CIE Automotive, S.A. and subsidiaries

Audit Report,
Consolidated annual accounts as at 31 December 2008
and Directors' Report for 2008

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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 THE AUDITORS ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of CIE Automotive, S.A.

We have audited the consolidated annual accounts of CIE Automotive, S.A. (Parent Company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related 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 performed 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.

For comparative purposes and in accordance with Spanish Corporate Law, the Parent Company's Directors have presented for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash-flow statement, the corresponding amounts for the previous year as well as the amounts for 2008. Our opinion refers solely to the 2008 consolidated annual accounts. On 12 March 2008 we issued our audit report on the 2007 consolidated annual accounts in which we expressed an unqualified opinion.

As mentioned in note 19 and on the basis of the agreement reached with financial institutions at the date of the accompanying consolidated annual accounts, the Group includes in non-current liabilities an amount of euro 162 million in respect of bank loans. In accordance with applicable International Financial Reporting Standards (IFRS-EU), it is only possible to present such liabilities on a long-term basis if the agreement has been formalised at the consolidated balance sheet date.

In our opinion, except for the effects of the qualification described above, the accompanying consolidated annual accounts for 2008 present fairly, in all material respects, the consolidated financial position of CIE Automotive, S.A. and its subsidiaries as at 31 December 2008 and the consolidated results of their operations, changes in consolidated equity and consolidated cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards adopted by the European Union applied on a basis consistent with the preceding year.

The accompanying consolidated Directors' Report for 2008 contains the information that the Parent Company's Directors consider relevant to the Consolidated Group's position, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the financial information contained in the aforementioned consolidated Directors' Report coincides with that of the financial statements for 2008. 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 of CIE Automotive, S.A. and subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo
Audit Partner

27 February 2009

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

Consolidated Annual Accounts
and Consolidated Directors' Report
for the year
ended 31 December 2008

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONTENT

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

TIMBRE DEL ESTADO

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CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 December 2008 AND 2007
(Eur'000)

	Note	At 31 December 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	616.244	537.623
Goodwill	7	173.300	184.589
Other intangible assets	7	41.469	25.193
Non-current financial assets	8	9.927	12.882
Investments carried under the equity method	8	1.868	2.218
Deferred tax assets	22	41.492	48.267
Other non-current assets	9	15.911	18.806
		900.211	**829.578**
Current assets			
Inventories	11	176.044	162.242
Trade and other receivables	10	166.836	191.632
Other current assets	-	1.522	2.347
Current tax assets	-	38.095	30.530
Other currant financial assets	8	22.201	39.733
Cash and other cash equivalents	12	92.091	67.878
		496.789	**494.362**
Total assets		**1.397.000**	**1.323.940**

The accompanying notes included in pages 7 to — are an integral part of these consolidated annual accounts.

TIMBRE DEL ESTADO

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CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 December 2008 AND 2007
(Eur'000)

	Note	At 31 December 2008	2007
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Shere capital	13	28.500	28.500
Treasury shares	13	(3.748)	(2.108)
Shere premium account	13	33.752	33.752
Reserves and retained eernings	14	231.425	210.170
Cumulative exchange differences	14/15	(57.181)	8.467
Interim dividend	14	-	(6.811)
Minority interests	17	22.118	24.931
Total equity		**254.866**	**296.901**
Deferred income	18	**23.202**	**24.979**
LIABILITIES			
Non-current liabilities			
Provisions -non-current	24	26.106	21.523
Long-term borrowings	19	430.412	403.199
Deferred tax liebilities	22	30.306	28.356
Other non-current liabilities	21	48.938	55.185
		535.762	**508.263**
Current liabilities			
Short-term borrowings	19	212.134	112.724
Trade end other payables	20	269.749	310.803
Other current financial liabilities	8	6.579	-
Current tax liabilities	21	23.821	28.073
Provisions -current	24	10.168	2.363
Other current liabilities	21	60.719	39.834
		583.170	**493.797**
Total liabilities		**1.118.932**	**1.002.060**
Total equity and liabilities		**1.397.000**	**1.323.940**

The accompanying notes included in pages 7 to — are an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 December 2008 AND 2007
(Eur'000)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
OPERATING REVENUE		1.533.809	1.309.143
Net turnover	**25**	1.455.310	1.277.571
Other operating revenue	**25**	63.640	28.053
Variation in inventories of finished goods and work in progress	**11/25**	14.859	3.519
OPERATING CHARGES		(1.430.149)	(1.218.778)
Consumption of raw meterials and secondary materials	**11**	(945.932)	(791.659)
Employee benefit expenses	**27**	(254.641)	(228.278)
Amort/Deprec.	**6/7**	(76.977)	(67.031)
Other operating cherges	**26**	(161.172)	(134.855)
Other gains / (losses) net	**34**	8.573	3.045
OPERATING PROFIT		**103.660**	**90.365**
Finance income	**28**	17.647	6.236
Finence expense	**28**	(55.201)	(37.949)
Net exchange differences	**28**	2.616	1.305
Gains/ losses financiel instruments at fair value	**28**	(870)	228
Share in results companies carried under under equity method	**8**	(100)	(117)
PROFIT BEFORE TAXES CONTINUING OPERATIONS		**67.752**	**60.068**
Income tax	**29**	(16.055)	(8.812)
PROFIT FOR THE YEAR		**51.697**	**51.256**
Profit /(loss) attributable to minority interests	**17**	(2.126)	584
PROFIT ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**53.823**	**50.672**
Earnings per share attributable to Company shareholders during the year (expressed in euro per share)			
- Basic	**30**	**0,47**	**0,45**
- Diluted	**30**	**0,47**	**0,45**

The accompanying notes included in pages 7 to — are an integral part of these consolidated annual accounts.

TIMBRE DEL ESTADO

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CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Eur'000)

	Attributable to the Company's shareholders								
	Share capital (Note 13)	Treasury shares (Note 13)	Share premium account (Note 13)	Reserve First Conversion IFRS-EU and other revaluation reserves (Note 14)	Cumulative exchange rate difference (Note 15)	Retained earnings (Note 14)	Interim dividend (Note 14)	Minority interests (Note 17)	Total Equity equity
Balance at 31 December 2006	28.500	57	33.752	6.154	9.258	166.080	(6.840)	24.672	261.633
Gross cash flow hedging (Note 8)	-	-	-	(560)	-	-	-	-	(560)
Foreign currency translation differences	-	-	-	-	(791)	-	-	687	(104)
Gross income/(expense) recognised directly in equity	-	-	-	(560)	(791)	-	-	687	(664)
Tax effect (Note 22)	-	-	-	183	-	-	-	-	183
Net income/(expense) recognised directly in equity	-	-	-	(377)	(791)	-	-	687	(481)
Profit for the year	-	-	-	-	-	50.672	-	584	51.256
Total income recognised for 2007	-	-	-	(377)	(791)	50.672	-	1.271	50.775
Distribution of 2006 profits	-	-	-	-	-	(6.840)	6.840	-	-
Complementary dividend	-	-	-	-	-	(5.673)	-	(52)	(5.725)
Acquisition of treasury shares	-	(2.165)	-	-	-	-	-	-	(2.165)
Business combinations (Note 34)	-	-	-	-	-	-	-	1.929	1.929
Exclusion from consolidation (Note 17)	-	-	-	-	-	-	-	(2.536)	(2.536)
Other movements	-	-	-	-	-	154	-	(353)	(199)
Interim dividend for 2007	-	-	-	-	-	-	(6.811)	-	(6.811)
Balance at 31 December 2007	**28.500**	**(2.108)**	**33.752**	**5.777**	**8.467**	**204.393**	**(6.811)**	**24.931**	**286.901**

The accompanying notes included in pages 7 to — are an integral part of these consolidated annual accounts.

TIMBRE DEL ESTADO

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CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Eur'000)

	Attributable to the Company's shareholders								
	Share capital (Note 13)	**Treasury shares (Note 13)**	**Share premium account (Note 13)**	**Reserve First Conversion IFRS-EU and other revaluation reserves (Note 14)**	**Cumulative translation differences (Note 15)**	**Retained earnings (Note 14)**	**Interim dividend (Note 14)**	**Minority interests (Note 17)**	**Total Equity equity**
Balance at 31 December 2007	28.500	(2.108)	33.752	5.777	8.467	204.393	(6.811)	24.931	296.901
Gross cash flow hedging (Note 8)	-	-	-	(6.782)	-	-	-	-	(6.782)
Foreign currency translation differences	-	-	-	-	(65.648)	-	-	(3.527)	(69.175)
Gross income/(expense) recognised directly in equity	-	-	-	(6.782)	(65.648)	-	-	(3.527)	(75.957)
Tax effect (Note 22)	-	-	-	1.898	-	-	-	-	1.898
Net income/(expense) recognised directly in equity	-	-	-	(4.884)	(65.648)	-	-	(3.527)	(74.059)
Profit for the year	-	-	-	-	-	53.823	-	(2.126)	51.697
Total income recognised for 2008	-	-	-	(4.884)	(65.648)	53.823	-	(5.653)	(22.362)
Distribution of 2007 profits	-	-	-	-	-	(6.811)	6.811	-	-
Complementary dividend	-	-	-	-	-	(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, €10,923k, and the contribution of funds owing to the acquisition of a holding by minority interests, €5,787k (Note 1).

The accompanying notes included in pages 7 to — are an integral part of these consolidated annual accounts.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Eur'000)

	Notes	Year ended 31 December 2008	2007
Cash flows from operating activities	**32**	124.765	182.749
Income tax		(13.556)	(17.531)
Interest collected		17.404	6.236
Interest paid		(54.538)	(38.349)
Net cash generated from ordinary activities		**74.075**	**133.105**
Cash flows from investing activities			
Acquisition subsidiaries, net of cash acquired	**34**	(30.940)	(98.228)
Acquisition of property, plant and equipment and intangible assets	**6/7**	(161.704)	(99.465)
Income from sale of property, plant and equipment	**32**	17.356	7.733
Disposals of property, plant and equipment and intangible assets	-	-	(20.307)
Acquisition/disposals of financial essets at fair value through profit or loss	-	-	5.301
Acquisition/disposals of financial essets held to maturity and deposits	**8**	20.287	(30.565)
Acquisitions/disposals of other non-currant assets	**9**	2.895	(13.995)
Capital grants received	**18**	2.959	383
Net cash used in investing activities		(149.147)	(249.143)
Cash flows from financing activities			
Acquisition of treasury shares	**13**	(1.640)	(2.165)
Income (net of reimbursements) from borrowings (loans)	**19**	160.099	43.191
Repayment of loans	**19**	(37.554)	-
Dividends paid to the Company's shareholders	**14**	(7.975)	(12.484)
Distribution of reserves to minority interests	**17**	(13.645)	(52)
Net cash used in financing activities		99.285	28.490
Net (decrease)/increase in cash and cash equivalents		**24.213**	**(87.548)**
Cash and bank overdrafts et beginning of the year	**12**	67.878	155.426
Cash and bank overdrafts at the end of the year	**12**	**92.091**	**67.878**

The accompanying notes included in pages 7 to — are an integral part of these consolidated annual accounts.

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

1. General information and regulatory framework

1.1 CIE Automotive group and activities

The CIE Automotive Group has been carrying out activities in two industry sectors: the automotive and biofuel sectors. This second line of business is carried on through the subgroup CIE Automotive Bioenergía, S.L.

Set out below is a description of the two lines of business of the 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 - aluminium, moulding, metals and plastics - and several associated processes: automation, 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) and the People's Republic of China.

- 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 summarises the main lines of the regulatory framework of this new business.

  The main production facilities of this business are located in Spain (Álava, Vizcaya and Madrid), Brazil (Mato Grosso, Minas Gerais and São Paulo), Guatemala and Italy (Brescia). Similarly, there are biodiesel plants under construction in Spain (Álava and Huelva) and Brazil (State of San Paulo).

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. and 80.5% of CIE Automotive Bioenergía, SL which are the holding companies of the Group's production companies.

On 6 February 2007 the General Shareholders' Meeting of CIE Automotive resolved to move the parent company's registered office from "Carretera Azkoitia-Zumárraga s/n, 20720 Azkoitia (Guipúzcoa)" to "Calle Iparraguirre 34, 2º derecha, 48011 Bilbao (Vizcaya)".

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

Group structure

The list of subsidiaries and associates at 31 December 2008, 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.e):

	% interest	
	2008	**2007**
Belgium Forge, N.V. (1)	100%	100%
Biocombustibles de Zierbana, S.A. (2) (3)	13,69%	13,69%
Glycoleo, s.r.l. (2)	27,38%	27,38%
CIE Compiègne, S.A.S.	(*)	100%
Biocombustibles La Seda, S.L. (1) (2)	27,38%	27,38%

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

(*) On 14 November 2007 CIE Automotive, S.A. was awarded certain assets at the time of the liquidation of the company Layous. The Group set up CIE Compiègne, S.A.S. in order to allocate to it the assets and businesses involved, a process on which it was working at the 2007 year end. Effective control was obtained in 2008 and the company has been fully consolidated.

Changes in the consolidated Group

2008

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

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. will acquire 100% of the share capital of PINTURA Y ENSAMBLES DE MÉXICO, S.A. de C.V. ,until then wholly-owned by CIE DESC (Note 34).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

- Similarly, KUO AUTOMOTRIZ, S.A. de C.V. has granted a purchase option in favour of CIE BERRIZ, S.L. so that it may itself or through the company it may decide, acquire 50% of the share capital of CIE DESC AUTOMOTIVE, S.A. de C.V. (the remaining 50% of which is already held by CIE BERRIZ SL). It has been stipulated that the purchase option over 50% of the share capital of CIE DESC AUTOMOTIVE, S.A. de C.V. may be exercised during the first quarter of 2009 and the first quarter of 2010. Similarly, and in that context, CIE BÉRRIZ, itself or through the company it may decide, may carry out the partial acquisition of subsidiaries of CIE DESC AUTOMOTIVE S.A. de C.V. in the first quarter of 2009 (Notes 8 and 36).

On 11 January 2008 a capital increase was formalised in Bioauto Participações, S.A., as a result of which the CIE Automotive Group owns indirectly 71.8% of the subgroup Bioauto - 65% directly through CIE Autometal, S.A. and the remainder indirectly through Bionor Transformación, S.A. – (100% at 31 December 2007).

Bioauto Participações, S.A. is a holding company that carries out its operations through the following subsidiaries (Appendix): Bioauto SP Indústria e Comércio de Biodiesel Ltda., that engages in the collection, recovery and recycling of used oil; Bioauto MT Agroindustrial Ltda. and Biojan Agroindustrial Ltda., that engages in the agro-technology business and, finally, Mutum Alcool Combustíveis e Energia Ltda., set up to carry out bioethanol related operations and sustainable energy production and which is currently dormant.

Also, on 11 January 2008, a capital increase was formalised in CIE Autometal, S.A. consisting of the creation of 2,871,855 non-voting preference shares, representing 3.822% of share capital, following the increase, 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 subsidiary wholly owned by CIE Automotive, subscribed an agreement for the formation, together with NNE Minas Agro Florestal Ltda. (currently Biojan MT Agroindustrial, Ltda. – dormant) and a series of Brazilian investigators related to NNE, of a "joint-venture" devoted, inter alia, to:

(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.

The setting-up of this company took place in 2008.

2007

In 2007 Naturoil Combustíveis Renováveis, S.A., Leaz Valorización, S.L., and Sociedad CIE Joamar, s.r.o. were fully consolidated. The first two companies were proportionally consolidated in 2006 while the third was not consolidated as it was dormant.

On 11 December 2007 CIE Unitools CZ, a.s. sold 100% of the shares of CIE Kataforesis, s.r.o. to the following companies:

- CIE BÉRRIZ, S.L., a Spanish company wholly-owned by CIE Unitools Press CZ, acquired 90% of the shares at their par value, i.e., CZK 180,000.
- Joamar Tratamiento de Superficies, Ltda., a Portuguese company, not part of the CIE group, acquired 10% of the shares, at their par value, i.e., CZK 20,000.

On 11 December 2007 CIE Bérriz, S.L. and Joamar Tratamiento de Superficies, Ltda., as the only shareholders of CIE Kataforesis, s.r.o. held before a Notary Public of Prague, Czech Republic, a Universal General Shareholders' Meeting, during which, inter alia, the following resolutions were adopted:

- Change the company's name which hereafter will be CIE Joamar, s.r.o.
- Increase share capitel by CZK 5,000,000, CIE Berriz, S.L. subscribing CZK 2,472,000 and Joamar Tratamiento de Superficies, Ltda. subscribing CZK 2,528,000. Following the aforementioned capital increase and taking into account its previous shareholdings, CIE Bérriz, S.L. holds 51% of the share capital of CIE Joamar, s.r.o. while the remaining 49% is held by Joamar Tratamiento de Superficies, Ltda.

In 2007 the shareholding in Muskaria Inversiones SICAV, S.A. was sold (Note 8.b)).

Additionally, Note 34 sets out a breakdown of the new business combinations carried out in 2008 and 2007 which have been included in the consolidation in the respective years.

Shareholders of the Group's parent company

During the first quarter of 2007 the Company, Instituto Sectorial de Promoción y Gestión de Empresas, S.A., sold 555,875 shares in CIE Automotive, representing 0.49% of share capital. Similarly, on 10 May 2007 it sold 2,850,000 shares in the Company representing 2.5% of its share capital.

At 31 December 2008 the majority shareholder's direct and indirect shareholding stood at 64.752% (31 December 2007, 64.752%).

TIMBRE DEL ESTADO

CLASE 8.ª

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

Preparation of the accounts

These annual accounts were prepared by the Board of Directors on 25 February 2009. These consolidated annual accounts are pending approval by the General Shareholders' Meeting. Nonetheless, Group management understands that they will be approved without changes.

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 liberalisation 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 buffer stocks 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 buffer stocks 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, SLU 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 7% target to be met with respect to the energy content of petrol and diesel marketed for such purposes. This

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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, indicating that it has evidenced sales or consumption of tonnes of oil equivalent (toe) of biofuels in a specific year:

	2008	2009	2010
Biofuel objectives	1,9%	3,4%	5,83%

The Law provides a penalty for non-compliance with this obligation of 350 euros per biofuel certificate not attained.

2. Summary of the main accounting policies

The main accounting policies adopted in the preparation of 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 2008 have been drawn up in accordance with the International Financial Reporting Standards adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2008.

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 or loss.

IFRS-EU

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

a) Early adoption of standards

In 2007 the Group adopted IFRIC **11, "IFRS 2 – Group and Treasury Share Transactions"**. This interpretation lays down the principles to determine whether a share based transaction involving treasury shares or group companies should be recognised as an equity-settled or cash-settled transaction in the individual accounts of the parent company and group companies. The application of this interpretation has no effect on the Group's accounts.

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b) Standards, amendments and interpretations effective in 2008

IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" and IFRS 7 (Amendment) "Financial instruments: Disclosure" – Reclassification of Financial instruments. These amendments permit the reclassification, under exceptional circumstances (current financial crisis), of the financial assets included as "held-for-trading" out of the "fair value through profit or loss" category. The Company did not apply this possible treatment in 2008.

IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction" that contains guidance on assessing the limit established in IAS 19 concerning the surplus that may be recognised as an asset. It also explains the manner in which the pension asset or liability may be affected by minimum funding requirements, contractual or legal. This interpretation has no effect on the group's accounts given that the company has a funding deficit and is not subject to minimum financing requirements.

c) Standards, amendments and interpretations effective in 2008 but whose application has no effect on the Group's accounts

Compliance with the following interpretation (which has not yet been adopted by the European Union) of existing standards is mandatory for the years beginning on and after 1 January 2008, although it has no effect on the Group's operation:

- **IFRIC 12, "Service concession arrangements"**

d) Standards and amendments and interpretations of existing standards which are not yet effective and which the Group has adopted early

At the date of the preparation of these accounts, the IASB had published the interpretations detailed below, which except for IFRS 8 "Operating Segments" , had not yet been approved by the European Union. Compliance with these interpretations is mandatory for all years starting on and after 1 January 2009. The Group has not applied them.

- **IAS 23 (Amendment), "Borrowing costs"** (effective as from 1 January 2009). This standard requires that entities capitalise borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to be ready for its intended use or sale) as part of the cost of that asset. The option to immediately recognise such borrowing costs as an expense of the period is eliminated. The Group will apply IAS 23, amended, as from 1 January 2009 although the Group is examining its effect.

- **IAS 1 (Revised), "Presentation of financial statements"** (effective as from 1 January 2009). This amended statement prohibits the presentation of items of income and expense (i.e, changes in equity arising from operations with non-owners) in the statement of changes in equity and requires that changes in equity resulting from operations with non-owners are presented separately from changes in equity arising from operations with owners. All changes in equity arising from operations with non-owners should be presented in an income statement although entities may opt to present a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). When an entity remeasures or reclassifies comparative information, it will be required to present a restated balance sheet at the beginning of the comparative period, in addition to the balance sheet at the close of the current year and comparative period. The group will apply IAS 1 (Revised) as from 1 January 2009. The Group is examining the effect that this standard will have on its accounts.

- **IFRS 2 (Amendment) "Share-based payments"** (effective as from 1 January 2009). This amendment addresses the conditions to be met to ensure the irrevocability of the grant of rights and cancellations. It clarifies that only the conditions of service and performance may be considered grant conditions. Other characteristics of share-based payments are not considered grant conditions but instead should be included in the calculation of fair value at the grant date on transactions with employees and third parties who provide similar services such that they have no effect on the number of awards that are expected to be consolidated or measurement after the grant date. All cancellations, those carried out by both the entity and third parties, should be afforded the same accounting treatment. The Group will apply IFRS 2 (Amendment) as from 1 January 2009. It is not expected to have a significant effect on the Group's financial statements.

- **IAS 32 (Amendment) "Financial Instruments: Presentation" and IAS 1 (Amendment) "Presentation of the financial statements" – "Puttable financial statements and obligations arising on liquidation"** (effective as from 1 January 2009). These amendments require entities to reclassify puttable financial instruments and the instruments (or components of the same) that entail the obligation for the entity to deliver to a third party a fraction of its net assets in the event of liquidity, as equity, provided that the instrument has certain characteristics and meets certain conditions. The Group will apply IAS 32 and IAS 1 (amended) as from 1 January 2009 although they are not expected to have any effect on the financial statements.

- **IFRS 1 (Amendment) "First-time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements"** (effective as from 1 January 2009). The amended standard permits first-time preparers to use the fair value or carrying value resulting from the application of previous accounting principles as the attributed cost of investments in subsidiaries, joint ventures and associates in separate financial statements. The amendment also eliminates from IAS 27 the definition of the cost method and replaces it with the requirement to present dividends as income in the investor's separate financial statements. This amendment will have no effect on the Group's financial statements

- **IAS 27 (Revised), "Presentation of consolidated and separate financial statements"** (effective as from 1 July 2009). The revised standard requires that the effects of all transactions with minority interests be accounted for in equity provided that there are no changes in control. Therefore these operations no longer affect goodwill and nor do they result in a gain or loss. The amendment also covers the accounting treatment to be applied upon the loss of control. The minority interest that continues to be held should again be measured at fair value and the effect reflected in the income statement. The Group will apply IAS 27 (Revised) prospectively to transactions with minority interests as from 1 January 2010. The Group is examining the effect of this standard on its accounts. This standard has not yet been adopted by the European Union.

- **IFRS 3 (Revised) "Business combinations"** (effective as from 1 July 2009). The revised standard maintains the purchase method of accounting for business combinations although it introduces some important changes. For example, all payments on the purchase of a business are recognised at fair value at the acquisition date, while contingent payments that are classified as a liability are carried at each balance sheet date at fair value and any changes are reflected in the income statement. An accounting policy choice is introduced, applicable at business combination level, consisting of measuring minority interests at fair value or at the proportional amount of the net assets and liabilities of the acquiree. All transaction costs are expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations as from 1 January 2010. The Group is examining the effect of this standard on its accounts. This revised standard has not yet been adopted by the European Union.

- **IFRS 1 (Revised) "First-time adoption of IFRS"** (effective as from 1 January 2009). In 2007, it was proposed as part of the annual improvement plan to modify IFRS 1 in order to make it more comprehensible to the reader and design it in such a way as to better accommodate future changes. In this version, revised in November 2008, the substance of the previous version is maintained although within a modified structure. This revised standard has not yet been adopted by the European Union.

- **IAS 39 (Amendment) "Items eligible for designation as a hedged item"** (effective as from 1 July 2009). This amendment introduces two major changes as it prohibits designating inflation as a component that may be hedged through a fixed rate debt instrument and including the time value in the part of the risk hedged when options are designated as hedges. This amendment has not yet been adopted by the European Union.

- **Improvement plans** published by the IASB in May 2008, which were adopted by the European Union in January 2009 and which affect the following standards and interpretations.

  - **IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and pertinent amendment of IFRS 1 "First-time adoption of IFRS")** (effective as from 1 July 2009). This amendment clarifies that all assets and liabilities of a subsidiary should be classified as held for sale if there is a loss of control over the subsidiary as a result of a partial plan for its sale. If the conditions arise to consider that an operation has been discontinued, the relevant disclosures concerning the subsidiary should be included. Therefore, IFRS 1 has also been adapted to take this amendment into account such that its application will be made prospectively as from the date of transition to IFRS. The Group will adopt IFRS 5 (Amended) prospectively to all partial sales of subsidiaries taking place on and after 1 January 2010.

  - **IAS 23 (Amendment), "Borrowing costs"** (effective as from 1 January 2009). The definition of borrowing costs has been amended in order to calculate interest using the effective interest rate defined in IAS 39 "Financial instruments: Recognition and measurement. This eliminates the inconsistency in the terminology between IAS 39 and IAS 23 is. The Group will apply IAS 23 (Amended) prospectively with respect to borrowing costs associated with qualifying assets as from 1 January 2009.

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- **IAS 28 (Amendment) "Investments in associates" (and corresponding changes to IAS 32 "Financial instruments: Presentation" and IFRS 7: "Financial Instruments: disclosure")** (effective as from 1 January 2009). An investment in an associate is considered a separate asset for the purposes of calculating value impairment. Any impairment loss is not allocated to specific assets included in the investment, such as, for example, goodwill. Reversals of impairment losses are recognised as an adjustment to the balance of the investment insofar as the recoverable amount of the investment has increased. The Group will apply IAS 28 (Amended) to the testing for impairment of the value of investments in subsidiaries and related impairment losses as from 1 January 2009.

- **IAS 36 (Amendment), "Asset impairment"** (effective as from 1 January 2009). Where the fair value less cost of sale is calculated based on discounted cash flows, equivalent disclosures of such calculations of value in use should be presented. The Group will apply IAS 36 (Amended) and will present, where appropriate, the disclosures required for impairment testing as from 1 January 2009.

- **IAS 38 (Amendment), "Intangible assets"** (effective as from 1 January 2009). An advance payment could only be recognised when it was made in respect of an advance to obtain a right of access to certain goods or services. Therefore the expense relating to the sending of catalogues will be reflected at the time the catalogues are available and not when they are distributed to customers, which is the policy currently applied. The Group will start applying IAS 38 (Amended) as from 1 January 2009 although this amendment is not expected to affect the Group's operations.

- **IAS 19 (Amendment), "Employee remuneration"** (effective as from 1 January 2009).

  - This amendment clarifies that plan improvements that entail a change insofar as benefit promises may be affected by future salary increases are considered a curtailment while changes in benefits attributable to past services give rise to a negative past service cost provided that there is a decrease in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to indicate that plan administration costs are deducted from the calculation of the return on plan assets only insofar as such costs have been excluded from the valuation of the defined benefit obligation.

  - The distinction between long and short-term employee benefits is based on whether the benefits are to be settled within 12 of the date on which the services are provided or after that date.

  - IAS 37 "Provisions, contingent assets and contingent liabilities" requires disclosure of contingent liabilities and not their recognition in the financial statements. IAS 19 has been amended in line with this criterion.

  The Group will apply IAS 19 (Amended) as from 1 January 2009 although it does not currently have employee remuneration plans with these characteristics.

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- **IAS 39 (Amendment) "Financial Instruments: Recognition and measurement")** (effective as from 1 January 2009).

  - This amendment clarifies that movements may exist from and to the category of financial assets at fair value through profit or loss where a derivative commences (or ceases) to be classified as a hedging instrument in a cash flow or net investment hedge.

  - The definition of financial asset or financial liability at fair value through profit or loss is also amended insofar as it refers to items held for trading. a financial asset or a financial liability that forms part of a financial instrument portfolio that is managed jointly and for which there exists evidence of a recent pattern of short-term profit-taking is included in that portfolio as from initial recognition.

  - Current guidance on designation and documenting hedging relations establishes that a hedging instrument must involve a third party external to the reporting unit and cites, by way of an example, a segment of the entity. This means that, in order to apply hedge accounting at segment level, the segment must meet hedge accounting requirements. The amendment eliminates the examples of segments, in order to ensure consistency with IFRS 8 "Operating segments" that requires that segment reporting be based on the information presented to the members of management responsible for decision taking. For segment reporting purposes, each subsidiary currently designates the treasury contracts with the group as cash flow hedges such that such hedges are presented in the segment to which the hedged item belongs. This presentation is consistent with the information managed at decision-taking level (see Note 3.1). Following the entry into effect of the amendment, the hedge will continue to be effective and will be reflected in the segment to which the hedged item belongs (and information provided to the decision-taking members), although the group will not formally document or test this hedging relation.

  - When a debt instrument is remeasured, once fair value hedge accounting has ceased, the amendment clarifies that the revised effective interest rate should be used.

  The Group will apply IFRS 39 (Amended) as from 1 January 2009. Its application is not expected to have a significant effect on the Group's income statement.

- **IAS 1 (Amendment), "Presentation of financial statements"** (effective as from 1 January 2009). This amendment clarifies that some and not all financial instruments classified as held for trading, under IAS 39 "Financial instruments: Recognition and measurement" are examples of current assets and liabilities, respectively. The Group will apply this amendment as from 1 January 2009 and it is not expected to have an effect on its financial statements.

- Other minor changes to **IFRS 7 "Financial instruments: Disclosure", IAS 8 "Accounting polices, changes in estimates and errors"**, IAS **10 "Events after the balance sheet date", IAS 18 "Revenues"** and **IAS 34 "Interim financial reporting"**

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which are unlikely to have an effect on the Group's financial statements and have therefore not been analysed in detail

- **IFRIC 16 "Hedges of a net investment in a foreign operation"** (effective as from 1 October 2008). This interpretation clarifies the accounting treatment to be applied to hedges of a net investment, including the fact that the hedge of the net investment refers to the differences in the functional currency and not the presentation currency and the fact that the hedging instrument may be held anywhere in the group. The requirements of IAS 21 "Effects of exchange rate fluctuations in foreign operations" are applicable to the hedgad item. The Group will apply IFIRC 16 as from 1 January 2009. It is not expected to have a significant effect on the Group's financial statements.

- **IFRS 8 "Operating segments" which is mandatory for years beginning on and after 1 January 2009. 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 a management approach under which segment reporting presents on the same basis as that used for internal purposes. The Group will apply IFRS 8 as from 1 January 2009. The impact which this standard is expected to have is still be assessed in detail by management although it seems probable that the number of segments on which it is reported and the manner in which it is reported will be modified in line with the internal information prepared and supplied to the bodies responsible for decision taking. Since goodwill is allocated to groups of cash generating units at segment level, the change will also require management to allocate goodwill to the new operational segments which may be identified. Management does not expect any impairment losses to arise as a result of this allocation. The Group is examining the effect that this standard will have on the annual accounts.

- **IFRIC 17 "Distributions of non-cash assets to owners".** This interpretation clarifies how distributions of non-cash assets should be measured when an entity distributes dividends to owners. This interpretation requires that interim dividends are reflected when they have been duly authorised, the dividend is measured at the fair value of the net assets to be distributed and that the difference between the fair value of the dividend paid and the carrying value of the net assets distributed is recognised in the income statement. This interpretation is applicable prospectively for all years commencing on and efter 1 July 2009 and has not yet been approved by the European Union.

- **IAS 27 (amendment of May 2008) and IFRS 1 "Cost of the investment in a subsidiary, a jointly controlled entity and an associate",** permitting first-time adopters of IFRS to use as cost the fair value or carrying value under previous accounting practices to value the initial cost of the investment in subsidiaries, jointly-controlled entities and associates in separate financial statements. The amendment also eliminated from IAS 27 the definition of the cost method and replaced it with the requirement to present dividends as income in the investor's separate financial statements. This amendment has no effect for the Group.

e) Standards and amendments and interpretations of existing standards which are not yet effective and which are not relevant to the Group's operations

At the date of preparation of these accounts, the IASB had published the interpretations detailed below, application of which is mandatory for all years commencing on and after 1 January 2008 and which are not relevant in the context of the Group's operations:

- **IFRIC 13 "Customer loyalty programmes"** (effective as from 1 July 2008). IFRIC 13 claries that in those cases where the assets or services are provided jointly with a loyalty incentive (eg, loyalty points or free products), the agreement is considered a contract with multiple components and the amount received or to be received from the customer should be allocated between the components of the agreement at fair value. IFRIC 13 is not relevant for the group's operations as none of the group entities has customer loyalty programmes.

- The amendments that are detailed below relating to **improvement plans** published by the IASB in May 2008 and that have been adopted by the European Union in January 2009:

  - **IAS 16 (Amendment) "Property, plant and equipment"** (and corresponding amendment of IAS 7 "Cash flow Statement") (effective as from 1 January 2009). Those entities, whose core activity consists of the lease and subsequent sale of assets, will present the collections obtained on such sales as revenues and reclassify the assets to inventories at the time the asset is considered held for sale. Therefore IAS 7 is amended, indicating that the cash flows arising on the purchase, lease and sale of such assets are classified as cash flows from operating activities. This amendment will have no impact on the group's activities given that none of the group companies engages in the lease and sale of assets.

  - **IAS 27 (Amendment), "Presentation of consolidated and separate financial statements"** (effective as from 1 January 2009). Where an investment in a subsidiary that is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", is classified 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. This amendment will have no impact on the Group since it is group policy to account for investments in subsidiaries at cost in separate financial statements. This amendment has not yet been adopted by the European Union.

  - **IAS 28 (Amendment) "Investments in associates" (and corresponding amendments to IAS 32 "Financial instruments: Presentation" and IFRS 7: Financial instruments: disclosure")** (effective as from 1 January 2009). When an investment in an associate is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", only certain disclosures of IAS 28 should be included in addition to the requirements laid down by IAS 32 "Financial instruments: Presentation" and IFRS 7: Financial instruments: Disclosure". This amendment will have no effect on the group's operations given that the group's policy with respect to investments in associates is that they are recognised using the equity method.

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- **IAS 29 (Amendment), "Reporting in hyperinflationary economies"** (effective as from 1 January 2009). Guidance on the standard is amended to clarify that certain assets and liabilities should be carried at fair value instead of historical cost. This amendment will have no effect on the group's operations since none of the subsidiaries or associates operates in hyperinflationary economies.

- **IAS 31 (Amendment) "Interests in joint arrangements"** (and corresponding amendments to IAS 32 and IFRS 7) (effective as from 1 January 2009). When an investment in a joint arrangement is accounted for in accordance with IAS 39, only certain disclosures of IAS 31 are required in addition to those disclosures required under IAS 32 "Financial instruments: Presentation" and IFRS 7: Financial instruments: Disclosure".

- **IAS 38 (Amendment), "Intangible assets"** (effective as from 1 January 2009). This amendment eliminates the mention "on rare occasions or perhaps on none" to justify the use of a method resulting in an amortisation rate which is lower than that deriving from the application of the straight-line method. This amendment will have no effect on the Group's operations given that all intangible assets are amortised on a straight-line basis.

- **IAS 40 (Amendment) "Investment properties"** (and corresponding amendments of IAS 16) (effective as from 1 January 2009). Properties under construction or development for future use as investment properties are included in the scope of IAS 40. Therefore, when the fair value model is used, such properties should be carried at fair value. However, when the fair value of the investment properties under construction cannot be reliably determined, the property will be valued at cost until the date on which the construction is completed or, if earlier, until the date on which the fair value can be reliably determined. This amendment will have no effect on the Group's operations since it has no investment properties.

- **IAS 41 (Amendment), "Agriculture"** (effective as from 1 January 2009). This requires the use of a market discount rate in those cases where the fair value is calculated on the basis of discounted cash flows and the elimination of the prohibition of considering the biological transformation when calculating fair value. The Group is examining the effect that this standard will have on the annual accounts.

- **IAS 20 (Amendment) "Accounting for government grants and disclosure of government assistance"** (effective as from 1 January 2009). The income on a loan at a rate which is less than the market rate granted by a public entity is measured as the difference between the carrying value in accordance with IAS 39 "Financial instruments: Recognition and measurement", and the amount received, recognition being in accordance with IAS 20.

- Neither will other minor amendments of **IAS 20 "Accounting for government grants and disclosure of government assistance", IAS 29 "Reporting in hyperinflationary economies", IAS 40 "Investment properties"** and **IAS 41 "Agriculture"**, also included in the improvement plan published by the IASB in May 2008, have an effect on the group's financial statements for the reasons indicated above.

- **IFRIC 15 "Agreements for the construction of real estate"** (effective as from 1 January 2009). This interpretetion clarifies whether, for certain transactions, IAS 18 "Revenues" or IAS 11 "Construction Contracts". IAS 18 is likely to be appliceble to a larger number of transactions. This interpretetion is not applicable to the Group's operations given that all revenue is recorded under IAS 18 and not IAS 11. This interpretetion has not yet been adopted by the European Union.

- **IFRIC 18 "Transfers of assets from customers"** (effective as from 1 July 2009). This interpretation clarifies the manner in which to account for agreemants under which property, plant and equipment, provided by customers, is used to supply an on-going service. This interpretation has not yet been approved by the European Union. This interpretetion is not relevant to the Group's operations.

Following the analysis of the new accounting standards and interpretations not yet adopted by the European Union to be applied in the years beginning on and after 1 January 2009, the Company does not expect them to have a material effect on the consolidated annual accounts.

2.2 Basis of consolidation

a) Subsidiaries

Subsidiaries are all those companies where the Group is able to manage the financial and operations policieswhich is generally accompanied by a shareholding involving more than half of the voting rights. When assessing whether the Group controls another company, the existence and effect of potential voting rights which may be currently exercised or converted is taken into account. Subsidiaries are consolidated as from the date on which control is transferred to the Group and are excluded from the consolidation on the date on which such control ceases.

The Group accounts for the acquisition of subsidiaries under the purchase method. Acquisition cost is the fair value of the asset delivered, the equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. The identifiable assets acquired and identifiable contingencies assumed in a business combination are initially measured at fair value on the acquisition date, irrespective of minority interests. The excess of ecquisition cost over the fair value of the Group's interest in identifiable net assets acquired is recognised as goodwill. If the acquisition cost is less than the fair value of net assets in the subsidiary acquired, the difference is recognised directly in the income statement (Note 2.7.a).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment losses on the asset transferred. Where necessary to ensure consistency with Group policies, the subsidiaries' accounting policies are changed accordingly.

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.

b) Transactions and minority interests

It is Group policy to consider transactions with minority shareholders as transactions with non-Group third parties. The disposal of minority interests entails gains and / or losses for the Group which are recognised in the income statement. The acquisition of minority interests gives rise to goodwill which is the difference between the price paid and the relevant proportion of the carrying value of the subsidiary's net assets.

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 profit 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 36.

d) Associates

Associates (Note 8.e) 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 an associate are recorded using the equity method and initially recognised at cost. The Group's investment in associates includes, where applicable, the goodwill (net of impairment) identified on the acquisition (Note 2.7.a)).

The Group's share of gains or losses subsequent to the acquisition of its associates is recognised in the income statement while its share of post-acquisition movements in reserves is recognised in reserves. Accumulated movements subsequent to the acquisition are adjusted against the carrying value of the investment. When the Group's share of the losses of an associate is equal to or higher than its shareholding in the same, including any other uninsured receivable, the Group does not recognise additional losses unless it has incurred liabilities or made payments in the associate's name.

Unrealised gains on transactions between the Group and its associates are eliminated on the basis of the Group's interest percentage in them. Unrealised losses are also eliminated, except if the transaction provides evidence of impairment of the asset transferred. When necessary to ensure consistency with Group policies, the associates' accounting policies are changed accordingly.

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

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2.3 Segment reporting

A business segment is a group of assets and transactions, the aim of which is to supply products or services subject to risks and returns which differ from those of other business segments. A geographical segment aims to supply products or services in a specific economic environment subject to risks and returns which differ from those of other segments operating in different economic environments.

Segment reporting by the Group is primarily by business (Note 1) and secondarily on a geographical basis (Note 5).

2.4 Foreign currency transactions

a) Functional currency and presentation

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»). 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 the year- end exchange rates of monetary assets and liabilities denominated in foreign currency, are recognised in the income statement, unless they are deferred in equity as qualified cash flow hedges and qualified net investment hedges.

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

Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analysed on the basis of translation differences resulting from changes in the amortised cost of the asset and other changes in its carrying value. Translation differences are recognised in the income statement for the year while other changes in the carrying value are recognised in equity.

Translation differences in respect of non-monetary items such as equity instruments held at fair value with changes in the income statement 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), with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

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(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 recognised as a separate component of equity.

On consolidation, any exchenge 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 shareholders' equity. When sold, such exchange differences are recognised 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 recognised at cost less depreciation and cumulative impairment losses, except for land which is presented net of impairment losses.

Cost includes the expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the carrying value of the asset or recognised as a separate asset only when it is probable that the future economic benefits associated with the asset are to flow to the Group and the cost of the asset may be reliably determined. The carrying value of the component replaced is derecognised for accounting purposes. Other repair and maintenance expenses are charged in the income statament in the year in which they are incurred.

No depreciation is charged on land. The depreciation of other assets is calculated on a straight-line basis in order to assign cost to residual values based on the estimated useful lives of the assets in question:

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

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

When an asset's carrying value exceeds its estimated recoverable value, carrying value is reduced immediately to the 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 25. "Other gains/(losses) net".

2.6 Borrowing costs

Borrowing costs incurred in the construction of any qualifying asset are capitalised over the time needed to complete and prepare the asset for planned use. Other borrowing costs are expensed.

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. The 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 value 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 (Note 2.8).

b) Research and development expenses

Research expenses are recognised as an expense when incurred. The costs incurred in development projects (associated with the design and testing of new products or upgrades) are recognised 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 expenses are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent years. Development costs with a finite useful life which are capitalised are amortised from the start-up of the product's commercial production on a straight-line basis over the period in which profits are expected to be generated but in no event over more than five years.

Development assets are subject to impairment testing under IAS 36.

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c) Trademarks and licences

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

d) Software

Software licences acquired are capitalised on the basis of the costs incurred in their acquisition and preparation for the use of the specific program.

Expenses relating to software development or maintenance are recognised when incurred. Costs directly related to the production of single identifiable computer programs controlled by the Group and which will probably generate economic benefits in excess of costs for more than one year are recognised under intangible assets. Direct costs include costs relating to employees developing the software and an appropriate percentage of general expenses.

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

2.8 Asset impairment losses

Assets with indefinite useful lives are not subject to amortisation/depreciation and are tested annually for impairment. Assets subject to amortisation/ depreciation are reviewed for impairment provided that some event or change in circumstances indicates that carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying value of the asset 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).

Impaired non-financial assets, other than goodwill, are subject to review on the balance sheet date in case the loss has reversed.

2.9 Financial assets

2.9.1 Classification

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classed under this category if it is mainly acquired for sale in the short term. Derivatives are also classified as acquired for trading unless they are designated as hedges. Assets under this category are classified as current assets.

b) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets involving fixed or determinable payments and which are not listed on an active market. They arise when the Group supplies money, goods or services directly to a debtor and does not intend to trade with the account receivable. Current assets are included, except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets. Loans and accounts receivable are included under trade and other accounts receivable in the balance sheet (Note 10).

c) Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and set maturities which Group management positively intends and is able to maintain to maturity. If the Group sells an insignificant amount of the financial assets held to maturity, the complete category would be reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets expect for those maturing in less than 12 months.

d) Available-for-sale financial assets

Available-for-sale financial assets are not derivatives. They are financial assets designated under this category or not classified in other catagories. They include non-current assets unless management intends to sell the investment within 12 months of the balance sheet date.

2.9.2 Recognition and measurement

Acquisitions and disposals of investments are recognised at the trading date, i.e., on the date the Group undertakes to acquire or sell the asset. Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value with changes in the income statement Financial assets at fair value through profit and loss are recognised initially at fair value while transaction costs are taken to 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 with changes in the income statement are subsequently accounted for at fair value. Loans and accounts receivable and assets held to maturity are accounted for at amortised cost under 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 "Other gains/(losses) net". 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 analysed on the basis of differences resulting from changes in the amortised cost of the asset and other changes in its carrying value. Translation differences of monetary assets are recognised in the incomes statament. Changes in fair value of monetary and non-monetary assets classed as available for sale are recognised in equity.

Unrealised gains and losses resulting from changes in the fair value of non-monetary instruments classed as available for sale are recognised in equity.

When instruments classed 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 listed 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 models for setting option prices, making maximum use of market inputs and relying as littla as possible on the entity's specific inputs.

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 classed 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 recognised in results is eliminated from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment testing of accounts receivable is described in Note 2.12.

2.10 Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date on which the derivative contract is concluded and subsequently revalued at fair value. The method used to recognise the resulting gain or loss depends on whether the derivative has been designated a hedging instrument and in this case, on the nature of the item hedged. The Group designates certain derivatives as:

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

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

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

The Group documents at inception the relationship between the hedging instruments and items hedged together with the risk management objectives and strategy to undertake various hedging transactions. The Group also documents its assessment, at both inception and on an on-going basis, of whether the derivatives used in the hedging transaction are highly efficient to offset changes in fair value or in cash flows of the items hedged.

The fair value of various derivative instruments used for hedging purposes is shown in Note 8. Movaments in the hedging reserve in equity are set out in Note 14. The total fair value of hedging derivatives is classified as a non—current asset or liability if the item to maturity of the hedged item is more than 12 months and as a current asset or liability if the time to the maturity of the hedged item is less than 12 months. Marketable derivatives are classed as a current assets or liabilities

a) Fair value hedges

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 recognised in the income statement under "finance costs". The profit or loss on the inefficient part is recognised 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 recognised in the income stetement under "finance costs".

If the hedge no longer meets the conditions for hedge accounting, the adjustment to the carrying value of n hedged item for which the effective interest rate method has been used is amortised through profit or loss during that period to maturity.

b) Cash flow hedges

The efficient part with respect to changes in fair value of the derivatives designated and classed as cash flow hedges is recognised in equity. The gain or loss relating to the inefficient part is recognised immediately in the income statement.

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 recognised in the income stetement under "finance costs". The profit or loss on the effective part of foreign currency forward contracts which cover exports is recognised 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 recognised in cost of sales for inventories, or depreciation for Property, plant and equipment.

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When a hedging instrument matures or is sold or when the requirements for the application of hedge accounting are not met, any profit or loss accumulated to that date in equity remains in equity and is recognised when the forecast transaction is finally recognised 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 recognised in equity. The profit or loss on the inefficient part is recognised immediately in the income statement under "Net other gains/(losses)".

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

d) Derivatives not qualifying for hedge accounting

Certain derivatives are classed as hedge accounting and are recognised 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 recognised immediately in the income statement.

2.11 Inventories

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

- Goods purchased for resale: acquisition cost, including certain direct costs incurred in the purchase.

- Raw materials and other supplies: the average weighted acquisition price.

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

Obsolete or slow-moving goods are reduced to realisable value.

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

The Group company, Via Operador Petrolífero, S.L.U. (Note 1.2) has been entered in the operator register in order to carry out the wholesale distribution of 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 37 days are held by Corporación de Reservas Estratégicas de Productos Petrolífersos (CORES). In order to maintain these buffer stocks, the Company carries out, when

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necessary, product exchanges (under repos) with other operators or with the group company, Bionor Berantevilla, S.L.U 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 (Note 2.22).

2.12 Trade receivables

Trade accounts receivable are initially recognised at fair value and subsequently at amortised cost in accordance with the effective interest rate method, less the provision for impairment losses. A provision is recorded for impairment losses on trade accounts receivable when there is objective evidence that the Group will not be able to collect all amounts owed in accordance with the original terms of the accounts receivable. The existence of significant financial difficulties in the debtor, the likelihood of the debtor being declared bankrupt or undertaking a financial restructuring and the absence or delay in payment are regarded as indicating a deterioration of the receivable. The amount of the provision is the difference between the carrying value of the asset 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 recognised in the income statement. When an account receivable is uncollectible, it is adjusted against the provision for receivables. Subsequent recovery of amounts previously written off is recognised in the income stetement.

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 enables the receivable to be written off because all associated risks have been transferred to the financial institution.

2.13 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. In the balance sheet, bank overdrafts are classified as borrowings under current liabilities.

2.14 Share capital

Ordinary shares are classed as equity.

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, in 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

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transaction which is directly attributable and the corresponding income tax effects, is included in equity attributable to the Company's shareholder.

2.15 Government grants

Government grants are recognised 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 recognised in the income statement over the necessary period to match them to the costs which are to be offset.

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

2.16 Trade payables

Trade payables are initially recognised at fair value and subsequently valued at amortised cost using the effective interest rate method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of the costs incurrad in the transaction. Borrowings are subsequently measured at amortised cost. Any differences between the funds obtained (net of the necessary costs incurred in their obtainment) and repayment value are recognised in the income statement over the life of the debt in accordance with the effective interest rate method.

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

Commissions paid by the arrangement of credit lines are recognised as costs of the loan transaction insofar as it is probable that some or all lines will be used. In such cases, commissions are deferred until the line is used. Insofar as there is no evidence that it is probable that the credit line will be used, the commission is capitalised as an advance payment for liquidity services and amortised over the period during which the credit line is available.

2.18 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 recognised in the income statement, except insofar as it relates to items recognised directly in equity, in which case, it is also recognised in equity.

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

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

- CIE Azkoitia, S.L.
- CIE Bérriz, S.L.
- CIE Inversiones e Inmuebles, S.L. Sociedad Unipersonal
- CIE Automotive Bioenergía, S.L. (added to the tax group in 2007)
- Autokomp Ingeniería, S.A.
- CIE Legazpia, S.A. (formerly GSB Forja, S.A.)
- CIE Udalbide, S.A., Sociedad Unipersonal
- CIE Udalbide, S.A., Sociedad Unipersonal
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A., Sociedad Unipersonal (added in 2008)
- Alurecy, S.A., Sociedad Unipersonal (added in 2008)
- Componentes de Automoción Recytec, S.L.Sociedad Unipersonal (added in 2008)
- Nova Recyd, S.A., Sociedad Unipersonal (added in 2008)
- Recyle, S.A., Sociedad Unipersonal (added in 2008)
- Tarabusi, S.A. (added in 2008)

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 Automotive.

Similarly, for 2008 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 36).

Other companies of the CIE group file individual returns.

b) Deferred taxes

Deferred taxes are calculated in accordance with the liability method on the temporary differences between the tax bases of assets and liabilities and their carrying values 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. The deferred tax is determined using tax rates (and laws) approved or about to be approved at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

Deferred taxes on temporary differences arising on investments in subsidiaries, associates and interests in joint ventures are recognised, 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 recognised to the extent that there will be sufficient tax 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 recognised by credit to deferred income (Note 18).

2.19 Employee benefits

a) Pension obligations

Plans are financed through payments to insurance companies or funds managed externally, determined through 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 recognised 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 unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash flows at interest rates on government bonds denominated in the currency in which the benefits will be paid and maturities similar to those of the relevant obligations.

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

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b) Severance indemnities

Severance indemnities are paid to employees as a result of the Company's decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. The Group recognises these benefits when it has demonstrably undertaken to make present workers redundant in accordance with a detailed formal plan which cannot be withdrawn or to provide severance indemnities as a result of an offer to encourage employees to take up 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 share plans and bonuses

The Group recognises a liability and e bonus expense based on a formula which takes into account the profit attributable to the Company's shareholders following certain adjustments. The Group recognises a provision when it is contractually obligated or when past practice has generated an implicit obligation.

2.20 Provisions

The provisions for specific liabilities and charges are recognised when:

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

(ii) An outflow of funds will probably be required to settle the obligation; and

(iii) The amount has been reliably estimated.

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

When there are 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 recognised even if the probability of an outflow with respect to any item included in the same class of obligations may be regarded as remote.

The provisions are stated at the present value of the disbursement expected to be necessary to settle the obligation using a rate before tax which reflects the assessments of the present market of the temporary value of money and specific exposures of the obligation. The increase in the provision as a result of the passage of time is recognised as an interest expense.

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2.21 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 recognises revenues when the amount of the same may be reliably measured, future economic benefits are likely to flow to the entity and the specific conditions 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. Revenues are recognised as follows:

a) Sales of assets on a wholesale basis

Sales of assets are recognised when e Group company has delivered the products to the customer, the customer has accepted the products and it is probeble that the future economic benefits will flow to the Entity. Accumulated experience is used to estimate and provide for those returns at the time of sale.

b) Sales of services

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

c) Interest revenue

Interest revenue is recognised using the effective interest rate method. When there is an impairment loss in respect of an account receivable, the Group reduces the carrying value to the recoverable value, discounting estimated future cash flows at the original effective interest rate of the instrument and continues to carry the discount as a decrease in interest revenue. Interest income on loans in respect of which there are impairment losses is recognised when the cash is collected or on the basis of the recovery of cost when conditions are guaranteed.

d) Royalty revenues

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

e) Dividend income

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

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2.22 Leases

Finance leases

Leases of property, plant and equipment in which the Group holds substantially all the risks and advantages deriving from the ownership of the assets are classified as finance leases. Finance leases are recognised 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 payments. Each lease payment is broken down to show the reduction in the debt and the financial charge such that a consistent interest rate is obtained on the balance of the debt payable. The payment obligation deriving from the lease, net of the financial charge, is recognised under long-term debts payable. The interest associated with the financial charge is debited in the income statement over the period during which the lease is in effect in order to obtain a constant regular interest rate on the balance of the debt payable in each period. Property, plant and equipment acquired under finance lease contracts are depreciated over the assets' useful lives in accordance with the criteria used for property, plant and equipment.

Operating leases

Leases in which the lessor retains a substantial part of the risks and advantages deriving form ownership are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) are debited in the income statement on a straight- line basis over the lease period

2.23 Non-current assets held for sale

Non-current assets are classified as assets held for sale and are recognised at the lower of carrying value and fair value less selling costs, if carrying value is mainly recovered through a sale instead of continuing use. At 31 December 2007 and 2008 the Group holds no assets for sale.

2.24 Dividend payment

The payment of dividends to the Company's shareholders is recognised 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 entail additions to property, plant and equipment, the purpose of which is to minimise the environmental impact and protect and improve the environment, they are accounted for as an increase in the value of fixed assets.

The Group has not been included in the National Plan for the Assignment of Emission Rights since 2006.

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2.26 Short and long-term balances

Long-term balances, under both assets and liabilities, are considered to include those amounts maturing in more than 12 months of 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 rate. Management, which is the responsibility of Finance Management, is through the arrangement of financial instruments which enable as far as possible participation in favourable 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 unfavourable environment.

a) Market risk

(i) Exchange rate 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 favourable 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 timeperiod. 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.

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- 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 analysing 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 2008, the value of the euro had decreased/ increased by 10% with respect to all other functional currencies, all other variables being equal, equity would have increased/ decreased by 21,265k (2007: 17,766k) 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 2008 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 4,121k (2007, 4,681k) 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 is 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 afficiency 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.

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 formalisation 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 ba 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 raference, 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 caps: Through these derivatives, the CIE Automotive group converts a variabla 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 unfavourable development.

- Other instruments: As discussed in the section relating to exchange rates, other hedging derivatives may also be used, the arrangament 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 2008 the average interest rate on borrowings denominated in euros had been 10 base points higher / lower, all other variables being equal, profits after tax for the year would have been 0492k (2007, 0404k) 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 through which the risks and rewards on accounts receivable are transferred) that, in accordance with Group policy, do not exceed 30% of overdue

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trade receivable balances in order to maintain liquidity levels and the structure of working capital required under its business plans.

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

	2008	**2007**
Cash and other cash equivalents (Note 12)	92.091	67.878
Other current financial assats Note 8)	22.201	39.733
Unused credit lines (Note 19)	52.573	87.248
Liquidity reserve	**166.865**	**194.859**
Amounts payable to credit institutions (Note 19)	642.546	515.923
Other current financial liabilities Note 8)	6.579	-
Cash and other cash equivalents (Note 12)	(92.091)	(67.878)
Other current financial assets Note 8)	(22.201)	(39.733)
Net financial debt	534.833	408.312
Amounts payable to credit institutions – non current (Note 19)	(430.412)	(403.199)
Net financial debt - current	**104.421**	**5.113**

The Group's Treasury department does not expect liquidity pressures to arise in the short term that cannot be covered through current or future financial means which may be available to the Group. The generation of cash forecast for 2009 will enable payments for the year to be met without the need to increase borrowings.

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

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

The effective interest rate on short-term deposits in credit institutions has been the market rate varying between 1.7% and 4% in 2008 and between 3.70% and 4.05% in 2007.

To date the Company has not considered working capital as one of the key management parameters for the management and understanding of its financial statements, given that, in the Directors' opinion, there are no significant risks in its liquidity position, taking into account the robustness, quality and stability of relations with customers and suppliers and the comprehensive monitoring of its situation with financial institutions, with which in many cases it automatically renews its loans. The main reasons for the reduction in working capital at 31 December 2008 compared with the previous year have been the monitoring of the Group in the management of net working capital as part of its resource optimisation strategy and the increased availability at 31 December 2008 compared with

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31 December 2007 of the available credit lines. In any event, and due to an active policy of reclassifying bank loans from short to long term, this parameter will improve during 2009.

We attach below a teble setting out a breakdown of the working capital presented in the consolidated balance sheet of the CIE Automotive group at 31 December 2008, on a comparative basis with that at 31 December 2007, indicating the relative significance of each of the headings that comprise it:

	2008	**2007**	**Variation**
Inventories	176.044	162.242	13.802
Trade and other receivables	166.836	191.632	(24.796)
Other current assets	1.522	2.347	(825)
Current income tax assets	38.095	30.530	7.565
Other current financial assets	22.201	39.733	(17.532)
Cash and other cash equivalents	92.091	67.878	24.213
CURRENT ASSETS	**496.789**	**494.362**	**2.427**
Short-term bank loans and overdrafts	212.134	112.724	99.410
Trade and other payables	269.749	310.803	(41.054)
Other financial liabilities	6.579	-	6.579
Current income tax liabilities	23.821	28.073	(4.252)
Provisions -current	10.168	2.363	7.805
Other current liabilities	60.719	39.834	20.885
CURRENT LIABILITIES	**583.170**	**493.797**	**89.373**
WORKING CAPITAL	**(86.381)**	**565**	**(86.946)**

One of the Group's strategic lines is to ensure the optimisation and maximum saturation of the resources devoted to the business. The Group therefore pays special attention to the net working capital invested i 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 despite the increase in 2008 of revenues thanks to an excellent logistics and industrial management that enables us to supply customers on a JIT basis. Similarly, we constantly optimise supplier payment terms, standardising policies and conditions throughout the group.

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

- €55.8 million deriving from the recurring discount of our customers' commercial paper.

- €35.6 million deriving from the financing of recurring imports.

Additionally, the Group is negotiating a significant portion of the debts with financial institutions such that they form part of long-term borrowings on a permanent basis in addition to the possibility of increasing borrowings in other countries where the group operates.

In any event, both components of the bank debt (091.4 million) are consistent, thereby providing reasonable liquidity.

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Noteworthy once again is the existence at 31 December 2008 of 053 million in unused credit lines.

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 within 12 months are equivalent to the carrying values of the same given that the effect of the discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Balance at 31 December 2008				
Bank loans (Note 19)	212.134	160.134	306.284	37.497
Trade and other payables	371.036	13.887	23.562	12.872
Balance at 31 December 2007				
Bank loans (Note 19)	112.724	82.343	337.186	54.131
Trade and other payables	381.073	28.569	18.807	7.809

Derivative financial instruments classed as hedging are settled at the net amount involved and maturities are detailed in Note 19 for interest rate swaps. Cash flow hedge derivatives are expected to be settled mainly in the short term (Note 8.c)).

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 minimise 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. In view of the recent addition of this business segment to the Group and that it needs some time to adapt, to date the Group has not applied a systematic policy for arranging derivatives to reduce exposure to this risk although, given the current price instability, it is analysing various alternatives in this respect.

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 Automotiva 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 changas 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 as follows:

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

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

b) Cash flow hedges

Tha efficient part with respect to changes in fair value of the derivatives designated and which are classad as cash flow hedges are recognised in equity. The gain or loss relating to the inefficient part is recognised immediately in the income statement.

The accumulated amounts in equity are transferred to the income statement in the year in which the hedged item will affect the gain or loss (e.g., when the forecast sale which 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 the hedging instrument matures or is sold or when a hedging transaction ceases to comply with the requirements for the application of hedge accounting, the gains or losses in equity to that time will continue forming part of the same and will be recognised when the transaction advanced is finally recognised 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.

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This circumstance may arisa 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 opposita case, i.e, if the underlying has been defined as a highly probable transaction.

c) Derivatives not qualifying for hedge accounting

Changes in the fair value of any derivative which does not qualify for hedge accounting are recognised 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.

The CIE Automotive group uses the offset method to measure the effectiveness of cash flow hedging on both a retrospective and prospective basis. Changes in cash flows of the hedged component and hedging instrument are compared to verify that they offset each other in order to reduce or eliminate the risk that it is sought to hedge in accordance with the established strategy and objectives. Changes in cash flows are calculated on an accumulated basis.

For such purposes, cash flows from the hedged component and cash flows from the hedging derivative are broken down. Using the forward interest rate curve, both flows are measured to determine the level of effectiveness of the hedging on the basis of the set objective.

Measurement of the hedging derivative: The Group uses various tools to measure end 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 through licensed platforms by Reuters and Bloomberg, and book stores specialising in financial calculations such as "Financialcad".

3.3 Valuation method (fair value estimate)

The fair value of the financial instruments that are marked on active markets is based on market prices at the balance sheet date. The market quotation price that is used for financial assets is the current bid price.

The fair value of the financial instruments that are not listed on an active market is determined using valuation 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 flows. The fair value of exchange rate forward contracts is determined using future rates listed on the market at the balance sheet date.

It is assumed that the carrying value of trade receivables and payables approximates their fair value. The fair value of financial liabilities for the reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that the Company has for similar financial instruments.

3.4 Equity 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.

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

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 2008 the Group's strategy which has not varied since 2007 has consisted of maintaining a gearing ratio of approximately 0.50. The gearing ratios at 31 December 2007 and 2008 were as follows:

	2008	**2007**
Borrowings (Note 19)	642.546	515.923
Current financial liabilities (Note 8)	6.579	-
Less: Cash and equivalents and current financial assets (Notes 8 and 12)	(114.292)	(107.611)
Net financial debt (Note 3.1.b))	534.833	408.312
Equity	254.866	296.901
Total capital employed in the business	789.699	705.213
Gearing ratio	**0,68**	**0,58**

The increase in the gearing ratio in 2008 was largely due to the significant fall in the Group's equity owing to the negative conversion difference generated in 2008 (different arrangements are currently being analysed to cover these equity variations deriving from changes in the currencies in the locations where the Group has major production facilities in the future) and the increased use at the year end of existing credit lines.

If the calculation of the gearing ratio did not take into account reserves for accumulated exchange rate differences, the adjusted gearing ratios at 31 December 2007 and 2008 would be as follows:

	2008	2007
Borrowings (Note 19)	642.546	515.923
Current financial liabilities (Note 8)	6.579	-
Less: Cash and equivalents and current financial assets (Notes 8 and 12)	(114.292)	(107.611)
Net financial debt (Note 3.1.b))	534.833	408.312
Adjusted equity for the variation generated in 2008/2007 in the accumulated exchange rate difference	320.514	297.692
Total capital employed in the business	855.347	706.004
Gearing ratio	**0,62**	**0,58**

The Company has formalised a syndicated loan that includes mandatory compliance with certain financial ratios, including the net debt to equity ratio. Note 19 sets out a detailed description of these obligations.

4. Accounting estimates and judgements

Estimates and judgements are assessed on an on-going basis and are based on historic experience and other factors, including expectations of future events which may be considered reasonable in the circumstances.

4.1 Significant accounting estimates and judgements

The Group makes estimates and judgements in relation to the future. The resulting accounting estimates, by definition, will rarely match the real results. Set out below is an explanation of the estimates and judgements that entail a significant risk of material adjustment in the carrying values of assets and liabilities in next year.

a) Estimated impairment loss on 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 recoverable amounts in cash generating units have been determined based on calculations of the value in use. 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 amortisation, 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 corporate income tax in several jurisdictions. A significant level of judgement is required to determine the worldwide provision for income tax. The Group recognises 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. The Group recognised until 2007, inclusive, liabilities for possible tax contingencies brought forward on the basis of estimates of whether additional taxes will be necessary. During 2008 decisions have bean received from the competent tax administrations concerning the inspection and collection of taxes in accordance with the Judgment of the European Community Court of Justice, correcting the assessments submitted by the Group companies. The assessments raised by the tax administrations do not entail an 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 2007 and 2008.

c) Product warranty

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

4.2 Significant judgements when applying accounting policies

The most significant judgements 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.

- Estimation of the recognition and application of tax credits, as described in Notes 2.18.b), 4.1.b), 22 and 29.

- Estimation of the useful lives of property, plant and equipment. In 2008 and 2007 the variations in the estimated useful lives of specific assets have not had a significant effect on the figures for depreciation for the year.

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5. Segment reporting

The Group operates two business segments:

- Automotive
- Biofuels.

a) Principal format for segment reporting: business segments

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 industrialisation and supply capacity. The Group has global customers and the CIE Automotive Group has the capacity to supply customers from different geographical areas.

Similarly, concerning the management of the business, the Group is managed by legal entities. Management information is based on financial information for each legal entity and aggregate information is only presented at consolidated account level.

Biofuel segment

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

As part of the integrated management strategy of the biofuel sector value chain, activities such as the following are being performed:

- Efforts to add activities that guarantee the competitive supply of all raw materials, both those deriving from Agriculture(virgin oil), and recycled oil, animal fats and oleine

- Start-up of new facilities enabling the improvement of the production process and environmental improvements at its current plants in Alava and Italy.

- Expansion of storage and loading and unloading capacity for its current plants.

- Expansion of the Alava plant by 100,000Tm with the start-up of production in 2009.

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- Construction of a 200,000Tm plant in Huelva with the start-up of production planned for 2010.
- Deployment of the sales or logistics and distribution network both nationally and internationally.

There are no sales between the two segments.

Results by segment are as follows:

	2008			2007		
	Automotive	**Biofuels**	**Total**	**Automotive**	**Biofuels**	**Total**
Revenues	1.158.116	297.194	1.455.310	1.056.982	220.589	1.277.571
EBITDA (*)	191.303	(10.666)	180.637	156.083	1.313	157.396
Amort/Deprec.	(75.078)	(1.899)	(76.977)	(65.785)	(1.246)	(67.031)
Operating profit	**116.225**	**(12.565)**	**103.660**	**90.298**	**67**	**90.365**
Net financial costs and share in results companies consolidated under equity method	(35.811)	(97)	(35.908)	(28.293)	(2.004)	(30.297)
Profit before taxes	**80.414**	**(12.662)**	**67.752**	**62.005**	**(1.937)**	**60.068**
Income tax	(13.976)	(2.079)	(16.055)	(7.641)	(1.171)	(8.812)
Minority interests	(2.957)	5.083	2.126	(1.964)	1.380	(584)
Profit attributable to the Company's shareholders	**63.481**	**(9.658)**	**53.823**	**52.400**	**(1.728)**	**50.672**

(*) Operating profit plus depreciation/ amortisation

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

	2008			2007		
	Automotive	**Biofuels**	**Total**	**Automotive**	**Biofuels**	**Total**
Amort/Deprec.	(75.078)	(1.899)	(76.977)	(65.785)	(1.246)	(67.031)
- Property, plant and equipment (Note 6)	(68.030)	(1.788)	(69.818)	(60.268)	(1.031)	(61.299)
- Intangible assets (Note 7)	(7.048)	(111)	(7.159)	(5.517)	(215)	(5.732)
Restructuring costs (Note 27)	(8.107)	-	(8.107)	-	-	-

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

	2008				2007			
Area / location	Automotive	Biofuels	(**) Elimination on consolidation	Total	Automotive	Biofuels	(**) Elimination on consolidation	Total
Total assets (*)	1.885.014	238.802	(726.816)	1.397.000	1.864.304	191.389	(731.753)	1.323.940
Total liabilities	1.633.641	212.107	(726.816)	1.118.932	1.588.109	145.704	(731.753)	1.002.060
Fixed asset additions (Notes 6 and 7)	109.012	52.692	-	161.704	85.213	24.350	-	109.563
Fixed asset disposals (Notes 6 and 7)	(24.139)	(809)	-	(24.948)	(10.582)	(19)	-	(10.601)
Investments for the year (Notes 6 and 7)	84.873	51.883	-	136.756	74.631	24.331	-	98.962

(*) Does not include investments included in the consolidation
(**) These eliminations relate to intercompany balances.

b) Secondary format for segment reporting: geographical segments

The Group mainly operates in the following geographical areas: Europe and America, operations in China are considered residual and are included in the figures for Europe.

The main figures of the Group's income statement by geographical area based on production company location are as follows:

	2008			2007		
	Europe	America	Total	Europe	America	Total
Revenues	984.798	470.512	1.455.310	866.794	410.777	1.277.571
EBITDA (*)	88.172	92.465	180.637	85.170	72.226	157.396

(*) Operating profit plus depreciation/ amortisation

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There are no sales between the two segments.

The information in the main headings of the financial statements with respect to geographical areas based on production asset location is as follows:

	2008				2007			
Area / location	Europe	America	(**) Elimination on consolidation	Total	Europe	America	(**) Elimination on consolidation	Total
Total assets (*)	1.709.699	414.117	(726.816)	1.397.000	1.628.960	426.733	(731.753)	1.323.940
Total liabilities	1.607.879	237.869	(726.816)	1.118.932	1.493.284	240.529	(731.753)	1.002.060
Fixed asset additions (Notes 6 and 7)	127.233	34.471	-	161.704	80.776	28.787	-	109.563
Fixed asset disposals (Notes 6 and 7)	(22.310)	(2.638)	-	(24.948)	(9.000)	(1.601)	-	(10.601)
Investments for the year (Notes 6 and 7)	104.923	31.833	-	136.756	71.776	27.186	-	98.962

(*) Does not include investments included in the consolidation
(**) These eliminations relete to intercompany balances.

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

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

Fixed asset investments 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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

6. Property, plant and equipment

A breakdown and movements in the different categories of property, plant and equipment is as follows:

	Balance 31.12.06	Inclusion in consolidation (Notes 1, 34 and 36)	Additions	Disposals	Trans-fers (Note 7)	(*) Other movements	Balance 31.12.07
Cost							
Land and buildings	174.610	9.104	17.993	(1.165)	16.227	(907)	215.862
Plant and machinery	525.844	90.266	37.596	(7.705)	18.528	1.966	666.495
Other fixed assets	118.538	17.075	15.724	(579)	2.553	775	154.086
Prepayments and PPE in course of construction	54.463	4.925	28.152	(1.131)	(29.131)	(437)	56.841
	873.455	**121.370**	**99.465**	**(10.580)**	**8.177**	**1.397**	**1.093.284**
Depreciation							
Land and buildings	42.016	502	4.109	(78)	-	(1.258)	45.291
Plant and machinery	307.267	51.084	44.705	(6.376)	(14)	(3.192)	393.474
Other fixed assets	91.027	10.780	12.485	(254)	14	(224)	113.828
	440.310	62.366	61.299	(6.708)	-	(4.674)	552.593
Provisions							
Plant and machinery	1.857	1.211	-	-	-	-	3.068
	1.857	1.211	-	-	-	-	3.068
Net carrying value	**431.288**						**537.623**

(*) Basically includes the effect of exchange fluctuations in the currency in which PPE of foreign subsidiaries is denominated.

	Balance 31.12.07	Inclusion in consolidation (Notes 1, 34 and 36)	Additions	Disposals	Transfers	(*) Other movements	Balance 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 fixed 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 fixed 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 currency of foreign subsidiaries.
(**) Relating to land and a building sold in 2008.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

a) Revaluations

Net capital gains generated on the revaluations carried out in accordance with Provincial Regulation 6/96, of 21 November 1996 and Provincial Regulation 11/96 of 5 December 1996, amounted to €12.1 million. Additionally, the amount of net cumulative revaluations at the 2008 year end totals €1 million (2007, €1.1 million). The effect of such restatements on the depreciation charge in both 2007 and 2008 is immaterial.

Furthermore, the property, plant and equipment of the subsidiary Grupo Componentes Vilanova, S.L. (Appendix) resulted from the contribution of a line of activity on 25 June 2001 by Componentes Vilanova, S.L., then the Company's parent (now wound up and merged into CIE Azkoitia, S.L.). Net cumulative revaluations at the 2008 year end resulting from this operation total €6,660k (€6,854k in 2007). The effect of these revaluations was a 0134k increase in depreciation for the year (€153k in 2007).

The subsidiary CIE Matricon, S.A. (Appendix) included in 2006 a revaluation, in accordance with Romanian mercantile law, amounting to €5,346k, which is recorded as an increase in the Company's equity, part of which was adjusted in 2007 in an amount of €114k.

In turn, the subsidiaries Comlube, s.r.l. and Biocombustibles de Guatemala, S.A. (Appendix) include a revaluation in accordance with Italian and Guatemala legislation amounting to 03,367k and €461k, respectively. The effect of such revaluation on profits for the year amounts to approximately €357k (€384k in 2007).

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 2007 and 2008:

	€ million					
	2008			2007		
	Cost	Accumulated depreciation	Net carrying value	Cost	Accumulated depreciation	Net carrying value
America	270	(129)	141	285	(142)	143
Europe	936	(461)	475	808	(414)	394
	1.206	**(590)**	**616**	**1.093**	**(556)**	**537**

c) Impairment losses

At 31 December 2008 and 2007 there are no material fixed assets not used in operations.

Following the addition of the Recyde Group in 2007 (Note 34), a provision amounting to €1,211k was included in the consolidated figures for the impairment of certain machinery which is currently no longer in use.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

d) Fully- depreciated assets

At 31 December 2008 there are fully-depreciated property, plant and equipment with a cost of €226,272k still in use (2007, €203,003k).

e) Property, plant and equipment subject to guarantees

At 31 December 2008 there are property, plant and equipment (land and buildings) pledged to guarantee debts with the public administrations totalling 04.4 million, which are pending payment at 31 December 2008 (€9.1 million in 2007) (Note 21).

f) 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.

g) Finance leases

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

	2008	**2007**
Capitalised finance lease cost	11.442	9.439
Accumulated depreciation	(5.944)	(3.507)
Net carrying value	5.498	5.932

The amounts payable under finance leases are carried under Other liabilities (Note 21).

h) Capitalisation of interest

Borrowing costs capitalised during the year amount to €2,223k (2007: €753k).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

7. Intangible assets

The movement in the main intangible asset classes, broken down between those generated internally and other intangible assets, is as follows:

2007

	Goodwill	R&D	Computer software	Prepayments and other	Total
Cost					
Balance 31 December 2006	104.156	19.993	13.438	913	138.500
Inclusion due to consolidation scope change	78.757	2.199	492	-	81.448
Additions	-	5.340	1.889	2.869	10.098
Disposals	-	(17)	(4)	-	(21)
Transfers (*)	(8.177)	-	-	-	(8.177)
Other movements (**)	9.853	(43)	21	389	10.220
Balance 31 December 2007	**184.589**	**27.472**	**15.836**	**4.171**	**232.068**
Amortisation					
Balance 31 December 2006	-	9.096	7.065	69	16.230
Inclusion due to consolidation scope change	-	-	313	-	313
Additions	-	2.862	1.857	1.013	5.732
Other movements (**)	-	(25)	6	30	11
Balance 31 December 2007	-	11.933	9.241	1.112	22.286
Net carrying value					
Balance at 31 December 2006	104.156	10.897	6.373	844	122.270
Balance at 31 December 2007	**184.589**	**15.539**	**6.595**	**3.059**	**209.782**

(*) Amounts assigned to increase value of land and buildings.
(**) Basically includes the effect of exchange fluctuations in the currencies in which intangible assets of foreign subsidiaries are denominated.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

2008

	Goodwill	R&D	Computer software	Prepayments and other	Total
Cost					
Balance 31 December 2007	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 31 December 2008	**173.300**	**44.166**	**17.153**	**7.334**	**241.953**
Amortisation					
Balance 31 December 2007	-	11.933	9.241	1.112	22.286
Inclusion due to consolidation scope change	-	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 31 December 2008	-	15.385	10.609	1.190	27.184
Net carrying value					
Balance at 31 December 2007	184.589	15.539	6.595	3.059	209.782
Balance at 31 December 2008	**173.300**	**28.781**	**6.544**	**6.144**	**214.769**

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

The variations in goodwill resulting from changes in consolidation are as follows (Note 34):

	2008	2007
Automotive segment		
Grupo Recyde, S.L.	-	36.355
Nakayone Empreendimentos e Participações, S.A.	-	18.346
Nuger, S.A. de C.V.	-	18.740
UAB CIE LT Forge	-	207
Shanghai Sandun Auto Parts Manufecture Co., Ltd.	478	154
CIE Praga Louny	1.024	-
Fundición Alcasting, S.L.	1.307	-
Pintura y Esambles de México, S.A. de CV	4.063	-
Biofuel segment		
Bionor Transformación, S.A.	-	2.801
Reciclado de Residuos Grasos, S.A.	-	1.606
Biocombustibles de Guatemala, S.A.	-	548
Naturoil Combustiveis Renovaveis, S.A.	(764)	-
Gestión de Aceites Vegetales, S.L. (G.A.V.E.)	586	-
	6.694	**78.757**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

a) Testing for impairment losses on goodwill

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 assignment at CGU level (production company or group of production companies grouped together):

		2008		2007	
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	5.150	2.388	5.095	2.421
Aluminium Europe	G.C. Vilanova, Talleres Matrimold, Fabricación de Componentes de Motor, GSB-TBK, Terabusi, Inyectametal, CIE Matricon, Fundición Alcasting	7.944	4.564	8.027	7.708
Brazil	Subgroup CIE Autometal	64.212	12.769	78.637	20.510
Plastic Europe	Plasfil, CIE Plasty, Orbelán	7.872	-	7.852	-
Machining Europe	Gameko, CIE Mecauto, Mecasur, CIE Praga Louny, CIE Compiegne, Subgrupo Recyde	47.974	18.234	45.336	-
Mexico	CIE-DESC subgroup, CIE Berriz de Mexico subgroup	19.725	1.174	19.573	820
Forging Europe	UAB CIE LT Forge, Galfor, Legazpi	277	1.848	207	1.151
China	CIE Automotive Parts subgroup(Shenghai)	715	2.083	154	466
Biofuel segment					
Biofuels	CIE Automotive Bioenergia subgroup	19.431	-	19.708	-
		173.300	43.060	184.589	33.076

(*) Net of amortisation

The amount recoverable from a CGU is determined on the basis of calculations of value in use. 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 indicated below since that growth rate is considered 0% which is lower than the average long-term growth rate for the automotive business in which each of the CGUs operates.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

The discount rate applied to cash flow projections amounts to:

	2008	2007
Automotive		
Metal Europe	7,24% - 7,27%	8,18% - 8,21%
Aluminium Europe	6,75% - 7,27%	7,99% - 9,14%
Brazil	10,29%	10,21%
Plestic Europe	7,14% - 7,27%	8,18% - 8,21%
Machining Europe	7,07% - 7,27%	7,99% - 8,21%
Mexico	8,80%	9,14%
Forging Europe	6,71% - 7,27%	7,99% - 9,06%
China	6,88%	8,67%
Biofuels		
Spain	7,07% - 7,14%	7,99% - 8,07%
Europe	6,90%	7,79%
Guatemala	10,29%	10,21%

The discount rate is after tax and reflects the specific risk related to significant segments and has been applied in the analysis of 2007 and 2008.

Budgeted EBITOA (operating profit plus depreciation/ amortisation) 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 EBITOAs (operating profit plus amortisation/ depreciation) vary between 10% and 20% (10% and 20% in 2007). Other net movements forecast in cash and flows related to taxes are added to these EBITOAs 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 2008 and 2007 there is no impairment loss on goodwill. Note 4 include a sensitivity analysis of the calculation of the impairment loss on goodwill.

d) Fully- amortised assets

At 31 December 2008 there are fully-amortised intangible assets, basically computer applications, with a cost of €8.1 million still in use (2007, €6.2 million).

TIMBRE DEL ESTADO

CLASE 8.ª

0J0978562

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

8. Financial assets

	Financial assets held to maturity	Financial assets at fair value through profit or loss	Financial derivatives	Deposits, guarantees and security portfolio	Investments carried under the equity method	Total
Balance at 31 December 2006	8.543	5.301	1.655	6.049	975	22.523
Additions to consolidation (Notes 8.e) and 34)	-	-	-	-	1.450	1.450
Additions	36.767	-	-	1.500	-	38.267
Disposals	-	(2.380)	-	-	(90)	(2.470)
Transfers	(1.376)	(2.921)	-	-	-	(4.297)
Fair value adjustments						
- Results	-	-	37	-	(117)	(80)
- Equity	-	-	(560)	-	-	(560)
Balance at 31 December 2007	43.934	-	1.132	7.549	2.218	54.833
2007						
Non-current	5.333	-	-	7.549	-	12.882
Current	38.601	-	1.132	-	-	39.733
Investments in associates	-	-	-	-	2.218	2.218
Balance at 31 December 2007	43.934	-	1.132	7.549	2.218	54.833
Inclusion in consolidation (Note 34)	-	-	-	380	-	380
Additions	18.745	-	-	70	-	18.815
Disposals	(36.955)	-	(7)	(1.647)	(250)	(38.859)
Fair value adjustments						
- Results	-	-	(870)	-	(100)	(970)
- Equity	-	-	(6.782)	-	-	(6.782)
Balance 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 associates	-	-	-	-	1.868	1.868

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

a) Financial assets held to maturity

	2008		2007	
	€'000	**Interest rate**	**€'000**	**Interest rate**
Fixed income	7.125	Euribor – 0.5	6.884	Euribor – 0.5
Shot-term payables	(**) 18.179	Euribor + 2.5	(*) 36.729	Euribor + 2.5
Other	420		321	
	25.724		**43.934**	

(*) These financial assets held to maturity were highly liquid. In fact, practically all short-term loans were collected in January 2008 (Note 34).

(**) In 2008 €15,237k was included relating to the purchase option existing at the year end over the investees of the Joint Ventura CIE OESC Automotive, S.A. de CV. (Notes 1 and 36). Additionally, €2,204k is included relating to a loan granted in 2008 to Instituto Sectorial de Promoción y Gestión de Empresas (INSSEC) (Note 35 c)).

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) Financial assets at fair value through profit or loss

In 2007 participation units were sold in the securities investment firm Muskaria Inversiones SICAV, S.A. whose principal asset was fixed income securities, for €2,437k. This was the value at which the participation units were carried and therefore no capital gains were generated. The Group holds another participation unit in Matxitxako Diversificada SICAV, S.A., whose portfolio is invested in securities maturing in less than 3 months. It is therefore classified under Cash and cash equivalents.

c) Financial derivatives

	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps:				
- cash flow hedges	-	(5.957)	573	-
- not hedged	-	(195)	675	-
Exchange forwards – cash flow hedges	52	(427)	(116)	-
Total	**52**	**(6.579)**	**1.132**	**-**

- Interest rate swaps (variable to fixed)

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The notional principal on interest rate swaps outstanding at 31 December 2008 amounted to €216,006k (2007; €193,739k), of which €186,046k is classified as hedging (2007, €140,000k).

At 31 December 2008 fixed interest rates vary between 2.91% and 4.73% (2007: 2.81% and 4.73%) and the principal variable interest rate is EURIBOR.

- Foreign currency cash flow hedges

  At 31 December 2008 foreign currency forwards amounted to:

  - Purchase of US dollars: USO 710k (2007: USD 1,940k).

  - Sale of US dollars: USD0k (2007: USD 27,125k).

  Highly probable hedged foreign currency future transactions are expected to take place on different dates in the next 13 months. Profit and losses recognised in the equity hedging reserve (Note 14) on foreign currency forward contracts at 31 December 2008 are recognised in the income statement in the period during which the open transaction affects it. Gains and losses in equity in respect of currency forwards at 31 December 2008 will be transferred to the income statement over the next 18 months similar maturities in 2007).

d) Deposits, guarantees and security portfolio

The securities portfolio includes €60k relating to the investment in Fundación CIE I+D+i.

The Company appeared before a Notary as the Founding Sponsor on 26 May 2008 for the formation of a non-profit entity of a private and permanent nature named CIE I+D+i, which will be governed by Basque Parliament Law 12/1994, of 17 June 1994, governing Foundations in the Basque Country. Capital initially assigned amounted to €60k. This Foundation was entered in the Basque Country Foundation Register on 24 November 2008 and its foundation aims consist of the promotion of whatever scientific research and technological development activities may be of interest to industry in general, innovation, industrial cooperation and communication of technology.

Fundación CIE I+D+i will work in coordination with all players related to the automotive and biofuel sectors in order to coordinate efforts and avoid duplicate work. Since the formation of Fundación CIE I+D+i, the CIE Automotive Group channels its research, development and innovation efforts through collaboration contracts and agreements with the Foundation.

e) Investments in associates

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

The companies consolidated under the equity method are as follows:

		Shareholding value		Share in profits/losses		Total (100%) Assets		Total (100%) Liabilities	
	% effective shareholding	2008	2007	2008	2007	2008	2007	2008	2007
Biocombustibles de Zierbana, S.A.	13,69%	655	752	(97)	-	41.125	41.561	39.621	39.349
CIE Compiègne, S.A.S.	100%	-	250	-	-	-	11.842	-	11.761
Biocombustibles La Seda, S.L.	27,38%	1.200	1.200	-	-	3.012	3.227	24	239
Glycoleo, s.r.l.	27,38%	5	8	(2)	(8)	14	13	14	11
Belgium Forge, N.V.	100%	-	-		(109)	55	33	1.011	989
Other	-	8	8	-	-	-	-	-	-
		1.868	**2.218**	**(99)**	**(117)**				

The value of investments in associates does not include goodwill.

In 2008 CIE Compiègne, S.A.S. was fully consolidated (Note 1.1).

9. Other non-current assets

This balance sheet heading records the following items and amounts:

	2008	2007
Loans to personnel (Note 35)	6.507	8.335
Loans to non-consolidated group companies and associates	1.982	4.959
Loans to third parties	6.801	-
Other balances	621	5.512
	15.911	**18.806**

Loans to employees basically include the amortised cost of loans maturing in 2013.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

Loans to group companies include the following balances:

	€'000	
	2008	**2007**
CIE Compiègne, S.A.S.	-	2.805
Biocombustibles de Zierbana, S.A. (Note 1.1 and 8e)	1.710	1.232
Other	272	922
	1.982	**4.959**

The loan to CIE Compiégne, S.A.S. relates to a payment on account of the holding that the Group has made in 2008.

On 15 December 2007, all shareholders of the associate Biocombustibles de Zierbana, S.A. signed a subordinate loan agreement for a total of 05,7 million distributed in proportion to each shareholder's shareholding and they are subject to the obligations entered into by the investees with credit institutions . The repayment of the amount of the principal relating to the Company, €1,140k, 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:

	2008	**2007**
Between 1 and 2 years	4.503	-
Between 3 and 5 years	2.298	-
	6.801	**-**

10. Trade and other receivables

	2008	**2007**
Trade receivables	161.551	187.677
Less: Provision for impairment losses on accounts receivable	(3.514)	(6.352)
Trade receivables – Net	158.037	181.325
Other accounts receivable	8.799	10.307
Total	**166.836**	**191.632**

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 2008 trade receivable balances and accounts receivable discounted and advanced at financial institutions amount to 055,840k (€43,930k in 2007). Transactions have been accounted for as a bank loan (Note 19).

The amounts covered by factoring at the year end 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 credit risk concentration with respect to trade accounts receivable since the Group has a large number of customers worldwide.

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 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 2008 accounts receivable amounting to €13.5 million (€15.5 million in 2007) 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 industrialisation.

An ageing analysis of these accounts is as follows:

	2008	**2007**
2 to 4 months	5.544	4.683
4 to 12 months	4.313	5.200
More than 12 months	3.609	5.629
	13.466	15.512
(Provision)	(3.514)	(6.352)
	9.952	**9.160**

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

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 2008 and 2007).

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The movement in the impairment provisions in 2007 and 2008 relates to the following amounts and items:

Balance at 31 December 2007	**6.615**
Inclusion /(exclusion from) consolidation	189
Transfers for the year	1.566
Recoveries	(68)
Balance write-offs	(1.950)
Balance at 31 December 2007	**6.352**
Inclusion /(exclusion from) consolidation	131
Transfers for the year	1.493
Recoveries	(177)
Balance write-offs	(4.285)
Balance at 31 December 2008	**3.514**

The carrying value of the Group's accounts receivable is denominated in the following currencies (€'000):

	2008	**2007**
US dollar	27.333	16.854
Czech koruna	1.144	1.302
Mexican peso	403	1.585
Brazilian real	21.578	42.062
Chinese yuan renminbi	1.042	1.032
Romanien Lei	212	255
Euros	109.839	124.587
	161.551	**187.677**

11. Inventories

	2008	**2007**
Goods purchased for resale	20.737	24.647
Raw materials and supplies	68.663	63.999
Work in progress and semi-finished goods	32.545	25.375
Finished products	53.616	38.680
Prepayments to suppliers	483	9.541
	176.044	**162.242**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

Since the Group company Via Operador Petrolifero, S.L., is an oil operator, it is legally required to hold minimum buffer stocks (Note 1.2). In order to maintain such buffer stocks, at 31 December 2008, 24,900 m^3 of diesel has been leased from a non-group third party (6,000 m^3 of diesel leased from a non-Group third party in 2007).

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

2007

	Goods purchased for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance	65.024	57.188	122.212
Inclusion /(exclusion from) consolidation	25.920	2.736	28.656
Purchases	788.935	254	789.189
Other movements (**)	426	358	784
Closing balance	(88.646)	(64.055)	(152.701)
Cost of inventories	791.659	(3.519)	788.140

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

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
Purchases /Changes in provisions	948.099	8.130	945.278
Other movements (**)	(5.288)	(2.954)	(8.242)
Closing balance	(89.400)	(86.161)	(175.561)
Cost of inventories	945.932	(14.859)	920.122

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

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

Balance at 31 December 2006	**1.518**
Transfers for the year	671
Balance write-offs	(519)
Balance at 31 December 2007	**1.670**
Transfers for the year	3.866
Balance write-offs	(532)
Balance at 31 December 2008	**5.004**

Transfers for inventory impairment basically relate to the diesel and methyl ester stock of the Group company Vía Operador, S.L. (Appendix) in order to adjust it to the values of crude oil at the year end.

12. Cash and cash equivalents

Cash and cash equivalents at 31 December are as follows:

	2008	2007
Cash and banks	50.737	34.213
Short-term bank deposits	41.354	33.665
	92.091	**67.878**

13. Capital and share premium

	No. shares (thousand)	Share capital	Share premium account	Treasury shares	Total
Balance at 31 December 2006	**114.000**	**28.500**	**33.752**	**57**	**62.309**
Acquisition of treasury shares	-	-	-	(2.165)	(2.165)
Balance at 31 December 2007	**114.000**	**28.500**	**33.752**	**(2.108)**	**60.144**
Acquisition/sale of treasury shares	-	-	-	(1.640)	(1.640)
Balance at 31 December 2008	**114.000**	**28.500**	**33.752**	**(3.748)**	**58.504**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

a) Share capital

At 31 December 2008 and 2007 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	
	2008	**2007**
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 Gastión de Empresas, S.A.. Therefore adding the direct and indirect shareholding, this company controls 67.752% of CIE Automotive, S.A. (67.752% in 2007)

On the date of these accounts, the direct or indirect percentage holding of INSSEC remains consistent with the 2008 closing.

b) Share premium account

This reserve is freely available for distribution.

c) Treasury shares

At 31 December 2008 the Company held 851,897 treasury shares (541,681 shares in 2007).

The movement in treasury shares in 2007 and 2008 breaks down as follows:

	2008		2007	
	Number of shares	**Amount (€'000)**	**Number of shares**	**Amount (€'000)**
Opening balance	541.681	2.108	258.375	(57)
Acquisitions	1.210.216	5.840	283.306	2.165
Sales	(900.000)	(4.200)	-	-
Closing balance	**851.897**	**3.748**	**541.681**	**2.108**

During 2007 the Company acquired a total of 283,306 shares and sold no treasury shares. Therefore the balance of treasury shares of CIE Automotive, S.A. at the 2007 year end amounted to 541,681 shares, representing 0.475% of share capital, with a listed value at 31 December 2007 of €3.927k.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

During 2008 the Company acquired a total of 1,210,216 treasury shares (1.062% of existing voting rights) and disposed of 900,000 treasury shares (0.789% of voting shares). Therefore the balance of treasury shares of CIE Automotive, S.A. at the 2008 year end amounted to 851,897 shares, representing 0.747% of share capital, with a listed value at 31 December 2008 of €2,982k.

Similarly, the mandate conferred by the General Shareholders' Meeting of 26 April 2007 is in effect until 26 October 2009, 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.

14. Reserves and retained earnings

Movements in Reserves and retained earnings are as follows:

	Retained earnings and first -conversion reserves							
	Reserve reserve	Other reserves (*)	Reserve Consolidated companies and effect of first conversion (Note 16)	Profit and loss	Subtotal	Cumulative translation rate differences (Note 15)	Interim dividend	Total
Balance at 31 December 2006	**4.606**	**24.506**	**100.907**	**42.215**	**172.234**	**9.258**	**(6.840)**	**174.652**
Net income/(expense) recognised directly in equity	-	-	(377)	-	(377)	(791)	-	(1.168)
Distribution of 2007 profit	760	(7.600)	42.215	(42.215)	(6.840)	-	6.840	-
Complementary dividend by charge to reserves	-	(5.673)	-	-	(5.673)	-	-	(5.673)
Other movements	-	-	154	-	154	-	-	154
Interim dividend	-	-	-	-	-	-	(6.811)	(6.811)
Results for the year	-	-	-	50.672	50.672	-	-	50.672
Balance at 31 December 2007	**5.366**	**11.233**	**142.899**	**50.672**	**210.170**	**8.467**	**(6.811)**	**211.826**
Net income/(expense) recognised directly in equity	-	-	(4.884)	-	(4.884)	(65.648)	-	(70.532)
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)
Results for the year	-	-	-	53.823	53.823	-	-	53.823
Balance at 31 December 2008	**5.700**	**3.258**	**168.644**	**53.823**	**231.425**	**(57.181)**	**-**	**174.244**

(*) In 2007 it included the reserve for treasury shares in accordance with former legislation.

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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 2008 the balance of this reserve has already reached the minimum limit required.

The legal reserve may be used to increase the capital up to the portion of said legal reserve which exceeds 10% of the capital after the increase.

Except for the aforementioned purpose, until it exceeds 20% of the share capital, this reserve may be used only to set off losses and this may only be done if other available reserves are insufficient for this purpose.

b) Dividends paid

On 23 April 2008 the Parent Company's General Shareholders' Meeting resolved to distribute the individual profit for 2007, stipulating the payment of a gross complementary dividend of €0.07 per share amounting to €7,980k, that was paid on 8 May 2008

On 6 December 2007 the Parent Company's Board of Directors adopted a resolution to distribute an interim dividend on account of 2007 results. The gross dividend was €0.06 per share, amounting to a total of €6.811k, and was paid on 21 December 2007.

On 26 April 2007 the General Shareholders' Meeting of the parent company resolved to distribute a complementary dividend against freely available reserves of 0.05 euros per share, amounting to a total of €5.673k.

c) Proposal for the distribution of results

The proposal for distributing the parent company's 2008 results that will be presented to shareholders at the General Meeting and the approved distribution for 2007 is as follows:

	Under GAAP	
	2008	**2007**
Available for distribution		
Profit for the year	6.736	16.622
Distribution		
Legal reserve	-	334
Interim dividend	-	6.811
Complementary dividend	-	7.980
Voluntary reserves	6.736	1.497
	6.736	**16.622**

d) Stock options

There were no stock option plans over the Company's shares at the 2008 or 2007 year end.

15. Cumulative exchange differences

31 December 2006	**9.258**
Translation differences:	
– Group	(791)
31 December 2007	**8.467**
Translation differences:	
– Group	(65.648)
31 December 2008	**(57.181)**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The breakdown of the cumulative translation difference by company / subgroup at the 2008 and 2007 year ends is as follows:

	2008	2007
Company or subgroup		
Automotive segment		
CIE Autometal, S.A. (Sub-group)	(28.431)	13.996
CIE Plasty CZ, s.r.o.	552	609
CIE Unitools Press CZ, a.s.	1.920	1.697
CIE Metal CZ, s.r.o.	733	675
CIE Joamar, s.r.o.	(7)	(4)
CIE Praga Louny as	(371)	-
CIE Matricon, S.A.	(2.818)	(1.078)
CIE Automotive Perts (Shanghai), Co. Ltd.	522	(298)
CIE DESC Automotive, S.A. de C.V. and CIE Berriz de Mexico, S.A. de C.U. (subgroups)	(28.365)	(7.092)
Recyde Zdanice, cz	17	11
UAB CIE LT Forge	(4)	(3)
Biofuel segment		
CIE Automotive Bioenergia, S.L. (subgroup)	(929)	(46)
	(57.181)	**8.467**

16. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first conversion total €168,649k and €142,899k at 31 December 2008 and 2007, 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 at market price (Note 8).

Reserves and retained earnings pertaining to companies consolidated under the full consolidation method, the distribution of which is subject to legal requirements relate to:

	2008	2007
Legal reserve (Note 14.a)	24.219	29.175
Reserves for asset restatements	2.703	2.638
	26.922	**31.813**

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

17. Minority interests

Movements under Minority interests are as follows:

	2008	2007
Opening balance	24.931	24.672
Total Income recognised	(5.653)	1.271
Dividends paid	(752)	(52)
Business combinations (Note 8 and 34)	(627)	1.929
Excluded from consolidation (*)	-	(2.536)
Other movements (**)	4.219	(353)
Closing balance	**22.118**	**24.931**

(*) Relate to the delivery of preference shares in CIE Autometal, S.A. and the acquisition of minority interests in the Bioauto subgroup. In 2007 these movements refer to the sale of Muskaria Inversiones SICAV, S.A. (Note 8 b)) and the increase in the Group's shareholding in Bionor Transformación, S.A.

Additionally in 2008, 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 012,893k.

The distribution by company is set out below:

Company/ subgroup	2008	2007
Automotive segment		
GSB-TBK Automotive Components, S.L.	480	548
CIE Galfor, S.A.	756	548
Durametal, S.A.	10.732	11.594
CIE Joernar, s.r.o.	107	141
CIE Autometal, S.A.	3.030	-
Bicauto Participaoas , S.A. U	1.732	-
Biofuel segment		
CIE Automotive Bioenergia, S.L.	870	4.614
Bionor Transformación, S.A. (*)	666	3.420
Comlube, s.r.l.	1.124	1.309
Bionor Tecnología, S.L.	336	90
Reciclado de Residuos Grasos, S.L.	454	238
Naturoil Combustiveis Renovaveis, S.L. (Note 34)	-	764
Biocumbustibles de Guatemala, S.L.	1.561	1.665
Gestión de Aceites Vegetales, S.L.	270	-
	22.118	**24.931**

(*) Includes its subsidiary Via Operador Petrolifero, S.L.U.

18. Deferred income

The movement in deferred income is as follows:

2007

	Balance 31.12.06	Inclusion/ exclusion consolidation	Additions	Disposals	Taken to profit and loss	Balance 31.12.07
Tax credits in respect of investment deductions (Note 2.18 b)	7.414	478	-	-	(1.507)	6.385
Capital grants	15.554	5.341	789	(993)	(3.242)	17.449
Other deferred income	596	-	587	-	(38)	1.145
	23.564	5.819	1.376	(993)	(4.787)	24.979

2008

	Balance 31.12.07	Inclusion/ exclusion consolidation	Additions	Disposals	Taken to profit and loss	Balance 31 December 2008
Tax credits in respect of investment deductions (Note 2.18 b)	6.385	-	-	-	(1.022)	5.363
Capital grants	17.449	-	2.959	-	(3.281)	17.127
Other deferred income	1.145	-	-	-	(433)	712
	24.979	-	2.959	-	(4.736)	23.202

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

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

19. Borrowings

	2008	2007
Non-current		
Bank loans and credit facilities (*)	430.412	403.199
	430.412	403.199
Current		
Bank loans and credit facilities (*)	78.295	31.213
Short-term portion of long-term loans (*)	42.360	28.781
Financing of imports	35.639	8.800
Bills discounted pending maturity and export advances (Note 10)	55.840	43.930
	212.134	112.724
	642.546	**515.923**

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 2007				
Total borrowings	471.993	468.323	402.391	42.413
Effect of interest rate swaps (Note 8)	(193.739)	(185.031)	(177.445)	-
Risk	278.254	283.292	224.946	42.413
At 31 December 2008				
Total borrowings	586.706	476.245	430.415	28.701
Effect of interest rate swaps (Note 8)	(216.006)	(220.306)	(218.224)	-
Risk	370.700	255.939	212.191	28.701

Non-current borrowings have the following maturities:

	2008	2007
Between 1 and 2 years	147.766	76.532
Between 3 and 5 years	253.945	284.254
More than 5 years	28.701	42.413
	430.412	**403.199**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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 7.0% (2007: 4.2% to 6.5%).

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

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

	2008	2007
Euro	600.980	498.131
Brazilian real	41.566	17.792
	642.546	**515.923**

The Group has the following unused credit lines:

	2008	2007
Variable rate:		
- maturing in less then one year	41.157	25.338
- maturing in more than one year	11.416	61.910
	52.573	**87.248**

Additionally, at 31 December 2008 balances utilised on credit lines with financial institutions amount to €338 million (2007: €213 million). The total limit on such credit lines amounts to €391 million (2007: €300 million).

On 16 December 2005, the Company (as the borrower) entered into a Multicurrency Business Credit Agreement with various financial institutions (Agents) under which certain subsidiaries act as guarantors (Material Subsidiaries according to the definition contained in the agreement). This agreement, granted for a total of up to €250 million and in effect for 7 years (until December 2012), was subsequently amended in March 2007 and May 2008 in order to adapt the list of guarantor companies and bring the financial concepts mentioned therein into line with the accounting principles (International Financial Reporting Standards) used by the Company in the preparation of its Consolidated Annual Accounts since 2005.

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.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The loan will be repaid in tranches. Tranche A (€175 million) will be repaid in 9 six-monthly equal and consecutive instalments 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 payments for December 2008 for both tranches have been duly made.

Said credit agreement includes clauses defining the Company's commitment relating to the calculation of certain ratios, that are detailed below, identifying those companies that are considered Material Subsidiaries and those companies in which the Company has a direct and / or indirect holding and whose shares representing that shareholding have been pledged.

For the purposes of the Agreement, "Material Subsidiaries" are those companies of the CIE Automotive Group that, individually represent 5% of the Assets and /or EBITDA and/ or revenues of the audited aggregate accounts of the CIE Automotive group.

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 / Finance costs	> 5,00
Net Financial Debt / Equity	< 1,40

Where:

- EBITDA is Earnings before Interest, Taxes, Depreciation and Amortisation.
- Equity is subscribed and paid-up capital, the share premium, reserves and retained earnings of all kinds (not including asset revaluation reserves established after the Agreement date). Cumulative exchange differences and minority interests, less dividends distributed, approved by the General Shareholders' Meeting.
- Finance costs are finance costs plus exchange losses, less finance income and exchange gains.
- Net financial debt is the total debt less cash and cash equivalents and other current financial assets.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

- Total debt is long and short-term borrowings with an explicit finance cost, either with financial institutions or other third parties, plus debts deriving from finance leases and the issue of bonds, promissory notes, convertible debentures or similar instruments, plus the guarantees that may be provided in favour of third parties outside the CIE group and not reflected under liabilities as payment obligations.

Failure to comply with these commitments would entail the need to ask the majority of financial institutions to approve such non-compliance and, only in the event that such approval is not given, would the financial institutions be able to carry out the early termination of the Agreement signed, unless such non-compliance is rectified (if rectification is possible) within 15 days of the date on which it arose.

At 31 December 2008 the Company has made estimates of the calculations relating to the ratios detailed above, detecting non-compliance with one of them (Net Financial Debt /Equity), that has entailed the need to ask for the approval of such non-compliance. The company has obtained a position decision with respect to that request.

The arrangement of this syndicated loan in 2006 enabled the cancellation of previous credit lines, which were secured by pledges on shares in certain subsidiaries.

During 2008 €37,554k was repaid, mainly relating to the first repayment on each tranche of the multi-currency Business Loan.

20. Trade and other payables

	2008	2007
Trade payables	246.034	261.395
Other payables	23.715	49.408
	269.749	**310.803**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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

During 2008 purchases have been made in US dollars with an equivalent value in euros of €59,538k. At 31 December 2008 there are no balances denominated in foreign currency pending payment.

21. Other liabilities

	2008	2007
Non-current		
Fixed asset payables	11.602	13.106
Debts deferred long term with the Public Administrations	-	4.629
Long-term debts with the Public Administrations	3.688	13.895
Other non-current payables	33.648	23.555
	48.938	**55.185**
Current		
Current tax liabilities	21.045	24.803
Debts deferred short term with the Public Administrations	2.776	3.270
Fixed asset creditors	40.275	17.864
Accrued wages and salaries	17.796	19.326
Accruals and deferred income	2.448	1.844
Other current payables	200	800
	84.540	**67.907**

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

The balances included under "Other long-term debts with the Public Administrations", €3,688k (€13,895k in 2007) reflect debts existing with the Brazilian and Portuguese Administrations in respect of various items (legal deposits and other).

"Other non-current payables" include €18,373k (€12,738k in 2007), that relate to amounts payable on the acquisitions carried out in 2008 and 2007 by the CIE Automotive Group (Note 34). Of this amount, €10,858k falls due in 2011 and the remainder, €7,515k, in 2010.

The balance of "Other current liabilities" amounting to €200k (€800k in 2007) relates to the amount payable in 2009 on the acquisitions mentioned above.

In addition, the balance under Other non-current payables includes creditor balances relating to the externalisation of pensions arranged with the insurance company Biharko by various group companies (€738k) (Note 23). Moreover, this heading includes investment project financing loans of public financing institutions, €8,502k (€6,977k in 2007) and €5,779k relating to legal deposits relating to the Brazilian subsidiaries.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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"Debts deferred with the Public Administrations" (short-term 02,776k in 2008; long-term €3,702 and short-term €2,776k in 2007) relate mainly to the amounts owed in respect of taxes and contributes and late-payment interest due to the public treasury and social security, contributed to the Company on 12 July 1993 by Patricio Echeverría Aceros, S.A., as part of a restructuring of several companies. In accordance with the payment agreement concluded on 4 July 1994, the public institutions accepted the Company's subrogation to these debts, which gave rise to payment obligations totalling €12,543k and €13,024k, respectively. The terms of the payment agreement call for progressively higher instelments to be paid (from 1% to 15%) on the debt over 15 years, with interest payable annually. The Company records this interest as it accrues and debits it to results using a financial accrual method.

Other non-current liabilities have the following maturities:

	2008	2007
Between 1 and 2 years	14.298	28.569
Between 2 and 5 years	23.149	18.807
More than 5 years	11.491	7.809
	48.938	**55.185**

22. Deferred taxes

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current and deferred tax assets and liabilities with respect to the same tax authorities. Deferred taxes are as follows:

	2008	2007
Deferred tax assets:		
- Deferred tax assets to be recovered in more than 12 months	28.023	37.331
- Deferred tax assets to be recovered in 12 months	13.469	10.936
	41.492	**48.267**
Deferred tax liabilities:		
- Deferred tax assets to be recovered in more than 12 months	28.511	27.137
- Deferred tax liabilities to be recovered in 12 months	1.795	1.219
	30.306	**28.356**
Net	**11.186**	**19.911**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	2008	2007
Opening balance	19.911	18.720
(Debit)/credit to the income statement	(4.669)	6.952
(Debit)/credit to equity	1.898	183
Changes/additions to consolidation	(6.059)	(5.944)
Exchange differences	105	-
Closing balance	**11.186**	**19.911**

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

Deferred tax liabilities	Accel. tax depreciation	Fair value gains (*)	Asset restatement	Other	Total
Balance at 31 December 2006	**995**	**9.845**	**1.659**	**4.835**	**17.334**
Debited/(credited) to results	(366)	300	(46)	4.817	4.705
Debited/(credited) to equity	-	(183)	-	-	(183)
Changes/additions to consolidation	88	6.412	-	-	6.500
Balance at 31 December 2007	**717**	**16.374**	**1.613**	**9.652**	**28.356**
Debited/(credited) to results	(331)	-	(40)	(3.633)	(4.004)
Debited/(credited) to equity	-	-	-	-	-
Changes/additions to consolidation	-	6.059	-	-	6.059
Exchange differences	-	-	-	(105)	(105)
Balance at 31 December 2008	**386**	**22.433**	**1.573**	**5.914**	**30.306**

Deferred tax assets	Hedging instruments	Provisions for assets	Tax losses	Tax credits	Total
Balance at 31 December 2006	-	4.512	8.203	23.339	36.054
Changes/additions to consolidation	-	556	-	-	556
(Debited)/credited to results	-	5.868	6.065	(276)	11.657
Exchange differences	-	-	-	-	-
Balance at 31 December 2007	-	**10.936**	**14.268**	**23.063**	**48.267**
(Debited)/credited to results	-	635	(561)	(8.747)	(8.673)
Debited/(credited) to equity	1.898	-	-	-	1.898
Balance at 31 December 2008	**1.898**	**11.571**	**13.707**	**14.316**	**41.492**

(*) Includes effects of asset fair value on first conversion

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

	2008	2007
Reserves for fair value in equity:		
- Reserve for hedging operations	(1.898)	(183)
	(1.898)	**(183)**

Deferred tax assets in respect of tax losses available for offset are recognised insofar as the realisation of the relevant tax benefit through future tax profits is probable. The Group has not recognised deferred tax assets amounting to €27,786k (2007: €13,301k) with respect to losses of certain national and Mexican plants amounting to €99,240k (2007: €48,116k) to be offset in future years (in the period between a minimum of 5 years or without any timing limit, whatsoever, depending on legislation applicable to the companies that make up the Group) against tax profits.

Additionally, there are tax credits for deductions which are pending application that have not been recognised amounting to €34,534k (2007: €27,086k).

23. Retirement benefit commitments

	2008	2007
Commitments in the balance sheet in respect of:		
Retirement benefits	1.123	1.483
Charges in the income statement in respect of (Note 27):		
Retirement benefits	30	96

Several group companies have externalised the pension liability relating to certain retired and pre-retired employees (in 2008 33 people; in 2007, 37 people) with the insurance company Biharko. Payments to this company in 2008 amounted to €390k (€315k in 2007). The Company records €739k in respect of this item on a long-term basis (2007, €1,168k).

a) Retirement benefits

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

	2008	2007
Present value of the obligations financed	2.196	2.340
Fair value of plan assets	(1.073)	(857)
Liability in the balance sheet	**1.123**	**1.483**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	2008	2007
Opening balance	1.483	1.702
Expense debited to the income statement (note 27)	30	96
Contributions paid	(390)	(315)
Closing balance	**1.123**	**1.483**

The principal actuarial assumptions used are as follows:

	2008	2007
Technical interest rate	3%	3%
Expected annual return on plan assets	4,30%	3%
Expected annual return on reimbursement recognised as assets	4,30%	3%
Future annual salary increase	0 – 2,4%	4,1%

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

The real return on plan assets amounted to 3% (3.47% in 2007).

24. Provisions

Movements in the Company's provisions in 2007 and 2008 are as follows:

	Non-current	Current
Balance at 31 December 2006	**16.665**	**12.481**
- Transfers	1.787	1.449
- Additions to the consolidation	7.818	-
- Applications	(4.747)	(11.567)
Balance at 31 December 2007	**21.523**	**2.363**
- Transfers	255	2.099
- Additions to the consolidation	2.166	2.023
- Reversals	(1.426)	-
- Applications/Transfers	3.588	3.683
Balance at 31 December 2008	**26.106**	**10.168**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

Non-current provisions mainly include the following:

- A €7.4 million provision (2007: €3.5 million) which basically relates to the amount of tax deductions applied in accordance with current tax legislation but which have been questioned by several jurisdictional authorities, and to tax contingencies in Brazil.
- Provision of €6.6 million established as a guarantee on the sale of assets and closure and winding up of companies (€6.6 million in 2007) (Note 1).
- Provision for other personnel liabilities amounting to €6.1 million (€4.9 million in 2007).
- Provision amounting to €6 million (€6.6 million in 2007) relating to the hedging of business operational risks, mainly in the Subgroup Recyde, UAB CIE LT Forge and Brazilian companies.

The balance of current provisions at 31 December 2008 relates basically to risks relating to tax contingencies and customer claims in the Brazilian subsidiaries (€4.3 million) and the guarantee, €1.9 million (equal amount in 2007), provided on the sale of assets in 2006.

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.

25. Operating revenues

	2008	**2007**
Revenues	1.455.310	1.277.571
Variation in inventories of finished goods and work in progress	14.859	3.519
Profit /(loss) on fixed asset sales	11.105	3.840
Other operating revenua	52.535	24.213
	1.533.809	**1.309.143**

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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	2008	2007
US dollar	119.786	112.715
Czech koruna	5.640	7.269
Pound sterling	17	53
Mexican peso	25.473	16.772
Brazilian real	333.399	299.071
Chinese Yuan Renminbi	2.572	1.921
Other	2.737	1.085
	489.624	**438.886**

26. Other operating charges

	2008	2007
Supplies	36.580	29.736
Transport	24.424	24.550
Repairs	23.433	22.162
Typical biofuel sector expenses	6.824	3.805
Operating leases	5.676	3.187
Transfer or provision for impairment of accounts receivable (Note 10)	1.316	1.498
Transfer or provision for obsolescenca (Note 11)	3.866	671
Other operating charges	59.053	49.246
	161.172	**134.855**

27. Employee benefit expense

	2008	2007
Wages and salaries	180.329	165.504
Social Security expense	49.703	42.690
Other welfare costs	16.472	19.988
Pension cost – defined benefit plans (Note 23)	30	96
Restructuring costs	8.107	-
	254.641	**228.278**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	Average					
	2008			2007		
Category	**Joint ventures (*)**	**Consolidated Group**	**Total**	**Joint ventures (*)**	**Consolidated Group**	**Total**
Managers	25	261	286	49	194	243
University graduates, specialists and administrative employees	909	2.247	3.156	1.161	2.635	3.796
Semi-skilled workers	2.039	7.852	9.891	2.161	5.511	7.672
	2.973	**10.360**	**13.333**	**3.371**	**8.340**	**11.711**

(*) Included 100%

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

	2008			2007		
Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Members of the Board of Directors	9	3	12	9	3	12
Managers	225	47	272	200	44	244
University graduates, specialists and administrative employees	2.477	665	3.142	2.576	561	3.137
Semi-skilled workers	7.855	1.572	9.427	7.754	1.430	9.184
	10.566	**2.287**	**12.853**	**10.539**	**2.038**	**12.577**

28. Finance income and expense

	2008	**2007**
Interest costs:		
- Bank loans (*)	(55.201)	(37.949)
Interest income:		
- Other interest and financial income	17.647	6.236
Gains /(losses) net in respect of transactions in foreign currency	2.616	1.305
Gains in fair value of financial instruments:		
- Interest rate swaps	(870)	228
	(35.808)	**(30.180)**

(*) This figure is reflected net at an amount of €2,223k (2007: €753k) relating to finance costs on the financing of investments capitalised as an increase in PPE financed (Note 6.h)).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

29. Income tax

	2008	2007
Current tax	11.386	15.764
Net variation deferred tax assets (Note 22)	(635)	(5.868)
Net variation deferred tax liabilities (Note 22)	(4.004)	4.705
Net variation tax credits recognised (Note 22)	9.308	(5.789)
Tax expense	**16.055**	**8.812**

For purposes of comparison with 2007, it should be borne in mind that the change in Spanish accounting standards has made it necessary to make adjustments to the individual annual accounts of the Group companies as a result of the transition to the New Chart of Accounts, approved by Royal Decree 1514/2007, of 16 November 2007. Adjustments have been made by credit to reserves, net of the associated tax effect, i.e. deferred taxes were charged or credited, as appropriate, to the same reserve account.

The aforementioned adjustments reflected in the individual accounts in reserves in subsidiaries amounting to €8,639k have been recorded in these consolidated annual accounts by charge to corporate income tax, eliminating the effect on reserves.

Taking into account the effect discussed, the aforementioned table would be as follows, for purposes of prior year comparison:

	2008	2007
Current tax	11.386	15.764
Net variation deferred texes	(13.278)	(1.163)
Net variation tax credits recognised (Note 22)	9.308	(5.789)
Tax expense	**7.416**	**8.812**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	2008	2007
Consolidated profit	53.823	50.672
Minority sharaholdings	(2.126)	584
Corporate income tax (without IFRS-EU effect)	6.480	9.515
Consolidated accounting profit for the yaar before taxes	58.177	60.771
Consolidation adjustments	15.456	2.377
Aggregate profit before taxes in consolidated companies	73.633	63.148
Non-computable revenues and expenses (*)	(46.348)	(23.121)
Net temporary differences in individual companies (**)	18.911	(1.789)
Offsetting of tax-loss carryforwards	(14.497)	(4.631)
Aggregate corporate incoma tax base	**31.699**	**33.607**

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

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

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

	2008	2007
Aggregate profit before taxes in consolidated companies	73.633	63.148
Tax calculated at national rates applicable to profits in the relevant countries	37.288	16.557
Tax free results	(23.471)	(6.062)
Non-tax deductible expenses/ (income)	4.848	(1.159)
Utilisation of tax losses not previously recognised	(2.610)	(524)
Tax expense	**16.055**	**8.812**
Tax effects of conversion to New Chart of Accounts of Spanish companies	(8.639)	-
Tax expense net of effect New Chart of Accounts	**7.416**	**8.812**

The applicable weighted average tax rate calculated as the tax expense on the aggregated tax base (tax result) stands at 23.40% (2007: 26.22%). The weighted average tax rate calculated as the tax expense on the consolidated accounting profit for the year before tax stands at 12.75% (2007: 14.50%).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

As mentioned in note 2.18, the parent company CIE Automotive, S.A. is authorised to file consolidated tax returns with the subsidiaries listed below:

- CIE Azkoitia, S.L.
- CIE Bérriz, S.L.
- CIE Inversiones e Inmuebles, S.L. Sociedad Unipersonal
- CIE Automotive Bioenergía, S.L. (added in 2007)
- Autokomp Ingeniería, S.A.
- CIE Legazpia, S.A. (formerly GSB Forja, S.A.)
- CIE Udalbide, S.A., Sociedad Unipersonal
- CIE Udalbide, S.A., Sociedad Unipersonal
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alfa Deco, S.A., Sociedad Unipersonal (added in 2008)
- Alurecy, S.A., Sociedad Unipersonal (added in 2008)
- Componentes de Automoción Recytec, S.L.Sociedad Unipersonal (added in 2008)
- Nova Recyd, S.A., Sociedad Unipersonal (added in 2008)
- Recyle, S.A., Sociedad Unipersonal (added in 2008)
- Tarabusi, S.A. (added in 2008)

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 36).

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.

Applicable corporate income tax legislation for 2008 is that relating to Provincial Regulation 3/1996 of 26 June 1996.

The Company's Directors have calculated the amounts associated with this tax for 2008 and those years open to inspection in accordance with provincial legislation in force at each year end on the understanding that the final outcome of the legal proceedings in progress and the appeals filed will not have a significant impact on the annual accounts taken as a whole.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

During the present year, certain group companies have sold PPE used in operations to third parties. Of the total amount of sales made, approximately €7,800k, generating capital gains of approximately €7,240k, has availed itself of the tax exemption for reinvestment which has been made during the present year.

30. Earnings per share

a) Basic

Basic earnings per share are calculatad 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 13).

	2008	2007
Profit attributable to the company's shareholders (€'000)	53.823	50.672
Weighted average number of ordinary shares (thousand)	113.645	113.714
Basic earnings per share (0 per share)	**0,47**	**0,45**

b) Diluted

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

31. Dividends per share

The dividends paid on 15 May 2007 (complementary dividend for 2006) and on 27 December 2006 (on account of 2006) amounted to 0.05 €/ share and 0.06 €/share, respectively, i.e., a total gross dividend of 0.11€/share. During the General Shareholders' Meeting of 2008, it was resolved to distribute a complementary dividend of 0.07€/ share, which taking into account the interim dividend of 0.06 €/share approved by the Board of Directors and paid on 21 December 2007 (Note 14.e)), entailed a total gross dividend of 0.13 €/share.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

32. Cash generated from operations

	2008	2007
Profit for the year	51.697	51.256
Adjustments:		
– Taxes (Note 29)	11.386	15.764
– Deferred tax (Notes 22 and 29)	4.669	(6.952)
– Grants released to income (Note 18)	(4.736)	(4.787)
– Depreciation of property, plant and equipment (Note 6)	69.818	61.299
– Amortisation of intangible assets (Note 7)	7.159	5.732
– Transfer /(Reversal) in respect of impairment losses on property, plant and equipment (Note 6)	69	-
– (Profit)/ loss on the sale of property, plant and equipment (see below)	(11.105)	(3.840)
– Net movements in provisions (Note 24)	2.417	(2.960)
– Net (Gains)/losses in fair value of financial derivatives (Note 8)	870	(37)
– Negative difference on consolidation(Note 34)	(8.573)	-
– Interest revenue (Note 28)	(17.647)	(6.236)
– Interest expense (Note 28)	55.201	37.949
– Share in losses /(gains) in associates (Note 8)	100	117
Variations in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(7.856)	(9.550)
– Trade and other receivables	30.021	(12.743)
– Trade and other payables	(58.725)	57.737
Cash generated from operations	124.765	182.749

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

	2008	2007
Carrying value (Note 6 and 7)	6.251	3.893
Gain /(loss) on the sale of property, plant and equipment (Note 25)	11.105	3.840
Amount collected on the sale of property, plant and equipment	17.356	7.733

33. Commitments

a) Fixed asset purchase commitments

Investments for which there is a commitment on the balance sheet dates but which has not yet been made are as follows:

	2008	2007
Property, plant and equipment	18.918	848

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 five to ten years and most are renewable upon maturity 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 26.

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

	2008	2007
Less then one year	6.283	5.676
Once to five years	21.700	21.694
More then 5 years	12.710	18.068
	40.693	**45.438**

34. Business combinations

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 €7,315k.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The net assets acquired and goodwill break down as follows:

	2008
Purchase consideration	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
Fixed assets	3.141
Non-current financial assets	34
Deferred tax assets	393
Inventories	1.519
Accounts receivable	6.338
Provisions	(2.048)
Borrowings	(1.621)
Other payables	(3.391)
	6.008

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

	2008
Total consideration on acquisition	7.315
Cash and cash equivalents in the subsidiary acquired	(1.643)
Outflow of cash on the acquisition	5.672

This goodwill is attributable 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 set up **CIE Compiègne, S.A.S.** (Note 1) in order to include such assets and the businesses involved.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	2008
Purchase consideration	501
Fair value of the net assets ecquired	(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 are as follows:

	Fair value	**Carrying value of the company acquired**
Fixed assets	15.931	2.537
Inventories	2.767	2.767
Accounts receivable	100	100
Accounts payable	(1.245)	(1.245)
Provisions	(4.059)	(4.059)
Deferred tax liabilities	(4.420)	-
Net assets acquired	**9.074**	**100**

	2008
Total consideration on acquisition	501
Cash end cash equivalents 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 breaks down as follows:

	(*) 2008
Purchase consideration	4.224
Fair value of the net assets acquired	(3.200)
Goodwill	**1.024**

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

	(*) Fair value	(*) Carrying value of the company acquired
Cash and cash equivalents	424	424
Fixed assets	7.987	1.807
Inventories	793	793
Accounts receivable	843	843
Accounts payable	(2.860)	(2.860)
Borrowings	(1.794)	(1.794)
Deferred tax liabilities	(1.297)	-
Provisions	(896)	(896)
Net assets acquired	**3.200**	**(1.683)**

	(*) 2008
Total consideration on acquisition	4.224
Cash and cash equivalents in the subsidiary acquired	(424)
Outflow of cash on the acquisition	**3.800**

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

This goodwill is attributable 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 Sandun Auto Parts Manufacture Co. Ltd.,** by CIE Automotive Parts (Shanghai) Co. Ltd. in 2007, the agreements have been definitively closed such that the acquiring company has had to make an additional payment of €1.549k (*).

TIMBRE DEL ESTADO

0,03 €

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CLASE 8.ª

This additional purchase price has been assigned as follows:

	(*) 2007
Purchase consideration	**1.549**
Assignment of values	
- Land and buildings	1.378
- Deferred tax liabilities	(308)
Net assets acquired	**1.070**

This transaction has triggered an increase in goodwill of 0478k (*).

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

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 its recently formed fully-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 36).

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

	2008
Purchase consideration	20.762
Fair value of the net assets acquired	(16.699)
Goodwill	**4.063**

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

	(*) (**) Fair value of the net assets acquired
Cash and cash equivalents	1.898
Fixed assets	13.427
Non-current financial assets	123
Inventories	865
Accounts receivable	4.600
Deferred tax liabilities	(427)
Accounts payable	(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 on 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, SL 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 SL sold all its shares in Naturoil to Bionor Inversiones e Inmuebles SL.

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 stipulatad 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 afore mentioned, 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 €764k 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 company **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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The net assets acquired and goodwill break down as follows:

	2008
Purchase consideration	722
Fair value of the net assets acquired	(136)
Goodwill	**586**

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

	Fair value
Cash and cash equivalents	169
Fixed assets	66
Non-current financial assets	7
Inventories	1
Accounts receivable	83
Other current financial assets	216
Accounts payable	(275)
Minority interests	(131)
Net assets acquired	**136**

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

	2008
Total consideration on acquisition	722
Cash and cash equivalents in the subsidiary acquired	(169)
Outflow of cash on the acquisition	**553**

This goodwill is attributable 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 €8,895k.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

2007

Automotive segment

On 8 December 2006, the CIE Automotive Group entered into an agreement for the acquisition through its subsidiary CIE Berriz, S.L. of **Shanghai Sandun Auto Parts Manufacture Co., Ltd,** located in the industrial area of Shanghai, China. The transaction is awaiting certain agreements which could change the final price of the transaction and assets acquired.

The net assets acquired and goodwill breaks down as follows:

	(*) 2007
Purchase consideration	2.428
Fair value of the net assets acquired	(2.274)
Goodwill	**154**

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

	(*) Fair value	(*) Carrying value of the company acquired
Land and buildings	2.428	1.942
Deferred tax liabilities	(154)	-
Net assets acquired	**2.274**	**1.942**

Total consideration on acquisition	2.428
Cash and cash equivalents in the subsidiery acquired	-
Outflow of cash on the acquisition	**2.428**

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

On 9 January 2007 the Group acquired through its subsidiary CIE Azkoitia, S.L., 100% of the share capital of the **Grupo Recyde, S.L.**, a holding company that in turn controlled the total share capital of the following companies: Alfa Deco, S.A.U., Alurecy, S.A.U., Componentes de Automoción Recytec, S.L.U., Componentes de Dirección Recylan, S.L.U., Investigación, Innovación y Desarrollo Grupo Recyde, A.I.E., Nova Recyd, S.A.U., Recyde, S.A.U., Recycomex, S.A. de C.V. (Mexico), Recyde CZ, s.r.o. (Czech Republic) and Recyde Zdanice, s.r.o. (Czech Republic).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The net assets acquired and goodwill breaks down as follows:

	2007
Purchase consideration	37.058
Fair value of the net assets acquired	(703)
Goodwill	**36.355**

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.

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

	Fair value of the net assets acquired
Cash and cash equivalents	6.369
Fixed assets	28.434
Inventories	10.391
Accounts receivable	9.838
Accruals and deferred income	6
Deferred tax assets	556
Accounts payable	(27.174)
Deferred income	(5.819)
Provisions	(6.818)
Borrowings	(15.080)
Net assets acquired	**703**
Total consideration on acquisition	37.058
Cash and cash equivalents in the subsidiary acquired	(6.369)
Outflow of cash on the acquisition	**30.689**

The fair value of the assets and liabilities acquired did not differ significantly from the carrying value of the company acquired.

On 18 January 2007 the Group acquired through its investee CIE Autometal, S.A., all share capital in the Brazilian company **Nakayone Empreendimentos e Participações, S.A.**.

TIMBRE DEL ESTADO

CLASE 8.ª

0J0978604

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The net assets acquired and goodwill breaks down as follows:

	(*) 2007
Purchase consideration	26.049
Fair value of the net assets acquired	(8.621)
Goodwill	**17.428**

(*) Data in Brazilian real converted to euro at the exchange rate on the transaction date (18 January 2007).

Fair value included a restatement of the value relating to land and buildings amounting to €999k and €6.786k, estimated on the basis of an independent expert valuation.

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.

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

	(*) Fair value	(*) Carrying value of the company acquired
Cash and cash equivalents	81	81
Fixed assets	11.028	3.243
Inventories	5.258	5.258
Accounts receivable	5.413	5.413
Accounts payable	(9.758)	(9.758)
Deferred tax liability	(2.647)	-
Borrowings	(754)	(754)
Net assets acquired	**8.621**	**3.483**

	2007
Total consideration on acquisition	26.049
Cash and cash equivalents in the subsidiary acquired	(81)
Outflow of cash on the acquisition	**25.968**

(*) Data in Brazilian real converted to euro at the exchange rate on the transaction date (18 January 2007).

Similarly, on 18 January 2007 the Group acquired through CIE Bérriz, S.L. and the "Joint Venture", CIE DESC Automotive, S.A. de C.V. (Note 36), 50% of the **Nugar Group**, that at that date included the following companies, all of which are of Mexican nationality: Nugar S.A. de C.V., Blanking S. de R.L. de C.V., Comercializadora de Aceros y Metales Reciclables S.A. de C.V., Organización ADTEC, S.A. de C.V., Percaser de México, S.A. de C.V., Pesimex S. de R.L. de C.V. and Servicat Servicios Contables, Administrativos y Técnicos, S.A. de C.V., together with the buildings from where the Nugar Group carries out its operations. Subsequently, the Nugar Group was restructured, the main outcome of which was the merger by absorption by Stamping & Whels, S.A. de C.V. (the acquiring company) of Nugar, S.A. de C.V. and Comercializadora de Aceros y Metales Reciclables, S.A. de C.V. (the target companies). The resulting company adopted the name of the target, Nugar, S.A. de C.V.

This transaction entailed the initial contribution by the CIE Group of 100% of the payment for the operation, with a purchase option in favour of CIE DESC Automotriz, S.A. de C.V. exercisable in January 2008. The shares acquired through this transaction, subject to the purchase option, carried no voting rights. In January 2008 the purchase option was exercised by CIE DESC Automotive, S.A. de C.V.

At 31 December 2007 a total of 030 million of the purchase option price had not yet been collected (Note 8.a))

The business combination carried out by CIE DESC Automotive, S.A. de C.V., in the part relating to 50% of the CIE Automotive Group, was summarised as follows:

	(*) 2007
Purchase consideration	22,947
Fair value of the net assets acquired	(2,577)
Goodwill	**20,370**

(*) Amounts in Mexican pesos converted to euro at the exchange rate on the transaction date (18 January 2007).

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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	(**) Fair value of the net assets acquired
Cash end cash equivalents	1.238
Fixed assets	5.425
Inventories	11.614
Accounts receivable	23.595
Deferred tax liabilities	(506)
Accounts payable	(32.037)
Borrowings	(6.752)
Net assets acquired	**2.577**

(*) Amounts in Mexican pesos converted to euro at the exchange rate on the transaction date (18 January 2007).

(**) Net assets at 50% as included in the consolidation.

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

	2007
Total consideration on acquisition	22.947
Cash and cesh equivalents in the subsidiary acquired	(1.238)
Outflow of cash on the acquisition	**21.709**

On 27 August 2007 the CIE Automotive Group arranged through its "Joint Venture" CIE DESC Automotive, S.A. de C.V. and several subsidiaries a "contract for the purchase-sale of assets, rights and assumption of obligations relating to the Ramos Arizpe plant, Coahuila, México (devoted to the manufacture, sale and marketing of injection and assemblies for the automotive industry), owned by the **Duroplast Group**. The transaction was formalised on 26 October 2007.

The transaction amounted to $27 million, including payment of the price of the assets acquired and the assumption of the debt associated with the operational contracts for assets in use. CIE Berriz, S.L. and KUO Automotriz, S.A. de CV (with a 50% share each in the "Joint Venture") financed in equal amounts the payment of the transaction by CIE DESC Automotive, S.A. de C.V.. The assets of Duroplast Ramos Arizpe were finally acquired by Steel Wheels de México, S.A. de C.V., currently Pintura y Ensambles de México, S.A. de C.V.

The business combination carried out by CIE DESC Automotive, S.A. de C.V., in the part relating to 50% of the CIE Automotive Group, was summarised as follows:

	(*) 2007
Purchase price of the assets	6.523
Future payments under contract hire	2.880
Transaction amount	**9.403**

The assets arising on the acquisition were as follows:

	(*) (**) Fair value of the net assets acquired
Fixed assets	5.786
Inventories	657
Accounts receivable	80
Net assets acquired	**6.523**

(*) Amounts in US dollars converted to euro at the exchange rate on the transaction date (26 October 2007).

(**) Data at 100%, included in the consolidation at 50%.

The movement in cash related to the price paid on the transaction for the assets included.

On 27 November 2007 the Group through its subsidiary CIE Azkoitia, S.L. formalised the acquisition of all shares representing 100% of the share capital of the Lithuanian company **UAB CIE LT Forge** (formerly UAB Peer Industries).

	(*) 2007
Purchase consideration	3.935
Fair value of the net assets acquired	(3.728)
Goodwill	**207**

(*) Data in Lithuanian litas converted to euro at the exchange rate on the transaction date (27 November 2007).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	(*) Fair value	(*) Carrying value of the company acquired
Cash and cash equivalents	1	1
Fixed assets	4.638	3.487
Inventories	687	687
Accounts receivable	868	868
Accounts payable	(1.259)	(1.259)
Deferred tax liabilities	(207)	-
Provisions	(1.000)	(1.000)
Net assets acquired	**3.728**	**2.784**

	2007
Total consideration on acquisition	3.935
Cash and cash equivalents in the subsidiary acquired	(1)
Outflow of cash on the acquisition	**3.934**

(*) Data in Lithuanian litas converted to euro at the exchange rate on the transaction date (27 November 2007).

Biofuel segment

In May 2007 and through its subsidiary CIE Automotive Bioenergía, S.L., the Group increased share capital in **Bionor Transformación, S.L.**, as agreed by that Company's General Shareholders' Meeting of 30 March 2007, and acquired 6,350,000 shares, thereby increasing its effective interest percentage by 7.145% to the current percentage of 68.425%.

The business combination performed was summarised as follows:

	2007
Purchase consideration	5.098
Fair value of the net assets acquired	(2.297)
Goodwill	**2.801**

This goodwill was attributable to the future profitability of the business acquired.

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

	Fair value of the net assets acquired
Cash and cash equivalents	503
Fixed assets	5.131
Inventories	1.487
Accounts receivable	1.705
Accounts payable	(3.877)
Borrowings	(2.530)
Minority shareholders	(122)
Net assets acquired	**2.297**

	2007
Total consideration on acquisition	5.098
Cash and cash equivalents in the subsidiary acquired	(503)
Outflow of cash on the acquisition	**4.595**

The fair value of the assets and liabilities acquired did not differ significantly from the carrying value of the company to be acquired.

On 6 July 2007 the Group acquired through its subsidiary Bionor Transformación S.A. 51% of the share capital **Reciclado de Residuos Grasos, S.L. (RESIGRAS)**, engaged in collecting used vegetable oils and located in Madrid.

	2007
Purchase consideration	1.785
Fair value of the net assets acquired	(179)
Goodwill	**1.606**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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.

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

	Fair value of the net assets acquired
Cash and cash equivalents	44
Fixed assets	722
Inventories	47
Accounts receivable	223
Accounts payable	(360)
Borrowings	(324)
Minority shareholders	(173)
Net assets acquired	**179**

The fair value of the assets and liabilities acquired did not differ significantly from the carrying value of the company to be acquired.

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

	2007
Total consideration on acquisition	1.785
Cash and cash equivalents in the subsidiary acquired	(44)
Outflow of cash on the acquisition	**1.741**

On 25 September 2007 and through its subsidiary Bionor Transformación, S.A. the Group subscribed the capital increase as a result of which it holds 51% of the shares in **Biocombustibles de Guatemala, S.A.**

	(*) 2007
Purchase consideration	2.375
Fair value of the net assets acquired	(1.827)
Goodwill	**548**

(*) Data in Guatemala quetzals converted to euro at the exchange rate on the transaction date (14 September 2006).

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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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

	(*) Fair value of the net assets acquired
Cash and cash equivalents	1.734
Fixed assets	1.708
Inventories	4
Accounts receivable	141
Accounts payable	(4)
Minority shareholders	(1.756)
Net assets acquired	**1.827**

	2007
Total consideration on acquisition	2.375
Cash and cash equivalents in the subsidiary acquired	(1.734)
Outflow of cash on the acquisition	**641**

(*) Data in Guatemala quetzals converted to euro at the exchange rate on the transaction date (14 September 2006).

The fair value of the assets and liabilities acquired did not differ significantly from the carrying value of the company to be acquired.

It should be noted that if all the above business combinations, of both segments, had been completed at 1 January 2007, consolidated sales of the CIE Automotive Group and EBITDA would not have varied significantly in view of the effective dates of the inclusion, net, of the companies acquired in the consolidation. These combinations contributed in 2007 a profit of €17,051k.

35. 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 (2007, 64.752%) (Note 1). The remaining 35.248% (2007, 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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The transactions set out below were carried out with related parties:

a) Senior management remuneration and loans

The total remuneration paid in 2008 to senior management personnel, excluding that included in Remuneration of the members of the Board of Directors amounts to €2,131k (2007: €1,600k).

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

During 2008 and 2007 movements in loans to senior management personnel included in "Other non-current assets" (Note 9) were as follows

	2008	2007
Opening balance	2.129	2.135
Advances and loans granted	4.361	-
Interest charged	10	(6)
	6.500	**2.129**

b) Transactions in the year with related parties

	2008	2007
Business operations:		
- Purchases	374	614
- Services received	1.087	2.117

Outstanding balances are reflected in Note 20.

c) Remuneration of the Directors of the parent company

Remuneration of the members of the Board of Directors

Total remuneration paid to the entire Board of Directors, consisting of salaries, per diems and other remuneration during 2008 amounted to €611k (2007: €862k).

The members of the Board of Directors have received no remuneration in respect of premiums or shares in profits. Nor have they received shares, or sold or exercised stock options or other rights related to pension plans or insurance policies in their favour.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

Advances and loans to the members of the Board of Directors

During 2008 a loan was granted to Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC), with short–term maturity and amounting to €2.200k, that has generated interest of 5.15% a year and the balance of which at 31 December 2008 amounts to €2.204k (Note 8 a)).

d) Article 127.3, 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.

TIMBRE DEL ESTADO

CLASE 8.ª

0J0978614

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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 is as follows:

Director name or business name	Group company name	Position
Antonio María Pradera Jáuregui	Biocombustibles de Zierbana, S.A.	Director
Antonio María Pradera Jáuregui	CIE Autometal, S.A.	Director
Antonio María Pradere Jáuregui	CIE Automotive Bioenergia, S.L.	Chairman
Antonio María Pradera Jáuregui	CIE Azkoitia, S.L.	Chairman
Antonio María Pradera Jáuregui	Percaser de Mexico, S.A. de C.V.	Chairman
Antonio María Pradera Jáuregui	CIE Bérriz, S.L.	Chairman
Antonio María Pradera Jáuregui	CIE DESC Automotive, S.A. de C.V.	Deputy Chairman
Antonio María Pradera Jáuregui	CIE Inversiones e Inmuebles, S.L.U.	Chairman
Antonio María Pradera Jáuregui	Matxitxako Diversificada SA SICAV,	Chairman
Ignacio Martín San Vicente	Biocombustibles de Guatemala, S.A.	Deputy Chairman
Ignacio Martín San Vicente	Biocombustibles La Seda, S.L.	Director
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 Bioenergia, S.L.	Director
Ignacio Martín San Vicente	CIE Azkoitia, S.L.	Director
Ignacio Martín San Vicente	Percaser de Mexico, S.A. de C.V.	Director
Ignacio Martín San Vicente	CIE Bérriz, S.L.	Director
Ignacio Martín San Vicente	CIE Celaya, S.A. de C.V.	Director
Ignacio Martín San Vicente	CIE DESC Automotive, S.A. de C.V.	Director
Ignacio Martín San Vicente	CIE Inversiones e Inmuebles, S.L.U.	Director
Ignacio Martín San Vicente	Nugar, S.A. de C.V.	Director
Ignacio Martín San Vicente	Organización ABTEC, S.A. de C.V.	Director
Ignacio Martín San Vicente	Percaser de Mexico, S.A. de C.V.	Director
Ignacio Martín San Vicente	Reaimex, S.A. de C.V.	Director
Ignacio Martín San Vicente	Pintura y Esambles de México, S.A. de CV	Director
Ignacio Martín San Vicente	Pintura, Estampado y Montaje, S.A. de CV	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

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

36. Joint ventures

The CIE Automotive group set up in 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 was arranged through capital increases in order to contribute to the joint venture, CIE DESC Automotive, S.A. de C.V. , a company which was set up by both shareholders on a 50/50 basis in December 2004, all shares in the Mexican company Pintura, Estampado y Montaje S.A. de C.V. (until then owned solely by the DESC group) and all shares in the Mexican company CIE Celaya, S.A. de C.V. (until then owned solely by the CIE Automotive group) and a cash contribution amounting to $22.3 million.

The 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.

The fair value of the assets acquired (€45,937k, at the exchange rate at that date) triggered goodwill of €165k.

This goodwill was attributed to the increase in value of the fixed assets acquired by the company.

During 2007 Pintura y Ensambles de México, S.A. de C.V. was incorporated

Additionally, in 2007 the Joint Venture acquired 100% of Nugar, S.A. 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. 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 .
- Similarly, KUO AUTOMOTRIZ, S.A. de C.V. has granted a purchase option in favour of CIE BERRIZ, S.L. so that it may itself or through the company it may decide, acquire 50% of the share capital of CIE DESC AUTOMOTIVE, S.A. de C.V. (the remaining 50% of which is already held by CIE BERRIZ S.L.). It has been stipulated that the purchase option (€14,812k, Note 8.a) over 50% of the share capital of CIE DESC AUTOMOTIVE, S.A. de C.V. may be exercised during the first quarter of 2009 and the first quarter of 2010. Similarly, and in that context, CIE BÉRRIZ, S.L. itself or through the company it may decide, may carry out the partial acquisition of subsidiaries of CIE DESC AUTOMOTIVE S.A. de C.V. in the first quarter of 2009.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

The estimated price for the transactions in question has been determined based the fair value of the companies involved on the basis of financial ratios and multiples. On the basis of the initial analyses, the overall amount of these transactions would be in the region of USD 95 million and USD 105 million.

The option amount paid (Note 8.a)) is considered a payment on account of the final amount of the transaction.

These business combinations are discussed in Note 34.

The amounts set out below represented the Group's 50% stake in the joint venture's assets and liabilities and sales and results. These amounts have been included in the consolidated balance sheet at 31 December 2008 and 2007 and the consolidated income statement for the years:

	2008	**2007**
Assets:		
Non-current assets	37.622	58.308
Goodwill	15.832	18.740
Current assets	34.202	38.200
	87.656	**115.248**
Liabilities:		
Long-term liabilities	4.193	7.370
Current liabilities	27.582	30.909
	31.775	38.279
Net assets	**55.881**	**76.969**
Revenues	98.534	109.836
Expenses	93.083	(105.095)
Profit after taxes	**5.451**	**4.741**
Proportionate interest in the commitments of the joint venture	50%	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 2008 AND 2007 (EUR'000)

37. Events after the balance sheet date

On 23 January 2009, the 80.5% owned company, CIE Automotive Bioenergía, S.L. formalised, under previous commitments, the acquisition of 14.923% of the share capital of its subsidiary Bionor Transformación, S.A., for an amount of €6.5 million.

The acquisition will be paid by CIE Automotive Bioenergía, S.L. in three instalments in 2010, 2011 and 2012.

Following this acquisition CIE Automotive Bioenergía, S.L. holds all the share capital of Bionor Transformación, S.A.

38. Other information

a) Fees of the auditors and companies of the group or related companies

The fees charged by PricewaterhouseCoopers Auditores, S.L. for auditing the annual accounts for 2008 total €1,225k (€840k in 2007). This amount includes the auditing of the annual accounts of the subsidiaries audited by PricewatarhouseCoopers for 2008.

Other services provided by PricewaterhouseCoopers Auditores, S.L. and other firms associated with the PricewaterhouseCoopers trademark have amounted to €189k (2007, €16k).

The fees with other firms for audit services relating to the annual accounts of other investees amount to €78k (2007, €152.5k) in 2008.

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 minimise environmental impact and to protect and improve the environment. In 2007 and 2008 there has been no major environmental expenditure.

iii) This year no significant environmental expenses have been incurred. The amounts incurred during the year basically relate to waste removal expenses.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007 (EUR'000)

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 minimise the environmentel risks associated with its operations and improve environmental management. The amounts of both the investments made and the expenses accrued in 2008 in relation to environmental protection and improvement have totalled €3.4 million (€1,71 million in 2007) 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.

Since late 2006, the CIE Automotive Group has not been registered with the national emission rights plan.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007

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. (being wound up)	Manufacture of automobile components	Belgium	-	100%	100%	-	-	-	PwC
CIE Udalbide, S.A., Sociedad Unipersonal	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC
CIE Udalbide, S.A., Sociedad Unipersonal	Manufacture of automobile components	Alava	-	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	Alava	-	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%	-	PwC
Alfa Deco, S.A. U	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
Alurecy S.A.U	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC

TIMBRE DEL ESTADO

0J0978620

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007

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	
Componentes de Automoción Recytec, S.L.U.	Manufacture of automobile components	Alava	-	100%	100%	-	-	-	PwC
Componentes de Dirección Recytec, S.L.U.	Manufacture of automobile components	Navarra	-	100%	100%	-	-	-	PwC
Nova Recyd, S.A.U.	Manufacture of automobile components	Alava	-	100%	100%	-	-	-	PwC
Recycle, 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 CE, sro	Manufacture of automobile components	Czech Republic	-	100%	100%	-	-	-	PwC
Recyde Zdanice, sro	Manufacture of automobile components	Czech Republic	-	100%	100%	-	-	-	PwC
Investigación, Innovación y Desarrollo Grupo Recyde AIE	Services and installations	Guipuzcoa	-	100%	100%	-	-	-	-
Alcastin Legutiano, S.L.U.	Manufacture of automobile components	Alava	-	100%	100%	-	-	-	PwC
UAB CIE LT Forge (1)	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
Orbelan Plásticos, S.A.	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
Transformaciones Metalúrgicas Norma, S.A.	Manufacture of automobile components	Guipuzcoa	-	100%	100%	-	-	-	PwC
Tarabusi, S.A. (*)	Manufacture of automobile components	Vizcaya	-	100%	100%	-	-	-	PwC
Fundición Alcasting, S.L.U. (1)	Manufacture of automobile components	Alava	-	100%	-	100%	100%	-	PwC

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

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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 Matricon, S.A.	Manufacture of automobile components	Romania	-	100%	100%	-	-	-	PwC
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 Republic	-	100%	100%	-	-	-	PwC
CIE Plasty CZ, s.r.o.	Manufacture of automobile components	Czech Republic	-	100%	100%	-	-	-	PwC
CIE Unitools Press CZ, a.s.	Manufacture of automobile components	Czech Republic	-	100%	100%	-	-	-	PwC
CIE Joamar, s.r.o. (formerly CIE Kataforesis, s.r.o.)	Manufacture of automobile components	Czech Republic	-	51%	51%	-	-	-	-
CIE Praga Louny, a.s. (1) (*)	Manufacture of automobile components	Czech Republic	-	100%	100%	-	-	-	PwC
Praga Service, s.r.o.	Installations	Czech Republic	-	100%	-	100%	100%	-	PwC
CIE DESC Automotive, S.A. de C.V. (*)	Manufacture of automobile components	Mexico	-	50%	50%	-	-	-	PwC
CIE Celaya, S.A. de C.V.	Manufacture of automobile components	Mexico	-	50%	-	100%	100%	-	PwC
Nugar, S.A. 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
Perceser de Mexico, 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
Pintura, Estampado y Montaje, S.A. de CV	Manufacture of automobile components	Mexico	-	50%	-	100%	100%	-	PwC
CIE Berriz de Mexico, S.A. de C.V. (*) (1)	Holding company	Mexico	-	100%	100%	-	-	-	PwC
Pintura y Esambles de México, S.A. de CV	Manufacture of automobile components	Mexico	-	100%	-	100%	100%	-	PwC

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007

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 Automotive Parts (Shanghai), Co. Ltd. (*)	Manufacture of automobile components	China	-	100%	100%	-	-	-	Shanghai Huiya
Shanghai Sandun Auto Parts Manufacture Co., Ltd.	Installations	China	-	100%	-	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. (dorment)	Waste management and valuation	Vizcaya	-	100%	100%	-	-	-	-
CIE Compiègne, S.A.S. (1)	Manufacture of automobile components	France	-	100%	100%	-	-	-	PwC
CIE Inversiones e Inmuebles, S.L. (*)Sociedad Unipersonal (+)	Holding company	Vizcaya	100%	-	-	-	-	-	PwC
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 Participaoes , S.A. U (*)	Holding company	Brazil	-	65%	-	65%	65%	-	PwC
Bioauto SP Indústria e Comércio de Biodiesel, Ltda.	Collection, recovery and recycling of used oils	Brazil	-	65%	-	65%	-	100%	PwC
Bioauto MT Agroindustrial, Ltda.	Agro-biotechnology	Brazil	-	65%	-	65%	-	100%	PwC
Mutum Álcool Combustíveis e Energia, Ltda. (dormant)	Biofuel production and sale	Brazil	-	65%	-	65%	-	100%	PwC
Biojan MT Agroindustrial, Ltda. (dormant)	Agro-biotechnology	Brazil	-	33,15%	-	33,15%	-	51%	PwC
CIE Participaçoes, Ltda. (*)	Holding company	Brazil	-	100%	100%	-	-	-	PwC
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	Brazil	-	100%	100%	-	-	-	PwC

TIMBRE DEL ESTADO

0,03 EUROS

0J0978623

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

APPENDIX TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008 AND 2007

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**
	components								
CIE Automotive Bioenergia, S.L. (*)	Holding company	Vizcaya	80,50%	-	-	-	-	-	PwC
Bionor Transformación, S.A. (*)	Holding company	Vizcaya	-	68,49%	85,08%	-	-	-	PwC
Bionor Berantevilla, S.L.U.	Biofuel production and sale	Alava	-	68,49%	-	85,08%	100%	-	PwC
Biosur Transformación, S.L.U.	Biofuel production and sale	Barcelona	-	68,49%	-	85%	100%	-	PwC
Biocombustibles de Zierbana, S.A.	Biofuel production and sale	Vizcaya	-	13,69%	-	17%	20%	-	-
Via Operador Petrolifero, S.L.U. (*)	Biofuel production and sale	Barcelona	-	68,49%	-	85,08%	100%	-	PwC
Via Credit Car, S.L.U.	Biofuel production and sale	Barcelona	-	68,49%	-	85,08%	-	100%	PwC
Via Estaciones S.L.U.	Biofuel production and sale	Barcelona	-	68,49%	-	85,08%	-	100%	PwC
Global Petroleos, S.A.U.	Biofuel production and sale	Barcelona	-	68,49%	-	85,08%	-	100%	PwC
Comlube, s.r.l. (*)	Biofuel production and sale	Italy	-	54,79%	-	68%	80%	-	PwC
Glycoleo srl (dormant)	Glycerine production and sale	Italy	-	27,39%	-	34%	-	50%	-
Biocombustibles La Seda, S.L.	Glycerine production and sale	Barcelona	-	27,39%	-	34%	40%	-	-
Bionor Inversiones e Inmuebles, S.L. (*)	Holding company	Vizcaya	-	68,49%	-	85,08%	100%	-	-
Naturoil Combustiveis Renovaveis, S.A.	Biofuel production and sale	Brazil	-	68,49%	-	85,08%	-	100%	PwC
Bionor Tecnologia, S.L.	Services and installations	Madrid	-	47,94%	-	59,56%	70%	-	-
Reciclado de Residuos Grasos, S.L. (Resigras)	Marketing of fatty oils	Madrid	-	34,91%	-	43,35%	51%	-	PwC
Biocombustibles de Guatemala, S.A.	Agro-biotechnology	Guatemala	-	34,91%	-	43,35%	51%	-	Herrera& Asociados
Gestión de Aceites Vegetales, S.L. (GAVE) (1)	Marketing of fatty oils	Madrid	-	34,91%	-	43,37%	51%	-	PwC
Matxitxako Diversificada SICAV, S.A.	Financial asset management	Madrid	99,88 %	-	-	-	-	-	D&T

(1) New companies included in the consolidation in 2008.
(*) Parent of all investee companies appearing subsequently in the table.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

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.

AUTOMOTIVE

In keeping with its strategy of growth and internationalisation in the Automotive sector in 2008, the CIE Automotive Group's performance has been as follows:

Growth in consolidated turnover +10%, improvement in results: EBITDA +23%, EBIT +29%

BUSINESS PERFORMANCE (EUR'000)	AUTOMOTIVE		
	2008	2007	% VAR.
Consolidated revenue	1.158.116	1.056.982	9,6%
EBITDA	191.303	156.083	22,6%
% EBITDA / consolidated revenues	*16,5%*	*14,8%*	-
EBIT	116.225	90.298	28,7%
% EBIT /consolidated revenues	*10,0%*	*8,5%*	-

In keeping with the positive trend in the last few years, in 2008 invoicing again grew, consolidated sales jumping from €1,057 million to €1,158.1 million, which is up 10% on the previous year.

With respect to results, the increase compared with 2007 amounts to 23% in EBITDA, which totalled €191.3 million, and 29% in EBIT, which totalled €116.2 million. EBITDA as a percentage of sales increased from 14.8% in 2006 to 16.5% in 2008, with an EBIT margin over sales of 10.0%, representing a major improvement in the business margins on operations.

This growth in sales is reflected in the increase in the CIE Automotive group's share of the global automotive market, despite the sector's present difficulties.

It should be noted that once again the CIE Automotive Group's performance in the Automotive sector was largely driven by the solid performance of its companies in Brazil, Mexico, Czech Republic, Romania, Lithuania and, that already account for 54.1% of the Group's consolidated turnover (51.6% in the same period last year) and that are the basis for the future growth of CIE Automotive, as they are countries with markets growing over and above the average. From the point of view of the destination of the products manufactured, 87.2% of sales by the CIE Group are made outside Spain.

Similarly, the new projects in the industrialization and launch stage in which the different companies of the Group are involved help to ensure greater market penetration.

Biofuels

As part of the integrated management strategy of the biofuel sector value chain, CIE Automotive is performing the following activities:

- Start-up of activities relating to the collection of used vegetable oils;
    - In June 2008 and through its subsidiary Bionor Transformación, S.A., the CIE AUTOMOTIVE Group formalised the acquisition of 51% of the share capital of Reciclado de Residuos Grasos, S.L. (GAVE), engaged in collecting used vegetable oils in the Madrid area.
- Start-up of activities for the integration of *Jatropha Curcas energy cultivation.*
- Completion of projects to manage installed production capacity of 700,000 m3 in the three year period 2008-2010, including the extension of production capacity at the Berantevilla plant (Alava) and the construction of a new plant in Huelva.
- Deployment of the sales or logistics and distribution network both nationally and internationally.

Consolidated adjusted turnover (*) of € 103.0 million, EBITDA €-10.7 million, EBIT € -12.6 million

BUSINESS PERFORMANCE (EUR'000)	BIOFUEL	
	2008	2007
Consolidated revenue	297.194	220.589
Adjusted consolidated revenue (*)	102.969	52.312
EBITDA	(10.666)	1.313
EBIT	(12.565)	67

(*) Proforma data calculated by eliminating sales of diesel for mixing.

Total turnover in the biofuel business in 2008 amounted to €297.2 million, of which a major part, €194.2 million, relates to the sale of diesel used to mix with biodiesel. The purchase-sale of this diesel offers no margin. Biofuel sales in 2008 amounted to €103.0 million.

TIMBRE DEL ESTADO

0,03 EUROS

0J0978626

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

The general industry scenario in 2008 was mainly affected by:

- The fall in oil prices, that generated losses in the year of approximately €13 million.

In the medium and long term, we trust that investments in energy cultivation (agro-biotechnology) will mature through the performance of specific R&D activities and the extension of the Jatropha Curcas plantation policy, enabling the cost of vegetable oil based raw materials to be reduced and consequently results to be improved.

CONSOLIDATED GROUP

Growth in adjusted turnover (*) +14%, improvement in results: EBITDA +15%, EBIT +15% EBT*13%

BUSINESS PERFORMANCE (EUR'000)	2008	2007	% VAR.
Consolidated revenue	1.455.310	1.277.571	13,9%
Adjusted consoldiated revenue (*)	1.261.085	1.109.294	13,7%
EBITDA	180.637	157.396	14,8%
EBIT	103.660	90.365	14,7%
EBT – continuing operations	67.752	60.068	12,8%
Profit for the year	51.697	51.256	0,9%
Profit attributable to parent company	53.823	50.672	6,2%

(*) Proforma data calculated by eliminating sales of diesel for mixing

In line with previous years, in 2008 invoicing grew, adjusted sales jumping from €1,109.3 million to €1,261.1 million, up 14% on the previous year, and consolidated sales increasing from €1,277.6 million to €1,455.3 million, up 14% on the previous year.

With respect to the performance of results, EBITDA increased by 15% to €180.6 million, EBIT also rose by 15% to €103.7 million and profits were up by 6% to €53.8 million, representing a major improvement.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

INDUSTRIAL OPERATIONS IN THE AUTOMOTIVE SECTOR

One of the pillars of CIE Auto motive's strategy is the search for excellence in the operations of all Group companies. Innovation is therefore a necessary condition to drive an improvement in business results.

In 2008 the CIE Automotive Group continued to make a special effort to extend an Operational Excellence program in all Group companies and in particular, the new companies added in 2007 and 2008. The ultimate objective of this management program named *AVANZA* is to secure maximum customer satisfaction through production and service quality and the economic efficiency that enables us to be competitive in terms of costs.

Within this context, specific on-going improvement programs, implemented in previous years, have been strengthened, having a positive impact and positioning CIE Automotive as a leading company in terms of management.

CIE Automotive has deployed all these on-going improvement activities on a large-scale basis in all its plants worldwide: the 5S´s, Production Management, Industrialisation Project Management, improvement of productivity, efficiency and production means saturation, change time reduction (SMEO), Maintenance Management (TPM), plant and cell lay-out improvement, process automation, inter alia .

Moreover, increases in production capacity and improvements in certain production facilities in the last few years have fuelled substantial improvements in results.

Action taken outside Spain:

- Industrialisation and start-up of new plastic and paint injection projects for Faurecia and Visteon at the CIE Plasty plant (Czech Republic).
- Industrialisation and start-up of new molding, welding, cataphoresis and assembly projects for PSA at the CIE Metal (Czech Republic).
- Change in the complete lay-out in accordance with "Lean Production" 3 cell methodology with the mechanisation, welding and molding of manufacture of staering parts in CIE Metal (Czech Republic).
- Optimisation of the production capacity of the cataphoresis line and systematisation of its advanced maintenance in CIE Metal (Czech Republic).
- Start-up of the new airbag project and production re-engineering in welding in CIE Unitools (Czech Republic).

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

- Re-engineering of most mechanised production processes according to "Lean" methodology in CIE Praga Louny (Czech Republic).
- Completion of the new production plant and industrialisation of electrical braking projects, with the start-up of the new extrusion facility for the manufacture of preforms, in CIE Zdanice (Czech Republic).
- Inclusion of an important number of gear box and suspension projects for CIE Praga Louny (Czech Republic) and successful transfer of production that was carried out in CIE Compiègne (France) for PSA.
- Drastic lay-out changes in accordance with "Lean" methodology in mechanisation, finishing and die-stamping in CIE LT Forge (Lithuania).
- Development of means and facilities, duplicating production capacity of die-stamping of aluminium molds at the CIE Matricon plant (Romania).
- Launch of electrical steering projects and official endorsement and launch of projects for Renault, Audi, Volkswagen and Ford in CIE Matricon (Romania).
- Development, installation and industrialisation of a new manufacturing line of a new Common Rail adapted to the Euro 5 standard for PSA at the CIE Compiegne plant (France).
- Industrialisation of the global airbag project of Epsilon II in metal and plastic technologies in CIE Scap (China).
- Start-up of new of new aluminium injection and automatic six gear box part mechanisation projects in CIE Celaya (Mexico).
- Extension of the order book through the inclusion of new Front End and Internal Trim projects aimed at Tier1 at the Ramos Arizpe plant (Mexico).
- Increase of 40% in production following the industrialisation of the connecting rod and axle point projects for VW in Autoforjas (Brazil).
- Industrialisation of various major projects for Volkswagen, Ford and Fiat (connecting rods, brake drums, axle points, differential body work, brake discs and transmission), that will enable an increase in invoicing at tha Taubaté plant (Brazil).

Action taken in Spain:

- Implementation of Lean Manufacturing as a production philosophy at the level of the CIE Vilanova plant (Barcelona), in order to adjust its strategic size.
- Complete layout change in the mechanisation and welding line of the kinematics of the opening of the roof for VW in CIE Egaña (Vizcaya).

- Lay-out change and automation of the cutting and mechanisation of aluminium foundry tops in CIE Tarabusi (Vizcaya).
- Implementation of Lean Manufacturing principles and tools in CIE Recylan (Alava).
- Integration of the automatic axle straightened in the automated production lines of CIE Alfadeco (Guipúzcoa).
- Automation of the P-6300 forged crankshaft production line in CIE Galfor (Orense).
- Automation of the extrusion forging press and end cutter in CIE Galfor (Orense).
- Analysis of best practice and synergies with Aluminium and Metal of die-stamping at the CIE Legazpia plant (Guipúzcoa).
- Automation of the shaft production line in CIE Legazpia (Guipúzcoa).
- Entry of new customers such as GM, Fiat and Ford, using the crankshafts of the new series of environmentally friendly engines.
- Effort in the automation of injection and mechanisation cells, including new parts such as gravity processes, notably improving indicators and reducing non-quality costs.
- Inclusion of bodywork parts and improvements in the processes implemented through the Lean system.
- Significant penetration in electrical steering through inclusion of EPS's.

INDUSTRIAL OPERATIONS IN THE BIOFUEL SECTOR

The CIE Automotive group operates throughout the biofuel sector value chain: Raw materials, Production and Distribution.

Raw materials (Recycling and Agriculture)

In 2008 CIE Automotive made a major effort to integrate its different business activities to ensure the competitive supply of all raw materials deriving from both agro-biotechnology (virgin oils) and recycled oils, animal fats and oleine. In this respect, the following should be noted for each area:

- R&D activities carried out by the Group for the sowing and development of Jatropha Curcas in Guatemala and Brazil.
- Inclusion of two used oil collection companies in Madrid (Spain)

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

Production

CIE Automotive currently has 2 plants in operation, one in Berantevilla (Alava) and another in Brescia (Italy) and several plants under construction.

In 2008 the Group carried out the following actions in this area:

- Expansion of the Alava plant by 100,000 Tm with the start-up of production in 2009.
- Construction of a 200,000 Tm plant in Huelva with the start-up of production planned for 2010.
- Start-up of new facilities enabling the improvement of the production process and environmental improvements at its current plants in Alava and Italy.
- The expansion of storage and loading and unloading capacity for its current plants.

Distribution

The Group also operates in the oil production distribution sector and handles the marketing of biofuels produced by production companies. It is currently also providing supply services to large fleets (buses, trucks) and more than 180 service stations throughout Spain.

QUALITY AND ENVIRONMENT

CIE Automotive upholds its commitment to quality and tha environment.

As set out in our management model, on-going improvement is a key factor and its three sides are monitored constantly in the scorecard used by all plants for management purposes:

- Customer satisfaction: with external PPM indicators, claims, deliveries, etc
- Economic efficiency: with EEC indicators, non-quality costs, MOD efficiency, average raw material costs etc
- People participation commitment: with absenteeism indicators, frequency indices, seriousness indices etc

From an internal viewpoint, our on-going improvement tools such as 5S, CONCOR, etc. continue to drive our culture with a positive outcome.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

Moreover, our management model has been reviewed following ISO/TS 16949, ISO 14000 and OHSAS 18000 standards. During this year, we have initiated the review, on the basis of this last standard and have certified:

- CIE LT Forge (Lithuania), devoted to the forging of parts, has obtained the ISO TS 16949 certificate.
- BIONOR Berantevilla, a plant devoted to the manufacture of biofuel, is the first company in mainland Spain certified by an international quality standard, such as ISO 9001.

Thanks to these new achievements in 2008, it may be asserted that all the group's plants are complying with customer requirements.

This year, 2008, as part of the AVANZA program in the operational excellence of the plants, the best 5's plant in each country has been recognised and the aim is to offer special recognition to the best 5's organisation in Europe, Brazil and Mexico. External valuations have been performed in this connection by experts in the implementation of 5´s, that have assessed the level of implementation at plants. Recognition documents will be delivered in the first quarter of 2009.

During this year, significant environmental sustainability activities have been initiated. In this respect, activity at the biofuel plant should be noted as it processes 30,000 Tn of used oil in the production of biofuel.

Also worthy in 2008 was the I Quality and Environment Forum that was held in America, in both Brazil and Mexico and attended by our main customers. Participation was very highly valued by the organisers and our customers. The environmentel bodies of each country were also present and able to appreciate this type of activity.

With respect to waste management, CIE Automotive has prepared its systems and we will be the first to report to institutions through "e-connect" programs.

R&D ACTIVITIES

The apparent volatility of fossil fuel prices, the increase in consumption and the prediction of their foreseeable depletion compromise a future based solely on their use. At the same time, greenhouse gas emissions have led to climate changes that entail a risk for the environment. In the Automotive sector, at product level, this entails a major change in the concept of mobility and promotion of alternative energies such as second generation biofuels. Nonetheless, it also represents an unprecedented drive towards hybrid, electrical and hydrogen vehicles. The intention is to define the best combination between the vehicle and type of fuel to be used. At production level, control of both GHG emissions and environmental pollution and safety and energy savings are the main factors to be taken into account.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

The aspects mentioned have been the main drivers of CIE Automotive's strategy. During 2008 we have therefore made a major research effort in order to ensure that our products and processes contribute to the sustainability of the system.

Efforts at process level have mainly been aimed at reducing consumption and emissions (Green manufacturing). We have mainly worked on material and mold processing in order to ensure a longer useful life, the development of integrated transformation processes that enable us to better leverage raw materials and therefore to reduce scrap, reutilise heat emitted into the environment in secondary processes, cogeneration etc. More than 20 projects have been presented relating to both regional and national programs. The completion of the projects has enabled us to submit various patent requests.

The projects and lines of work in the pipeline and innovation at product level have mainly aimed at reducing weight, (despite the increase in the need for parts), optimising fuel consumption and reducing vehicle emissions of both CO2 and NOx, improving the recyclability of the materials used, and the reparability and possible reutilisation of the components and use of material processes. As in relation to processes, we have presented our projects at specific European, national and regional level. We have presented two new patent requests and have received acceptance of various patents that we requested last year, (strengthening of doors against side impacts and covering of pillar B for impact absorption).

At R&D level, in CIE we are committed to the electrification of vehicles and mainly, range expanders and energy storage and management. Electrical vehicles, irrespective of the type, will undoubtedly be a priority area of development in research agendas at European and national level. CIE's commitment at the appropriate time to this area of development and the contacts established at OEM and TIER 1 level during this period will entail devoting an important part of the 2.2% of sales each year that CIE invests in R&D and a major drive to the diversification of products, processes and customers.

HUMAN RESOURCES

In Occupational Risk Prevention, and given that safety at work is a maximum priority for CIE Automotive, the Group's Prevention departments have continued working with the ultimate aim to stop accidents at work and improve working conditions on an on-going basis.

Also, in 2008, work was performed on updating the Risk Assessment Methodology and improving its scope and maintenance. This will entail the updating of assessments at all plants, which is already underway. The implementation of equipment upgrade plans has continued, which is scheduled annually at all plants.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

In addition, drills and updates of emergency plans have been performed together with ergonomic studies at pilot plants with specific methodologies generating satisfactory results and hygiene measurement operation has been assessed as a result of the measurement plans at each plant for noise, metal smoke, chemical components etc.

The OHSAS 18001 certificate has been maintained by those plants that already held it following the relevant audits by the certifying entity.

Finally, noteworthy is the fact that in accordance with the Plan at plants, voluntary audits have been performed of the PRL management systems, understood not only as a legal requirement but also as a management tool enabling us to assess the adequacy and efficiency of that system.

With respect to people management, the following actions are particularly noteworthy:

- The workforce at CIE Automotive Group has been adjusted to production needs and the Group ended 2008 with an average number of 13,333 employees.

- The Human Resources Management Model, that responds to the corporate objective of ensuring the personal and professional development of all people at CIE Automotive. This involves an own model based on competence management named Professional Development Programme (PDP), with a specific focus on evaluation processes aimed at the improvement and development of managers and collaborators. It similarly encompasses other aspects related to people management, such as communication and remuneration.

- Development of a training plan at group company level, devoting an average of 1.8% of total working hours to training.

- The Management Learning Center, CIE Automotive's corporate training school, has taken on the Group's objectives in that it will strengthen a common business culture and is firmly committed to people. Its program includes Modules that are already consolidated such as Finance, Quality and Management Development and has specifically promoted Occupational Risk Prevention and Industrial Management, carrying out TPM training actions, Risk Audits, Team Adaptation, SMED, etc. Also particularly noteworthy is the holding of the second edition of the Higher Course of Management of CIE Automotive, an authentic post-graduate course adapted to the real situation of our Organisation, through the completion by our students of specific projects related to Administrative Improvement Processes, Internal Communication, Knowledge Management and other.

- Promotion of the international approach of the program to recruit young graduates (Ulysses program), with a level of notable involvement in multi-country projects and in different technologies such as die-stamping, welding and plastic. This therefore addresses the aim of said Program, i.e., to create a reserve of future leaders with an international vision.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

Undoubtedly the improvement of results in 2008 has been possible thanks to the employees of CIE Automotive.

ANNUAL REPORT ON THE AUDIT AND COMPLIANCE COMMITTEE'S ACTIONS FOR 2008

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.

Therefore, the Board of Directors of CIE Automotive, S.A. approved the Regulations of the Audit and Compliance Committee and designated its members in its 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 4 occasions during 2008 and on one occasion in 2009 (24 February 2009) before the preparation of the annual accounts for 2008.

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 2008

Actions (Audit and Compliance Commission functions)	Art.	Dates				
Analysis of Annual Accounts	3(vi)	27/02/2008	24/02/2009			
Corporate Governance Report	3(x)	27/02/2008	24/02/2009			
Audit and Compliance Commission Activities Report	3(ix)	27/02/2008	24/02/2009			
Regular Public Reporting	3(vi)	27/02/2008	23/04/2008	23/07/2008	22/10/2008	24/02/2009
Audit Procedures	3(v)	27/02/2008	23/04/2008	23/07/2008	22/10/2008	24/02/2009

As may be observed, the Audit and Compliance Committee's main actions in relation to the year ended 31 December 2008 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 2007 (meeting of 27 February 2008), first quarter of 2008 (23 April 2008), first half of 2008 (23 July 2008), and third quarter of 2008 (22 October 2008).

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 24 February 2009, the Committee analysed the information relating to the Annual Financial Report for 2008 (there being no need to specifically analyse the information for the second half of 2008 in accordance with Article 11 of Royal Decree 1362/2007, of 19 October 2007).

In this respect, during its meeting of 23 April 2008, the Committee reviewed the impact of the new financial reporting models in accordance with 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 2007 (meeting of 27 February 2008), 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 2009, the Committee analysed 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 2008 and issued the mandatory report on the same.

Moreover, in relation to the annual accounts, during its meeting of 22 October 2008, the Committee analysed the impact of the Chart of Accounts on the Company and Group.

(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 cover the planning and analysis of procedures and results (both preliminary and definitive) of the external audit for the year ended 31 December 2007, and the planning and analysis of the procedure and preliminary results of the external audit for the year ended 31 December 2008. Similarly, the Audit and Compliance Committee has reviewed the external auditor's recommendations in relation to the accounting issues and situation of the financial reporting and management systems and procedures in each company of the CIE Automotive group.

Similarly, external auditors have been designated in various subsidiaries, their fees approved and their independence safeguarded.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

EXPLANATORY REPORT ON THE ASPECTS ENVISAGED IN ARTICLE 116 OF THE LAW ON THE SECURITIES MARKET FOR THE YEAR ENDED 31 DECEMBER 2008

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 2007, the Board of Directors of CIE Automotive, S. A. (hereinafter "CIE Automotive" or the "Company") agreed, in the meeting of 25 February 2009, 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 2008.

a) The capital structure, including the securities not listed on an EU regulated market, if any, of the different classes of shares and, for each class of shares, the rights and obligations conferred and the interest percentage in capital they represent

At 31 December 2008 the share capital of CIE Automotive, S.A. consists of 114,000,000 shares with a par value of 0.25 euros each, fully subscribed and paid in, of a single class and series and conferring the same rights and obligations to all shareholders.

b) Restrictions on the transferability of securities

The Bylaws contain no restrictions on the transferability of the shares making up share 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

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

c) *Significant direct and indirect holdings in capital*

CIE AUTOMOTIVE, S.A.

Number of shares 114,000,000
Per value: 0,25 Euros per share
Share capital: 28,500,000 (Euros)

Shareholder	DIRECT	INDIRECT No. Shares	TOTAL PARTICIPATION (Direct + Indirect) 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
GMC DEVELOPMENT CAPITAL FUND, Plc	5.736.177	0	5.736.177	5,032%	1.434.044,25
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	5.792.041	5.792.041	5,081%	1.448.010,25
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 on voting rights.

e) *Quasi-corporate pacts*

The Company has no knowledga of the existence of any quasi-corporate pacts in CIE Automotive, S.A.

f) *Rules applicable to the appointment and replacement of the members of the administrative body and the amendment of the Company's bylaws*

Appointment of the members of the Board of Directors

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."*

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

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."*

Resignation of the 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. Resignation 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 formalise it , if deemed advisable by the same, in the following cases :*
>
> *a) In the case of nominee directors, when he or the shareholder that he represents transfers his shareholding in the company.*
>
> *b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.*
>
> *c) When they are 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."*

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CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

Amendment of the Company's Bylaws

The procedure for the amendment of the Bylaws is governed in Article 144 of the Spanish Companies Act, that is common to all of them, and requires the approval of the General Shareholders' Meeting, with the majorities provided in Article 103 of that Act.

The competences 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 23 April 2008 authorised 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. The authorisation shall be for 18 months as from the date of the General Shareholders' Meeting.

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 shall not apply when the Company is legally required to disclose this information.

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.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

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) <u>Employees</u>: 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) <u>Senior Management Personnel</u>: 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 recognise 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) <u>Executive Directives</u>: 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 timeperiod. Nonetheless, the extinguishment of the relation does not give rise to any right to economic compensation.

ANNUAL CORPORATE GOVERNANCE REPORT[1]

LISTED PUBLIC CORPORATIONS

IDENTIFICATION OF THE COMPANY

End of fiscal year: 31 December 2008

Tax Identification Number: A-20014452

Corporate name: CIE AUTOMOTIVE, S.A.

[1] This publication of the Annual Corporate Governance Report is intended to reproduce the full content of the oficial document communicated to the CNMV as a significant event on February 27, 2009 and available on the web at www.cieautomotive.com

A. OWNERSHIP STRUCTURE OF THE COMPANY

A.1. Complete the following chart about the share capital of the company:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
15-05-2006	28,500,000.00	114,000,000	114,000,000

State whether there are different classes of shares with different rights attaching thereto:

NO

A.2. Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the fiscal year, excluding directors

Individual or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
BESTINVER GESTIÓN, S.A., S.G.I.I.C.	0	5,792,041	5.081
QMC DEVELOPMENT CAPITAL FUND, PLC	5,736,177	0	5.032
IBERIAN CAPITAL GP (I) LIMITED	0	3,974,898	3.487

Individual or corporate name of indirect holder of the interest	Through: Individual or corporate name of direct holder of the interest	Number of direct voting rights	% of total voting rights
IBERIA CAPITAL GP (I) LIMITED	CHAIRMARK, S.A.R.L.	3,974,898	3.487

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

Individual or corporate name of shareholder	Date of transaction	Description of transaction
BESTINVER GESTIÓN, S.A., S.G.I.I.C.	12-11-2008	5% of the share capital has been exceeded

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A.3. Complete the following charts about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

Individual or corporate name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ADDVALIA CAPITAL, S.A.	5,723,491	0	5.021
COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.	5,700,000	0	5.000
INSSEC PARTICIPADAS, S.L.	10	0	0.000
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	59,014,305	0	51.757
Mr. JUAN LUIS RAMÍREZ BELAUSTEGUI	0	5,000	0.004
SALTEC, S.L.	14,802,690	0	12.985

Individual or corporate name of indirect holder of the interest	Through: Individual or corporate name of direct holder of the interest	Number of direct voting rights	% of total voting rights
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	SALTEC, S.L.	14,802,690	12.985

Individual or corporate name of indirect holder of the interest	Through: Individual or corporate name of direct holder of the interest	Number of direct voting rights	% of total voting rights
Mr. JUAN LUIS RAMÍREZ BELAUSTEGUI	FINTECH 21, S.L.	5,000	0.004
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	INSSEC PARTICIPADAS, S.L.	10	0.000

Total percentage of voting rights held by the board of directors	74.777

Complete the following charts about members of the Company's board of directors who hold rights to shares of the Company:

A.4. Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business:

Type of relationship:

Corporate

Brief description:

SOLE SHAREHOLDER OF SALTEC, S.L.U.

Individual or corporate name of related parties
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Type of relationship:

Corporate

Brief description:

100% OWNED BY INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Individual or corporate name of related parties
SALTEC, S.L.U.

A.5. Describe, if applicable, the commercial, contractual or corporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

A.6. Indicate whether any corporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law [*Ley del Mercado de Valores – LMV*] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

NO

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year.

A.7. Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:

YES

Individual or corporate name
INSTITUTO SECTORIAL DE PROMOCIÓN DE EMPRESAS, S.A.

Comments

A.8. Complete the following charts about the Company's treasury stock:

As of year-end:

Number of direct shares	**Number of indirect shares (*)**	**Total % of share capital**
851,897	0	0.747

(*) Through:

Total	0

Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Gains/(Losses) on the Company's own stock transferred during the period	232

A.9. Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

The General Shareholders Meeting of CIE Automotive, S.A. on its meeting of date 23 April 2008 adopted, as section 4 of the agenda the following resolution:

FOURTH.- Authorisation to the Board of Directors to proceed to the derivative acquisition of its own stock or through the companies of the group, as set forth in Section 75 of the Public Corporations Law, leaving ineffective the authorisation granted by the Shareholders' Meeting of 26 April 2007; the reduction of the share capital for redemption of its own shares, granting to the Board of Directors the faculties necessary for its execution.

1. Leaving ineffective the resolution adopted by the Shareholders' Meeting of 16 April 2007 in relation what such not executed, to authorise the Company, whether directly or indirectly through any of its affiliate companies, and during the maximum term of eighteen months as from this Meeting, so that it may acquire at any moment and as many times as deemed convenient, shares of CIE Automotive, S.A. by any means admitted in Law, even using profits of the fiscal year and/or free reserves, as well as for the future transfer or redemption thereof, all according to Section 75 and others applicable of the Public Corporations Law.
2. To adopt the limits and requirements of this acquisitions, which shall be the following:
   - The face value of the acquired shares, added to the ones already held by the Company and its affiliates, shall not exceed, from time to time, five per cent of the share capital of CIE Automotive, S.A., fulfilling in all cases the limits for the acquisition of own stock established by the regulatory authorities of the stock markets in which the shares of CIE Automotive are listed.
   - In the liabilities side of the balance sheet of the Company there shall be established a restricted reserve equal to the amount of the Company's own stock recorded in the assets side. Such reserve shall be maintained while the stock is not transferred or redeemed.
   - The acquisition price shall not be lower than the face value and shall not exceed ten per cent (10%) of the market value of the shares on the date of their acquisition or, as per derivatives, on the datc of the agreement prior to the acquisition. The transactions of acquisition of own stock shall be carried out according to the rules and custom of the stock exchange markets.
3. It is expressly authorised that the shares acquired by CIE Automotive, S.A. affiliate companies by means of this authorisation may be fully or partially used to deliver them to the workers, employees or directors of the company, when a recognised right exists, whether directly or as a consequence of the execution of rights of option that are held by them, to the extent provided in the final paragraph of Section 75, subsection 1, of the Public Corporations Law, included by the Nineteenth Additional Provision,

subsection 1, of the Law 55/1999, of 29 December, on tax, administrative and social Measures.

4. To reduce the share capital for the purpose of redemption of the own shares of CIE Automotive that may keep in its balance sheet, using profits or free reserves and for the amount that from time to time it is convenient or necessary up to the maximum limit of own shares existing from time to time.

5. To delegate in the Board of Directors the execution of the aforementioned resolution of share capital reduction, which may execute it in one or several times and within the term of eighteen months as from the date of this Shareholders' Meeting, being entitled to carry out whatever formalities, actions and authorisations that are necessary or required by the Public Corporations Law and by other applicable provisions and, in particular, it is delegated so that, within the term and limits established for the execution, sets the date or dates of the specific share capital reduction or reductions, their convenience regarding the market conditions, the market value, the economic and financial situation of the Company, its cash, reserves and evolution of the company and any other aspect that may have impact in the decision; to specify the amount of the share capital reduction; to determine the destination of the amount of the reduction, whether to an unavailable reserve or to a free reserve, granting, should it be the case, the guarantees and fulfilling the requirements legally established; to adapt section 40 of the By-laws to the new share capital amount; to apply for the exclusion of the redeemed securities from the stock market listing, and in general, to adopt whatever resolutions necessary for the redemption and subsequent share capital reduction, appointing the persons that may intervene in its execution.

A.10. Indicate, if applicable, any legal or by-law restrictions on the exercise of voting rights, and any legal restrictions on the acquisition or transfer of interests in share capital.

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restrictions	0

Indicate whether there are by-law restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restrictions	0

Indicate if there are legal restrictions on the acquisition or transfer of interests in the share capital

NO

A.11. Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

YES

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective:

The General Shareholders' Meeting of CIE Automotive, S.A. in the meeting of date 23 April 2008, adopted as section 6 of the agenda the following resolution:

SIXTH.- Approval of the non-application of the limits on the action of the management bodies of the company and of its group in the terms set forth in subsection 2 of Section 60 bis of Law 24/1988, of 28 July, on the Securities Market and Section 28 of Royal Decree 1066/2007, of 27 July.

As set forth in subsection 2 of Section 60 bis of Law 24/1988, of 28 July, on the Securities Market and subsection 5 of Section 28 of Royal Decree 1066/2007, of 27 July, on public take-over offers, to approve that the limits on the action of the management bodies of the company and of its group set forth in subsection 2 of Section 60 bis of Law 24/1988, of 28 July, on the Securities Market and Section 28 of Royal Decree 1066/2007, of 27 July shall not be applicable in the event the company is subject to a public take-over offered by a company that has not its registered office in Spain and which is not subject to these or equivalent rules, including those referred to the adoption of the necessary measures for the adoption of the resolutions by the Shareholders' Meeting, or by a company controlled by it, directly or indirectly, according to the provisions set forth in Section 4 of the Law 24/1988, of 28 July, on the Securities Market.

B. STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1. Board of directors

B.1.1. Describe the maximum and minimum number of Directors set forth in the By-Laws

Maximum number of directors	15
Minimum number of directors	6

TIMBRE DEL ESTADO

CLASE 8.ª

0J0978649

B.1.2. Complete the following chart identifying the members of the Board of Directors:

Individual or corporate name of director	Representative	Position	Date first appointment	Date last appointment	Election procedure
MR. ANTONIO MARÍA PRADERA JAUREGUI	--	CHAIRMAN	24-06-2002	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	VICE-CHAIRMAN	24-06-2002	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. IGNACIO MARTÍN SAN VICENTE	--	CEO	24-06-2002	24-06-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
ADDVALIA CAPITAL, S.A.	MRS. MARÍA TERESA SALEGUI ARBIZU	DIRECTOR	26-04-2002	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.	MR. JUAN SALIDO FREYRE	DIRECTOR	26-04-2007	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. FERMÍN DEL RÍO SANZ DE ACEDO	--	DIRECTOR	21-12-2005	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
INSSEC PARTICIPADAS, S.L.	MR. MIGUEL ÁNGEL PLANAS SEGURADO	DIRECTOR	22-10-2008	22-10-2008	COOPTATION
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	MR. FRANCISCO JOSÉ RIBERAS MERA	DIRECTOR	24-06-2002	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. JUAN LUIS RAMÍREZ BELAUSTEGUI	--	DIRECTOR	26-04-2007	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	DIRECTOR	12-05-2005	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING

Individual or corporate name of director	Representative	Position	Date first appointment	Date last appointment	Election procedure
SALTEC PARTICIPADAS, S.L.	MR. BERNARDINO DÍAZ-ANDREU GARCÍA	DIRECTOR	28-04-2004	16-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
SALTEC, S.L.	MR. CRISTIAN PABLO ABELLÓ GAMAZO	DIRECTOR	24-06-2002	26-04-2007	VOTE AT GENERAL SHAREHOLDERS' MEETING

Total Number of Directors	12

Indicate vacancies on the Board of Directors during the period:

Individual or corporate name of director	Status of the director at the time of vacancy	Date of vacancy
POOLBACK, S.A.	PROPRIETARY DIRECTOR	22-10-2008

B.1.3. Complete the following charts about the members of the Board and each member's status:

EXECUTIVE DIRECTORS

Individual or corporate name of director	Committee that has proposed the director's appointment	Position within the Company's structure
MR. IGNACIO MARTÍN SAN VICENTE	NOMINATING AND COMPENSATION COMMITTEE	CEO

Number of executive directors	1
Total % of Board members	8.333

EXTERNAL PROPRIETARY DIRECTORS

Individual or corporate name of director	Committee that has proposed the director's appointment	Individual or corporate name of the significant shareholder represented by the director or that has proposed the director's appointment
MR. ANTONIO MARÍA PRADERA JAUREGUI	NOMINATING AND COMPENSATION COMMITTEE	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	NOMINATING AND COMPENSATION COMMITTEE	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.
ADDVALIA CAPITAL, S.A.	NOMINATING AND COMPENSATION COMMITTEE	ADDVALIA CAPITAL, S.A.
COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.	NOMINATING AND COMPENSATION COMMITTEE	COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.
INSSEC PARTICIPADAS, S.L.	NOMINATING AND COMPENSATION COMMITTEE	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	NOMINATING AND COMPENSATION COMMITTEE	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.
QMC DIRECTORSHIPS, S.L.	NOMINATING AND COMPENSATION COMMITTEE	QMC DEVELOPMENT CAPITAL FUND, PLC
SALTEC PARTICIPADAS, S.L.	NOMINATING AND COMPENSATION COMMITTEE	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.
SALTEC, S.L.	NOMINATING AND COMPENSATION COMMITTEE	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Number of external proprietary directors	9
Total % of Board members	75

EXTERNAL INDEPENDENT DIRECTORS

Individual or corporate name of director:

MR. JUAN LUIS RAMÍREZ BELAUSTEGUI

Profile

GRADUATED IN ECONOMIC AND BUSINESS SCIENCES AND EXPERT IN OTHER FINANCIAL AREAS, THE FINANCIAL ANALYSIS, FUTURE AND OPTIONS, INTERNATIONAL FINANCIAL MARKETS AND MANAGEMENT THROUGH VALUE CREATION.

IT IS RELEVANT HIS PROFESSIONAL EXPERIENCE IN UNION ALIMENTARIA ESPAÑOLA, PROCTER GAMBLE ESPAÑA, AND BANK EBN.

IT IS CURRENTLY A PARTNER AND MEMBER OF THE EXECUTIVE COMMISSION OF INVERSIONES IBERSUIZAS, S.A. AND COMPANIES OF ITS GROUP.

IT IS ALSO A DIRECTOR OF INNOVA CAPITAL, SCR, BODAGAS CASA DE LA ERMITA, STOCK UNO AND NUMACO.

Number of external independent directors	1
Total % of Board members	8.333

OTHER EXTERNAL DIRECTORS

Individual or corporate name of director	Committee that has proposed the director's appointment
MR. FERMÍN DEL RÍO SANZ DE ACEDO	NOMINATING AND COMPENSATION COMMITTEE

Number of other external directors	1
Total % of Board members	8.333

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management or its shareholders.

Individual or corporate name of director:

MR. FERMÍN DEL RÍO SANZ DE ACEDO

Company, manager or shareholder with which he has ties:

CIE AUTOMOTIVE AND AFFILIATES (GROUP CIE AUTOMOTIVE)

Reasons:

THE DIRECTOR IS A SHAREHOLDER OF IBAIAREN INVESTMENT SERVICES, S.L., A COMPANY THAT HOLDS IMPORTANT BUSINESS RELATIONS WITH DIFFERENT COMPANIES OF THE GROUP.

Indicate the changes, if any, in the type of director during the period:

B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

NO

B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

YES

Individual or corporate name of director:

POOLBACK, S.A.

Reason for withdrawal

The company is not part of the group of companies of the Significant Shareholder which proposed its appointment (INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.)

B.1.6. Indicate the powers delegated to the CEO(s), if any:

Individual or corporate name of director:

MR. IGNACIO MARTÍN SAN VICENTE

Brief description

ALL FACULTIES EXCEPT THE ONES NOT DELEGABLE UNDER LAW.

B.1.7. Identify the directors who are managers or directors of companies within the listed company's group, if any:

Individual or corporate name of director	Corporate name of entity within the group	Position
MR. ANTONIO MARÍA PRADERA JAUREGUI	BIOCOMBUSTIBLES DE ZIERBANA, S,.A.	DIRECTOR
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE AUTOMETAL, S.A.	DIRECTOR
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE AUTOMOTIVE BIOENERGÍA, S.L.	CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE AZKOITIA, S.L.	CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE BERRIZ DE MÉXICO. S.A. DE C.V.	CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE DESC AUTOMOTIVE. S.A. DE C.V.	VICE-CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE INVERSIONES E INMUEBLES, S.L.U.	CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	MATXITXAKO DIVERSIFICADA. S.A. SICAV	CHAIRMAN
MR. IGNACIO MARTÍN SAN VICENTE	BIOCOMBUSTIBLES DE GUATEMALA, S.A.	VICE-CHAIRMAN
MR. IGNACIO MARTÍN SAN VICENTE	BIOCOMBUSTIBLES DE LA SEDA, S.L.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	BLANKING. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE AUTOMETAL, S.A.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE AUTOMOTIVE BIOENERGÍA, S.L.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE AZKOITIA, S.L.	DIRECTOR

Individual or corporate name of director	Corporate name of entity within the group	Position
MR. IGNACIO MARTÍN SAN VICENTE	CIE BERRIZ DE MÉXICO. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE BERRIZ, S.L.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE CELAYA. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE DESC AUTOMOTIVE. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	CIE INVERSIONES E INMUEBLES, S.L.U.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	NUGAR. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	ORGANIZACIÓN ADTEC. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	PERCASER DE MÉXICO. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	PESIMEX. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	PINTURA Y ENSAMBLES DE MÉXICO. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	PINTURA ESTAMPADO Y MONTAJE. S.A. DE C.V.	DIRECTOR
MR. IGNACIO MARTÍN SAN VICENTE	PERFIL PLÁSTICOS DA FIGUEIRA. S.A.	CHAIRMAN
MR. IGNACIO MARTÍN SAN VICENTE	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TÉCNICOS. S.A. DE C.V.	DIRECTOR

B.1.8. Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:

Individual or corporate name of director	Listed company	Position
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	UNIPAPEL, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	AZKOYEN, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	GERERAL DE ALQUILER DE MAQUINARIA, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	CORPORACIÓN DERMOESTÉTICA, S.A.	DIRECTOR

B.1.9. Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

NO

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

The investment and financing policy	YES
The definition of the structure of the group of companies	YES
The corporate governance policy	YES
The corporate social responsibility policy	YES
The strategic or business plan, as well as management objectives and annual budgets	YES
The policy regarding compensation and evaluation of performance of senior management	YES
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	YES
The dividend policy, as well the treasury stock policy and, especially, the limits thereto	YES

B.1.11. Complete the following charts regarding the aggregate compensation of Directors accrued during the fiscal year:

a) At the Company covered by this report:

Compensation item	Data in thousands of Euros
Fixed compensation	0
Variable compensation	0
Daily fees	0
Token payments	0
Share options and/or other financial instruments	0
Other	0

Total	0

Other benefits	Data in thousands of Euros
Advances	0
Loans granted	2,204
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations incurred	0
Life insurance premiums	0
Guarantees given by the company for the benefit of directors	0

b) On account of membership by the Company's directors on other boards of directors and/or in the senior management of Group companies:

Compensation item	Data in thousands of Euros
Fixed compensation	0
Variable compensation	0
Daily fees	0
Token payments	0
Share options and/or other financial instruments	0
Other	0

Total	0

Other benefits	Data in thousands of Euros
Advances	0
Loans granted	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations incurred	0
Life insurance premiums	0
Guarantees given by the company for the benefit of directors	0

c) Total compensation by type of director:

Type of director	Per company	Per group
Executive	0	0
External Proprietary	0	0
External Independent	0	0
Other External	0	0
Total	0	0

d) As a percentage of the profits attributable to the controlling company:

Total compensation of directors (in thousands of Euros)	0
Total compensation of directors / profits attributable to the controlling company (as a %)	0.0

B.1.12. Identify the members of the Company's senior management who are not executive directors and state the total compensation accruing to them during the fiscal year:

Individual or corporate name of director	Position
MR. ALFONSO AUSÍN MAESO	CEO OF BIONOR TRANSFORMACIÓN, S.A. - RESPONSIBLE OF THE BIOFUELS AREA
MR. HIPÓLITO ZABALETA SARASUA	COMMERCIAL DIRECTOR
MR. IÑIGO UNZAGA IRARZABAL	DIRECTOR OF STRATEGIC PROJECTS
MR. JESÚS MARÍA HERRERA BARANDIARAN	DIRECTOR AMERICA
MR. IGNACIO ARTAZCOZ BARRENA	CORPORATE DIRECTOR AND CFO
MR. JESÚS ESMORIS ESMORIS	DIRECTOR EUROPE

Total senior management compensation (in thousands of Euros)	2,131

B.1.13. Identify, on an aggregate basis, if there are indemnity or "golden parachute" provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control. Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

Number of beneficiaries	2

	Board of directors	**Shareholders' Meeting**
Decision-making body approving the provisions	YES	NO

Is information about these provisions provided to the shareholders at the General Shareholders' Meeting?	NO

B.1.14. Describe the process to set the compensation of the members of the Board of Directors and the relevant provisions of the By-Laws with regard thereto.

Process to set the compensation of the members of the Board of Directors and by-law provisions
The By-laws of CIE AUTOMOTIVE, S.A. provide in section 24:
1. The members of the Board of Directors shall be entitled to receive a compensation. The compensation shall be: (a) a fixed amount, adequate to the services rendered and responsibilities assumed; (b) a variable part, linked to the objective criteria related to the individual fulfilment of the director or of the company; and (c) an assistance part, which shall include the relevant insurances. The amounts (a) and (b) shall be paid up in cash.
2. The determination of the amounts included in the fixed compensation, of the objective criteria used to calculate the variable part (which, in no event, shall be a part of the profit), and of the elements included in the assistance part, shall be adopted by the shareholders' meeting. The shareholders' meeting is expressly authorised to establish the system of incentives for all or some of the directors as well as for senior managers of the company or of companies of the group, which may include transferring shares, or options over them or compensations referred to the value of the shares according to the provisions set forth in the laws applicable from time to time.
3. In the case of directors that have executive functions in the company, in addition, they shall be entitled to an indemnity fixed by the Company for the event of dismissal not based in the breach of their functions.

State whether the full Board has reserved the right to approve the following decisions:

At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions.	YES
The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts.	YES

B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:

YES

Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom	YES
Variable compensation items	YES
Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.	YES
Terms and conditions that must be included in the contracts with executive directors performing senior management duties	YES

B.1.16. State whether the Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes. If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Compensation Committee and, if external advice has been provided, state the name of the external advisors that have given such advice:

NO

Has external advice been provided?	

Name of external advisors

B.1.17. Indicate the identity of the members of the Board of Directors, if any, who are also members of the board of directors, managers or employees of companies that hold a significant interest in the listed company and/or in companies within its Group:

Individual or corporate name of director	Individual or corporate name of significant shareholder	Position
MR. ANTONIO MARÍA PRADERA JAUREGUI	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	CEO
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	DIRECTOR

Describe, if applicable, any significant relationships other than the ones contemplated in the prior item, of the members of the Board of Directors linking them to significant shareholders and/or at companies within the Group:

Individual or corporate name of director:

MR. ANTONIO MARÍA PRADERA JAUREGUI

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

CHAIRMAN OF GLOBAL DOMINION ACCESS, S.A., A COMPANY CONTROLLED BY INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Individual or corporate name of director:

MR. ANTONIO MARÍA PRADERA JAUREGUI

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

SHAREHOLDER.

Individual or corporate name of director:

MR. ANTONIO MARÍA PRADERA JAUREGUI

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

DIRECTOR OF BEROA GRUPO TECNOLÓGICO, S.L., A COMPANY CONTROLLED BY INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Individual or corporate name of director:

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

SHAREHOLDER

Individual or corporate name of director:

MR. IGNACIO MARTÍN SAN VICENTE

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

SHAREHOLDER

Individual or corporate name of director:

INSSEC PARTICIPADAS, S.L.

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

SHAREHOLDER

Individual or corporate name of director:

SALTEC PARTICIPADAS, S.L.

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

A COMPANY CONTROLLED BY INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Individual or corporate name of director:

SALTEC, S.L.

Individual or corporate name of related significant shareholder

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

Description of relationship

A COMPANY CONTROLLED BY INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.

B.1.18. State whether the Regulations of the Board of Directors have been amended during the fiscal year:

NO

B.1.19. Indicate the procedures for the appointment, re-election, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.

The appointment and removal of directors corresponds to the Shareholders' Meeting, notwithstanding the faculty of appointing directors by cooptation when there are vacancies.

To such extent, section 23 of the By-laws provide:

'2. To be appointed as a director it is not required to be a shareholder.

3. The directors shall be appointed for a term of 5 years an may be reappointed once or several times for equal terms.

4. The directors appointed by cooptation shall hold their position up until the date of the next following shareholders' meeting.

5. The directors shall be removed from their position when decided by the shareholders' meeting, when they give notice to the Company on their resignation and when the term for which they have been appointed elapses. In the latter, the removal shall be effective the date in which the first shareholders' meeting meets or when the legal term provided by law for the meeting of the shareholders' meeting that should approve the financial statements of the previous year elapses.'

In addition, section 18 of the Regulations of the Board of Directors provide the following:

'Section 18. Appointment of Directors.

1.- The Directors shall be appointed by the Shareholders' Meeting or by the Board of Directors as set forth in the Public Corporations Law.

2.- The proposals for the appointment of Directors which are submitted by the Board of Directors to the Shareholders' Meeting and the resolutions for the appointment adopted by such body must be preceded by the relevant report of the Nominating and Compensation Committee. When the Board does not follow the report of the Nominating and Compensation Committee it must motivate the reasons of its decision and must record the reasons in the minutes.'

B.1.20. Indicate the circumstances under which the resignation of Directors is mandatory

Section 22 of the Regulations of the Board of Directors of CIE AUTOMOTIVE, S.A. provides:

'Section 22. Resignation of Directors

1.- The resignation of the Directors, or of any of them, shall be carried out according to the law applicable from time to time.

2.- The Directors may leave their position at the disposal of the Board of Directors and execute, if considered convenient, the relevant resignation, in the following events:

a) When it is a proprietary Director, when the Director, or the shareholder that it represents sells its entire shareholding interest.

b) When it is a executive Director, as long as the Board considers appropriate, and, in all cases, when it resigns of the executive position in the company or in companies if its group.

c) When they incur in a cause of incompatibility or prohibition legally provided.

d) When they are prosecuted by actions that are presumably crimes or are subject to a disciplinary procedure initiated before supervisory authorities for serious or very serious misconduct.

e) When it is a CEO, they will resign in their position when they reach 65 years old, but may continue as Directors notwithstanding the provisions set forth in section b) above.

f) When they are seriously reprimanded by the Board of Director, with a prior report of the Audit and Compliance Committee, for breaching their obligations as Directors.

B.1.21. Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

NO

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

NO

B.1.22. Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?

NO

Describe the method used by the Board of Directors to adopt resolutions, including at least the minimum quorum required to hold a valid meeting and the majorities required to adopt resolutions:

Description of resolution:

ALL RESOLUTIONS OF THE BOARD

Quorum	%
THE BOARD OF DIRECTORS SHALL BE VALIDLY ESTABLISHED TO DISCUSS AND RESOLVE ON ANY ISSUES WHEN THEY ATTEND THE MEETING HALF OF ITS MEMBERS PLUS ONE IN PERSON OR DULY REPRESENTED.	58.33

Type of majority	%
ABSOLUTE MAJORITY OF THE ATTENDING DIRECTORS, IN PERSON OR DULY REPRESENTED.	51.00

B.1.23. Explain whether there are specific requirements, other than the requirements relating to Directors, to be appointed Chairman.

NO

B.1.24. Does the Chairman have a casting vote?

NO

B.1.25. Indicate whether the By-Laws or the Regulations of the Board of Directors set forth any age limit for directors:

YES

Age limit for the Chairman	Age limit for the CEO	Age limit for Directors
0	65	0

B.1.26. Indicate whether the By-Laws or the Regulations of the Board of Directors establish any limit on the term of office for independent directors:

NO

Maximum term of office	0

B.1.27. If the number of women directors is scant or nil, describe the reasons therefor as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives
CIE AUTOMOTIVE, S.A. WILL CONTINUE TO CARRY OUT THE NECESSARY EFFORTS TO INCLUDE A HIGHER AMOUNT OF WOMEN DIRECTORS IN THE BOARD OF DIRECTORS

In particular, indicate whether the Nominating and Compensation Committee has established procedures to ensure that selection processes are free from any implied bias hindering the selection of women directors, and deliberately searches for women candidates that meet the required profile:

NO

B.1.28. Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

Subsection 20 of Section 17 of the Regulations of the Board of Directors of CIE AUTOMOTIVE, S.A. provide the following:

'2.- The Directors will do their best to attend the meetings of the Board and, when they cannot do so in person, they may confer their representation to another Director, without being limited the number of representations that any of them may be conferred to attend the Board. Notwithstanding the prior, the Directors shall procure that the representation is conferred to a director that is a part to the same group and that it includes the relevant instructions if possible. The representation may be conferred by any written means.'

B.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:

Number of meetings of the Board	7
Number of meetings of the Board at which the Chairman was not in attendance	0

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Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of meetings of the Executive Committee	8
Number of meetings of the Audit and Compliance Committee	4
Number of meetings of the Nominating and Compensation Committee	2
Number of meetings of the nominating Committee	0
Number of meetings of the compensation Committee	0

B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of absences of directors during the fiscal year	10
% of absences over total votes during the fiscal year	11.904

B.1.31. Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

NO

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for preparation by the board:

B.1.32. Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

Section 3 of the Regulations of the Audit and Compliance Committee establishes, among others, the following functions:

(ii) To propose to the Board of Directors, for discussion by the Shareholders' Meeting, the appointment of the external auditors referred to in Section 204 of the

Public Corporations Law, as well as the compensation, duration and other terms of the contract to be entered into.

(iii) To monitor the services of the internal auditors.

(iv) To know the process of financial information and such of the systems of procedures and internal control of the company and the companies of its group.

(v) To maintain relations with external auditors to receive information on such aspects that may imply a risk for their independence and whatever relations with the process of developing the account auditing, as well as other communications provided in the law on auditing and on the technical rules of the auditing.

(vi) To revise the Financial Statements prior to submitting them to the Board of Directors, as well as six-monthly and three-monthly financial statements that may be filed, should it be the case, to the regulatory and supervisory bodies of the markets.

B.1.33. Is the Secretary of the Board of Directors a Director?

NO

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nominating Committee and approved by the full Board.

Procedure for appointment and removal
Section 25.2 of the By-laws provides that the Board of Directors shall appoint a secretary and may appoint a Vice-secretary, and such positions may be held by non-directors; in such case, they may take part in the meetings but shall have no vote. The Vice-secretary shall replace the Secretary in the events of absence, unwellness, incapacity and vacancy. In addition, section 10 of the Regulations of the Board of Director provides that: 1.- The Secretary of the Board of Directors may be or may not be a Director, as decided by the Board of Directors from time to time. 2.- The Secretary shall assist the Board in carrying out its functions and to preserve the correct operation of the Board, in particular, being in charge of providing the Directors with the assistance they may require, to duly record the development of the meetings in the books of minutes and to attest the resolutions of the body. 3.- The Secretary shall always supervise the formal and material legality of the acts of the Board and of the compliance with its procedures and governance rules. 4.- The Secretary of the Board shall be the Legal Advisor of the Board as long as it is a Lawyer.

Does the Nominating Committee report on the appointment?	YES
Does the Nominating Committee report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

Is the secretary of the Board especially responsible for ensuring compliance with good governance recommendations?

YES

B.1.35. Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

Section 41 of the Regulations of the Board of Directors rules the relations with the external auditors:

'Section 41. Relations with the Auditors.

1.- The relations between the Board of Directors and the external auditors of the company shall be conducted through Audit and Compliance Committee, as set forth in the By-laws and the Regulations of the Audit and Compliance Committee.

2.- The Board of Directors shall inform in the report about the fees paid in each fiscal year by the company to the auditing entity for the audit services rendered.

3.- The Board of Directors shall try to draft the annual financial statements in a way there are no oppositions by the auditors. However, when the Board considers it should keep its criteria, it shall explain the content and scope of the disagreement.

By virtue of such mandate, the Audit and Compliance Committee shall be in charge of keeping the relations with the external auditors to receive information about such aspects that may imply a risk for their independence and others related to the process of auditing the financial statements, as well as well as other communications provided in the law on auditing and on the technical rules of the auditing.

B.1.36. Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

NO

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

NO

B.1.37. Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group:

YES

	Company	Group	Total
Amount of other non-audit work (thousands of Euros)	184	5	189
Amount of non-audit work / Aggregate amount billed by the andit firm (%)	63.200	0.445	13.360

B.1.38. State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

NO

B.1.39. Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	7	7

	Company	Group
Number of years audited by the current audit firm / Number of years in which the company has been audited (%)	28.09	28.0

B.1.40. Indicate the interests of members of the Board of Directors in the share capital of companies that engage in the same, similar or complementary activities, both with respect to the company and its group, and which have been reported to the company. In addition, state the position or duties of such Directors in such companies:

B.1.41. Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

YES

Description of procedure
Section 25 of the Regulation of the Board of Directors expressly sets up the procedure by virtue of which it may be assisted by experts: Section 25. Experts Assistance. 1.- For the purpose of being assisted in their functions, the external Directors may request to hire, at the companies expense, legal, accounting, financial and other advisors and experts if they deem it necessary for the correct performance of their functions. The request must deal with specific problems of special complexity. 2.- The request must be made by the Chairman of the Board of Directors, but the Board of Directors may exercise its veto if it considers that: a) it is not necessary for the correct performance of the functions of external Directors; b) its cost is not reasonable regarding the importance of the problem and the assets and incomes of the company; c) the assistance requested may be provided by experts and technicians of the company or others hired by the it; or d) there may exist a risk for the confidentiality of the information handled.

B.1.42. Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:

YES

Description of procedure
Section 24 of the Regulation of the Board of Directors rules the procedure to obtain information from the members of the Board of Directors in relation to the information to be handled: Section 24. Faculties of information. 1.- The Director may request the information that may reasonably need about the Company, as long as it is required by the performance of its functions. The right of information is also extended to the affiliate companies, whether Spanish or from abroad. 2.- In order not to disrupt the every day management of the company, the exercise of the right of information shall be conducted through the Chairman, which shall directly provide the information, identify the appropriate persons of the company or establish the necessary measures to carry out the examinations and inspections intended. 3.- The Board of Directors may deny the information requested if, according to its opinion, admitting the request could damage the corporate interests, notwithstanding the provisions of the Public Corporations Law.

B.1.43. State whether the Company has established any rules requiring Directors to inform the Company —and, if applicable, resign from their position— in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

Description of rules
According to the provisions set forth in section 22.2 of the Regulations of the Board of Directors, the directors may leave their position at the disposal of the Board of Directors and execute, if considered convenient, the relevant resignation when they are prosecuted by actions that are presumably crimes or are subject to a disciplinary procedure initiated before supervisory authorities for serious or very serious misconduct.

B.1.44. State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Public Corporations Law:

NO

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.

NO

TIMBRE DEL ESTADO

CLASE 8.ª

0,03 EUROS

0J0978674

Decision adopted	Duly substantiated explanation
	7 7

B.2. Committees of the Board of Directors

B.2.1. List all the committees of the Board of Directors and the members thereof:

NOMINATING AND COMPENSATION COMMITTEE

Name	Position	Class
MR. ANTONIO MARÍA PRADERA JAUREGUI	CHAIRMAN	PROPRIETARY
MR. FERMÍN DEL RÍO SANZ DE ACEDO	MEMBER	OTHER EXTERNAL
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	MEMBER	PROPRIETARY

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Class
MR. JUAN LUIS RAMÍREZ BELAUSTEGUI	CHAIRMAN	INDEPENDENT
ADDVALIA CAPITAL, S.A.	MEMBER	PROPRIETARY
SALTEC PARTICIPADAS, S.L.	MEMBER	PROPRIETARY

DELEGATED COMMITTEE

Name	Position	Class
MR. ANTONIO MARÍA PRADERA JAUREGUI	CHAIRMAN	PROPRIETARY
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	MEMBER	PROPRIETARY
MR. IGNACIO MARTÍN SAN VICENTE	MEMBER	EXECUTIVE

B.2.2. State whether the Audit Committee has the following duties:

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	YES
Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.	YES
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	YES
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES
In the case of groups of companies, favour the auditor of the group as the auditor responsible for audit work at the companies that form part thereof.	YES

B.2.3. Describe the rules of organisation and operation of, and the duties assigned to, each of the Board committees.

Name of the committee

AUDIT AND COMPLIANCE COMMITTEE

Brief description

The Regulations of the Audit Committee (in reference to section 14 of the Regulations of the Board of Directors) contains the functions and rules of organisation and operation of the Audit and Compliance Committee.

The Audit and Compliance Committee has a minimum of three members and a maximum of five, which shall be appointed by the Board of Directors of the Company; in all cases, all the members of the Audit and Compliance Committee shall be external directors of the company.

The members of the Audit and Compliance Committee shall be appointed for a term of four years, notwithstanding the possibility of reappointment. The renewal, reappointment and removal shall be carried out by the Board of Directors according to the provisions set out in the law and the By-laws of the company.

The Board of Directors shall also appoint, from its members, a Chairman. The position of Chairman may not be held for a term longer than four years, being possible to reappoint it once a term of one year as form its resignation elapses.

In addition, the Audit and Compliance Committee shall appoint the person that will be the Secretary of the Committee, which may or may not be a director, but in no event shall be held by an executive director.

The Audit and Compliance Committee shall have the following functions:

(i) To inform the Shareholders' Meeting about the matters raised by the shareholders on the issues within its scope.

(ii) To propose to the Board of Directors, for discussion by the Shareholders' Meeting, the appointment of the external auditors referred to in Section 204 of the Public Corporations Law, as well as the compensation, duration and other terms of the contract to be entered into.

(iii) To monitor the services of the internal auditors.

(iv) To know the process of financial information and such of the systems of procedures and internal control of the company and the companies of its group.

(v) To maintain relations with external auditors to receive information on such aspects that may imply a risk for their independence and whatever relations with the process of developing the account auditing, as well as other communications provided in the law on auditing and on the technical rules of the auditing.

(vi) To revise the Financial Statements prior to submitting them to the Board of Directors, as well as six-monthly and three-monthly financial statements that may be filed, should it be the case, to the regulatory and supervisory bodies of the markets.

(vii) To monitor the compliance the Internal Regulations of Conduct in issues related to Securities Markets, as well as the Internal Code of Conduct professional of the managers and employees of the group and to make the proposals considered necessary for their improvement. To receive information and draft report on disciplinary measures to members of the management of the company.

(viii) To inform about the transactions that imply or may imply conflict of interest, and in general, about the issues set out in Chapter IX if the Regulations of the Board of Directors.

(ix) To draft an annual report on the activities of the Committee, which must be included in the annual report.

(x) Other functions that may be adopted by the Board of Directors of the company.

Name of the committee

NOMINATING AND COMPENSATION COMMITTEE

Brief description

The Nominating and Compensation Committee is regulated in section 15 of the Regulations of the Board of Directors and has three (3) members. The executive Directors and those that are members of the Audit and Compliance Committee cannot be appointed for this Committee.

Notwithstanding other functions assigned by the Board, the Nominating and Compensation Committee shall be responsible for the following:

a) To draft and review the criteria that need to be applied to be a member of the Board of Directors and to the candidates; b) to inform about the proposals for the appointment of Directors;

c) To propose to the Board the members of each Committee;

d) To propose to the Board of Directors, to be discussed in the Shareholders' Meeting the system and amount of the annual compensation of the Directors, in particular, the Chairman of the Audit and Compliance Committee, on the grounds of its special dedication;

e) To propose the system and amount of the compensation of Senior Managers;

f) To review periodically the programs on compensation, measuring their adequacy and performance.

g) To monitor the transparency of the compensations;

h) To inform about the appointment of the persons that are going to represent the Company in the Board of Directors of the most relevant affiliate companies determined by the company.

i) To inform about the appointment and removal of managers directly depending from the Board, the Chairman, the Delegated Committee or the CEO.

The Committee must consider the suggestions received from the Chairman, the members of the Board, the managers and the shareholders of the company.

The Nominating and Compensation Committee shall meet every time the Board or its Chairman requests the drafting of a report or the adoption of proposals and, in all events, whenever it is convenient for the correct development of its functions. In all cases it shall meet once a year to prepare the information about the compensations of the Directors that the Board of Directors must approve and include within the annual public documents.

The Board of Directors shall appoint the Chairman, as well as the person that will be the Secretary of the Committee, which cannot be a director. In relation to the rules of operation of the Nominating and Compensation Committee, the Regulations of the Board shall apply with the relevant adaptations.

Name of the committee

DELEGATED COMMITTEE

Brief description

1.- As a delegate of the Board, and in the event it approves its creation, there shall be a Delegated Committee which shall have a minimum of three and a maximum of five Directors. There will always be a member the Chairman of the Board of Directors, which shall chair the meetings, and the CEO, if any. The Secretary will be such of the Board of Directors and in its absence, the Vice-secretary of the Board of Directors and, in the absence of both, the member of the Delegated Committee appointed by the attending members.

2.- The members of the Delegated Committee shall continue to be in their position as long as they are members of the Board of Directors, being renewed their position as members of the Committee at the same time of their reappointment as Directors.

3.- Notwithstanding other functions assigned by the Board, the Nominating and Compensation Committee shall have the following basic responsibilities:

a) Monitoring of the business.

b) Prior or definite approval of relevant investments.

c) Prior or definitive approval of he purchase and sale or creation or winding-up of affiliated companies by the Company or the companies of the group.

4.- The Delegated Committee will meet, at least, once (1) per month and as many other times as considered convenient by the Chairman, as well as when requested by two of its members, and shall inform the Board in its meeting following the meeting of the Delegated Committee, about the matters addressed and the resolutions adopted in its meetings.

5.-The Regulations of the Board shall be applicable to the Delegated Committee with the relevant adaptations.

B.2.4. Indicate the advisory and consulting powers as well as the delegated powers, if any, of each of the committees:

Name of the committee

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Please refer to section B.2.3.

Name of the committee

NOMINATING AND COMPENSATION COMMITTEE

Brief description

Please refer to section B.2.3.

Name of the committee

DELEGATED COMMITTEE

Brief description

Please refer to section B.2.3.

B.2.5. Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and the amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.

Name of the committee

AUDIT AND COMPLIANCE COMMITTEE

Brief description

The Audit and Compliance Committee of CIE AUTOMOTIVE, S.A. has specific Regulations approved by the Board of Directors which regulates, among others, its operation and faculties. There have been no changes in the regulations in 2007.

The Audit and Compliance Committee has submitted to the Board of Directors a report on its activities in which it gave notice of its work in relation to the assigned functions.

The Regulations of the Board of Directors as well as the Regulations of the Audit and Compliance Committee are available at the website of the Company (www.cieautomotive.com).

Name of the committee

NOMINATING AND COMPENSATION COMMITTEE

Brief description

It is regulated by the Regulations of the Board of Directors of the Company.

The Regulations of the Board of Directors are available at the website of the Company (www.cieautomotive.com).

Name of the committee

DELEGATED COMMITTEE

Brief description

It is regulated by the Regulations of the Board of Directors of the Company.

The Regulations of the Board of Directors are available at the website of the Company (www.cieautomotive.com).

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category

YES

C. RELATED-PARTY TRANSACTIONS

C.1. State whether the Board as a full body has reserved for itself the power to approve, after a favourable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:

YES

C.2. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:

C.3. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the directors or managers of the Company:

Individual or corporate name of directors or managers	Individual or corporate name of the Company or entity within its Group	Nature of transaction	Type of transaction	Amount (in thousands of Euros)
MR. ALFONSO AUSÍN MAESO	BIONOR TRANSFORMACIÓN, S.A.	CONTRACTUAL	Financial agreements loans and share capital contributions (borrower)	150
SENIOR MANAGEMENT OF CIE AUTOMOTIVE	CIE AUTOMOTIVE, S.A.	CONTRACTUAL	Financial agreements loans and share capital contributions (borrower)	6,350
MR. FERMÍN DEL RÍO SANZ DE ACEDO	CIE AUTOMOTIVE AND AFFILIATED COMPANIES (CIE AUTOMOTIVE GROUP)	CONTRACTUAL	Service rendering	350
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	CIE AUTOMOTIVE, S.A.	CONTRACTUAL	Service rendering	150
INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.	CIE AUTOMOTIVE, S.A.	CONTRACTUAL	Financial agreements loans and share capital contributions (borrower)	2,204

C.4. Describe the relevant transactions made by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company as to their purpose and conditions:

C.5. State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Article 127 ter of the Public Corporations Law.

NO

C.6. Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders.

Section 30 of the Regulations of the Board of Directors provides the following:

Section 30.- Conflicts of interest.

1.- It shall be considered that there is conflict of interest in those situations in which there is a conflict, whether directly or indirectly, between the interest of the company and the personal interest of the director. There will be personal interest of the director when the matter affects it or to its Related Parties.

To the extent provided herein, the followings will be considered Related Parties of a director:

1o.- The spouse of the director or persons with analogue affective relationship.

2o.- The ancestors, descendants and siblings of the directors or the spouse of the director.

3o.- The spouses of the ancestors, descendants and siblings of the directors.

4o.- The companies in which the director, by itself or through a third person, is subject to any of the situations established in Section 4 of Law 24/1988, of 28 July, on Securities Market.

In relation to the directors that are legal persons, the following will be considered Related Parties:

1o.- The shareholders that are subject to any of the situations established in Section 4 of Law 24/1988, of 28 July, on Securities Market in relation to the director that is a legal person.

2o.- The directors, by law or by fact, the liquidators and general attorneys of the director that is a legal person.

3o.- The companies that are part of the same group, as set forth in Section 4 of Law 24/1988, of 28 July, on Securities Market and its shareholders.

4o.- The persons that, in relation to the natural person representing the director that is a legal person, are considered Related Parties of the director according to this section.

2.- The following rules shall apply to situations of conflict of interest:

a) Notice: the director must give notice to the Board of Directors and to the Audit and Compliance Committee, through the Chairman or the Secretary, about any situation of conflict of interest.

b) Abstention: the director must fail to attend and intervene in the discussion and voting in relation to such aspects in which it has a conflict of interest. As per proprietary directors, they must fail to take part in voting such issues that may mean a conflict of interest between the shareholders that have proposed its appointment and the company.

c) Transparency: in the Annual Corporate Governance Report, the company shall inform about any situation of conflict of interest in which the directors incur in such events proven by means of communication or by any other means.

C.7. Is more than one company of the Group listed in Spain?

NO

Identify the listed subsidiaries

D. <u>RISK CONTROL SYSTEMS</u>

D.1. General description of the risk control policy adopted by the Company and/or its Group, describing and assessing the risks covered by the system and a justification for the adjustment of such system to the profile of each kind of risk.

There is an multiannual Internal Control Plan, with a Head Committee chaired by the CEO. A plan of the risks of the company has been drafted and the areas that need priority action have been identified for the purposes of minimising, and should it be the case, eliminating the relevant detected risks; all under the supervision of the Audit and Compliance Committee.

For the purpose of a due risk control and an objective evaluation of the improvements, CIE AUTOMOTIVE has implemented a method for measuring the level of compliance of the objectives of internal control in every process/subprocess subject to revision in the multiannual plan.

Such measuring system consists in establishing a maximum grade for every process/subprocess, distributed among the objectives and actions of internal control that must be a part of that process, and which are achieved in the event the actions of control are actually carried out in the operation of the company and with what level of effectiveness.

From the review carried out under this method there is a grade obtained which is compared with the minimum standard established by CIE AUTOMOTIVE for such process/subprocess.

All this permits to establish a method of evaluation of the system of internal control objective and even between processes, periods and companies and a common language among the companies and between the Management and the Board of Directors; as well as the adequate compliance of the supervision that corresponds to the Audit and Compliance Committee.

D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.

NO

If so, indicate the circumstances giving rise to them and whether the established control systems have worked

D.3. Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.

YES

If so, describe its duties:

Name of committee or other body

AUDIT AND COMPLIANCE COMMITTEE

Description of duties

Please refer to section B.2.3.2

D.4. Identification and description of the procedures for compliance with the various regulations that affect the Company and/or its Group.

1.- In general terms, the process of compliance of different regulations is evaluated according to the measuring system referred to in section D.1. above.

2.- In addition, there is a Head Committee in charge of approving relevant offers and investments and of the impact of different regulations in the company. In the automotive market, the main risk of the business is the incorrect making of offers and investments, as the operation of the market corresponds to long-term execution programmes which require an specific control of the risk of the investments or the offers related to those programmes.

3.- For the execution of the transactions, the group has the rule of granting joint powers as higher warranty of control when executing the powers of attorney.

4.- In order to strengthen this control, the Board of Directors has an annual monographic meeting on the strategy.

E. GENERAL SHAREHOLDERS' MEETING

E.1. Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Public Corporations Law in connection with the quorum needed to hold a valid General Shareholders' Meeting.

YES

	Quorum % different from that established as a general rule in Section 102 of the Public Corporations Law	**Quorum % different from that established in Section 103 of the Public Corporations Law for the special cases set forth in such Section 103**
Required quorum upon 1st call	50.000	0
Required quorum upon 2nd call	0	0

Description of differences
According to section 13 of the By-laws, the general Shareholders' Meeting, whether ordinary or extraordinary, shall be validly constituted in the first call when the attending shareholders, whether in person or by attorney, hold, at least, 50% of the share capital with voting rights. In the second call, it will be valid for the constitution of the Shareholders' Meeting no matter the share capital attending the meeting. However, when the Shareholders' Meeting is to adopt any of the resolutions set forth in Section 103 of the Public Corporations Law, in the second cal 25% of the share capital with voting rights needs to attend. Consequently, there is a reinforced quorum in relation to Section 102 of the Public Corporations Law for the first call (but not in relation to Section 103 of the Public Corporations Law).

E.2. Indicate and, if applicable, explain whether there are differences with the rules provided by the Public Corporations Law for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Public Corporations Law.

E.3. Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Public Corporations Law.

There are no rights of the shareholders different to the ones set forth in the Public Corporations Law in relation to the Shareholders' Meetings.

In addition, the rights of the shareholders in this respect are detailed in the Regulations of the Shareholders' Meeting adopted by the Shareholders' Meeting on 28 April 2004 and updated by a resolution of the Shareholders' Meeting of date 15 May 2006 and by a resolution of the Shareholders' Meeting of date 24 April 2007.

The complete text is available in the website of the Company.

E.4. Indicate, if applicable, the measures adopted to encourage the participation of shareholders at General Shareholders' Meetings.

For the purpose of encouraging the shareholders to take part in the Shareholders' Meetings, apart from all the measures required by law, it sets in its website information about the Shareholders' Meeting, its agenda, the details of the calling, the proposals of resolution made by the Board of Directors and about the means of communication between the Company and its shareholders through which they may request details of the Shareholders' Meeting.

In addition, according to the law applicable, the documents of the Shareholders' Meeting shall be submitted for free to the shareholders requiring so.

There is also a service named Relations with the Shareholder by virtue of which permanent contact between the shareholder and the Company is possible for the purpose of solving doubts and address its suggestions and references.

E.5. Indicate whether the chairman of the General Shareholders' Meeting is also the chairman of the Board of Directors. Describe, if applicable, the measures adopted to ensure independence and proper operation of the General Shareholders' Meeting:

YES

Description of measures
The measures to warranty the independence and the correct operation of the Shareholders' Meeting are set forth in the Regulations of the Shareholders' Meeting adopted by the Shareholders' Meeting on 28 April 2004 and updated by the same body twice (15 May 2006 and 26 April 2007), which is available in the website of the Company.

E.6. Indicate the amendments, if any, made to the Regulations for the General Shareholders' Meeting during the fiscal year.

The Regulations of the Shareholders' Meeting was adopted by it on 28 April 2004 and was amended in the Shareholders' Meeting of 15 May 2006, in the Shareholders' Meeting of 24 April 2007 and in the Shareholders' Meeting of 23 April 2008.

In this last meeting, section 5bis (Issuance of obligations or other securities).

E.7. Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report:

Attendance data					
Date of General Shareholders' Meeting	% of shareholders present in person	% of shareholders represented by proxy	% distance voting		Total
			Electronic voting	Other	
23-04-2008	86.900	8.290	0.000	0.000	92.190

E.8. Briefly describe the resolutions adopted by the shareholders acting at the general shareholders' meetings held during the fiscal year referred to in this report and the percentage of votes by which each resolution was passed

FIRST.- Examination and approval, should it be the case, of the financial statements of CIE Automotive, S.A. and the consolidated financial statements of the group of companies for fiscal year 2007, as well as the management of the Board of Directors.

Approved unanimously.

SECOND.- Approval of the distribution of the profits of year 2007.

Approved unanimously.

THIRD.- Modification of the By-laws by including a new section 5o bis ('Issuance of obligations or other securities') and modification of the Regulations of the Shareholders' Meeting by including a new section 5o bis ('Issuance of obligations or other securities').

Approved unanimously.

FOURTH.- Authorisation to the Board of Directors to acquire own shares of the company, directly or by other companies of the group, as set forth in Section 75 of the Public Corporations Law, leaving ineffective the authorisation granted by the Shareholders' Meeting of 26 April 2007; reduction of the share capital for redemption of own shares, granting to the Board of Directors the faculties necessary for its execution.

Approved unanimously.

FIFTH.- Delegation in favour of the Board of Directors for a five year term, the faculty to issue obligations or bonds convertible for shares of the company, and warrants with the limitation of €500 million, with the power to waive the pre-emption rights of the shareholders and the holders of convertible securities.

Approved with the votes of 99.997254% of the share capital attending in person or by proxy and with contrary vote of the rest 0.002746%.

SIXTH.- Approval of the non-application of the limits on the action of the management bodies of the company and of its group in the terms set forth in subsection 2 of Section 60 bis of Law 24/1988, of 28 July, on the Securities Market and Section 28 of Royal Decree 1066/2007, of 27 July.

Approved with the votes of 99.997254% of the share capital attending in person or by proxy and with contrary vote of the rest 0.002746%.

SEVENTH.- Extend or appointment of auditors of the financial statements of the company and its consolidated group.

Approved unanimously.

EIGHTH.- Delegation of faculties for the execution of the aforementioned resolutions.

Approved with the votes of 99.998692% of the share capital attending in person or by proxy and with contrary vote of the rest 0.001308%.

NINTH.- Approval of the minutes of the Meeting.

Approved unanimously.

E.9. Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.

NO

Number of shares required to attend the General Shareholders' Meeting	

E.10. Indicate and justify the policies followed by the company with respect to proxy-voting at the General Shareholders' Meeting

Every shareholder entitled to attend may be represented in the Shareholders' Meeting by another person, even if it is not a shareholder. The representation should be granted in writing and specifically for each Shareholders' Meeting.

The aforementioned shall not be applicable when the representative is the spouse, ancestor or descendant of the principal, nor when the representative is a general attorney with powers to manage all the assets of the principal granted on public document.

E.11. Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:

NO

E.12. Indicate the address and manner for accessing corporate governance content on your website.

The contents of compulsory publication as set forth in Law 26/2003, of 17 July, on transparency of listed public corporations, developed by the Order ECO/3722/2003, of 23 December, and those required by Ruling 1/2004, of 14 March, of the National Securities Commission (CNMV) on the Annual Corporate Governance Report of listed public corporations, are directly available at www.cieautomotive.com.

F. DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the company's degree of conformance to the recommendations of the Unified Good Governance Code. If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 and C.7

Not applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

a) The transformation of listed companies into holding companies through "subsidiarisation," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Explain

Documents related to the Shareholders' Meeting, including the detailed proposals of resolutions that are within the Agenda, are available for the shareholders as from the date of calling the Shareholders' Meeting as well as in the website of CIE Automotive, S.A.

It is currently including in the web www.cieautomotive.com the information referred to in Recommendation 28.

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;

b) In the event of amendments of the By-Laws, to each article or group of articles that are substantially independent of one another.

See section: E.8

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.

See section: E.4

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:

a) The company's policies and general lines of strategy, and in particular:

i) The strategic or business Plan as well as the management targets and annual budgets;

ii) The investment and financing policy;

iii) The design of the structure of the corporate group;

iv) The corporate governance policy;

v) The corporate social responsibility policy;

vi) The policy for compensation and assessment of the performance of senior managers;

vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.

viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14

ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

See section: B.1.14

iii) The financial information that the Company must periodically make public due to its status as listed company.

iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.

v) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;

2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;

3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favourable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

See sections: C.1 and C.6

Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

See section: B.1.1

Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.

See section: B.1.3

Complies

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large capitalisation companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3

Explain

CIE Automotive considers that the number of independent directors shows the correct composition of the shareholding of the company, and in particular the current free floating stock. The Board intends to propose the Shareholders' Meeting the appointment of new independent directors for the event such proportions vary in an important way.

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nominating Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 and B.1.4

Complies partially

As from next General Shareholders' Meeting in which this circumstance occurs, the Board intends to fully comply with the recommendation, explaining the character of each director to the Shareholders' Meeting appointing or ratifying it, as well as the reasons why proprietary directors have been appointed at the request of shareholders holding less than 5% of the share capital; or the reasons why there have not been considered, should it be the case, formal requests of membership of the Board by shareholders whose stock is equal or higher than other shareholders' at the request of which proprietary directors have been appointed.

As referred to other issues included in the Recommendation, the Company complies with them by reviewing annually the character of each director in the Annual Corporate Governance Report, with prior verification of the Nominating and Compensation Committee.

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

a) Selection procedures do not have an implied bias that hinders the selection of women directors;

b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3

Complies

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

See section: B.1.42

Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Not applicable

18. The Secretary of the Board takes particular care to ensure that the Board's actions:

a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;

b) Comply with the company's bylaws and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;

c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: B.1.34

Complies

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: B.1.29

Complies

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: B.1.28 and B.1.30

Complies partially

In the events powers of attorney are granted, the directors do not usually set voting instructions to the directors representing them.

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

22. The full Board evaluates the following on a yearly basis:

a) The quality and efficiency of the Board's operation;

b) On the basis of a report submitted to it by the Nominating Committee, how well the Chairman and chief executive of the company have carried out their duties;

c) The performance of its Committees, on the basis of the reports furnished by them.

See section: B.1.19

Complies

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the By-laws or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: B.1.42

Complies

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: B.1.41

Complies

25. Companies organise induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Complies

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

a) Directors apprise the Nominating Committee of their other professional duties, in case they might detract from the necessary dedication;

b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: B.1.8, B.1.9 and B.1.17

Explain

As a consequence of the composition of the Board of Directors of the Company, which is a direct consequence of the shareholding structure, it is not considered necessary to include such obligations for the Directors of the Company.

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

a) On the proposal of the Nominating Committee, in the case of independent directors;

b) Subject to a prior report from the Nominating Committee, in the case of other directors.

See section: B.1.2

Complies

28. Companies post the following director information on their websites, and keep such information updated:

a) Professional and biographical profile;

b) Other Boards of Directors of listed or unlisted companies on which they sit;

c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related;

d) Date of their first and subsequent appointments as a company director; and

e) Shares held in the company and options thereon held by them.

Explain

It is foreseen to include in the website www.cieautomotive.com the information of the directors set forth in this recommendation.

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

See section: B.1.2

Complies

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, A.3 and B.1.2

Complies partially

Section 22 (a) of the Regulations of the Board of Directors provides that the proprietary directors shall tender their resignation when the shareholder they represent sells its entire shareholding interest.

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the bylaws, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Public Corporations Law, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Complies

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies

35. The compensation policy approved by the Board specifies at least the following points:

a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;

b) Variable compensation items, including, in particular:

i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items;

ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;

iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and

iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.

d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:

i) Duration;

ii) Notice periods; and

iii) Any other provisions relating to hiring bonuses, as well as indemnity or "golden parachute" provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See section: B.1.5

Complies

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3 and B.1.3

Complies

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Not applicable

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Compensation Committee in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.

See section: B.1.16

Explain

The Company does not understand reason why the Recommendation is applicable due to the composition of the Board of Directors and the shareholding structure and the procedure according to which the compensations are adopted by the Nominating and Compensation Committee.

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:

a) A breakdown of the compensation of each director, to include where appropriate:

i) Attendance fees or other fixed compensation received as a director;

ii) The additional compensation received as chairman or member of a Board committee;

iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;

iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;

v) Any severance package agreed or paid;

vi) Any compensation received as a director of other companies in the group;

vii) Compensation for the performance of senior management duties by executive directors;

viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.

b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:

i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;

ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;

iv) Any change during the year in the terms for the exercise of previously-awarded options.

c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Explain

Due to the composition and type of the Board of Directors, as well as to its reference to the shareholding structure, it is considered that, as a whole, the Report included in the financial statements of the year and the Annual Corporate Governance Report provide a sufficient breakdown of the compensation of the members of the Board.

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: B.2.1 and B.2.6

Complies

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Nominating and Compensation Committee as a separate committee of the Board, or a Nominating Committee and a Compensation Committee.

The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Committee or committees are set forth in the Regulations of the Board, and include the following:

a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work done.

b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.

c) Committee Chairmen are independent directors.

d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.

e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Complies

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

Complies

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

Complies

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.

Complies

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies

49. Risk control and management policy specifies at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;

e) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: D

Complies

50. The Audit Committee's role is:

1. With respect to the internal control and reporting systems:

a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.

b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.

c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.

d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.

b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.

c) To monitor the independence of the external auditor, to which end:

i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same;

ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;

iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

d) In the case of groups, the Committee favours the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.

b) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See sections: B.1.38

Complies

54. The majority of the members of the Nominating Committee –or of the Nominating and Compensation Committee, if one and the same– are independent directors.

See section: B.2.1

Explain

Due to the composition and type of the Board of Directors, as reference of the shareholding structure of the Company, it is not considered convenient, and not even possible, to comply with this recommendation.

55. The Nominating Committee has the following duties, in addition to those stated in the earlier Recommendations:

a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

c) To report on senior manager appointments and removals that the chief executive proposes to the Board.

d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Nominating Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors.

And that any board member may request that the Nominating Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies

57. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

a) To propose to the Board of Directors:

i) The compensation policy for directors and senior managers;

ii) The individual compensation of executive directors and other terms of their contracts;

iii) The basic terms and conditions of the contracts with senior managers.

b) To ensure compliance with the compensation policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

G. OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

A.3. SALTEC, S.L.U. AND INSSEC PARTICIPADAS, S.L.U.

In relation to the information contained in section A.3., it is necessary to state that the Director SALTEC, S.L.U. holds directly 14,802,690 shares of CIE AUTOMOTIVE, S.A., representing 12.985% of the share capital, which should be counted in such section as indirect interest of its sole shareholder, INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A., member of the Board of Directors. This fact (indirect control of SALTEC, S.L.U. by INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A.) in that chart (section A.3.A.) would lead to an error on the percentage of voting rights controlled by the members of the Board of Directors of the Company.

In equal terms, the Director INSSEC PARTICIPADAS, S.L.U. holds directly 10 shares of CIE AUTOMOTIVE, S.A., which should be counted in such section as indirect interest of its sole shareholder, INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A., member of the Board of Directors.

A.8. The Company's treasury stock

The own shares held by the CIE Automotive, S.A. on 31 December 2007 amounted 541,681. During fiscal year 2008, the Company purchased 1,210,216 shares (1.062% of the total voting rights), having transferred 900,000 shares(0.789% of the voting rights). Consequently, the CIE Automotive, S.A.'s treasury stock in the end of fiscal year 2008 amounted 851,897 shares, representing 0.747% of the share capital. On 8 January 2009, the Company has filed the relevant notice of the transactions carried out with its own shares, as set forth in Royal Decree 1362/2007, of 19 October, and Annex VI of Ruling 2/2007, of 19 December (date of entry CNMV = 14-01-2009). The market value on 31 December 2008 of the 851,897 shares held by the Company was €2,982 thousand.

As a result of the transfer of own shares carried out during fiscal year 2008 the Company obtained a surplus of €232 thousand, even though such profit has not been included in the profit and losses account of the company, being included in the account Own Shares, within the Equity, according to the provisions of the Accounting Rules applicable.

In addition, it is in force up until 23 October 2010 the mandate granted by the Shareholders' Agreement dated 23 April 2008 by virtue of which the Board of Directors is empowered to purchase, at any time, and as many times considered convenient, shares of CIE Automotive, S.A. by whatever means admitted by Law, even using profits of the fiscal year and/or free reserves, as well as to carry out future transfer or redemptions thereof, all according to Section 75 and others applicable of the Public Corporations Law.

B.1.11 AGGREGATED COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The total contribution of the members of the Board of Directors, including the amounts of salaries, daily fees and compensations of any kind accrued during year 2008 amounted €611 thousand (€862 thousand in 2007).

B.1.40 INTEREST HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY IN THE SHARE CAPITAL OF ENTITIES THAT HAVE THE SAME, SIMILAR OR COMPLEMENTARY ACTIVITY OF THE CORPORATE PURPOSE, WHETHER OF THE COMPANY OR ITS GROUP, AND THAT HAVE BEEN NOTIFIED TO THE COMPANY

In addition to the information included in section B.1.40. it is necessary to state that Mr. Francisco Riberas Mera, natural person representing the Director INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A. is indirectly shareholder and director of 'Corporation Gestamp, S.L.' and several affiliates of this company. 'Corporation Gestamp, S.L.' is the parent company of an industrial group that carries out its activity, basically, in the iron and steel industry and commercialising components for the automotive sector, as well as in the manufacturing, transformation and trade of metal products and the promotion, construction and operation of plants producing solar, eolic and biothermic energy. The business of manufacturing and commercialising of components for the automotive sector is carried out by its sub-group of companies the partner company of which is 'Gestamp Automoción, S.L.', a company in which 'Corporación Gestamp, S.L.' holds 65.00% of interest. 'Corporación Gestamp, S.L.' is also a significant shareholder of Instituto Sectorial de Promoción y Gestión de Empresas, S.A.

C.2 RELATED-PARTY TRANSACTIONS

In addition to the information contained in section C.2., it is necessary to state that the affiliate company Bionor Transformación, S.A. has carried out the following related-party transactions with some of its shareholders (others than CIE AUTOMOTIVE):

Individual or corporate name of related parties	Name of the company of CIE Automotive Group	Type of relationship	Amount in thousands of Euros
G.R. TRADING, S.L.	BIONOR TRANSFORMACIÓN, S.A.	CONTRACTUAL: service rendering	339
S. MANAGEMENT, S.L.	BIONOR TRANSFORMACIÓN, S.A.	CONTRACTUAL: service rendering	143
M.G. MENDOZA, S.A.	BIONOR TRANSFORMACIÓN, S.A.	CONTRACTUAL: service rendering	31
RAFRINOR, S.L.	BIONOR TRANSFORMACIÓN, S.A.	CONTRACTUAL: purchase of raw materials	374

F. DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

The Company complies with the recommendations set out below, even if it considers appropriate to include some considerations thereto:

F.40

The Board, regarding its composition and as it does not receive any compensation, it does not consider convenient drafting such report.

F.42

The Secretary of the Delegated Committee is the Vice-secretary of the Board of Directors.

F.44

The policy of the Company is not to submit a copy of the minutes of the bodies or their committees to the members of the Board of Directors, even though they are available at any time.

In this section, you may include any other information, clarification or comment relating to the prior sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Good Governance Code:

NO

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of

25-02-2009

TIMBRE DEL ESTADO

0J0978711

CLASE 8.ª

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2008

In compliance with the provisions of Article 171.1 of the current Spenish 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 2008, consisting of and identified as follows:

- The content of the commentaries which is printed on government fiscal paper, class 8, numbers 0J0978501 and 0J0978502.
- The Balance sheet which is printed on government fiscal paper, class 8, numbers 0J0978503 and 0J0978504.
- The income statement which is printed on government fiscal paper, class 8, number 0J0978505 and 0J0978506.
- The Statement of Changes in Equity which is printed on government fiscal paper, class 8, number 0J0978507.
- The Cash flow statement which is printed on government fiscal paper, class 8, number 0J0978508.
- The notes to the annual accounts which are printed on government fiscal paper, class 8, numbers 0J0978509 to 0J0978623.
- The Directors' Report, which the Annual Corporate Governance report includes, is set out on government fiscal paper, class 8, numbers 0J0978624 to 0J0978710.
- 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 0J0978711 and 0J0978712.

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 rasults 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 25 February 2009

0J0978712

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2008

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)* ________________

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

INSSEC PARTICIPADAS, S.L. represented by
Mr Miguel Angel Planas Segurado *(Director)* ________________

QMC DIRECTORSHIPS, S.L., represented by
Mr Jacobo Llanza Figueroa *(Director)* ________________

SALTEC, S.L.U., represented by
Mr Cristian Abelló Gamazo *(Director)* ________________

SALTEC PARTICIPADAS, S.L, represented by
Mr Bernardino Díaz-Andreu García *(Director)* ________________