) Of this amount €833 thousand is recorded as a non-current provision under liabilities in the consolidated balance sheet in order to prevent the cost of the shareholding being a negative amount. The value of shareholdings in associated companies on the asset side of the balance sheet therefore totals €1,739 thousand.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

a) Held-to-maturity financial assets

	2009		2008	
	Thousand euro	**Interest rate**	**Thousand euro**	**Interest rate**
Fixed income	5,833	Euribor - 0.5	7,125	Euribor – 0.5
Short-term loans	(*) (18,966)	Euribor + 2.5	18,179	Euribor + 2.5
Other	219		420	
	25,018		**25,724**	

(*) Includes €17,900 thousand (€15,237 thousand in 2008) relating to the purchase option held by CIE Bérriz de México, S.A. de C.V. at the end of the year over the shares in the "Joint Venture" CIE OESC Automotive, S.A.P.I. de C.V. (Notes 1 and 35) and which were exercised in January 2010. This amount is considered to be a payment on account of potential future acquisitions (Note 39).

These securities have suffered no impairment losses and nor have any financial assets held to maturity been reclassified.

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

b) Derivative financial instruments

	2009		2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps:				
- cash flow hedges	41	(8,580)	-	(5,957)
- not hedged	-	(243)	-	(195)
Exchange forwards – cash flow hedges	465	-	52	(427)
Total	**506**	**(8,823)**	**52**	**(6,579)**

- Interest rate swaps (variable to fixed)

  The notional principal on interest rate swaps outstanding at 31 December 2009 amounted to €291,182 thousand (2008: €202,759 thousand), of which €281,139 thousand is classified as hedging (2008, €190,417 thousand).

  At 31 December 2009 fixed interest rates vary between 1.24% and 4.73% (2008: 2.91% and 4.73%) and the principal variable interest rate is the EURIBOR.

- Foreign currency cash flow hedges

  At 31 December 2009 foreign currency forwards amounted to:

  - Purchase of US dollars: USD235 thousand (2008: USO710 thousand).

  - Sale of US dollars: USD12,000 thousand (2008: USD60,000 thousand).

0J7897068

Highly probable hedged foreign currency future transactions are expected to take place on different dates in the next 12 months. Profit and losses recognized in the equity hedging reserve (Note 15) on foreign currency forward contracts at 31 December 2009 are recognized in the income statement in the period that is affected by the open transaction. Gains and losses in equity in respect of currency forwards at 31 December 2009 will be transferred to the income statement over the next 12 months (similar maturities in 2008).

c) Deposits, guarantees and securities portfolio

The amount of this heading at 31 December 2009 basically includes deposits and guarantees and €60 thousand relates to the investment in Fundación CIE I+D+i in 2008.

d) Investments in associated companies

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

The companies consolidated under the equity method are as follows:

			Shareholding value		Share in profits		Total (100%) Assets		Total (100%) Liabilities	
	% effective shareholding	% effective shareholding	2009	2008	2009	2008	2009	2008	2009	2008
Biocombustibles de Zierbana, S.A.	20%	16.1%	-	655	(1,480)	(97)	48,938	41,125	53,065	39,621
Biocombustibles La Sede, S.L.	40%	32.2%	1,125	1,200	(75)	-	2,913	3,012	100	24
Glycoleo, s.r.l.	20%	32.2%	-	5	-	(2)	-	14	-	14
Belgium Forge, N.V.	100%	100%	-	-	(34)	-	-	55	-	1,011
CIE-Avtocom Kaluga, LLC (1)	35%	35%	1	-	-	-	-	-	-	-
CIE-Avtocomp, LLC	35%	35%	600	-	-	-	-	-	-	-
Other	-	-	13	8	-	-	-	-	-	-
			1,739	1,868	(1,589)	(99)				

The value of investments in associates does not include goodwill.

e) Credit quality of financial assets

All financial assets maintained by the Company at 31 December 2009 that have not fallen due or suffered impairment during the year are considered to be of high quality and do not present any indication of impairment.

9. Other non-current assets

This balance sheet heading records the following items and amounts:

	2009	2008
Loans to personnel (Note 36)	7,123	6,507
Loans to non-consolidated group companies and associates	1,761	1,982
Loans to third parties	5,346	6,801
Other balances	668	621
	14,898	**15,911**

Loans to personnel basically include the amortized cost of loans maturing in 2013.

Loans to group companies include the following balances:

	Thousand euro	
	2009	**2008**
Biocombustibles de Zierbana, S.A. (Note 1.1 and 8d))	1,761	1,710
Other	-	272
	1,761	**1,982**

On 15 December 2007, all shareholders of the associate Biocombustibles de Zierbana, S.A. signed a subordinate loan agreement for a total of €5,7 million distributed in proportion to each shareholder's shareholding and they are subject to the obligations entered into by the investee with credit institutions. The repayment of the amount of the principal relating to the Company, €1,140 thousand, is subordinated to the repayment of all the amounts due by Biocombustibles de Zierbana, S.A. to the credit institutions with which it has entered into a financing agreement. The interest rate agreed for the operation is Euribor +3%, payable annually.

The breakdown by maturity of the loans to third parties is follows:

	2009	2008
Between 1 and 2 years	394	4,503
Between 3 and 5 years	4,952	2,298
	5,346	**6,801**

10. Trade and other receivables

	2009	2008
Trade receivables	172,063	161,551
Less: Provision for impairment losses on receivables	(3,308)	(3,514)
Trade receivables – Net	168,755	158,037
Other receivables	11,438	8,799
Total	**180,193**	**166,836**

Trade receivable and debtor balances do not vary from fair value on the basis of the relevant cash flows discounted at market rates.

At 31 December 2009 trade receivable balances and accounts receivable discounted and advanced at financial institutions amount to €63,966 thousand (€55,840 thousand in 2008). Transactions have been accounted for as a bank loan(Note 20).

The amounts covered by factoring, or the sale of trade receivables at the yearend have been written off from trade receivables as they meet the conditions to be considered factoring without resource and ownership of the associated risks has therefore been transferred to the relevant financial institutions.

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

Historically, it has been borne in mind that given the characteristics of the Group's customers, particularly, in the automotive segment, balances receivable due in less than 60 days entail no credit risk due to being within the normal collection period in the sector. Despite the difficulties facing the sector, the Group continues to consider that the credit quality of these outstanding balances is good and understands that there is no impairment or default. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

At 31 December 2009 accounts receivable amounting to €12.3 million (€13.5 million in 2008) were more than 60 days past due although most of them had suffered no impairment since they relate to independent customers with no record of bad debts and that operate in the automotive industry, where many payments relate to milestones in project industrialization.

An aging analysis of these accounts is as follows:

	2009	2008
Between 2 and 4 months	3,021	5,544
Between 4 months and 12 months	3,736	4,313
Over 12 months	5,575	3,609
	12,332	13,466
(Provision)	(3,308)	(3,514)
	9,024	**9,952**

Accounts receivable that have suffered impairment and have therefore been provided for mainly relate to balances that are more than 18 months old. Part of these accounts receivable for which a provision has been reflected is expected to be recovered. Other accounts included in receivables contain no assets that have suffered impairment.

The credit quality of trade receivable balances not due or impaired may be classed as high and with no credit risk.

The Group has arranged credit insurance for most sales concerning de facto insolvency, legal insolvency and the business and political risk. Credit insurance contracts are arranged through two leading national insurance companies and the guarantee percentage varies from 85% to 99% (in both 2009 and 2008).

Maximum credit risk exposure at the reporting date is the carrying value of each account receivable, as broken down above.

The movement in the impairment provisions in 2008 and 2009 relates to the following amounts and items:

At 31 December 2009	**6,352**
Inclusion /(exclusion from) consolidation	131
Allocations (Note 27)	1,493
Recoveries (Note 27)	(177)
Balance write-offs	(4,285)
At 31 December 2009	**3,514**
Inclusion /(exclusion from) consolidation	-
Allocations (Note 27)	2,049
Recoveries (Note 27)	(1,509)
Balance write-offs	(746)
At 31 December 2009	**3,308**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The carrying value of the Group's accounts receivable is denominated in the following currencies (thousand euro):

	2009	2008
US dollar	25,715	27,333
Czech koruna	1,777	1,144
Mexican peso	3,250	403
Brazilian real	24,820	21,578
Chinese yuan renminbi	2,358	1,042
Romanian Lei	435	212
Euro	113,708	109,839
	172,063	**161,551**

11. Inventories

	2009	2008
Goods purchased for resale	13,270	20,737
Raw materials and supplies	68,546	68,663
Work in progress and semi-finished goods	20,236	32,545
Finished products	35,852	53,616
Prepayments to suppliers	431	483
	138,335	**176,044**

Since the Group company Via Operador Petrolífero, S.L., is an oil operator, it is legally required to hold minimum buffer stocks (Note 1.2 and 2.12). In order to maintain such buffer stocks, at 31 December 2009, it was not necessary to lease m^3 of diesel from third parties (24,900 m3 of diesel leased from a non-Group third party in 2008).

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

2008

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	88,646	64,055	152,701
Inclusion /(exclusion from) consolidation	3,875	2,071	5,946
Acquisitions	948,099	8,130	956,229
Other movements (*)	(5,288)	(2,954)	(8,242)
Closing balance	(89,400)	(86,161)	(175,561)
Cost of sales	945,932	(14,859)	931,073

(*) Basically includes the effect of exchange fluctuations of currency of foreign subsidiaries.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

2009

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	89,400	86,161	175,561
Inclusion /(exclusion from) consolidation	4,779	2,386	7,165
Purchases /Changes in provisions	628,776	5,653	634,429
Transfers (**)	8,249	(8,916)	(667)
Other movements (*)	7,052	2,161	9,213
Closing balance	(81,816)	(56,088)	(137,904)
Cost of sales	656,440	31,357	687,797

(*) Basically includes the effect of exchange fluctuations of currency of foreign subsidiaries.
(**) Includes the reclassification of business inventories classified as held-for-sale to assets (Note 13)

The value of work in progress and finished products includes the value of the following provisions for obsolescence, movements in which are presented below:

At 31 December 2007	**1,670**
Allocations (Note 27)	3,866
Balance write-offs	(532)
At 31 December 2008	**5,004**
Allocations (Note 27)	1,173
Balance write-offs	(4,201)
At 31 December 2009	**1,976**

12. Cash and cash equivalents

Cash and other cash equivalents at 31 December 2008 and 2009 break down as follows:

	2009	2008
Cash and bank deposits	90,163	50,737
Short-term bank daposits	34,250	41,354
	124,413	92,091

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

The effective interest rate on these short-term deposits has been the market rate varying between 0.14% and 0.41% in 2009 and between 3.70% and 4.07% in 2008.

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

	2009	2008
Brazilian raal	61,344	27,966
US dollars	5,475	3,468
Mexican paso	549	1,012
Chinese Yuan Renminbi	5,820	752
Czech koruna	3,213	5,704
Euro	48,012	53,189
	124,413	92,091

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

Assets and liabilities of certain companies pertaining to the biofuel segment in Brazil and Europe have been presented as held-for-sale after group management and the Board of Directors have made a firm decision to sell these items. The transaction is expected to be completed by the end of 2010.

Disposal groups of assets classified as held-for-sale

	2009
Property, plant and equipment	4,734
Intangible assets	3,147
Inventories	517
Other current assets	1,136
Total	9,534

Estimated impairment losses have been included at the recoverable value of each asset.

Disposal groups of liabilities classified as held-for-sale

	2009
Borrowings	252
Payables	1,942
Other current liabilities	86
Provisions	1,338
Total	3,618

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The analysis of the results obtained by discontinued operations and the results recognized on the restatement of assets or disposable groups, is as follows:

	2009
Revenues	7,505
Expenses	(9,515)
Asset impairment	(6,659)
Profit / (loss) before taxes on discontinued activities	(8,669)
Taxes	(1,723)
PROFIT/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS	(6,946)

Cash flows generated by these discontinued operations are as follows:

	2009
Cash flows from operating activities	1,887
Cash flows from investment companies	(419)
Cash flows from financing activities	-
Total cash flows	1,468

Other consolidated cash flows from operating activities break down as follows:

	2009
Profit before income tax	(8,669)
Taxes paid	-
Adjustments to profits:	
- Impairment adjustments	6,659
- Depreciation/amortization	584
Changes in working capital	3,313
Cash flows from operating activities	1,887

14. Share capital and share premium

	No. shares (thousand)	Share capital	Share premium	Treasury shares	Total
At 31 December 2007	114,000	28,500	33,752	(2,108)	60,144
Acquisition of treasury shares	-	-	-	(1,640)	(1,640)
At 31 December 2008	114,000	28,500	33,752	(3,748)	58,504
Acquisition/sale of treasury shares	-	-	-	(455)	(455)
At 31 December 2009	114,000	28,500	33,752	(4,203)	58,049

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

a) Share capital

At 31 December 2009 and 2008 the parent company's share capital 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 hold a direct or indirect interest of more than 10% are as follows:

	% interest	
	2009	**2008**
Instituto Sectorial de Promoción y Gestión de Empresas, S.A.- INSSEC	51.767%	51.767%
Saltec, S.L., Sociedad Unipersonal (*)	12.985%	12.985%

(*) The Single Shareholder of Saltec, S.L. Sociedad Unipersonal is Instituto Sectorial de Promoción y Gestión de Empresas, S.A., and therefore the direct and indirect interests held by this company means that it controls 64.752% of CIE Automotive, S.A. (64.752% in 2008).

On the date of these accounts, the direct or indirect percentage holding of INSSEC remains consistent with the 2009 closing.

b) Share premium account

This reserve is freely available for distribution.

c) Treasury shares

At 31 December 2009 the Company held 1,005,671 treasury shares (851,897 shares in 2008).

The movement in treasury shares in 2008 and 2009 breaks down as follows:

	2009		2008	
	Number of shares	**Amount (Thousand euro)**	**Number of shares**	**Amount (Thousand euro)**
Opening balance	851,897	3,748	541,681	2,108
Acquisitions	153,774	455	1,210,216	5,840
Sales	-	-	(900,000)	(4,200)
Closing balance	**1,005,671**	**4,203**	**851,897**	**3,748**

During 2009 the Company acquired a total of 153,774 shares and sold no treasury shares. Therefore the balance of treasury shares of CIE Automotive, S.A. at the 2009 year end amounted to 1,005,671 shares, representing 0.88% of share capital (851,897 shares and 0.747% at 31 December 2008), with a listed value at 31 December 2009 of €3.329 thousand (€2,982 thousand at 31 December 2008).

CLASE 8.ª

0J7897077

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Similarly, the mandate conferred by the General Shareholders' Meeting of 22 April 2009 is in effect until 22 October 2010, whereby the Company's Board of Directors is empowered to buy at any time and as often as is considered appropriate shares in CIE Automotive, S.A., through any legal means, including profits for the year and / or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with Article 75 et seq. of the Spanish Companies Act.

15. Reserves and retained earnings

Movements in Reserves and retained earnings are as follows:

	Retained earnings and first -conversion reserves							
	Legal reserve	Other reserves	Consolidated company reserve and first conversion reserve (Note 17)	Profit and loss	Subtotal	Accumulated differences on exchange (Note 16)	Interim dividend	Total
At 31 December 2009	5,366	11,233	142,899	50,672	210,170	8,467	(6,811)	211,826
Net revenues/(expense) recognized directly under equity	-	-	(4,884)	53,823	48,939	(65,648)	-	(16,709)
Distribution of 2007 profit	334	(7,975)	43,527	(50,672)	(14,786)	-	6,811	(7,975)
Other movements (*)	-	-	(12,898)	-	(12,898)	-	-	(12,898)
At 31 December 2009	5,700	3,258	168,644	53,823	231,425	(57,181)	-	174,244
Net revenues/(expense) recognized directly under equity	-	-	(1,384)	11,120	9,736	26,239	-	35,975
Distribution of 2008 profit	-	6,735	47,088	(53,823)	-	-	-	-
Other movements (*)	-	-	(3,582)	-	(3,582)	-	-	(3,582)
At 31 December 2009	5,700	9,993	210,766	11,120	237,579	(30,942)	-	206,637

(*) This basically relates to the distribution of reserves agreed in 2008 and 2009 in certain Group companies (CIE Autometal and Ourametal, Appendix), paid to minority interests in those companies.

a) Legal reserve

In accordance with the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. At 31 December 2009 the balance of this reserve has already reached the minimum limit required.

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

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

b) Dividends paid

On 22 April 2009 Shareholders at a General Meeting adopted a Resolution to distribute individual profits for 2009 entirely to voluntary reserves and therefore no dividend whatsoever was paid.

On 23 April 2008 the Parent Company's shareholders at a General Meeting resolved to distribute the individual profit for 2007, stipulating the payment of a gross complementary dividend of 0.07 euro per share amounting to €7,975 thousand, that was paid on 8 May 2008.

c) Proposal for the distribution of results

The proposal for distributing the parent company's 2009 results that will be presented to shareholders at the General Meeting and the approved distribution for 2008 is as follows:

	Under GAAP	
	2009	**2008**
Available for distribution		
Profit/(loss) for the year	2,527	6,736
Distribution		
Voluntary reserves	2,527	6,736
	2,527	**6,736**

16. Cumulative exchange differences

31 December 2007	**8,467**
Differences on exchange:	
– Group	(65,648)
31 December 2008	**(57,181)**
Differences on exchange:	
– Group	26,239
31 December 2009	**(30,942)**

The breakdown of the cumulative translation difference by company / subgroup at the 2009 and 2008 year ends is as follows:

	2009	2008
Company or subgroup		
Automotive segment		
Brazil (Subgroup)	(5,010)	(28,431)
CIE Plasty CZ, s.r.o.	576	552
CIE Unitools Press CZ, a.s.	1,915	1,920
CIE Metal CZ, s.r.o.	809	733
CIE Joamar, s.r.o.	(5)	(7)
CIE Praga Louny, a.s.	257	(371)
CIE Matricon, S.A.	(4,113)	(2,818)
CIE Automotive Parts (Shanghai) Co., ltd.	337	522
CIE DESC Automotive, S.A.P.I. de C.V. and CIE Bérriz de México, S.A. de C.V. (Subgroups)	(25,804)	(28,365)
CIE Zdánice, s.r.o.	56	17
UAB CIE LT Forge	(3)	(4)
Joamar Maroc, S.A.R.L. d'A.U.	(8)	-
Biofuel segment		
CIE Automotive Bioenergia, S.L. (subgroup)	51	(929)
	(30,942)	**(57,181)**

17. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first conversion total €210,766 thousand and €168,649 thousand at 31 December 2009 and 2008, respectively.

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments of the conversion to IFRS on the date of first-time application, 1 January 2005, and the effect of valuing certain financial assets/liabilities at market price (Note 8).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Reserves and retained earnings pertaining to fully-consolidated companies, the distribution of which is subject to legal requirements, relate to:

	2009	**2008**
Legal reserve (Note 15.a)	25,893	24,219
Reserves for asset restatements	2,694	2,703
Unavailable reserves in Brazil	2,000	1,517
	30,587	**28,439**

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

18. Minority shareholdings

Movements in Minority interests are as follows:

	2009	**2008**
Opening balance	22,118	24,931
Total recognized income	2,004	(5,653)
Dividends paid	(530)	(752)
Business combinations (Note 35)	592	(627)
Other movements (*)	265	4,219
Closing balance	**24,449**	**22,118**

(*) Basically includes the effect of exchange fluctuations in the currencies of foreign subsidiaries. In 2008 these movements also include the delivery of preferred shares in CIE Autometal, S.A. and the acquisition of minority interests in the Bioauto subgroup (Appendix).

In 2008 and 2009, as indicated in the consolidated statement of changes in equity, it was resolved to distribute reserves in certain Brazilian companies of the Group to minority interests in an amount of €12,898 thousand and €3,628 thousand, respectively.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The distribution by company is set out below:

Company/ subgroup	2009	2008
Automotive segment		
GSB-TBK Automotive Components, S.L.	355	480
CIE Galfor, S.A.	816	756
RS Automotive, B.V. (*)	2,350	-
Ourametal, S.A.	15,538	10,732
CIE Joamar, s.r.o.	-	107
CIE Autometal, S.A.	3,988	3,030
Bioauto Participações, S.A.	2,024	1,732
Biofuel segment		
CIE Automotive Bioenergía, S.L.	(1,271)	870
Bionor Transformación, S.A.U.	-	666
Comlube, s.r.l.	(735)	1,124
Bionor Tecnología, S.L.U.	-	336
Reciclado de Residuos Grasos, S.L.U.	-	454
Naturoil Combustíveis Renovàveis, S.L. (Nota 34)	-	-
Biocumbustibles de Guatemala, S.A.	1,159	1,561
Gestión de Aceites Vegetales, S.L.	225	270
	24,449	**22,118**

(*) Share premium assigned to the joint venture partner (Note 37)

19. Deferred revenues

The movement in deferred income is as follows:

2008

	Balance at 31.12.07	Inclusion in / exclusion from consolidation	Additions	Disposals	Taken to profit and loss	Balance at 31.12.08
Tax credits in respect of investment deductions (Note 2.19 b)	6,385	-	-	-	(1,022)	5,363
Capital grants	17,449	-	2,959	-	(3,281)	17,127
Other deferred revenues	1,145	-	-	-	(433)	712
	24,979	-	2,959	-	(4,736)	23,202

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

2009

	Balance at 31.12.08	Inclusion in / exclusion from consolidation	Additions	Disposals	Taken to profit and loss	Balance at 31.12.09
Tax credits in respect of investment deductions (Note 2.19.b)	5,363	-	-	-	(1,093)	4,270
Capital grants	17,127	307	10,378	(1,143)	(2,864)	23,805
Other deferred revenues	712	-	2,119	-	(168)	2,663
	23,202	307	12,497	(1,143)	(4,125)	30,738

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

In 2009 the Group received grants totaling €22.8 million within the competitiveness plan for strategic industrial sectors prepared by the Ministry of Industry, Tourism and Commerce in Spain, the objectives of which are to encourage the optimization of processes and the redirecting of production towards higher added value products.

Of the aid provided to CIE Automotive Group, €20.9 million relates to the Automotive sector Competitiveness Plan. The remaining €1.9 million relates to the biofuel sector competitiveness plan. This assistance consists of an interest-free loan totaling €20.9 million, repayable in 15 years and with a 5-year grace period. An operating grant that does not have to be repaid was received in the amount of €1.9 million.

The assistance received is summarized in the following table:

	Direct subsidy	Interest free loan	Embedded subsidy in interest-free loans	Total subsidy
Automotive	1,936	19,078	11,444	13,380
Biofuel	-	1,882	1,154	1,154
	1,936	20,960	12,598	14,534

The accounting treatment of this aid, both calculated by restating loans using a market discount rate and taking into consideration subsidized expenses and investments, gave rise to an operating subsidy recorded directly in the income statement for the year totaling €6.7 million and a capital grant totaling €7.8 million.

20. Borrowings

	2009	2008
Non-current		
Bank loans and credit facilities (*)	363,360	430,412
	363,360	430,412
Current		
Bank loans and credit facilities (*)	96,141	78,295
Short-term portion of long-term loans (*)	113,051	42,360
Financing of imports (*)	39,750	35,639
Bills discounted pending maturity and export advances (Nota 10)	63,966	55,840
	312,908	212,134
	676,268	**642,546**

There is no loan/ credit risk concentration with respect to balances with banks since the Group works with various institutions.

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

	Balance at 31 December	At 6 months	At 1 year	At 5 years
At 31 December 2008				
Total borrowings	586,706	476,245	430,415	28,701
Effect of interest rate swaps (Note 8)	(202,759)	(196,572)	(191,821)	-
Risk	383,947	279,673	238,594	28,701
At 31 December 2009				
Total borrowings	612,234	485,423	363,379	-
Effect of interest rate swaps (Note 8)	(291,182)	(275,843)	(229,211)	-
Risk	321,052	209,580	134,168	-

Non-current borrowings have the following maturities:

	2009	2008
Between 1 and 2 years	213,987	147,766
Between 3 and 5 years	149,373	253,945
More than 5 years	-	28,701
	363,360	**430,412**

The effective interest rates at the balance sheet dates were the usual market rates (Euribor + a market mark-up) and there were no significant differences with respect to other companies of a similar size and with similar risks and borrowing levels. Loans and credits with credit institutions bear interest at a weighted annual rate of 3.8% to 4.8% (2008: 3.8% to 7.0%).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The carrying amounts and fair values of current and non-current borrowings do not differ significantly, since all amounts accrue interest at market rates.

The carrying value of the group's borrowings is denominated in the following currencies:

	2009	2008
Euro	611,659	600,980
Brazilian real	64,609	41,566
	676,268	**642,546**

At 31 December 2009 the Group records balances drawn down from credit lines with financial institutions amounting to €193 million (2008: €338 million). The total limit on such credit lines amounts to €289 million (2008: €391 million).

The Group has the following unused credit lines:

	2009	2008
Variable rate:		
– maturing in less than one year	29,336	41,157
– maturing in more than one year	66,940	11,416
	96,276	**52,573**

On 16 December 2005 the Company obtained a Multicurrency Business Credit Agreement in the amount of €250 million from several financial institutions and for which certain subsidiaries serve as guarantors.

The loan will be repaid in tranches. Tranche A (€175 million) will be repaid in 9 six-monthly equal and consecutive installments to be paid in December and June over the term of the contract, starting in December 2008 and ending in December 2012. Tranche B (€75 million) should be reduced each December in the period 2008 to 2012 by 20% each year. The repayments for December 2009 for both tranches have been duly made.

The interest rate for the loan is linked to Euribor plus an applicable margin that will be calculated annually based on the Net Financial Debt to EBITDA ratio calculated on the basis of the audited aggregate annual accounts of the borrower at 31 December of each year.

In 2009 €53,889 thousand of this multi-currency loan was repaid (2008: €34,444 thousand).

The financial ratios that the company undertakes to comply with and which are calculated on the basis of the audited consolidated financial statements of the CIE Automotive Group together with levels of compliance are as follows:

Ratio	2007 and subsequent years
Net financial debt/ / EBITDA	< 3.00
EBITDA / Financial expenses	> 5.00
Net Financial Debt / Equity	< 1.40

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

On 4 December 2009 permission was requested to possibly fail to comply with the financing contract in 2009, and only at this time, in terms of the financial ratios up to a certain point. On 23 December this request was authorized and at 31 December the financial ratios were within the new authorized limits.

On 20 July 2009 the Group obtained a commercial loan from a syndicate of creditors with a maximum initial amount of €182.5 million, which was extended on 5 November 2009 to €187.5 million and may be further extended to €190 million if other entities enter the syndicate within 6 months after the signing date, and this amount will become part of the company's permanent long-term borrowings

The amount of €187.5 million is divided into two tranches, Tranche A in the amount of €145.8 million, which is further divided into two subtranches of €83.3 million and €62.5 million, and Tranche B in the amount of €41.7 million.

Tranche A must be applied to the full repayment of the financing contracts that CIE Automotive Group maintains with several financial institutions and to finance production investments and R/D+i.

Tranche B will be used to finance the cash needs of CIE Automotive Group.

The contract is in force until 15 December 2012 and will be repaid as follows:

- Subtranche A1 in the amount of €83.3 million will be repaid in four equal half-yearly payments starting on 15 June 2011.
- Subtranche A2 in the amount of €62.5 million will be repaid 12 months after the contract date, i.e. 20 July 2010 and Tranche B will be repaid with a single lump sum payment at final maturity on 15 December 2012.

The interest rate for the loan is linked to Euribor plus an applicable margin that will be calculated annually based on the Net Financial Debt to EBITDA ratio calculated on the basis of the audited aggregate annual accounts of the borrower at 31 December of each year.

The financial ratios that the company undertakes to comply with and which are calculated on the basis of the audited consolidated financial statements of the CIE Automotive Group together with levels of compliance are as follows:

Ratio	**2009**	**2010**	**2011**	**2012**
Net financial debt / EBITDA	< 3	< 3	< 3	< 3
EBITDA / Financial expenses	> 5	> 5	> 5	> 5
Net Financial Debt / Equity	< 1.4	< 1.4	< 1.4	< 1.4
Maximum CAPEX level (million euro)	110	86	57	59

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The maximum CAPEX level (investments in fixed assets and acquisitions of shareholdings) may be exceeded by €37.5 million per year when CIE Automotive Group obtained revenues at least equal to borrowings from public entities or similar entities during the year concerned or in prior years.

The portion of the CAPEX for a year not used in that year will increase the maximum levels allowed in successive years.

On 4 December 2009 permission was requested to possibly fail to comply with the financing contract in 2009, and only at this time, in terms of the financial ratios up to a certain point. On 23 December this request was authorized and at 31 December the financial ratios were within the new authorized limits.

On 23 December 2009 the Group concluded an agreement with the European Investment Bank for an initial amount of €60 million which will start to be repaid on 23 December 2011 and payment will be completed on 23 December 2016. At 31 December 2009 the Group had not drawn down any amount with respect to this contract.

The interest rate for the loan is linked to Euribor plus an applicable margin that will be calculated annually based on the Net Financial Debt to EBITDA ratio calculated on the basis of the audited aggregate annual accounts of the borrower at 31 December of each year.

The financial ratios that the Company must meet are basically the same as those required under the preceding financing.

This financing will be drawn down once confirmation has been obtained from the auditors of compliance with the financial obligations at 31 December 2009 with respect to this financing and the two syndicated loans mentioned previously. These obligations have been fully met and therefore this loan amount is deemed to be available.

As is described in the contract concluded on 23 December 2009, the European Investment Bank is willing to study the granting of additional financing up to a maximum of €25 million which, if finally approved by the bank, will be covered by another finance contract in accordance with the terms and conditions agreed by the parties.

21. Trade and other payables

	2009	2008
Trade payables	258,719	246,034
Other payables	31,294	23,715
	290,013	**269,749**

The fair value of these amounts payable does not differ from carrying value.

During 2009 purchases have been made in US dollars with an equivalent value in euro of €63,324 thousand (2008:€59,538 thousand). At 31 December 2009 balances denominated in foreign currency yet to be paid totaled €63,684 thousand (€50,200 thousand in 2008).

22. Other liabilities

	2009	2008
Non-current		
Fixed asset suppliers	9,076	11,602
Long-term payables to Public Administrations	15,179	3,688
Other non-current liabilities	23,546	33,648
	47,801	**48,938**
Current		
Fixed asset suppliers	27,505	40,275
Current tax liabilities	28,532	21,045
Deferred short-term payables to Public Administrations	1,155	2,776
Accrued wages and salaries	21,797	17796
Accruals and deferred income	1,853	2,448
Other current liabilities	22,278	200
	103,120	**84,540**

The fair value of these assets does not differ significantly from carrying value.

The balances included under "Other long-term payables to Public Administrations", €15,179 thousand (€3,688 thousand in 2008) reflect payables to the Brazilian and Portuguese Administrations in respect of various items (legal deposits and other) and the deferral of social security payments.

"Other non-current payables" includes €3,665 thousand (€18,373 thousand in 2008), that relate to amounts payable on the acquisitions carried out in 2009 by the CIE Automotive Group (Note 35). This amount falls due in 2011.

In addition, the balance under this heading includes creditor balances relating to the externalization of pensions arranged with the insurance company Biharko by various group companies (€357 thousand) (Note 24). Moreover, this heading includes investment project financing loans of public financing institutions, €15,459 thousand (€8,502 thousand in 2008) and €2,500 thousand relating to legal deposits relating to the Brazilian subsidiaries.

The balance of "Other current liabilities" amounting to €22,278 thousand (€200 thousand in 2008) relates to the amount payable on the acquisitions made by CIE Automotive (Notes 35 and 37).

Other non-current liabilities have the following maturities:

	2009	2008
Between 1 and 2 years	10,482	14,298
Between 2 and 5 years	22,540	23,149
More than 5 years	14,779	11,491
	47,801	**48,938**

CLASE 8.ª

0J7897088

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

23. Deferred taxes

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

	2009	**2008**
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	37,048	28,023
- Deferred tax assets to be recovered after more than 12 months	21,688	13,469
	58,736	41,492
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	44,506	28,511
- Deferred tax liabilities to be recovered within 12 months	1,396	1,795
	45,9D2	3D,306
Net	**12,834**	**11,186**

The overall movement in the deferred tax account is as follows:

	2009	**2008**
Opening balance	11,186	19,911
(Charged) against/credit to the income statement (Note 30)	(2,616)	(4,669)
(Charged) against/credit to equity	719	1,898
Tax effect of discontinued operations (net) (Note 13)	1,723	-
Changes/additions to consolidation	(280)	(6,059)
Differences on exchange	2,102	105
Closing balance	**12,834**	**11,186**

Movements during the year in deferred tax assets and liabilities are as follows:

Deferred tax assets	**Hedging instruments**	**Non-deductible provisions (*)**	**Tax losses**	**Tax credits**	**Non-current assets held for sale**	**Total**
At 31 December 2007	-	10,936	14,268	23,063	-	48,267
Changes/additions to consolidation						
(Charged) against/credited to profit and loss	-	635	(561)	(8,747)	-	(8,673)
Charged against/(credited) to equity	1,898	-	-	-	-	1,898
At 31 December 2008	1,898	11,571	13,707	14,316	-	41,492
(Charged) against/credited to profit and loss	-	2,700	9,089	(3,379)	-	8,410
Charged against/(credited) to equity	719	-	-	-	-	719
Discontinued operations	-	-	-	(325)	2,008	1,683
Differences on exchange	-	1,646	932	-	-	2,578
Changes/additions to consolidation	-	1,471	2,383	-	-	3,854
At 31 December 2009	2,617	17,388	26,111	10,612	2,008	58,736

(*) Includes the temporary differences deriving from non-deductible provisions and others deriving from the different treatment of expenses from foreign companies for reporting and tax purposes.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Deferred tax liabilities	Accel. Tax depreciation	Fair value gains (*)	Asset restatement	Other	Total
At 31 December 2007	717	16,374	1,613	9,652	28,356
Charged against/(credited) to profit and loss	(331)	-	(40)	(3,633)	(4,004)
Changes/additions to consolidation	-	6,059	-	-	6,059
Differences on exchange	-	-	-	(105)	(105)
At 31 December 2008	386	22,433	1,573	5,914	30,306
Charged against/(credited) to profit and loss	286	222	(31)	10,549	11,026
Discontinued operations	-	-	-	(40)	(40)
Differences on exchange	-	-	-	476	476
Changes/additions to consolidation	-	-	964	3,170	4,134
At 31 December 2009	672	22,655	2,506	20,069	45,902

(*) Includes the fair value effect on assets deriving from first conversion and the assignment of capital gains on the acquisition of subsidiaries.

Deferred tax liabilities /(assets) debited /(credited) to equity in the year are as follows:

	2009	2008
Reserves for fair value in equity:		
- Reserve for hedging operations	(719)	(1,898)
	(719)	**(1,898)**

Deferred tax assets in respect of tax losses available for offset are recognized insofar as the realization of the relevant tax benefit through future tax profits is probable. The Group has not recognized deferred tax assets totaling €31.105 thousand (2008: €27.786 thousand) relating to losses at certain Spanish and Mexican plants totaling €108,734 thousand (2008: €99,240 thousand) to be offset in future years (between 5 years and unlimited, depending on the legislation applicable to the Group company concerned) against taxable profits.

Additionally, there are tax credits for deductions which are pending application that have not been recognized amounting to €35,039 thousand (2008: €34,534 thousand)

24. Retirement benefit commitments

	2009	2008
Commitments in the balance sheet in respect of:		
Retirement benefits	742	1,123
Charges in the income statement in respect of (Note 28):		
Retirement benefits	4	30

Several group companies have externalized the pension liability relating to certain retired and pre-retired employees (in 2009 28 people; in 2008, 33 people) with the insurance company Biharko. Payments to this company in 2009 amounted to €385 thousand (€390 thousand in 2008). The Company records €357 thousand in respect of this item on a long-term basis (2008: €739 thousand).

a) Retirement benefits

The amounts recognized in the balance sheet have been calculated as follows:

	2009	**2008**
Present value of the obligations financed	2,001	2,196
Fair value of plan assets	(1,259)	(1,073)
Liabilities in the balance sheet	742	1,123

The movement in the liability recognized in the balance sheet is as follows:

	2009	**2008**
Opening balance	1,123	1,483
Expense debited to the income statement (note 28)	4	30
Contributions paid	(385)	(390)
Closing balance	**742**	**1,123**

The principal actuarial assumptions used are as follows:

	2009	**2008**
Technical interest rate	3%	3%
Expected annual return on plan assets	3%	4.30%
Expected annuel return on reimbursements recognized as assets	3%	4.30%
Future annuel salary increase	0 – 0.8%	0 – 2.4%

Pension plan assets relate to the amounts contributed to the insurance company with which obligations are externalized.

The real return on plan assets amounted to 2.77% (3% in 2008).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

25. Provisions

Movements in the Company's provisions in 2008 and 2009 are as follows:

	Non-current	Current
At 31 December 2007	**21,523**	**2,363**
- Appropriations	255	2,099
- Additions to the consolidation	2,166	2,023
- Reversals	(1,426)	-
- Applications/Transfers	3,588	3,683
At 31 December 2008	**26,106**	**10,168**
- Appropriations	7,301	5,900
- Additions to the consolidation	2,008	-
- Applications	(10,050)	(3,211)
- Transfers and other movements (*)	2,582	1,693
At 31 December 2009	**27,947**	**14,550**

(*) Mainly relates to the exchange rate effect.

Non-current provisions mainly include the following:

- A €15.2 million provision (2008: €7.4 million) which basically relates to the amount of tax deductions applied in accordance with current tax legislation and to tax contingencies, both originating from Brazilian companies.
- Provision of €1.4 million established as a guarantee on the sale of assets and closure and winding up of companies (€6.6 million in 2008).
- Provision for other personnel liabilities amounting to €4.4 million (€6.1 million in 2008).
- Provision amounting to €6.9 million (€6 million in 2008) relating to the hedging of business operational risks considered to fall due in the long-term.

The balance of current provisions at 31 December 2009 relates basically to risks relating to tax contingencies and customer claims at the Brazilian subsidiaries (€8.7 million) and the guarantee, €1.9 million (€4.3 million and €1.9 million in 2008, respectively). Similarly, it includes €2 million in provisions in order to adapt the production structures of companies in Spain and another €2 million to hedge the business operational risks in various Group companies, considered to fall due in the short-term.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

26. Operating income

	2009	2008
Net revenues	1,149,013	1,455,310
Changes in inventories of finished products and work in progress	(31,357)	14,859
Gain /(loss) on the sale of assets (Note 33)	170	11,105
Gain /(loss) on the sale of investae companies (Note 1)	461	-
Reversal of asset impairment (Note 6)	1,032	-
Other operating revenue	38,144	52,535
	1,157,463	**1,533,809**

Other operating revenues include operating grants, the release to income of capital grants and sales of scrap.

Of revenues from asset sales, the amounts involved in currencies other than the euro, reflected in thousand euro, are as follows:

	2009	2008
US dollar	158,304	119,786
Czech koruna	7,755	5,640
Pound sterling	-	17
Mexican peso	-	25,473
Brazilian real	314,088	333,399
Chinese Yuan Renminbi	4,236	2,572
Other	1,229	2,737
	485,612	**489,624**

27. Other operating expenses

	2009	2008
Supplies	32,959	36,580
Transport	14,624	24,424
Repairs	15,671	23,433
Typical biofuel sector expenses	4,484	6,824
Operating leases	8,370	5,676
Transfer or provision for impairment of accounts receivable (Note 10)	540	1,316
Transfer or provision for obsolescence (Note 11)	1,173	3,866
Other operating expenses	55,495	59,053
	133,316	**161,172**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

28. Employee benefit expenses

	2009	**2008**
Salaries and wages	167,517	168,374
Social Security expense	40,468	49,703
Other staff welfare expenses	28,304	28,427
Pension cost – defined benefit plans (Note 24)	4	30
Personnel restructuring costs	22,363	8,107
Less: Application of restructuring provisions	(3,816)	-
	254,840	**254,641**

The average number of group employees by category is as follows:

	Number					
	2009			**2008**		
Category	**Joint ventures (*)**	**Consolidated Group**	**Total**	**Joint ventures (*)**	**Consolidated Group**	**Total**
Executives	27	257	284	25	261	286
University graduates, specialists and administrative employees	211	2,570	2,781	909	2,247	3,156
Semi-skilled workers	648	8,278	8,926	2,039	7,852	9,891
	886	11,105	11,991	2,973	10,360	13,333

(*) 100% included

The distribution of personnel and Board members at 31 December 2009 and 2008 by gender is as follows:

	2009			**2008**		
Category	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Members of the Board of Directors	10	2	12	9	3	12
Executives	246	42	288	225	47	272
University graduates, specialists and administrative employees	2,301	555	2,856	2,477	665	3,142
Semi-skilled workers	7,485	1,422	8,907	7,855	1,572	9,427
	10,042	2,021	12,063	10,566	2,287	12,853

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

29. Financial income and expense

	2009	2008
Interest costs:		
- Bank borrowings (*)	(56,796)	(55,201)
Interest income:		
- Other interest and financial income	11,852	17,647
Gains /(losses) net in respect of transactions in foreign currency	20,691	2,616
Fair value gains on financial instruments:		
- Interest rate swaps:	(171)	(870)
	(24,424)	**(35,808)**

(*) This figure is raflacted net at an amount of €2,891 thousand (2008: €2,223 thousand) relating to finance costs on the financing of investments capitalized as an increase in PPE financed (Note 6.i)).

30. Income tax

	2009	2008
Current income tax	9,048	11,386
Net variation deferred tax assets (Note 23)	(2,700)	(635)
Net variation deferred tax liabilities (Note 23)	11,026	(4,004)
Net variation tax credits recognized (Note 23)	(5,710)	9,308
Tax expense	**11,664**	**16,055**

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

	2009	2008
Consolidated profit/(loss)	11,120	53,823
Minority shareholdings	(3,087)	(2,126)
Corporate income tax (aggregate of individual corporate income tax)	13,418	6,480
Consolidated book profit for the year before taxes	21,451	58,177
Consolidation adjustments	103,763	15,456
Aggregate profit before taxes in consolidated companies	125,214	73,633
Non-computable revenues and expenses (*)	(67,022)	(46,348)
Net temporary differences in individual companies (**)	(18,840)	18,911
Offset of tax-loss carryforwards	(5,350)	(14,497)
Aggregate corporate income tax base	**34,002**	**31,699**

(*) Dividends paid between Group companies, provisions for shareholdings written off and permanent differences.

(**) Net temporary differences in the individual companies basically includa adjustments in relation to the restructuring of the workforce and differences between the accounting records and taxes on timing allocation of revenues and expenses and the appropriation and reversal of provisions.

The Group's income tax differs from the theoretical amount that would have been obtained had the weighted average tax rate applicable to the consolidated companies' profits been used, as follows:

	2009	**2008**
Aggregate profit before taxes in consolidated companies	125,214	73,633
Tax calculated at domestic rates applicable to profits in the relevant countries	42,955	37,288
Profits not subject to tax	(22,991)	(23,471)
Non-tax deductible expenses/ (income)	(6,804)	4,848
Utilization of tax losses not previously recognized	(1,496)	(2,610)
Tax expense	**11,664**	**16,055**
Tax effects of conversion to New Chart of Accounts for Spanish companies	-	(8,639)
Tax expense net of the effect of the New Chart of Accounts	**11,664**	**7416 (*)**

(*) Excluding the effect of conversion of individual companies to the new chart of accounts.

The applicable weighted average tax rate calculated as the tax expense on the aggregated tax base (tax result)stands at 34.30% (2008: 23.40%).

As mentioned in note 2.19, the parent company CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries:

Similarly, since 2007 the companies of the Group resident in Mexico, except for Pintura y Ensamble de México, S.A. de C.V., opted to apply the tax consolidation regime as companies controlled by the KUO Group (previously Desc) (Note 37). In 2009 Group companies residing in Mexico are taxed under an individual tax system.

Other companies of the CIE group file individual returns.

In general terms, all tax returns for the years that have not lapsed in accordance with the various bodies of tax legislation applicable to each group company are open to inspection.

Corporate income tax legislation for 2009 applicable to the parent company is that relating to Provincial Regulation 3/1996 (26 June).

The Company's Directors have calculated the amounts in respect of this tax for 2009 and those years open to inspection pursuant to regional regulations in force at the end of each year, the view taken being that the final outcome of the aforementioned appeals will not have a significant impact on the annual accounts taken as a whole.

During the year no non-current assets have been sold for which the capital gain was applied to a reinvestment tax exemption.

During the present year, certain group companies have sold PPE used in operations to third parties. Of the total amount of sales made, approximately €7,800 thousand, generating capital gains of approximately €7.240 thousand, has availed itself of the tax exemption for reinvestment which has been entirely made in 2008.

31. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the Company (Note 14).

	2009	2008
Profit attributable to the company's shareholders (thousand euro)	11,120	53,823
Profit/(loss) deriving from discontinued operations attributable to Company equity holders (thousand euro) (*)	(5,200)	-
Weighted average number of outstanding ordinary shares (thousand)	113,014	113,645
Basic earnings per share from continued operations (euro per share)	**0.14**	**0.47**
Basic earnings per share from discontinued operations (euro per share)	**(0.046)**	**-**

(*) Of the loss deriving from discontinued operations, €6,946 thousand (Note 13), this amount relates to company shareholders and minority interests.

b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding ordinary shares to reflect the conversion of all potentially dilutive ordinary shares. The Company has no potentially dilutive ordinary shares.

32. Dividends per share

The parent company did not pay any dividends relating to 2008 and 2009 (Note 15.b)).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

33. Cash generated from operations

	2009	2008
Profit for year	8,033	51,697
Adjustments for:		
- Taxes (Note 30)	9,048	11,386
- Deferred tax (Notes 23 and 30)	2,616	4,669
- Deferred revenues taken to profit and loss (Note 19)	(4,125)	(4,736)
- Depreciation of property, plant and equipment (Note 6)	54,509	69,818
- Amortization of intangible assets (Note 7)	9,209	7,159
- Allocation /(Reversal) due to impairment losses on property, plant and equipment (Note 6)	(1,032)	69
- (Profit)/ loss on the sale of property, plant and equipment (see below)	(170)	(11,105)
- (Profit)/ loss on the sale of shareholdings	(461)	-
- Net movements in provisions (Note 25)	(167)	2,417
- Net (gains)/losses in fair value of financial derivatives (Note 8)	56	870
- Negative differences on consolidation (Note 35)	(3,507)	(8,573)
- Differences on exchange	(20,691)	-
- Interest revenue (Note 29)	(11,852)	(17,647)
- Interest costs (Note 29)	56,796	55,201
- Share in losses /(gains) in associates (Note 8)	1,589	100
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
- Inventories	44,874	(7,856)
- Trade and other receivables	16,219	30,021
- Trade and other payables	(5,183)	(58,725)
Cash generated from continuing operations	155,761	124,765
Cash generated from discontinued operations	1,887	-
Cash generated from continuing and discontinued operations	157,648	124,765

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

	2009	2008
Carrying value (Note 6 and 7)	8,345	6,251
Gain /(loss) on the sale of property, plant and equipment (Note 26)	170	11,105
Proceeds from sale of property, plant and equipment	8,515	17,356

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

34. Commitments

a) Asset acquisition commitments

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

	2009	2008
Property, plant and equipment	11,114	18,918

These investments will be funded through the generation of cash by the business and available borrowings.

b) Operating lease commitments

As from 2008 the Group has leased various offices and warehouses under non-cancellable operating lease contracts. These contracts are for terms ranging between 5 and 10 years, and are mostly renewable at expiration under market conditions.

The Group also rents facilities and machinery under cancellable operating lease contracts. The Group is required to provide six months advance notice of the termination of these contracts. The lease costs charged in the income statement during the year are included in Note 27.

Total minimum future payments for non-cancellable operating leases are as follows:

	2009	2008
Less than one year	6,615	6,283
One to five years	23,365	21,700
More than five years	2,674	12,710
	32,654	40,693

35. Business combinations

<u>2009</u>

Automotive segment

In March 2009, in accordance with the options agreed between CIE Bérriz, S.L. and Kuo Automotriz, S.A. de C.V. (Note 1), 100% of **CIE Celaya S.A.P.I. de C.V.**, was acquired, until then wholly owned by CIE DESC Automotive, S.A.P.I. de C.V. (Notes 1 and 37).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The business combination carried out by the group, in the part relating to the additional 50% acquired, may be summarized as follows:

	2009 (*)
Acquisition price	11,184
Fair value of the net assets acquired	(5,982)
Goodwill	**5,202**

(*) Amounts in US dollars converted to euro at the exchange rate on the transaction date (31 March 2009).

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

The assets and liabilities arising from the acquisition are as follows:

	(*) (**) Fair value of the net assets acquired
Cash and cash equivalents	36
Assets	10,641
Inventories	1,090
Receivables	2,507
Deferred taxes	466
Payables	(8,758)
Net assets acquired	**5,982**

(*) Amounts in US dollars converted to euro at the exchange rate on the transaction date (31 March 2009).
(**) Net assets relating to the 50% acquired in 2009.

The fair value of the net assets acquired does not differ significantly from the Company's accounting figures.

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

Total consideration relating to the acquisition	11,184
Cash and cash equivalents in the subsidiary acquired	(36)
Outflow of cash on the acquisition	**11,148**

In addition, in May 2009, the Group chose to acquire all of the shares in the company **Pintura, Estampado y Montaje, S.A.P.I. de C.V.,** also a subsidiary of "Joint Venture" CIE DESC Automotive, S.A.P.I. de C.V.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

The business combination carried out by the group, in the part relating to the additional 50% acquired, may be summarized as follows:

	2009 (*)
Acquisition price	24,300
Fair value of the net assets acquired	(20,605)
Goodwill	**3,695**

(*) Amounts in US dollars converted to euro et the exchange rate on the transaction date (25 May 2009).

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

The assets and liabilities arising from the acquisition are as follows:

	(*) (**) Fair value of the net assets acquired
Cesh and cash equivalents	39
Assets	15,272
Inventories	3,668
Receivables	13,367
Deferred taxes	(615)
Payables	(11,126)
Net assets acquired	**20,605**

(*) Amounts in US dollars converted to euro at the exchange rate on the transaction date (25 May 2009).
(**) Net assets relating to the 50% acquired in 2009.

The fair value of the net assets acquired does not differ significantly from the Company's accounting figures.

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

Total consideration relating to the acquisition	24,300
Amount pending payment	(3,217)
Cash and cash equivalents in the subsidiary acquired	(39)
Outflow of cash on the acquisition	**21,044**

At 31 December 2009 the acquisition price for this business combination has been repaid except for €3 million, which is recorded under the heading "Other current liabilities" in the balance sheet (Note 22).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

On 9 April 2009, the group subsidiary CIE Bérriz, S.L. acquired control over 100% of the shares in the Czech company **CIE Joamar s.r.o.**
The business combination carried out by the group, in the part relating to the additional 49% acquired, may be summarized as follows:

	2009 (*)
Acquisition price	200
Fair value of the net assets acquired	(81)
Goodwill	**119**

Data in Czech Koruna converted to euro at the exchange rate on the transaction date (9 April 2009).

This goodwill has been attributed to the future profitability of the business acquired and the synergies that are expected to arise following the acquisition by the Group.
The assets and liabilities arising on the acquisition were as follows:

	(*) (**) Fair value of the net assets acquired
Cash and cash equivalents	23
Assets	592
Inventories	37
Receivables	16
Other payables	(587)
Net assets acquired	**81**

(*) Data in Czech Koruna converted to euro at the exchange rate on the transaction date (9 April 2009).
(**) Net assets relating to the percentage acquired.

The fair value of the net assets does not differ significantly from the Company's accounting figures.

Total consideration relating to the acquisition	200
Cash and cash equivalents in the subsidiary acquired	(23)
Outflow of cash on the acquisition	**177**

On the same date the Group wholly acquired the Moroccan company **Joamar Maroc, S.A.R.L., d'A.U.**

The net assets acquired and goodwill break down as follows:

	2009 (*)
Acquisition price	535
Fair value of the net assets acquired	170
Goodwill	**705**

(*) Amounts in Moroccan dirhams converted to euro at the exchange rate on the transaction date (9 April 2009).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

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

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

	(*) Fair value of the net assets acquired
Cash and cash equivalents	24
Assets	4,088
Non-current financial assets	4
Inventories	124
Receivables	691
Other payables	(5,101)
Net assets acquired	**(170)**

(*) Amounts in Moroccan dirhams converted to euro at the exchange rate on the transaction date (9 April 2009).

The fair value of the net assets does not differ significantly from the Company's accounting figures.

	2009
Total consideration relating to the acquisition	535
Cash and cash equivalents in the subsidiary acquired	(24)
Outflow of cash on the acquisition	**511**

On 1 September 2009 the "Joint Venture" **RS Automotive, B.V.** was created, in which CIE Automotive, S.A. holds 50% (Note 37), through Advanced Comfort Systems International BV (wholly owned by RS Automotive), and its first corporate transaction consisted of the acquisition of 100% of the Spanish company Wagon Automotive Ibérica S.L.U. (now Advanced Comfort Systems Ibérica, S.L.U.) and 100% of the French company Wagon S.A.S. (now Advanced Comfort Systems France, S.A.S.), which in turn owns 100% of the companies Wagon Automotive S.R.L. (now Advanced Comfort Systems Romania, S.R.L.), of Romanian nationality and Wagon Automotive Innovative Solutions Shanghai Co, Ltd. (now Advanced Comfort Systems Shanghai Co, Ltd.), of Chinese nationality.

The net assets acquired and goodwill break down as follows:

	Advanced Comfort Systems France, S.A.S.	Advanced Comfort Systems Ibérica, S.L.U.	TOTAL	50%
Acquisition price	-	1,350	1,350	675
Fair value of the net assets acquired	(3,565)	(4,799)	(8,364)	(4,182)
Negative consolidation difference	(3,565)	(3,449)	(7,014)	(3,507)

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897103

This negative difference on consolidation arising on the transaction has been accounted for under "Other gains/(losses) net" in the income statement for the year.

The assets and liabilities arising from the acquisition are as follows:

	Advanced Comfort Systems France, S.A.S. Fair value	**Advanced Comfort Systems Ibérica, S.L.U. Fair value**	**TOTAL Fair value**	**50% Fair value**
Cash and cash equivalents	3,456	103	3,559	1,779
Assets	13,972	6,230	20,202	10,101
Deferred assets	1,667	-	1,667	834
Inventories	4,096	471	4,567	2,284
Receivables	5,318	4,706	10,024	5,012
Payables	(18,999)	(6,097)	(25,096)	(12,548)
Provisions	(4,016)	(614)	(4,630)	(2,315)
Deferred liabilities	(1,929)	-	(1,929)	(965)
Net assets acquired	3,565	4,799	8,364	4,182

The fair value of the net assets would not differ significantly from the Company's accounting figures.

	Advanced Comfort Systems France, S.A.S.	**Advanced Comfort Systems Ibérica, S.L.U.**	**TOTAL**	**50%**
Total consideration relating to the acquisition	-	1,350	1,350	675
Cash and cash equivalents in the subsidiary acquired	(3,456)	(103)	(3,559)	(1,780)
Outflow of cash on the acquisition	(3,456)	1,247	(2,209)	(1,105)

Biofuel segment

In January 2009 the Group subsidiary CIE Automotive Bioenergia, S.L., acquired 14.923% of the share capital of **Bionor Transformación, S.A.** (as from that date, a single shareholder company) acquiring 4,252,963 shares and increasing its effective shareholding at the CIE Automotive, S.A. level by 12.01% to the current stake of 80.5%.

The business combination performed was summarized as follows:

	2009
Acquisition price	6,217
Fair value of the net assets acquired	(484)
Goodwill	**5,733**

This goodwill is attributed to the future profitability of the business acquired.

The assets and liabilities arising from the acquisition are as follows:

	Fair value of the net assets acquired (*)
Cash and cash equivalents	252
Assets	16,756
Deferred taxes	90
Non-current financial assets	36
Inventories	2,595
Receivables	13,548
Other current financial assets	65
Deferred revenues	(218)
Provisions	(13)
Borrowings	(10,228)
Payables	(21,807)
Minority shareholdings	(592)
Net assets acquired	**484**

(*) Net assets relating to the percentage acquired.

The fair value of the net assets acquired does not differ significantly from the Company's accounting figures.

	2009
Total consideration relating to the acquisition	6,217
Amount pending payment	(5,801)
Cash and cash equivalents in the subsidiary acquired	(252)
Outflow of cash on the acquisition	**164**

The amount of this business combination pending payment at 31 December 2009 is recorded in the balance sheet based on the maturity date under the headings "Other current liabilities", €2.2 million and "Other non-current liabilities", €3.6 million (Note 22)

On 2 July 2009, through its subsidiary Bionor Transformación, S.A.U. the Group formalized the acquisition of the remaining 49% of the Madrid company Reciclado de Residuos Grasos, S.L. (as from that date a single shareholder company) for €2.04 million. With this acquisition Bionor Transformación, S.A.U. became the owner of all the shares of Reciclado de Residuos Grasos, S.L.U.

The business combination performed was summarized as follows:

	2009
Acquisition price	2,040
Fair value of the net assets acquired	(482)
Goodwill	**1,558**

This goodwill has been attributed to the future profitability of the business acquired.

The assets and liabilities arising from the acquisition are as follows:

	Fair value of the net assets acquired (*)
Cash and cash equivalents	152
Assets	362
Deferred taxes	(40)
Inventories	31
Receivables	189
Other current financial assets	147
Borrowings	(70)
Payables	(289)
Net assets acquired	**482**

(*) Net assets relating to the percentage acquired.

The fair value of the net assets acquired does not differ significantly from the Company's accounting figures.

	2009
Total consideration relating to the acquisition	2,040
Amount pending payment	(1,360)
Cash and cash equivalents in the subsidiary acquired	(152)
Outflow of cash on the acquisition	**528**

The amount of this business combination pending payment at 31 December 2009 is recorded in the balance sheet based on the maturity date under the headings "Other current liabilities", €0.7 million and "Other non-current liabilities", €0.7 million (Note 22)

In addition, on 9 July the Group company Bionor Transformación, S.A.U. acquired the remaining 30% of the company Bionor Tecnología, S.L. (as from that date a single shareholder company) for €250 thousand and the acquiring company therefore now wholly owns the shares in Bionor Tecnología, S.L.U.

The business combination performed was summarized as follows:

	2009
Acquisition price	250
Fair value of the net assets acquired	(68)
Goodwill	**182**

This goodwill has been attributed to the future profitability of the business acquired.

The assets and liabilities arising from the acquisition are as follows:

	Fair value of the net assets acquired (*)
Assets	12
Non-current financial assets	1
Receivables	933
Borrowings	(1)
Payables	(877)
Net assets acquired	**68**

(*) Net assets relating to the percentage acquired.

The fair value of the net assets acquired does not differ significantly from the Company's accounting figures.

	2009
Total consideration relating to the acquisition	250
Amount pending payment	(150)
Cash and cash equivalents in the subsidiary acquired	-
Outflow of cash on the acquisition	**100**

The amount of this business combination pending payment at 31 December 2009 is recorded in the balance sheet based on the maturity date under the headings "Other current liabilities", €0.1 million and "Other non-current liabilities", €0.1 million (Note 22)

The business combinations that took place in 2009 and mentioned above have yet to finally complete the measurement of assets and liabilities although no significant changes are expected to arise.

These business combinations in 2009, in both segments, provided profits totaling €2,996 thousand since they have formed part of the Group. If they had entered to Group at the start of the year the profit figure would have been €4,125 thousand.

2008

Automotive segment

Effective January 2008 full control was acquired of the shareholding in **Fundición Alcasting, S.L.** In 2007, within the context of the acquisition of the Recyde Group, the CIE Automotive group signed a reciprocal purchase and sale option contract for all shares in Fundición Alcasting, S.L. initially valued at €6.5 million. In 2008 the Group exercised that option through its investee Tarabusi, S.A. and the value of the option was quantified at €7,315 thousand. Subsequently, in 2009 Tarabusi, S.A. (acquiring company) merged with Fundición Alcasting, S.L.U. (target company) and the latter was wound up.

The net assets acquired and goodwill break down as follows:

	2008
Acquisition price	7,315
Fair value of the net assets acquired	(6,008)
Goodwill	**1,307**

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

	Fair value
Cash and cash equivalents	1,643
Assets	3,141
Non-current financial assets	34
Deferred tax assets	393
Inventories	1,519
Receivables	6,338
Provisions	(2,048)
Borrowings	(1,621)
Other payables	(3,391)
	6,008

The fair value of the net assets would not differ significantly from the Company's accounting figures.

	2008
Total consideration relating to the acquisition	7,315
Cash and cash equivalents in the subsidiary acquired	(1,643)
Outflow of cash on the acquisition	5,672

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

This goodwill was attributed to the high future profitability of the business acquired and the major synergies that are expected to arise following the acquisition by the Group.

On 14 November 2007 CIE Automotive, S.A. was awarded certain assets at the time of the liquidation of the finance company Layous. The Group created the company **CIE Compiègne, S.A.S.** (Note 1) in order to hold these assets and the associated businesses.

In 2008 the process of assigning market values to the assets acquired was completed. The net assets acquired and the finally resulting goodwill break down as follows:

	2008
Acquisition price	501
Fair value of the net assets acquired	(9,074)
Goodwill (Negative difference on consolidation)	**(8,573)**

This negative difference on consolidation arising on the transaction has been accounted for under "Other gains/(losses) net" in the income statement for the year.

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

	Fair value	**Carrying value of the company acquired**
Assets	15,931	2,537
Inventories	2,767	2,767
Receivables	100	100
Payables	(1,245)	(1,245)
Provisions	(4,059)	(4,059)
Deferred taxes	(4,420)	-
Net assets acquired	**9,074**	**100**

	2008
Total consideration relating to the acquisition	501
Cash and cash equivelents in the subsidiary acquired	-
Outflow of cash on the acquisition	**501**

On 4 January 2008 the Group acquired through its subsidiary CIE Berriz, S.L., 100% of the share capital of the Czech company **CIE Praga Louny, a.s.,** (formerly Praga Louny, a.s.) and its subsidiary Praga Service, s.r.o.

The net assets acquired and goodwill break down as follows:

	(*) (2008)
Acquisition price	4,224
Fair value of the net assets acquired	(3,200)
Goodwill	**1,024**

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

	(*) Fair value	**(*) Carrying value of the company acquired**
Cash and cash equivalents	424	424
Assets	7,987	1,807
Inventories	793	793
Receivables	843	843
Payables	(2,860)	(2,860)
Borrowings	(1,794)	(1,794)
Deferred taxes	(1,297)	-
Provisions	(896)	(896)
Net assets acquired	**3,200**	**(1,683)**

	(*) (2008)
Total consideration relating to the acquisition	4,224
Cash and cash equivalents in the subsidiary acquired	(424)
Outflow of cash on the acquisition	**3,800**

(*) Data in Czech Koruna converted to euro at the exchange rate on the transaction date (4 January 2008).

This goodwill was attributed to the high future profitability of the business acquired and the major synergies that are expected to arise following the acquisition by the Group.

Concerning the acquisition of **Shanghai Sandum Auto Parts Manufacture Co. Ltd.,** by CIE Automotive Parts (Shanghai) Co. Ltd., in 2007, in 2008 the agreements have been definitively closed such that the acquiring company has had to make an additional payment of €1.549 thousand (*).

0J7897110

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

This additional purchase price has been assigned as follows:

	(*) (2007)
Acquisition price	**1,549**
Assignment of values	
- Land and buildings	1,378
- Deferred taxes	(308)
Net assets acquired	**1,070**

This transaction has triggered an increase in goodwill of €478 thousand (*).

(*) Data in Chinese yuan Renminbi CNY converted to euro at the exchange rate on the transaction date.

In 2009 this Company was sold (Note 1).

In March 2008 CIE Berriz, S.L. and KUO Automotriz, S.A. de C.V., each holding a 50% interest in the "Joint Venture" CIE DESC Automotive, S.A. de C.V., entered into an agreement under which CIE Berriz, S.L., through wholly-owned investee CIE Berriz de México, S.A. de C.V., acquired 100% of the share capital of **Pintura y Ensambles de México, S.A. de C.V.,** which was until then fully owned 100% by CIE DESC. (Notes 1 and 37).

The business combination performed by the CIE group, in the part relating to the additional 50% acquired, may be summarized as follows:

	(*) (2008)
Acquisition price	20,762
Fair value of the net assets acquired	(16,699)
Goodwill	**4,063**

(*) Amounts in US dollars and pesos converted to euro at the exchange rate on the transaction date.

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

	(*) (**) Fair value of the net assets acquired
Cash and cash equivalents	1,898
Assets	13,427
Non-current financial assets	123
Inventories	865
Receivables	4,600
Deferred taxes	(427)
Payables	(3,787)
Net assets acquired	**16,699**

(*) Amounts in Mexican pesos converted to euro at the exchange rate on the transaction date (26 March 2008).

(**) Net assets relating to the 50% acquired in 2008.

The fair value of the net assets acquired does not differ from the Company's accounting figures.

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

Total consideration relating to the acquisition	20,762
Cash and cash equivalents in the subsidiary acquired	(1,898)
Outflow of cash on the acquisition	**18,864**

Biofuel segment

In October 2006, CIE Inversiones e Inmuebles, S.L., BIONOR Inversiones e Inmuebles, S.L. and Enercom Petróleo e Energia Ltda. entered into an Agreement for investing in the Brazilian company **Naturoil Combustíveis Renovábeis S.A.** As part of that Agreement, a Services Agreement was similarly concluded between Enercom and Bionor Inversiones for the development of the Project to build a Biofuel Manufacture Plant for Naturoil. This contract provides objectives and timelines and a penalty for Enercom in the event of non-compliance with the same.

Under the Investment Agreement, CIE Inversiones e Inmuebles, S.L. acquired 80% of the share capital of Naturoil through a capital increase, the remaining 20% being held by Enercom. Subsequently, on 13 December 2007, CIE Inversiones e Inmuebles, S.L. sold all its shares in Naturoil to Bionor Inversiones e Inmuebles, S.L.

On 28 January 2008 the objectives agreed under the Services Agreement were examined and it was noted that they had not been met. Therefore the stipulated penalty was enforced and Enercom agreed to deliver all shares in Naturoil as payment in kind of the debt resulting from the enforcement of the penalty.

In accordance with the foregoing, at 31 December 2008 Bionor Inversiones e Inmuebles, S.L. holds 100% of the share capital of Naturoil Combustíveis Renováveis S.A. (Naturoil) and as a result, has cancelled €764 thousand in respect of minority interests at 31 December 2007 and therefore goodwill on the transaction for the same amount.

On 18 June 2008, the Group acquired through its subsidiary Bionor Transformación, S.A., 51% of the share capital of the Spanish comapny **Gestión de Aceites Vegetales, S.L. (G.A.V.E.)**, devoted to the collection and processing of used vegetable oils for subsequent use as the raw material in biofuel production.

The net assets acquired and goodwill break down as follows:

	2008
Acquisition price	722
Fair value of the net assets acquired	(136)
Goodwill	**586**

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

	Fair value
Cash and cash equivalents	169
Assets	66
Non-current financial assets	7
Inventories	1
Receivables	83
Other current financial assets	216
Payables	(275)
Minority shareholdings	(131)
Net assets acquired	**136**

The fair value of the net assets acquired would not differ significantly from the Company's accounting figures.

	2008
Total consideration relating to the acquisition	722
Cash and cash equivalents in the subsidiary acquired	(169)
Outflow of cash on the acquisition	**553**

This goodwill was attributed to the high future profitability of the business acquired and the major synergies that are expected to arise following the acquisition by the Group.

It should be noted that if all the above business combinations, of both segments, had been completed at 1 January 2008, consolidated sales of the CIE Automotive Group and EBITDA would not have varied significantly in view of the effective dates of the inclusion of the companies acquired in the consolidation. These combinations contributed in 2008 a net profit of €8,895 thousand.

36. Related-party transactions

The Group is controlled by "Instituto Sectorial de Promoción y Gestión de Empresas, S.A." (a company set up in 1995), which directly and indirectly holds 64.752% of the Company's shares (2008, 64.752%) (Note 1). The remaining 35.248% (2008, 35,248%) of the shares is held by other shareholders none of which holds 10% or more of share capital.

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

The following transactions were carried out with related parties:

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

a) Senior management remuneration and loans

The total remuneration paid in 2009 to senior management personnel, excluding that included in Compensation paid to the members of the Board of Directors amounts to €2,360 thousand (2008: €2,131 thousand).

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

During 2009 and 2008 movements in loans to senior management personnel included in "Other non-current assets" (Note 9)were as follows

	2009	2008
Opening balance	6,500	2,129
Advances and loans granted	-	4,361
Interest charged	259	10
	6,759	6,500

b) Transactions in the year with related parties

	2009	2008
Business operations:		
- Purchases	53	374
- Services received	505	1,087

The balances outstanding with respect to these transactions, which are not significant, are recorded under Note 21.

Compensation paid to the Directors of the parent company

Compensation paid to member of the Board of Directors

Total compensation paid to the entire Board of Directors, consisting of salaries, per diems and other remuneration during 2009 amounted to €552 thousand (2008: €611 thousand).

The members of the Board of Directors have received no compensation in respect of bonuses or profit sharing. Nor have they received shares, or sold or exercised stock options or other rights related to pension plans or insurance policies in their favor.

Prepayments and loans to members of the Board of Directors

In 2009 the €2,204 thousand loan granted in 2008 to Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC) was repaid.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

c) Article 127.ter, paragraph 4, of the Spanish Companies Act

The members of the Parent Company's Board of Directors are not affected by any of the situations mentioned in that Article.

The individual representing the director "Instituto Sectorial de Promoción y Gestión de Empresas, S.A." is indirectly a shareholder and director of "Corporación Gestamp, S.L." and several companies in which this company has a holding. "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.". "Corporación Gestamp, S.L." is also a major shareholder of "Instituto Sectorial de Promoción y Gestión de Empresas, S.A.".

None of the remaining members of the Board of Directors or the relevant individual's representatives and related persons has an interest in the share capital or holds positions or offices in any company that carries out activities in the sectors in which the CIE Automotive group conducts its business activities.

Two members of the Company's Board of Directors are directors or hold management positions in the Company's subsidiaries. Detailed information concerning these positions at 31 December 2009 is as follows:

Name of the Director	Name of the group company	Position
Antonio María Pradera Jáuregui	Biocombustibles de Zierbana, S.A.	Director
Antonio María Pradera Jáuregui	CIE Autometal, S.A.	Director
Antonio María Pradera Jáuregui	CIE Automotive Bioenergía, S.L.	Chairman
Antonio María Pradera Jáuregui	CIE Azkoitia, S.L.	Chairman
Antonio María Pradera Jáuregui	CIE Bérriz de México, S.A. de C.V.	Chairman
Antonio María Pradera Jáuregui	CIE Bérriz de México Participaciones Industriales, S.A. de C.V	Chairman
Antonio María Pradera Jáuregui	CIE Bérriz de México Servicios Administrativos, S.A. de C.V.	Chairman
Antonio María Pradera Jáuregui	Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	Chairman
Antonio María Pradara Jáuregui	CIE Bérriz, S.L.	Chairman
Antonio María Pradera Jáuregui	CIE Desc Automotive, S.A.P.I. de C.V.	Vice-Chairman
Antonio María Pradera Jáuregui	CIE Inversiones e Inmuebles, S.L.U.	Chairman
Ignacio Martín San Vicente	Biocombustibles de Guatemala, S.A.	Vice-Chairman
Ignacio Martín San Vicente	Blanking, S.A. de C.V.	Director
Ignacio Martín San Vicente	CIE Autometal, S.A.	Director
Ignacio Martín San Vicente	CIE Automotive Bioenergía, S.L.	Director

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Name of the Director	Name of the group company	Position
Ignacio Martín San Vicente	CIE Automotive Parts (Shanghai) Co, Ltd	Director
Ignacio Martín San Vicente	CIE Azkoitia, S.L.	Director
Ignacio Martín San Vicente	CIE Bérriz de México, S.A. de C.V.	Director
Ignacio Martín San Vicente	CIE Bérriz de México Participaciones Industriales, S.A. de C.V	Director
Ignacio Martín San Vicente	CIE Bérriz de México Servicios Administrativos, S.A. de C.V.	Director
Ignacio Martín San Vicente	Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	Director
Ignacio Martín San Vicente	CIE Bérriz, S.L.	Director
Ignacio Martín San Vicente	CIE Celaya, S.A.P.I. de C.V.	Director
Ignacio Martín San Vicente	CIE Desc Automotive, S.A.P.I. de C.V.	Director
Ignacio Martín San Vicente	CIE Inversiones e Inmuebles, S.L.U.	Director
Ignacio Martín San Vicente	Nugar, S.A.P.I. de C.V.	Director
Ignacio Martín San Vicente	Organización ADTEC, S.A. de C.V.	Director
Ignacio Martín San Vicente	Percaser de México, S.A. de C.V.	Director
Ignacio Martín San Vicente	Pesimex, S.A. de C.V.	Director
Ignacio Martín San Vicente	Pintura y Ensambles de México, S.A. de C.V.	Director
Ignacio Martín San Vicente	Pintura, Estampado y Montaje, S.A. de C.V.	Director
Ignacio Martín San Vicente	Plasfil Plásticos Da Figueira, S.A.	Chairman
Ignacio Martín San Vicente	Servicat Servicios Contables, Administrativos y Técnicos, S.A. de C.V.	Director

37. Joint ventures

The CIE Automotive group, through its subsidiary CIE Berriz, S.L., set up in February 2006 a "Joint Venture" together with its Mexican shareholder KUO Automotriz, S.A. (controlled by DESC, S.A.) in which each has a 50% stake and which engages in the manufacture and marketing of automotive parts and / or part components.

The transaction materialized through share capital increases to make the contribution to the joint venture company CIE DESC Automotive, S.A.P.I de C.V. (company created by both shareholders (50%) in December 2004) of all the shares in the Mexican company Pintura, Estampado y Montaje S.A.P.I. de C.V. (until then wholly owned by DESC Group and all of the shares in the Mexican company CIE Celaya S.A.P.I. de C.V. (until then wholly owned by CIE Automotive Group) and a cash contribution of $22.3 million.

The total equity contributed by the CIE Automotive group which amounted to €46.1 million records the equity value of its subsidiary CIE Celaya, S.A. de C.V. (€27.7 million) and an amount in cash amounting to €18.9 million.

At the end of 2006 the joint venture acquired 10% of the shares of the company Steel Wheels de México, S.A. de C.V. (now Pintura y Ensambles de México, S.A. de C.V.), a holding company that only held the shares in the company Stamping & Wheels, S.A. de C.V., which had previously been acquired by the combined business in November 2006. The total acquisition cost of both companies was USD4 million.

Additionally, in 2007 the Joint Venture acquired 100% of Nugar, S.A.P.I. de C.V. and its subsidiaries and the business of the Duroplast group.

In March 2008 CIE BERRIZ, S.L. and KUO AUTOMOTRIZ, S.A. de C.V., both holding 50% of the "joint venture" CIE DESC AUTOMOTIVE, S.A. de C.V., entered into an agreement under which:

- CIE BERRIZ, S.L., through its wholly-owned newly-formed subsidiary, CIE BERRIZ DE MÉXICO, S.A. de C.V. acquired 100% of the share capital of PINTURA Y ENSAMBLES DE MÉXICO, S.A. de C.V.,until then wholly-owned by CIE DESC Automotive, S.A.P.I. de C.V.

  Similarly, KUO AUTOMOTRIZ, S.A. de C.V. has granted a purchase option in favor of CIE BERRIZ, S.L. so that it may itself or through the company it may freely designate, acquire 50% of the share capital of CIE DESC AUTOMOTIVE, S.A.P.I. de C.V. (the remaining 50% already pertained to CIE Automotive Group). The purchase option for the remaining 50% of CIE DESC Automotive, S.A.P.I. de C.V. may be executed during the first quarter of 2009 and during the first quarter of 2010. Furthermore, and within this context, CIE Bérriz, S.L. itself, or through another company it may freely designate, may make partial acquisitions of subsidiaries of CIE DESC Automotive S.A.P.I. de C.V. during the first quarter of 2009.

Within this acquisition option process (up until 2010) covering 100% of the shares in the "Joint Venture" CIE DESC Automotive, S.A.P.I. de C.V. agreed on 4 March 2008, the CIE Automotive Group has chosen to partially exercise options and carried out the following transactions during the first half of 2009:

- On 31 March 2009, through its wholly owned investee company CIE Bérriz de México, S.A. de C.V., formalized the acquisition from its 50% owned investee joint venture CIE DESC Automotive, S.A.P.I. de C.V. of all the shares representing the share capital of the Mexican company CIE Celaya S.A.P.I. de C.V.
- In addition, on 25 May 2009, CIE Bérriz de México S.A. de C.V. acquired 100% of the share capital of Pintura, Estampado y Montaje, S.A.P.I. de C.V., which until then had been wholly owned by the 50% investee company CIE DESC Automotive, S.A.P.I. de C.V.

These business combinations are discussed in Note 35.

The amounts set out below represented the Group's 50% stake in the assets and liabilities and revenues and profits of the joint venture and business combinations (Notes 1 and 35). These amounts have been included in the balances sheet at 31 December 2009 and 2008.

	2009	**2008**
Assets:		
Non-current assets	8,749	37,622
Goodwill	16,291	15,832
Current assets	8,362	34,202
	33,402	87,656
Liabilities:		
Long-term liabilities	268	4,193
Current liabilities	7,987	27,582
	8,255	31,775
Net assets	**25,147**	**55,881**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

Joint revenues, expenses and profits for the years ended 31 December 2009 and 2008 for the 50% stake in CIE Group are as follows:

	2009	2008
Revenues	39,015	98,534
Expenses	(38,334)	(93,083)
Profit after taxes	**681**	**5,451**

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

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 has incorporated RS Automotive B.V., a Dutch joint venture in which both partners hold 50%.

Also in September 2009 this Joint Venture carried out its first corporate transaction involving the acquisition of a group of companies. This business combination is discussed in Note 35.

The amounts set out below represented the Group's 50% stake in the joint venture's assets and liabilities and revenues and profits. These amounts have been included in the consolidated balance sheet at 31 December 2009 and the consolidated income statement for the year:

	2009
Assets:	
Non-current assets	10,645
Current assets	9,132
	19,777
Liabilities:	
Long-term liabilities	3,339
Current liabilities	9,462
	12,801
Net assets	**6,976**
Revenues	15,613
Expenses	(11,380)
Profit after taxes	**4,233**
Proportional interest in the commitments of the joint venture	50%

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

38. Other information

a) Fees of the auditors and group or related companies

The fees charged by PricewaterhouseCoopers Auditores, S.L. for auditing the annual accounts for 2009 total €1,037 thousand (€1,225 thousand in 2008). This amount includes the auditing of the annual accounts of the subsidiaries audited by PricewaterhouseCoopers for 2009.

Other services provided by PricewaterhouseCoopers Auditores, S.L. and other firms associated with the PricewaterhouseCoopers trademark have amounted to €42 thousand (2008, €189 thousand).

The fees with other firms for audit services relating to the annual accounts of other investees amount to €114 thousand in 2009 (2008, €78 thousand).

b) Environmental issues

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

ii) Property, plant and equipment record the investments made in assets intended to minimize environmental impact and to protect and improve the environment.

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. The Group also carries out work with own employees and external specialist support, as part of the environmental strategic plan which has been implemented to minimize the environmental risks associated with its operations and improve environmental management. The amounts of both the investments made and the expenses accrued in 2009 in relation to environmental protection and improvement have totaled €8.3 million (€3,4 million in 2008) and are recorded under the relevant headings in "Property, plant and equipment" under assets in the accompanying balance sheet and "Other operating expenses" in the accompanying income statement.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008
(Thousand euro)

39. Events after the balance sheet date

On 28 January 2010, the Mexican group company CIE Bérriz de México, S.A. de C.V. concluded an agreement with KUO Automotriz, S.A. de C.V., which pertains to Grupo KUO S.A.B. de C.V., to acquire 50% of the company CIE Desc Automotive, S.A.P.I. de C.V. (now CIE Automotive de México, S.A.P.I. de C.V.). Through this acquisition CIE Automotive Group obtained full ownership of the Mexican business as it wholly acquired the joint venture CIE Desc Automotive, S.A.P.I. de C.V. (Note 37).

The transaction will give rise to a payment of USD54.5 million by CIE Automotive Group (approximately €38.7 million), which will be financed by CIE Group resources in America (basically consisting of the companies included within this scope of consolidation) and will be paid in 2010 and 2011.

At the date these consolidated annual accounts were prepared, the Group is reorganizing its corporate structure in the automotive businesses in Brazil and Mexico. As a result, during the first quarter of 2010 a corporate group led by the Brazilian company Autometal, S.A. will be created through the contribution of shares in several Brazilian and Mexican companies, all of which are owned by various subsidiaries of CIE Automotive, S.A. and which will contribute their financial interest in several share capital increases carried out by Autometal, S.A.

The contributing companies are CIE Autometal, S.A. (which will contribute its shares in Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda., Autometal Investimentos e Imóveis, Ltda. and Durametal, S.A.), CIE Inversiones e Inmuebles, S.L.U. (which will contribute its shares in the Brazilina companies Jardim Sistemas Automotivos e Industriais, S.A., Metalúrgica Nakayone, Ltda. and Componentes Automotivos Taubaté, Ltda. and the Mexican company CIE Bérriz de México, S.A. de C.V.) and CIE Bérriz, S.L. (which will contribute its shares in the Mexican company CIE Bérriz de México, S.A. de C.V.).

TIMBRE DEL ESTADO

0J7897120

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008

LIST OF SUBSIDIARIES AND ASSOCIATES

			% effective interest in CIE Automotive		% interest subgroup (Level 1)		% interest subgroup (Level 2)		
Company	**Activity**	**Address**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Auditor**
CIE Azkoitia, S.L. (*)	Holding company	Guipuzcoa	100%	-	-	-	-	-	PwC
CIE Legazpi, S.A.	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
CIE Galfor, S.A.	Manufacture of automobile components	Orense	-	92.84%	92.84%	-	-	-	PwC
Belgium Forge, N.V. (in liquidation)	Manufacture of automobile components	Belgium	-	100%	100%	-	-	-	PwC
CIE Udalbide, S.A., Sociedad Unipersonal	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC
CIE Mecauto, S.A., Sociedad Unipersonal	Manufacture of automobile components	Álava	-	100%	100%	-	-	-	PwC
Mecanizaciones del Sur-Mecasur, S.A.	Manufacture of automobile components	Cadiz	-	100%	100%	-	-	-	PwC
Gameko Fabricación de Componentes, S.A.	Manufacture of automobile components	Álava	-	100%	100%	-	-	-	PwC
GSB-TBK Automotive Components, S.L.	Manufacture of automobile components	Barcelona	-	75%	75%	-	-	-	PwC
Grupo Componentes Vilanova, S.L. (*)	Manufacture of automobile components	Barcelona	-	100%	100%	-	-	-	PwC
Talleres Matrimold, S.L.	Manufacture of automobile components	Barcelona	-	100%	-	100%	100%	-	PwC
Fabricación de Componentes del Motor, S.L.	Manufacture of automobile components	Barcelona	-	100%	-	100%	100%	-	-
Alfa Deco, S.A.U.	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
Alurecy, S.A.U.	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	-
Componentes de Automoción Recytec, S.L.U.	Manufacture of automobile components	Álava	-	100%	100%	-	-	-	PwC
Componentes de Dirección Recylan, S.L.U.	Manufacture of automobile components	Navarre	-	100%	100%	-	-	-	PwC
Nova Recyd, S.A.U.	Manufacture of automobile components	Álava	-	100%	100%	-	-	-	PwC
Recyde, S.A.U. (*)	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
Recycomex, S.A. de C.V.	Manufacture of automobile components	Mexico	-	100%	-	100%	100%	-	PwC
Recyde CZ, s.r.o.	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	PwC
CIE Zdánice, s.r.o.	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	PwC
Investigación, Innovación y Desarrollo Grupo Recyde, A.I.E.	Services and installations	Álava	-	100%	100%	-	-	-	-
Alcasting Legutiano, S.L.U.	Manufacture of automobile components	Álava	-	100%	100%	-	-	-	PwC
UAB CIE Lt Forge	Manufacture of automobile components	Lithuania	-	100%	100%	-	-	-	UAB-AV Auditas
CIE Bérriz, S.L. (*)	Holding company	Vizcaya	100%	-	-	-	-	-	PwC
Egaña 2, S.L.	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC
Inyectametal, S.A.	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC
Orbelán Plásticos, S.A.	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
Transformaciones Metalúrgicas Norma, S.A.	Manufacture of automobile	Guipuzcoa	-	100%	100%	-	-	-	PwC

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Activity	Address	% effective interest in CIE Automotive		% interest subgroup (Level 1)		% interest subgroup (Level 2)		Auditor
			Direct	Indirect	Direct	Indirect	Direct	Indirect	
	components								
Terabusi, S.A.	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC
CIE Matricon, S.A.	Manufacture of automobile components	Romania	-	100%	100%	-	-	-	Evalex
Plasfil Plásticos da Figueira, S.A.	Manufacture of automobile components	Portugal	-	100%	100%	-	-	-	PwC
CIE Metal CZ, s.r.o.	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	PwC
CIE Plasty CZ, s.r.o.	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	PwC
CIE Unitools Press CZ, a.s.	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	PwC
CIE Joamar, s.r.o.	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	-
Joamar Maroc, s.a.r.l. D'AU (1)	Manufacture of automobile components	Morocco	-	100%	100%	-	-	-	-
CIE Praga Louny, a.s. (*)	Manufacture of automobile components	Czech Rep.	-	100%	100%	-	-	-	PwC
Praga Service, s.r.o.	Installations	Czech Rep.	-	100%	-	100%	100%	-	PwC
CIE DESC Automotive, S.A.P.I. de C.V. (*)	Manufacture of automobile components	Mexico	-	50%	50%	-	-	-	PwC
Nugar, S.A.P.I.de C.V. (*)	Manufacture of automobile components	Mexico	-	50%	-	100%	100%	-	PwC
Blanking, S.A. de C.V.	Manufacture of automobile components	Mexico	-	50%	-	100%	-	100%	PwC
Organización ADTEC, S.A. de C.V.	Services and installations	Mexico	-	50%	-	100%	-	100%	PwC
Percaser de México, S.A. de C.V.	Services and installations	Mexico	-	50%	-	100%	-	100%	PwC
Pesimex, S.A. de C.V.	Services and installations	Mexico	-	50%	-	100%	-	100%	PwC
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	Services and installations	Mexico	-	50%	-	100%	100%	-	PwC
CIE Berriz de México, S.A. de C.V. (*)	Holding company	Mexico	-	100%	100%	-	-	-	PwC
Pintura y Ensambles de México, S.A. de C.V.	Manufacture of automobile components	Mexico	-	100%	-	100%	100%	-	PwC
CIE Celaya, S.A.P.I. de C.V.	Manufacture of automobile components	Mexico	-	100%	-	100%	100%	-	PwC
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	Manufacture of automobile components	Mexico	-	100%	-	100%	100%	-	PwC
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V. (1)	Manufacture of automobile components	Mexico	-	100%	-	100%	100%	-	-
CIE Berriz México Participaciones Industriales, S.A. de C.V. (1)	Services and installations	Mexico	-	100%	-	100%	100%	-	-
CIE Berriz México Servicios Administrativos, S.A. de C.V. (1)	Services and installations	Mexico	-	100%	-	100%	100%	-	-
CIE Automotive Parts (Shanghai) Co., Ltd.	Manufacture of automobile components	China	-	100%	100%	-	-	-	Shanghai Huiya
Autokomp Ingeniería, S.A.	Services and installations	Vizcaya	-	100%	100%	-	-	-	PwC
CIE Deutschland, GmbH	Services and installations	Germany	-	100%	100%	-	-	-	-
CIE Automotive USA, Inc.	Services and installations	U.S.A.	-	100%	100%	-	-	-	-
Leaz Valorización, S.L. (dormant)	Waste management and valuation	Vizcaya	-	100%	100%	-	-	-	-
CIE Compiègne, S.A.S.	Manufacture of automobile components	France	-	100%	100%	-	-	-	PwC
CIE Inversiones e Inmuebles, S.L. Sociedad	Holding company	Vizcaya	100%	-	-	-	-	-	PwC

TIMBRE DEL ESTADO

0J7897122

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008

LIST OF SUBSIDIARIES AND ASSOCIATES

			% effective interest in CIE Automotive		% interest subgroup (Level 1)		% interest subgroup (Level 2)		
Company	**Activity**	**Address**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Auditor**
Unipersonal (*)									
CIE Autometal, S/A. (*)	Holding company	Brazil	-	100%	100%	-	-	-	PwC
Autometal, S/A.	Manufacture of automobile components	Brazil	-	100%	-	100%	100%	-	PwC
Durametal, S/A.	Manufacture of automobile components	Brazil	-	50%	-	50%	50%	-	PwC
Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automobile components	Brazil	-	100%	-	100%	100%	-	PwC
Autometal Investimentos e Imóveis, Ltda.	Services and installations	Brazil	-	100%	-	100%	100%	-	PwC
Bioauto Participações, S/A. (*)	Holding company	Brazil	-	75%	-	75%	65%	-	PwC
Bioauto SP Indústria e Comércio de Biodiesel, Ltda.	Collection, recovery and recycling of used oils	Brazil	-	75%	-	75%	-	100%	PwC
Bioauto MT Agroindustrial, Ltda.	Agrobiotechnology	Brazil	-	75%	-	75%	-	100%	PwC
Mutum Álcool Combustíveis e Energia, Ltda. (dormant)	Biofuel production and sale	Brazil	-	75%	-	75%	-	100%	PwC
Biojan MT Agroindustrial, Ltda. (dormant)	Agrobiotechnology	Brazil	-	38.25%	-	38.25%	-	51%	PwC
Componentes Automotivos Taubaté, Ltda. (*)	Holding company	Brazil	-	100%	100%	-	-	-	
Autoforjas, Ltda.	Manufacture of automobile components	Brazil	-	100%	-	100%	100%	-	PwC
Jardim Sistemas Automotivos e Industriais, S/A.	Manufacture of automobile components	Brazil	-	100%	100%	-	-	-	PwC
Metalúrgica Nakayone, Ltda.	Manufacture of automobile components	Brazil	-	100%	100%	-	-	-	PwC
RS Automotive B.V. (*) (1)	Holding company	Netherlands	50%	-	-	-	-	-	-
Advanced Comfort Systems International B.V. (*) (1)	Holding company	Netherlands	-	100%	100%	-	-	-	-
Advanced Comfort Systems Ibérica, S.L.U. (1)	Manufacture of automobile components	Orense	-	-	-	100%	100%	-	Deloitte
Advanced Comfort Systems France, S.A.S. (1)	Manufacture of automobile components	France	-	-	-	100%	100%	-	Local auditor
Advanced Comfort Systems Romania, S.R.L. (1)	Manufacture of automobile components	Romania	-	-	-	100%	100%	-	Evalex
Advanced Comfort Systems Shanghai Co. Ltd (1)	Manufacture of automobile components	Czech Republic	-	100%	100%	-	-	-	-
CIE-Avtocom Kaluga, LLC (1)	Holding company	Russia	35%	-	-	-	-	-	-
CIE-Avtocom, LLC (1)	Holding company	Russia	35%	-	-	-	-	-	-
CIE Automotive Bioenergía, S.L. (*)	Holding company	Vizcaya	80.50%	-	-	-	-	-	-
Bionor Transformación, S.A.U. (*)	Holding company	Vizcaya	-	80.50%	100%	-	-	-	PwC
Bionor Berantevilla, S.L.U.	Biofuel production and sale	Álava	-	80.50%	-	100%	100%	-	PwC
Biosur Transformación, S.L.U.	Biofuel production and sale	Barcelona	-	80.50%	-	100%	100%	-	PwC
Biocombustibles de Zierbana, S.A.	Biofuel production and sale	Vizcaya	-	16.10%	-	20%	20%	-	-
Vía Operador Petrolífero, S.L.U.	Biofuel production and sale	Barcelona	-	80.50%	-	100%	100%	-	PwC
Vía Credit Car, S.L.U.	Biofuel production and sale	Barcelona	-	80.50%	-	100%	-	100%	-
Vía Estaciones, S.L.U.	Biofuel production and sale	Barcelona	-	80.50%	-	100%	-	100%	-
Global Petróleos, S.A.U.	Biofuel production and sale	Barcelona	-	80.50%	-	100%	-	100%	PwC
Comlube, s.r.l. (*)	Biofuel production and sale	Italy	-	64.40%	-	80%	80%	-	PwC
Glycoleo, s.r.l. (dormant)	Glycerine production and sale	Italy	-	41.05%	-	51%	-	51%	-
Biocombustibles La Seda, S.L.	Glycerine production and sale	Barcelona	-	32.2%	-	40%	40%	-	-

TIMBRE DEL ESTADO

0,03 EUROS

0J7897123

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009 AND 2008

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Activity	Address	% effective interest in CIE Automotive		% interest subgroup (Level 1)		% interest subgroup (Level 2)		Auditor
			Direct	Indirect	Direct	Indirect	Direct	Indirect	
Bionor Inversiones e Inmuebles, S.L. (*)	Holding company	Vizcaya	-	80.5%	-	100%	100%	-	-
Naturoil Combustíveis Renováveis, S/A.	Biofuel production and sale	Brazil	-	80.5%	-	100%	-	100%	-
Bionor Tecnologia, S.L.U.	Services and installations	Madrid	-	80.5%	-	100%	100%	-	-
Reciclado de Residuos Grasos, S.L.U. (Resigras)	Marketing of fatty oils	Madrid	-	80.5%	-	100%	100%	-	-
Biocombustibles de Guatemala, S.A.	Agrobiotechnology	Guatemala	-	41.05%	-	51%	51%	-	Herrera & Asociados
Gestión de Aceites Vegetales, S.L. (GAVE)	Marketing of fatty oils	Madrid	-	41.05%	-	51%	51%	-	PwC

(1) New companies included in consolidation in 2009.
(*) Parent of all investee companies appearing subsequently in the table.

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897124

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

The development of CIE Automotive Group in 2009 is as follows:

CONSOLIDATED GROUP

(Thousand euro)	2009	2008
Consolidated revenues	1,149,013	1,455,310
Adjusted consolidated revenues	1,016,013	1,261,085
EBITDA	116,374	180,637
EBIT	52,656	103,660
EBT	26,643	67,752
Reported profit for year	14,979	51,697
Profit from discontinued operations	(6,946)	-
Profit attributable to parent company	11,120	53,823

(*) Proforma information excluding sales of diesel for mixing

Business trends:

- ❑ *Despite the significant fall in sales due to the crisis, EBITDA was in the double digits and improved throughout the year.*
- ❑ *The recovery of the market and margins was maintained in 4Q09.*
- ❑ *The containment of investments and the improvement in working capital allowed net debt to remain at 2008 levels, despite the sharp fall in EBITDA.*
- ❑ *Results include a restructuring charge totaling €22 million and a €7 million loss on discontinued operations. Both effects have been offset by non-recurring profits, primarily a €14 million gain on exchange differences.*

The financial information of the CIE Automotive group is presented for the Automotive and Biofuel segments. Set out below is the performance of the business, differentiating between both activities.

CLASE 8.ª

0J7897125

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

AUTOMOTIVE:

Two consecutive quarters of recovery that indicate a return to normalcy.

	AUTOMOTIVE	
(Thousand euro)	**2009**	**2008**
Consolidated revenues	969,034	1,158,116
EBITDA	120,169	191,303
% EBITDA / consolidated revenues	12.4%	16.5%
EBIT	58,451	116,225
% EBITDA / consolidated revenues	6.0%	10.0%

Development of the market

- *Throughout the year there has been an evident improvement in the market, driven by incentives in Europe, Brazil and the United States (July and August).*
- *The destockage effect seems to have ended in most segments and markets.*
- *CIE's sales touched bottom in January/February and from there have trended upwards.*

Development of the business:

- *Double digit profits and EBITDA, despite the 16% drop in sales.*
- *Different behavior depending on the geographic area, with emerging markets, particularly Brazil and Eastern Europe, offsetting weakness in other areas, particularly Western Europe.*
- *Significant reduction in variable and fixed costs during the year, adapting them to new demand levels.*
- *Eliminating non-recurring effects (in 4Q09 there is a €6 million loss), recurring EBITDA in the final quarter totaled €40.8 million and recurring monthly EBITDA is €15.1 million, with a 14.5% margin.*

BIOFUELS:

	BIOFUELS	
(Thousand euro)	**2009**	**2008**
Consolidated revenues	179,979	297,194
Adjusted consolidated revenues (*)	46,979	102,969
EBITDA	(3,795)	(10,666)
EBIT	(5,795)	(12,565)

(*) Proforma information excluding sales of diesel for mixing

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897126

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

Business trends:

- *Price weakness throughout Europe due to imports and the entry of capacity into the market.*
- *Focus on Biodiesel production in Spain, especially based on recycled oils and other waste, and investments in other activities were reduced.*
- *After the significant reduction in fixed costs in Q409 profits were near zero, as was the case the preceding quarter. EBITDA for the period +€0.5 million*

AUTOMOTIVE: Action plan given the market situation in 2009

Throughout 2009 an action plan against the crisis was implemented and included the following components:

1. R&D+i activities
2. Sales activities
3. Cost adjustment activities
4. Financial strengthening activities

1. R&D+i activities

Process/product area:

- Focus on reduction of consumption and emissions
- Weight reduction
- Leadership in high performance products and processes: Crankshafts, EPS, Common Rail and new materials and technologies under development
- Orders obtained for sales growth totaling €100 million.

New applications Area: EGR, pumps, motor tubes, Antivibration, Common Rail, Rack & Pinion, etc...

2. Sales activities:

- In this market context there are significant sales opportunities deriving from the recession, especially from the worse financial situation and strategic position affecting competitors.
- Creation of a special committee for effectively managing all offers.
- The strategy for flexible investments and multi-technology maintained by CIE make rapid response very attractive for customers.

3. Cost adjustment activities

- An ambitious plan has been launched to reduce variable and fixed costs to adapt demand, in order to maintain contribution margins.
  - Adaptation of the production structures to the new demand situation.
  - Strengthening of activities with higher added value, particularly R&D+i in Spain.
  - Presence in countries with higher growth potential.
  - Reinforcement of group synergies

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

4. Financial strengthening activities

   - Plan to reduce operating capital: 15 day reduction in stocks and special attention to payment and collection dates:
   - Reduction of investments The market situation and flexibility of assets allows the use of existing free capacity for new projects.
   - No distribution of dividends charged against 2008 profits in order to reinforce the company's equity.
   - Signing of the Club Deal totaling €187.5 million involving a loan syndicated by the Company's main banks.
   - Signature of the BEI loan (European Investment Bank) totaling €60 million.

BIOFUELS

- The Biofuel sector continues to be a key response to future energy needs:

  - Due to the need to reduce the consumption of fossil fuels.
  - Due to environmental benefits.

- Given the strong dependence on the volatility of commodities prices and the excess installed capacity for virgin oils the business model has been adapted to give priority to the production of biodiesel in Spain, especially from waste, and investments in other activities have been curtailed.

- The first stage of the Berantevilla expansion is completed and the plant is capable of operating with different raw materials: recycled oils, animal fats, oleines and, in general, highly acid fatty waste.

- The expected reform of biofuel use and manufacture legislation could change the strategy applied.

QUALITY AND ENVIRONMENT

Management model

In March 2009, as a result of internal reflection, the management model was revised with respect to the mission, vision, values and strategies to continue with the commitment to sustainability.

From a design point of view, which states: *"Ensure ecodesign, considering environmental impacts from the source. Oriented towards the use of materials in an efficient manner to guarantee disassembly and recycling"*.

To, *"Become a paradigm of sustainable companies due to a commitment with people, the environment and the creation of value"*.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

Management tools

CIE Automotive has an integrated computerized system it uses as a management tool. In 2009 the implementation of a quality module started, which will allow for the full integration of articles being purchased and sold, their manufacturing route and a control plan to ensure proper traceability.

In coming years this area will be expanded through the "AMFE" (Modal analysis of failures and effects)

Continuous improvement

Within the framework of the AVANZA Program, Recognition activities, which successfully started in 2008 with the 5S awards, will continue to recognize the work done in 2009.

For this reason the decision has been made for "Recognition of improvement projects" in order to evaluate the projects that plants launched at the start of the year and implemented over the course of the year.

In April 2010 a benchmarking process is expected to take place to share among Group companies projects and experiences and to perform a final evaluation involving recognition of the best projects that were carried out in 2009.

Of all indicators of continuous improvement, the following is notable within the area of customer satisfaction:

- Customer claims: 17% reduction
- External PPM (number of parts rejected by customers per million parts delivered) 45% reduction

Certificates

Advances have been made to obtain triple certification for all of our plants. During the year the following certification was obtained:

ISO/TS

In Mexico at the PEMSA plant in Saltillo
In Brazil at Autometal Dias Davilas

ISO 14000

In Spain at Galfor
In Lithuania at LT Forge

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

OHSAS 18000

In Spain at Tarabusi and Alfadeco
In France at CIE Compiegne

The R&D+i office obtained the ISO 166002 certificate

The accompanying table shows the global situation of CIE Automotive

	Applicable plants	Certified plants	% Cert./ total
ISO/TS	49	47*	96%*
ISO14001	46**	32	70%
OHSAS	46	10	22%

* CIE Joamar will join Plasty's certificate in 2010,
CIE MATIC must be active for 1 year in order to become certified and this will take place in 2010.

** Matrimold, FCM, and GSB TBK including C.Vilanova.

Waste management

The waste management report for 2009 will be filed using the e-connect system, directly connecting with the Basque Government. CIE Automotive is a pioneer in electronic reporting.

As the Spanish government expands advances, this will extend to all other plants.

Raw materials

The use of recycled materials or the recycling of in-house waste continues to be a key activity at CIE.

The aluminium division recycled 27,000 Mt of aluminium waste.
The biofuel division used 20,000 Mt of used vegetable oil, oleines and fatty acids.

R&D ACTIVITIES

2009 has been a challenge for the capacity of any company to develop and innovate, especially for companies in the automotive industry. The world crisis joined up with the trends identified in 2008 and made mobility challenges and a reduction of dependence on fossil fuels and efforts to reduce greenhouse gases markedly more difficult and extra efforts have been made to juggle all of these actions while ensuring competitiveness and market position.

Given CIE's clear vocation for R&D+i, extra efforts were made to maintain all research lines open, despite the cost pressures deriving from the fall in the sale of automobiles.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

Advances were made in the area of emissions reduction through reducing vehicle weight and seeking a position with respect to components associated with fuel, aspiration and vehicle emission control modules. From a technological point of view, these new developments are demanding the use of components that are capable of supporting higher specific power while weighing less and operating in more demanding environments from a thermal-mechanical wear-and-tear point of view. Outside of the motor environment, special emphasis has been placed on the use of light alloys that optimize weight while increasing safety in the event of a crash, particularly with respect to pedestrians and a drastic reduction in the injuries caused is being sought.

The new technology needs demanded by new hybrid vehicles, chargeable hybrids and electric cars are notable, where new characteristics of energy management and thermal controls are being developed to satisfy our customers' specifications, as well as to resolve new challenges surrounding the protection of batteries in pre-crash, crash and post-crash scenarios.

While seeking an increase in competitiveness we have developed and launched new technologies that maximize the productivity of processes linked to plastic injection molding and subsequent decorative processes, advanced shaping of sheet metal and pipes, forging, high added value mechanization, aluminium work and ferrous materials. All CIE Automotive locations seek innovations that differentiate the company from the competition.

To this end we have worked on in-house development projects in various internal areas and with partners on the local, regional, national and international level in which the entire value chain participates, with a particular focus on the demands of final customers and OEM.

The efforts and clear focus of R&D+i as a motor driving the strategic business have, over the past few years, caused CIE Automotive to have invested 2.2% of sales and in 2009 the same figure in absolute terms was applied to this area.

Audit and Compliance Committee

ANNUAL REPORT ON THE AUDIT AND COMPLIANCE COMMITTEE'S ACTIONS FOR 2009

In accordance with the provisions of Article 31 bis of the Company's bylaws (included in accordance with the amendment to the bylaws approved by the General Shareholders' Meeting of 24 June 2003), the Company's Board of Directors relies on the Audit and Compliance Committee (with respect to the functions set out in Article 31 bis of the Company's bylaws and Article 3 of the Regulations on the Audit and Compliance Committee). This Committee has been arranged to serve the Board of Directors.

Accordingly, the Board of Directors of CIE Automotive, S.A. approved the Regulations of the Audit and Compliance Committee and designated its members in the meeting of 24 June 2003. On 26 April 2007 the Company's Board of Directors appointed to said Committee the following directors: Mr Juan Luis Ramírez Belaustegui (President), ADDVALIA CAPITAL, S.A. (represented by Ms María Teresa Salegui Arbizu) and SALTEC PARTICIPADAS, S.L. (represented by Mr Bernardino Díaz-Andreu García), who continue to perform their functions at the date of this report.

The Audit and Compliance Committee has met on 5 occasions during 2009 and on one occasion in 2010 (25 February 2010) before the preparation of the annual accounts for 2009.

The Audit and Compliance Committee has carried out all its functions and during the meetings held this year addressed the issues set out below. The table sets out the articles of the Audit and Compliance Committee's Regulations which contain the functions performed by it:

Audit and Compliance Commission main actions in 2009

Actions (Audit and Compliance Commission functions)	Art.	Dates dd/mm/yy				
Analysis of Annual Accounts	3(vi)	24/02/2009	25/02/2010			
Corporate Governance Report	3(x)	24/02/2009	25/02/2010			
Audit and Compliance Commission Activities Report	3(ix)	24/02/2009	25/02/2010			
Regular Public Reporting	3(vi)	24/02/2009	22/04/2009	21/07/2009	28/10/2009	
Audit Procedures	3(v)	24/02/2009	22/04/2009	21/07/2009	28/10/2009	17/02/2009
Internal Control Plan	3(iii)	17/02/2009				

As may be observed, the Audit and Compliance Committee's main actions in relation to the year ended 31 December 2009 were as follows:

(a) Analysis of Regular Public Reporting, prior to its sending to the National Securities Market Commission and the governing companies of the Bilbao and Madrid Stock Exchanges for the second half of 2008 (meeting of 24 February 2009), first quarter of 2009 (22 April 2009), first half of 2008 (21 July 2009), and third quarter of 2008 (28 October 2009).

Following the analysis performed, and in all instances, the Audit and Compliance Committee approved the mandatory report relating to Regular Public Reporting which was at all times submitted to the Board of Directors together with the aforementioned information for approval and reporting to the Stock Markets.

On 25 February 2010, the Committee analyzed the information relating to the Annual Financial Report for 2009 (there being no need to specifically analyze the information for the second half of 2009 in accordance with Article 11 of Royal Decree 1362/2007, of 19 October 2007).

(b) Analysis of the annual accounts (balance sheet, income statement, cash flow statement and statement of changes in equity and notes) and Directors' report of CIE Automotive, S.A. and its consolidated group for the year ended 31 December 2008 (meeting of 24 February 2009), and the proposed distribution of results.

Following the analysis performed, the Audit and Compliance Committee approved the mandatory report relating to said annual accounts (balance sheet, income statement and notes) and Directors' Report which was submitted to the Board of Directors prior to their preparation.

During its first meeting of 2010, the Committee analyzed the annual accounts and directors' report (that includes the special report laid down in Article 116bis of Law 24/1988 on the Securities Market and Annual Corporate Governance Report), for the year ended 31 December 2009 and issued the mandatory report on the same.

(c) Follow-up of external audit procedures: Meetings have been held with the external auditors of CIE Automotive, S.A. and subsidiaries in order to plan and analyze the procedures and results (both preliminary and final) of the external audit of the year ended 31 December 2008, as well as the planning and analysis of the preliminary procedures and results of the external audit of the year ended 31 December 2009. The Audit and Compliance Committee has also reviewed the recommendations made by the external auditors with respect to accounting issues and the situation of systems and procedures for preparing and managing financial information by each company forming part of CIE Automotive Group.

(d) Preparation of an "INTERNAL AUDIT PLAN" for 2010-2012, determining its content, objectives and priorities, organization and support structure and, in particular, the work plan for 2010. This was the purpose of the meeting held on 17 December 2009.

Similarly, external auditors have been designated in various subsidiaries, their fees approved and their independence safeguarded.

In Bilbao, on 25 February 2010

Audit and Control Committee
of the Board of Directors of CIE Automotive, S.A.

CIE Automotive

EXPLANATORY REPORT ON THE ASPECTS ENVISAGED IN ARTICLE 116 OF THE LAW ON THE SECURITIES MARKET FOR THE YEAR ENDED 31 DECEMBER 2009

In accordance with Article 116 bis of Law 24/1988, of 28 July 1998 on the Securities Market, introduced by Law 6/2007, of 12 April 2009, the Board of Directors of CIE Automotive, S. A. (hereinafter **"CIE Automotive"** or the **"Company "**) agreed, in the meeting of 26 February 2010, to make available to the shareholders the present explanatory report that, in accordance with said provision, are included in the Directors' Reports complementary to the annual accounts for 2009.

The capital structure, including securities traded on a Community regulated market, indicating, where appropriate, the different classes of shares and for each class of shares, the rights and obligations granted and percentage of capital represented.

At 31 December 2009 the share capital of CIE Automotive, S.A. consists of 114,000,000 shares with a par value of 0.25 euro each, fully subscribed and paid in, of a single class and series and conferring the same rights and obligations to all shareholders.

b) Restriction on the transfer of shares.

There are no statutory restrictions on the transfer of the stock representing capital.

Nonetheless, and as a listed company, the acquisition of significant holdings must be reported to the issuer and National Securities Market Commission, in accordance with Article 53 of Law 24/1988 governing the Securities Market, contained in Royal Decree 1362/2007, of 19 October 2007 and National Securities Market Circular 2/2007, of 19 December 2007, under which 3% of capital or voting rights is envisaged as the first notification ceiling.

Lastly, and also as a listed company, the acquisition of a shareholding or voting rights of 30% or more in the Company triggers the obligation to prepare a Public Offering in the terms contained in Article 60 of Securities Market Law 24/1988.

TIMBRE DEL ESTADO

0,03 EUROS

0J7897135

CLASE 8.ª

CIE Automotive

c) Significant direct and indirect holdings in capital

CIE AUTOMOTIVE, S.A.

Number of shares 114,000,000
Par value: 0,25 Euros per share
Share capital: 28,500,000 (Euros)

		TOTAL PARTICIPATION (Direct + Indirect)			
Shareholder	DIRECT	INDIRECT No. Shares	TOTAL	% Participation	Nominal Participation
SALTEC, S.L.U	14,082,690	0	14,802,690	12.985%	3,700,672,50
INSSEC PARTICIPADAS, S.L.U.	10	0	10	0.000%	2,50
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A. (*)	59,014,305	14,802,700	73,817,005	64.752%	18,454,251,25
QMC DEVELOPMENT CAPITAL FUND, Plc	5,758,264	0	5,758,264	5.051%	1,439,566,00
ADDVALIA CAPITAL, S.A.	5,723,491	0	5,723,491	5.021%	1,430,872,75
COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.	5,700,000	0	5,700,000	5.000%	1,425,000,00
IBERIAN CAPITAL (GP) LTD	0	5,696,536	5,696,536	4.997%	1,424,134,00
BESTINVER GESTIÓN, S.A., S.G.I.I.C.	0	3,974,898	3,974,898	3.487%	993,724,50

(*) The indirect holding of INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A. (INSSEC) is fully owned through SALTEC, S.L. and INSSEC PARTICIPADAS, S.L.U. both owned at 100% by INSSEC

d) Restrictions on voting rights

There are no restrictions to voting rights.

e) Non-business agreements.

The Company has no knowledge of the existence of any quasi-corporate pacts in CIE Automotive, S.A.

f) Rules applicable to the appointment and replacement of members of the Board of Directors and the amendment of the Company's bylaws.

<u>Appointment of the members of the Board of Directors</u>

The appointment of the members of the Board of Directors is the responsibility of the General Shareholders' Meeting, without prejudice to the power of the Board to designate members by co-option in the event of vacancies.

To this effect, Article 23 of the Bylaws lays down that:

> "2. *In order to be appointed a member of the administrative body, it is not required to be a shareholder.*
>
> *3. The members of the administrative body shall hold office for five years and may be re-elected once or more times for equivalent periods.*
>
> *4. The members of the administrative body designated by co-option shall hold their position until the first General Shareholders' Meeting.*

5. The members of the administrative body shall cease to hold office when so decided by the General Shareholders' Meeting, when they report their resignation to the Company and when the period of their appointment elapses. In this latter case, their resignation shall be take effect on the day on which the following General Shareholders' Meeting is held or once the legal term for holding the Meeting to approve the previous year's annual accounts elapses."

Similarly, Article 18 of the regulations of the Board of Directors lays down the following:

"Article 18. Appointment of Directors.

1.- The Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors in accordance with the Spanish Companies Act.

2.- The proposal for the appointment of Directors submitted by the Board of Directors to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-option legally attributed to it shall be preceded by the relevant report from the Appointment and Remuneration Committee. When the Board disagrees with said report, it shall set out the reasons for its decision and place them on record."

Removal of Members of the Board of Directors:

Article 22 of the Board of Directors Regulations governs the instances of resignation of the Board members of CIE Automotive, S.A.

"Article 22. Removal of Directors

1.- The resignation of the Directors or any of them shall take place in the terms of applicable legislation.

2.- The Directors shall offer their resignation to the Board of Directors and formalize it , if deemed advisable by the same, in the following cases :

a) in the case of domanial directors, when he or the shareholder that he represents transfers his shareholding in the company.

b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.

CIE Automotive

c) When they are immersed in some legal conflict of interest or prohibition.

d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of delegated directors, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors following a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors."

Amendment of the Company's Bylaws

The procedure for amending the Bylaws is regulated by Article 144 of the Spanish Companies Act, which is common to all companies and requires the approval of Shareholders at a General Meeting, with the majority votes established by Article 103 of that law.

The competencies of the Meeting contained in Article 9 of the Bylaws and 5 of the General Shareholders' Meetings' regulations, expressly include the amendment of the Bylaws without different majorities than those contained in the Law.

g) The powers of the members of the Board of Directors and in particular, those relating to the possibility of issuing or repurchasing shares

All the powers of the Board of Directors have been delegated to the Managing Director of CIE Automotive S.A. except those that may not be delegated by law.

The General Shareholders' Meeting of 24 April 2007 delegated to the Board of Directors the power to increase share capital to €14,250,000, in accordance with Article 153.1. b) of the Spanish Companies Act, with substitution authority, attributing to it, moreover, the power to exclude preferential subscription rights, in accordance with Article 159.2 of the same Law.

With respect to the powers to acquire treasury shares, the General Shareholders' Meeting held on 22 April 2009 authorized the Board of Directors so that, in accordance with Article 75 et seq. of the Spanish Companies Act, it may carry out the derivative acquisition of shares in CIE Automotive, S.A. The maximum number of shares to be acquired shall not exceed, together with those already held by the acquiring Company and subsidiaries, the legal limit, set at 5% of capital in Additional Provision One of the Spanish Companies Act. From the time Law 3/2009 (3 April), on structural modifications to companies, entered into force, the limit on shares to be acquired, added to those already held by the acquiring company and its subsidiaries, must not exceed the new legal limit established at 10% of the company's share capital.

The authorization is in force for 5 years as from the time the General Meeting is held, once Law 3/2009 (3 April), on modifications to corporate structures enters into force.

h) Significant agreements concluded by the Company that may come into effect, may be amended or terminated in the event of a change of control in the Company as a result of a takeover bid and their effects, except when disclosure may have a serious adverse effect on the Company. This exception is not applicable as the Company is obligated by law to make this information public.

There are no significant agreements concluded by the Company that may come into effect, may be amended or terminated in the event of a change in control in the Company as a result of takeover bid.

i) Agreements between the Company and its administrative and management personnel or employees that provide for indemnities in the event of resignation or unfair dismissal or if the employer/ employee relation ends as a result of takeover bid.

The legal and other effects that may derive from the extinguishment of the relationship that links the personnel of CIE Automotive to the Company are not uniform but logically vary depending on the personnel involved, position held or work carried out by the employee, the type of contract with the company, legislation applicable to the employer/ employee relation and other factors. Nonetheless, generally speaking, a distinction may be drawn with respect to the following:

a) Employees: For employees linked to CIE Automotive through an ordinary employer/ employee relation, as is the case of practically all the Company's employees, generally speaking, employment contracts linking employees to the company do not contain any indemnity clauses owing to the termination of the employer/ employee relation and therefore the employee shall be entitled to the indemnity that may be applicable under employment legislation, irrespective of the reason for the termination of his contract.

b) Senior Management Personnel: For personnel linked to CIE Automotive under a special senior manager contract, there are instances in which the contract lays down no indemnity for the extinguishment of the employer/ employee relation and therefore the manager shall be entitled, if appropriate, to the indemnity provided in legislation governing the special senior manager relation. In this regard, it should be borne in mind that Royal Decree 1382/1985, of 1 August 1985, governing Special Senior

Manager Relations, provides, in Article 10.3, that the senior manager may extinguish the special employment contract with the right to the agreed indemnities, and in the absence thereof, of those laid down herein in the event of extinguishment by the company, owing to, inter alia, a major change in the ownership of the company, leading to the renewal of its governing bodies or in the content and focus of its core activities, provided that the extinguishment takes place within three months of such changes.

In addition to these, there are other managers whose contracts recognize the right to an indemnity in the event of the extinguishment of the employer/ employee relation for certain reasons. This indemnity is normally set individually for each senior manager in accordance with his professional circumstances and the relevance and responsibility attaching to the position held in the Company.

c) Executive Directors: In relation to the Executive Director, the contract governing the performance of his management duties other than those of his decision- making as a member of the Board of the Directors, is for an indefinite time period. Nonetheless, the extinguishment of the relation does not give rise to any right to economic compensation.

This report was approved by the Board of Directors at its meeting on 26 February 2010.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

Yes ☐ No X

Name of the Director who did not vote to approve this report	**Reasons (opposition, abstention, failure to attend the meeting)**	**Explain the reasons**

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897285

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

In compliance with the provisions of Article 171.1 of the current Spanish Companies Act ("Ley de Sociedades Anónimas"), the Directors forming part of the Board of Directors of **CIE AUTOMOTIVE, S.A.** and SUBSIDIARIES have prepared the consolidated annual accounts and the consolidated Directors' Report for **CIE AUTOMOTIVE, S.A.** and SUBSIDIARIES for 2009, consisting of and identified as follows:

- The content of the commentaries which is printed on government fiscal paper, class 8, numbers 0J7897001 and 0J7897002.
- The Balance sheet which is printed on government fiscal paper, class 8, numbers 0J7897003 and 0J7897004.
- The Income Statement and the Overall Income Statement which are printed on government fiscal paper, class 8, numbers 0J7897005 and 0J7897006.
- The Statement of Changes in Equity which is printed on government fiscal paper, class 8, numbers 0J7897007 and 0J7897008.
- The Cash flow statement which is printed on government fiscal paper, class 8, number 0J7897009.
- The notes to the annual accounts which are printed on government fiscal paper, class 8, numbers 0J7897010 and 0J7897123.
- The Directors' Report, which the Annual Report on the Audit and Compliance Committee's Actions and Explanatory Report on the Aspects Envisaged in article 116 of the Law on the Securities Market includes, is set out on government fiscal paper, class 8, numbers 0J7897124 and 0J7897139.
- In compliance with the provisions of Article 171.2, the Directors declare that they have signed each of the above-mentioned sheets and signed these sheets of government fiscal paper, class 8, numbers 0J7897285 and 0J7897286.

Similarly, the Company's Directors declare that, to the best of their knowledge, the annual accounts prepared in accordance with applicable accounting principles present fairly the financial position and results of the issuer and companies included in the consolidation taken as a whole and that the directors' report includes an fair analysis of the performance and results of the business and position of the issuer and companies included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties which they face.

In Bilbao, on 26 February 2010

TIMBRE DEL ESTADO

CLASE 8.ª

0J7897286

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2009

SIGNATORIES:

Mr. Antonio María Pradera Jáuregui *(Chairman)* ____________

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L., represented by
Ms Goizalde Egaña Garitagoitia *(Deputy Chairman)* ____________

Mr Ignacio Martín San Vicente
(Managing Director) ____________

Mr Juan Luis Ramírez Belaustegui *(Director)* ____________

Mr Fermín del Río Sanz de Acedo
(Director) ____________

ADDVALIA CAPITAL, S.A., represented by
Ms María Teresa Salegui Arbizu *(Director)* ____________

COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A., represented by **Mr Juan Salido Freyre** *(Director)* ____________

INSSEC PARTICIPADAS, S.L. represented by
Mr Miguel Angel Planas Segurado *(Director)* ____________

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

QMC DIRECTORSHIPS, S.L., represented by
Mr Jacobo Llanza Figueroa *(Director)* ____________

SALTEC, S.L., represented by
Mr Cristian Abelló Gamazo *(Director)* ____________

SALTEC PARTICIPADAS, S.L, represented by
Mr Bernardino Díaz-Andreu García *(Director)* ____________