CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003 AND 2002
(Thousand euros)

A S S E T S	**2003**	**2002**
Fixed assets		
Start-up expenses	2,687	871
Intangible fixed assets	21,826	19,150
Tangible fixed assets	352,216	296,945
Investments	44,385	34,098
	421,114	**351,064**
Goodwill	**35,321**	**25,516**
Deferred expenses	**1,476**	**1,453**
Current assets		
Inventories	80,637	78,525
Debtors	125,383	151,022
Current asset investments	5,360	5,261
Parent company shares	2,654	2,528
Cash at bank and in hand	13,013	13,179
Prepayments and accrued income	2,500	263
	229,547	**250,778**
TOTAL ASSETS	**687,458**	**628,811**

L I A B I L I T I E S	**2003**	**2002**
Capital and reserves		
Share capital	23,028	23,028
Share premium	33,752	35,954
Revaluation reserve	152	152
Other reserves of the parent company	44,560	31,155
Reserves in companies consolidated using the full consolidation method	52,055	56,580
Reserves in companies consolidated using the equity method	(3,899)	-
Differences on exchange	(8,813)	(4,961)
Profit and loss attributable to the parent company	13,097	2,898
Interim dividend	(2,243)	-
	151,689	**144,806**
Minority shareholders	**513**	**11,453**
Negative consolidation differences	**4,713**	**4,713**
Deferred income		
Capital grants	7,410	7,650
Other deferred income	608	61
	8,018	**7,711**
Provisions for liabilities and charges	**26,073**	**16,657**
Creditors falling due after more than one year		
Bank loans and overdrafts	144,161	136,456
Other creditors	41,135	43,720
	185,296	**180,176**
Creditors: amounts falling due within one year		
Bank loans and overdrafts	126,733	123,790
Trade creditors	121,278	84,377
Other creditors	63,077	51,830
Prepayments and accrued income	68	3,298
	311,156	**263,295**
TOTAL LIABILITIES	**687,458**	**628,811**

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Thousand euros)

EXPENSES	2003	2002	INCOME	2003	2002
Materials consumed in operations and other external expenses	250,411	207,127	Net turnover	570,629	480,826
Staff costs	153,170	140,701	Increase in inventories of finished goods and work in progress	4,825	4,464
Fixed asset depreciation	45,616	36,738	Own work capitalised	4,648	3,727
Change in trade provisions	(330)	2,877	Other operating income	2,136	1,956
Other operating charges	99,343	87,174			
	548,210	**474,617**		**582,238**	**490,973**
OPERATING PROFIT	**34,028**	**16,356**			
			NET FINANCIAL INCOME/EXPENSE	**13,824**	**13,617**
Share in losses recorded by companies consolidated using the equity method	-	3,899	Share in profits recorded by companies consolidated using the equity method	1,398	-
Amortisation of goodwill on consolidation	2,876	2,654	Reversal of negative differences on consolidation	2,248	2,087
PROFIT FROM ORDINARY ACTIVITIES	**20,974**	**-**	**LOSS FROM ORDINARY ACTIVITIES**	**-**	**1,727**
			EXTRAORDINARY LOSS	**3,681**	**10,752**
CONSOLIDATED PROFIT BEFORE TAXES	**17,293**	**-**	**CONSOLIDATED LOSS BEFORE TAXES**		**12,479**
Corporate income tax	3,188	(15,703)			
CONSOLIDATED PROFIT FOR YEAR	**14,105**	**3,224**			
Profit attributed to minority shareholders	1,008	326			
PROFIT FOR YEAR ATTRIBUTED TO THE PARENT COMPANY	**13,097**	**2,898**			

CIE AUTOMOTIVE, S.A.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2003
(Thousand euros)

1. Group structure and activities

CIE Automotive, S.A. is a holding company and the parent 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, plastics and steel - and several associated processes: automation, welding, painting and assembly. Its main European plants are located in: Spain (Álava, Barcelona, Cádiz, Orense, Guipúzcoa and Vizcaya), Belgium, Portugal and the Chech Republic, in Nafta: Mexico and South America: Brazil The Company's registered address for tax and mercantile purposes is located in Azkoitia (Guipuzcoa).

CIE Automotive, S.A. (a listed company) currently wholly owns CIE Azkoitia, S.L., CIE Bérriz, S.L. and CIE Inversiones e Inmuebles, S.L.

Background of CIE Automotive Group

On 24 June 2002 at a General Meeting of the shareholders of Acerías y Forjas de Azcoitia, S.A. (now CIE Automotive, S.A.) a resolution was adopted covering the Company's merger with Egaña, S.A. in order to form a new industrial group. This merger was carried out through the absorption of Egaña, S.A. by CIE Automotive, S.A. with effect for accounting purposes from 1 January 2002.

Group structure

Information on subsidiaries and associate companies at 31 December 2003 is given in the following table:

Company	Activity	Registered office	% shareholding Direct	Indirect
CIE Azkoitia, S.L. (*)	Holding company	Guipuzcoa	100%	-
GSB Acero, S.A.	Manufacture of special steels	Guipuzcoa	-	100%
GSB Forja, S.A.	Forged metals	Guipuzcoa	-	100%
GSB Galfor, S.A.	Manufacture of automobile components	Orense	-	893%
Belgium Forge, N.V.	Manufacture of automobile components	Belgium	-	100%
Stuka, S.A.	Manufacture of automobile components	Vizcaya	-	100%
Mecanizaciones para el Automóvil, S.A.	Manufacture of automobile components	Alava	-	100%
Mecanizaciones para el Automóvil 2, S.A.	Manufacture of automobile components	Alava	-	100%
Mecanizaciones del Sur-Mecasur, S.A.	Manufacture of automobile components	Cadiz	-	100%
Gameko Fabricación de Componentes, S.A.	Manufacture of automobile components	Vitoria	-	100%
GSB-TBK Automotive Components, S.L.	Manufacture of automobile components	Barcelona	-	75%
Grupo Componentes Vilanova, S.L. (*)	Manufacture of automobile components	Barcelona	-	100%
Tarabusi, S.A.	Manufacture of automobile components	Vizcaya	-	100%
Talleres Matrimold, S.L.	Manufacture of automobile components	Barcelona	-	100%
Fabricación de Componentes del Motor, S.L.	Manufacture of automobile components	Barcelona	-	100%
CIE Bérriz, S.L. (*)	Holding company	Vizcaya	100%	-
Egaña 2, S.L. (**)	Manufacture of automobile components	Vizcaya	-	100%
Inyectametal, S.A.	Manufacture of automobile components	Vizcaya	-	100%
Orbelan Plásticos, S.A.	Manufacture of automobile components	Guipuzcoa	-	100%
Udalbide, S.A.	Manufacture of automobile components	Vizcaya	-	100%
Transformaciones Metalúrgicas Norma, S.A.	Manufacture of automobile components	Guipuzcoa	-	100%
Autokomp Ingeniería, S.A.	Services and installations	Vizcaya	-	100%
CIE Deutschland, GmbH	Services and installations	Germany	-	100%
CIE Celaya, S.A. de CV	Manufacture of automobile components	Mexico	-	100%
Plasfil Plásticos da Figueira, S.A.	Manufacture of automobile components	Portugal	-	100%
CIE Unitools Press CZ, a.s.	Manufacture of automobile components	Chech Republic	-	100%
CIE Plasty CZ, s.r.o.	Manufacture of automobile components	Chech Republic	-	100%
CIE Automotive USA, Inc.	Services and installations	U.S.A.	-	100%
CIE Inversiones e Inmuebles, S.L. (*)	Holding company	Vizcaya	100%	-
CIE Autometal, S.A. (*)	Holding company	Brazil	-.	100%
Autometal, S.A.	Manufacture of automobile components	Brazil	-	100%
Autometal Investimentos e Imóveis, Ltda	Investment company	Brazil	-	100%
Muskaria Inversiones SIMCAV, S.A.	Investment management	Madrid	98.5%	-
Matxitxako Diversificada SIMCAV, S.A.	Investment management	Madrid	97.64%	-

(*) Parent of all investee companies appearing later in the table.
(**) Successor to the activity of Egaña, S.A.

2. Basis of presentation

a) True and fair view

The consolidated financial statements have been drawn up on the basis of the accounting records of CIE Automotive, S.A. and the consolidated companies, and include all adjustments and reclassifications required for consistency with the parent company in terms of both timing and values. These financial statements are presented in accordance with the provisions of current mercantile legislation and the rules laid down in the General Accounting Plan and in Royal Decree 1815/1991 which approved the rules for the drawing up of consolidated financial statements for the purpose of giving a true and fair view of the consolidated Group's net worth, financial situation and results.

b) Consolidation principles

The consolidated financial statements have been drawn up using the full consolidation method for the subsidiaries listed in Note 1, except for Muskaria Inversiones, S.I.M.C.A.V., S.A. and Matxitxako Diversificada, S.I.M.C.A.V., S.A., as their activities are not directly related to the activities of the rest of the group. The shareholdings in these companies have been valued using the equity method.

All the financial statements of the Group companies used in the consolidation process relate to the year ended 31 December 2003.

Consolidation has taken into account the following basic principles when applying the full consolidation method:

i) All significant balances and transactions between consolidated companies are eliminated in the consolidation process.

ii) Third party holdings in the net worth of the consolidated subsidiaries are recorded under Minority shareholdings in the attached consolidated balance sheets and under Profit/(loss) attributed to minority shareholders in the consolidated profit and loss accounts, respectively.

iii) The restricted reserves of the consolidated subsidiaries have also been treated as restricted reserves in the consolidation process and indicated as such in the note on Capital and reserves.

iv) The attached financial statements do not reflect any tax effect deriving from the distribution by consolidated companies of accumulated reserves and profits that have not been distributed to the parent company.

v) The results of the operations of companies acquired or sold have been included since or until the date of purchase or sale.

vi) The financial statements of subsidiaries that are denominated in foreign currency have been converted to euros using the year-end exchange rate for assets and liabilities, the historical exchange rate for share capital and the average exchange rate for the period for income and expense.

The difference resulting between the conversion using the above criteria and the conversion using the year-end exchange rate is reflected under the heading Differences on exchange in the consolidated balance sheet.

viii) The excess price paid for the acquisition of shares in subsidiaries over their proportional book value at the date of purchase by the parent company is recorded under Tangible fixed assets, up to the market price of the shares at that date. The subsequent amortisation of those amounts for consolidation purposes is based on the restated figures.

Companies consolidated using the equity method are valued at the proportion of net worth the shareholdings represent.

c) Comparability

In order to compare the figures from 2003 to those from 2002, several reclassifications were applied to the 2002 figures. These reclassifications do not have a significant effect on the financial statements.

The companies Gameko Fabricación de Componentes, S.A., CIE Plasty CZ, s.r.o., CIE Inversiones e Inmuebles, S.L. and Promoauto Componentes, Ltda (incorporated prior to the end of the year by Autometal, S.A.) were included in the scope of consolidation in 2003 and, furthermore, the stakes in Autometal, S.A. and Plasfil-Plásticos da Figueira, S.A. rose from 50% and 72.56%, respectively, to 100% in both cases. Finally, the corporate restructuring in Brazil was completed by the creation of CIE Autometal, S.A. (wholly owned by CIE Automotive, S.A.), which was converted into a holding company wholly owning Autometal Investimentos e Imóveis, Ltda. and Autometal, S.A. The effect of these companies entering into the scope of consolidation, with respect to consolidated results, is not significant.

d) Groupings of items

In order to facilitate the understanding of the consolidated balance sheet and profit and loss account, some items have been grouped together and all necessary analyses are made in the corresponding notes to the financial statements.

3. Accounting policies

a) Goodwill on consolidation

The positive difference between the book value of the parent company's direct or indirect shareholdings in subsidiaries and the value of the portion of the subsidiaries' net worth which is attributable to those shareholdings, adjusted for any tacit capital gains, is recorded in the consolidation process as Goodwill on consolidation.

Goodwill is amortised on a straight-line basis over between 10 and 20 years, as it is considered that this period is the average time over which the investments made are realised. The amortisation period exceeds 5 years since the Directors consider that the difference between the acquisition price and the net value of the investment is recovered over this period.

b) Negative consolidation differences

The heading Negative difference on consolidation in the consolidated balance sheets records the difference between the book value of the parent company's direct or indirect holding in the capital of the subsidiaries and the value of the subsidiaries' capital and reserves attributable to that holding, adjusted where necessary to account for any tacit capital losses.

The negative consolidation difference may be transferred to the consolidated profit and loss account only when:

- It is based on the poor results of the company concerned, or on a reasonable expectation of expense relating to that company, insofar as that expectation is realised.

- It relates to a realised capital gain.

c) Uniformity

To facilitate a uniform presentation of the items making up the attached consolidated financial statements, the parent company's accounting principles and standards have been applied to all companies included in consolidation.

d) Start-up expenses

Formation, start-up and share capital increase expenses have been capitalised at acquisition cost and are amortised on a straight-line basis over five years.

e) Intangible fixed assets

Intangible fixed assets are recorded at their purchase or production cost. Amortization is calculated using the straight line method.

Patents and trademarks, as web as computer applications, are amortised over a maximum of five years.

Expenses relating to successful research and development projects are capitalised and written off over a period of five years. If the circumstances which permitted the capitalisation of the expenditure change, the unamortised portion is expensed in the year of change.

The goodwill relating to the difference between the value of assets and liabilities acquired by the subsidiary Udalbide, S.A. (Note 1), which is in bankruptcy. It is amortised over a period of ten years, the estimated time over which income is expected to be obtained.

Assets being acquired under finance leases are recorded under intangible fixed assets when the terms of the lease imply that the assets should be capitalised. They are depreciated over their useful lives at the same rates as those set for similar tangible fixed assets. Financial expense is charged to profit and loss over the term of the lease using a financial method.

The amortisation of assets being acquired under finance leases takes place applying the same criteria as those applied to tangible fixed assets.

f) Tangible fixed assets

The parent company's tangible fixed assets are stated at acquisition or production cost. Tangible fixed assets purchased prior to 31 December 1996 are stated at their acquisition price plus any restatements recorded in accordance with the provisions of applicable legislation, such as Regional Law 13/1990 (13 December) and Regional Law 11/1996 (5 December), among others.

Tangible fixed assets of subsidiaries are stated at their cost for the parent company (Note 2b). They are depreciated over their estimated useful lives, as follows:

	Estimated years of useful life
Buildings	20 – 50
Plant and machinery	3 – 20
Fixtures, fittings, tools and equipment	3 – 15
Other fixed assets	3 – 15

Improvements made to existing assets which extend the useful life of the assets concerned are capitalised. Repair and maintenance costs are expensed in the year in which they are incurred Disposals and sales are recorded by eliminating the relevant cost and accumulated depreciation from the financial statements.

g) Investments

Shareholdings in companies consolidated using the equity method are valued by replacing their book value with the percentage of capital and reserves held in the investee company, excluding own shares.

Investments in mutual funds are stated at the lower of their purchase or market value, and market value is considered to be the liquidation value of holdings at 31 December 2003. Losses that may arise between the purchase price and the liquidation value are recorded as reducing the corresponding asset account in the balance sheet and is charged against the profit and loss account for the year. Based on the estimated period the investment in these funds will be maintained, the Directors classify these amounts under "Investments" or "Current asset investments". Latent capital gains are not recorded until the holdings are disposed of.

The remaining investments are stated at the lower of cost and market value. The market value for each type of investment is calculated as follows:

- Officially listed securities: the lower of the average listed price for the last quarter of the financial year and the price at the year end. the lower of the average listed price for the last quarter of the financial year and the price at the year end.

- Unlisted securities: on the basis of the proportional book value of the holding as reflected in the latest available financial statements.

Loans are recorded at their repayment value.

h) Own shares

Own shares are stated at the lower of their acquisition price or market value. The latter is considered to be the average listed price during the final quarter of the year, the year-end listed price or the consolidated proportional value of the shares. When market value is less than the purchase cost, a provision for the decline in value is recorded by charging the profit and loss account.

i) Inventories

Inventories are stated at the lower of their cost or market value. Cost is basically calculated as follows:

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

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

- Finished products and goods being manufactured: pre-established costs, which do not reflect significant variances with respect to actual costs incurred (raw materials, labour and direct and indirect manufacturing costs) during the manufacturing process.

Obsolete or slow-moving articles are depreciated to reflect the value that may be realised.

j) Non-trade debtors

Non-trade debtor accounts are stated at the amount at which they are to be repaid and any implicit interest included either in their face value or their repayment value when maturing in more than one year is recorded under Deferred income. Such interest is expensed using a financial method.

k) Trade debtors and creditors

Debits and credits arising from the Company's trading activities, both short and long-term debit and credit transactions, are accounted for at their nominal value.

l) Transactions and balances denominated in foreign currency

Debits and credits denominated in foreign currency are stated at the year end exchange rate. Transactions in foreign currencies are recorded in the profit and loss account at the exchange rate prevailing when the transactions are effected. All losses, as well as unrealised gains, are taken to profit and loss for the year whereas unrealised gains are recorded under deferred income until they are realised.

m) Current asset investments

Current asset investments are stated at the lower of acquisition cost and market value. Market value of current asset investments is determined in the same manner as for fixed asset investments.

n) Severance indemnities

Severance indemnities which can be reasonably quantified are expensed in the year in which the related decision is taken.

o) Corporate income tax

Corporate income tax expense for the year is calculated based on profits before taxes, as adjusted for any permanent and/or timing differences contemplated by tax legislation governing the corporate income tax base calculation. Differences between the corporate income tax payable and the corporate income tax expense are recorded as prepaid or deferred corporate income tax, as applicable.

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.

In accordance with current legislation, and bearing in mind the results forecast for coming years, the Company has capitalised (crediting the profit and loss account) tax credits pending application that derive from corporate income tax incentives and deductions to which it is entitled, provided that the profit forecasts for the coming years reveal that these credits will be applied within 10 years as from the year end.

The policy followed by the Company when recording these amounts consists of recording the tax credits at their nominal value under Investments – Other credits.

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

- CIE Azkoitia, S.L.
- CIE Bérriz, S.L.
- CIE Inversiones e Inmuebles, S.L.
- Egaña 2, S.L.
- GSB Acero, S.A.
- GSB Forja, S.A.
- Inyectametal, S.A.
- Mecanizaciones para el Automóvil, S.A.
- Mecanizaciones para el Automóvil 2, S.A.
- Orbelan Plásticos, S.A.
- Stuka, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Udalbide, S.A.
- Autokomp Ingeniería, S.A.

p) Capital grants

Capital grants are accounted for once they have been officially approved, under the caption Deferred income. They are released to the profit and loss account at the same rate as the depreciation charged on the assets they finance.

The amount of new capital grants is not significant. The portion released to income for the year totals K€1,956.

q) Creditors

Short and long-term loans are stated at the amount at which they are to be repaid and any implicit interest included either in their face value or repayment value is recorded under Deferred expenses. Such interest is expensed using a financial method.

r) Long-term assets and liabilities

Long term assets and liabilities are deemed to be those that fall due in more than one year.

s) Income and expense

Income and expense are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

For reasons of prudence, however, the Group only records profits realised at the year end, while foreseeable risks and potential losses arising in the year or in prior years are recorded as soon as they are known.

t) Environment

Costs incurred during the acquisition of machinery, installations and other assets whose purpose is to protect and improve the environment are considered to be investments in fixed assets.

Costs relating to the environment, other than those concerning the acquisition of fixed assets, are recorded as an expense in the year incurred.

4. Start-up expenses

Movements in the accounts included under Start-up expenses during the year are as follows:

	Thousand euros
Balance at 31.12.02	871
Entry into the scope of consolidation	269
Additions	840
Transfers	1,150
Amortisation	(443)
Balance at 31.12.03	2,687

This heading is basically made up of share capital increase expenses and launching costs.

5. Intangible fixed assets

Movements under the heading Intangible fixed assets are as follows:

	Thousand euros							
	R&D	Goodwill	Patents and trade-marks	Computer applica-tions	Assets being acquired under finance leases	Prepay-ments	Other	Total
COST								
Balance at 31.12.02	7,414	2,344	365	5,175	14,108	71	1,596	31,073
Additions due to the change in the scope of consolidation	-	-	-	51	-	-	-	51
Additions	1,856	-	-	392	4,969	260	43	7,520
Disposals	-	-	-	(56)	-	-	-	(56)
Transfers	(14)	-	4	43	754	8	(1,168)	(373)
Other movements	-	-	-	-	-	-	(314)	(314)
Balance at 31.12.03	9,256	2,344	369	5,605	19,831	339	157	37,901
AMORTISATION								
Balance at 31.12.02	3,728	1,483	162	2,853	3,669	-	28	11,923
Additions due to the change in the scope of consolidation	-	-	-	24	-	-	-	24
Additions	861	157	33	1,051	1,358	-	7	3,467
Disposals	-	-	-	(20)	-	-	-	(20)
Transfers	(3)	-	3	-	699	-	(18)	681
Other movements	-	-	-	-	-	-	-	-
Balance at 31.12.03	4,586	1,640	198	3,908	5,726	-	17	16,075
NET BOOK VALUE								
Balance at 31.12.02	3,686	861	203	2,322	10,439	71	1,568	19,150
Balance at 31.12.03	4,670	704	171	1,697	14,105	339	140	21,826

a) Assets being acquired under finance leases

Assets being acquired under finance leases relate to leases falling due between May 2003 and September 2006. The instalments pending payment at 31 December 2003 total K€4,252.

6. Tangible fixed assets

Movements in Tangible fixed assets are set out below:

	Thousand euros						
	Balance at 31.12.02	**Additions due to change in scope of consolidation**	**Additions**	**Disposals**	**Transfers**	**Other movements**	**Balance at 31.12.03**
Cost							
Land and buildings	137,451	5,989	2,698	(640)	6,439	(2,360)	149,577
Plant and machinery	373,895	21,775	29,855	(8,491)	25,513	(1,282)	441,265
Fixtures, fittings, tools and equipment	69,553	1,505	12,216	(698)	588	17	83,181
Other fixed assets	9,703	577	1,450	(326)	29	(50)	11,383
Prepayments and tangible fixed assets in course of construction	16,192	653	45,620	(4,137)	(33,289)	(1)	25,038
	606,794	30,499	91,839	(14,292)	(720)	(3,676)	710,444
Depreciation							
Land and buildings	42,027	353	3,445	(640)	20	6	45,211
Plant and machinery	221,720	8,876	27,156	(6,374)	(802)	16	250,592
Fixtures, fittings, tools and equipment	39,224	679	15,064	(575)	7	(4)	54,395
Other fixed assets	6,721	284	1,090	(292)	77	(7)	7,873
	309,692	10,192	46,755	(7,881)	(698)	11	358,071
Provisions							
Plant and machinery	157	-	-	-	-	-	157
	157	-	-	-	-	-	157
Net book value	**296,945**						**352,216**

The heading Other movements basically includes the effect of currency exchange movements affecting tangible fixed assets at the foreign subsidiaries: CIE Autometal, S.A. (sub-group), CIE Unitools Press CZ, a.s., CIE Plasty CZ, s.r.o. and CIE Celaya, S.A. de C.V.

a) Revaluations

Net accumulated revaluations at the year end arising from Regional Law 6/96 (21 November) and Regional Law 11/96 (5 December) total €17 million at the consolidated group level. The effect of these revaluations was a € 1 million increase in depreciation for the year.

Furthermore, the tangible fixed assets of the subsidiary Grupo Componentes Vilanova, S.L. resulted from the contribution of an area 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 accumulated revaluations at the year end resulting from this operation total K€7,625. The effect of these revaluations was a K€1,101 increase in depreciation for the year.

b) Tangible assets located abroad

As at 31 December 2003 the Consolidated Group recorded the following investments in tangible assets located abroad:

	Thousand euros		
Fixed assets	**Cost**	**Accumulated depreciation**	**Net book value**
Land and buildings			
Plant and machinery	16,412	2,576	13,836
Fixtures, fittings, tools and equipment	44,393	17,146	27,247
Other fixed assets	5,211	4,168	1,043
Prepayments and assets in course of construction	7,040	297	6,743
	73,056	24,187	48,869

c) Tangible assets not used in operations

At 31 December 2003 tangible fixed assets with a net book value of K€597 were no longer used in operations. The management of consolidated group companies forecasts losses of approximately K€150 to be incurred on the sale of these items, for which the relevant provision has been recorded.

d) Fully depreciated assets

At 31 December 2003 tangible fixed assets with a book cost of K€169,026 have been fully depreciated and are still in use.

e) Tangible assets given as security

At 31 December 2003 there are tangible fixed assets pledged to guarantee debts with public entities totalling K€28,993, which are pending payment at 31 December 2003.

f) Commitments

At 31 December 2003 the consolidated group companies have concluded contracts for the purchase of new machinery totalling K€6,092.

g) Insurance

The Consolidated Group has taken out a number of insurance policies to cover risks relating to tangible fixed assets. The coverage provided by these policies is considered to be sufficient.

7. Investments

Movements in Investments are set out below:

	Thousand euros						
	Balance at 31.12.02	**Additions due to change in consolidation scope**	**Additions**	**Disposals**	**Transfers and others**	**Results from companies consolidated using the equity method**	**Balance at 31.12.03**
Shareholdings consolidated using the equity method	8,951	-	-	-	(481)	1,398	9,868
Other shareholdings	90	1,181	-	(1,265)	93	-	99
Fixed income securities	5,512	-	-	-	-	-	5,512
Other loans	15,436	2,023	11,722	(5,273)	2,081	-	25,989
Long term deposits and guarantees	5,697	-	35	(410)	(2,405)	-	2,917
	35,686	3,204	11,757	(6,948)	(712)	1,398	44,385
Less provisions	(1,588)	(930)	-	930	1,588	-	-
	34,098	2,274	11,757	(6,018)	876	1,398	44,385

a) Shareholdings in companies consolidated using the equity method

This heading is analysed below:

	Thousand euros			
Company	**Balance at 31.12.02**	**Disposals**	**Results from companies consolidated using the equity method**	**Balance at 31.12.03**
Muskaria Inversiones S.I.M.C.A.V., S.A.	2,341	(231)	258	2,368
Matxitxako Diversificada S.I.M.C.A.V., S.A.	6,610	(250)	1,140	7,500
	8,951	(481)	1,398	9,868

b) Fixed income securities

The securities portfolio is made up of the interest held in Edesthal, F.I.M.

c) Other loans

This heading mainly relates to the balance with public entities consisting of tax credits deriving from tax-loss carryforwards and corporate income tax credits and deductions to which certain group companies are entitled (Note 3.o).

d) Long term deposits and guarantees

This heading relates mainly to long-term deposits provided by Autometal, S.A. as security for litigation involving the company and the Brazilian authorities.

8. Goodwill on consolidation

Movements in Goodwill on consolidation are as follows:

	Thousand euros
Balance at 31.12.02	25,516
Additions	12,681
Amortisation	(2,876)
Balance at 31.12.03	35,321

Additions relate to the entry of the subsidiaries Plasfil-Plásticos da Figueira, S.A., Gameko Fabricación de Componentes, S.A., Mecanizaciones para el Automóvil, S.A. and the sub-group CIE Autometal, S.A. (including Promoauto Componentes, Ltda) during the year. (Note 2.c).

The breakdown by company of the final balance of goodwill on consolidation is as follows:

Company	Thousand euros
Inyectametal, S.A.	1,762
Grupo Componentes Vilanova, S.L.	5,230
Mecanizaciones para el Automóvil, S.A.	7,596
Stuka, S.A.	531
Transformaciones Metalúrgicas Norma, S.A.	2,307
Orbelan Plásticos, S.A.	947
Autometal, S.A.	2,941
Promoauto Componentes, Ltda. (incorporated at the year end by Autometal, S.A.)	4,428
CIE Unitools Press CZ, a.s.	1,126
Plasfil-Plásticos da Figueira, S.A.	6,904
Gameko Fabricación de Componentes, S.A.	1,346
Talleres Matrimold, S.L.	203
	35,321

9. Own shares

Movements in this balance sheet heading in 2003 are as follows:

		Thousand euros		
	Number of shares	Cost	Provision	Net
Balance at 31.12.02	411,055	2,914	(386)	2,528
Acquisitions	22,495	135	-	135
Disposals	(60,000)	(395)	-	(395)
Allocation to the provision for declines in value	-	-	386	386
Balance at 31.12.03	373,550	2,654	-	2,654

10. Inventories

This heading breaks down as follows:

	Thousand euros	
	2003	2002
Raw materials and other supplies	32,895	33,836
Work in progress and semi-finished goods	23,971	25,661
Finished products	23,174	17,754
Prepayments to suppliers	1,440	2,449
	81,480	79,700
Less: provisions	(843)	(1,175)
	80,637	78,525

11. Debtors

This heading breaks down as follows:

	Thousand euros	
	2003	2002
Trade debtors	108,247	126,277
Sundry debtors	4,615	9,222
Taxes and Social Security	17,701	19,231
	130,563	154,730
Less: provisions	(5,180)	(3,708)
	125,383	151,022

12. Current asset investments

This heading breaks down as follows:

	Thousand euros	
	2003	2002
Securities portfolio	4,761	4,648
Other loans	-	1,081
Deposits	656	-
Provisions	(57)	(468)
	5.360	5.261

a) Securities portfolio

The securities portfolio is as follows at 31 December 2003:

	Thousand euros
Investment portfolio (*)	2,966
Money market funds	997
Other securities	798
	4,761

(*) Securities portfolio managed by an investment company and invested basically in listed equities at 31 December 2003.

13. Capital and reserves

Movements in the accounts included under Capital and reserves are as follows:

	Thousand euros				
Account	**Balance at 31.12.02**	**Distribution of 2002 results**	**Other movements**	**Profit for the year**	**Balance at 31.12.03**
Share capital	23,028	-	-	-	23,028
Share premium	35,954	-	(2,202)	-	33,752
Revaluation reserve	152	-	-	-	152
Legal reserve	2,404		2,202	-	4,606
Reserve for parent company shares	2,914	-	(260)	-	2,654
Voluntary reserve	42,568		260	-	42,828
Prior year losses	-	(2,820)	-	-	(2,820)
Other reserves of the parent company	(16,731)	14,023	-	-	(2,708)
Reserves in companies consolidated using the full consolidation method	56,580	(4,406)	(119)	-	52,055
Reserves in companies consolidated using the equity method	-	(3,899)	-	-	(3,899)
Differences on exchange	(4,961)	-	(3,852)	-	(8,813)
Profit or loss attributable to the parent company	2,898	(2,898)	-	13,097	13,097
Interim dividend	-	-	(2,243)	-	(2,243)
	144,806	-	(6,214)	13,097	151,689

The column Other movements records basically the variance in Differences on exchange and the interim dividend that arose during the year.

a) Share capital

The parent Company's share capital is represented by 22,800,000 fully paid ordinary bearer shares with a par value of €1.01 each, all listed on the Spanish stock market. The companies that hold a direct or indirect interest exceeding 10% are as follows:

	% shareholding
Instituto Sectorial de Promoción y Gestión de Empresas, S.A.	36.560%
Saltec 98, S.L.	12.985%
Saltec, S.L. (indirect stake)	12.985%
Inversiones Ibersuizas, S.A. (direct and indirect stake)	12.230%

b) Share premium account

This reserve is freely available for distribution.

c) Revaluation reserves

The balance of this account in terms of the amount pending application, which derives from the provisions of Regional Law 11/1996, may be used to offset book losses, increase share capital or be held as restricted reserves without incurring any taxes. If the balance of this account is used for any purpose other than those defined by Regional Law 11/1996, the balance may be subject to taxation.

d) 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.

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.

On 24 June 2002 shareholders held a general meeting and adopted a resolution to allocate part of the share premium account to the legal reserve and it now represents 20% of current share capital. This agreement is reflected in movements in capital and reserves for 2003.

e) Reserve for parent company shares

The reserve for parent company shares is not freely available and must be maintained until they are disposed of or written off at the same amount as their book acquisition cost (Note 9).

f) Other reserves of the parent company

This heading records the reserves attributed to the parent company which are generated during the consolidation process.

g) Reserves in companies consolidated using the full consolidation method

The breakdown by company at 31 December 2003 is as follows:

	Thousand euros
CIE Azkoitia, S.L.	(299)
GSB Acero, S.A.	22,428
GSB Forja, S.A.	17,261
GSB Galfor, S.A.	5,939
Stuka, S.A.	3,859
Belgium Forge, N.V.	(3,629)
Grupo Componentes Vilanova, S.L.	(875)
Fabricación de Componentes del Motor, S.L.	86
Talleres Matrimold, S.L.	(397)
Tarabusi, S.A.	(2,445)
Mecanizaciones para el Automóvil, S.A.	(204)
Mecanizaciones para el Automóvil 2, S.A.	(461)
Mecanizaciones del Sur-Mecasur, S.A.	(59)
CIE Bérriz, S.L.	(4,825)
Egaña 2, S.L.	1,304
Inyectametal, S.A.	6,171
Orbelan Plásticos, S.A.	755
Udalbide, S.A.	6,032
T.M. Norma, S.A.	(52)
Autokomp Ingeniería, S.A.	(109)
CIE Autometal, S.A. (Sub-group)	1,830
CIE Unitools Press CZ, a.s.	59
CIE Celaya, S.A. de C.V.	(139)
Plasfil-Plásticos da Figueira, S.A.	(175)
	52,055

Of total reserves relating to companies consolidated using the full consolidation method, €13.2 million makes up the legal reserve and is not freely available and €9.9 million relates to the revaluation reserve (Regional Law 11/1996).

h) Profit /(loss) attributable to parent company

The contribution to consolidated results of each company included in consolidation is as follows:

	Thousand euros
CIE Automotive, S.A.	10,531
CIE Azkoitia, S.L.	(2,786)
GSB Acero, S.A.	7,558
GSB Forja, S.A.	(680)
GSB Galfor, S.A.	(2,761)
Belgium Forge, N.V.	(628)
Stuka, S.A.	(461)
Gameko Fabricación de Componentes, S.A.	931
Mecanizaciones para el Automóvil, S.A.	236
Mecanizaciones para el Automóvil 2, S.A.	(1,085)
Mecanizaciones del Sur-Mecasur, S.A.	(218)
Grupo Componentes Vilanova, S.L.	851
Fabricación de Componentes del Motor, S.L.	5
Talleres Matrimold, S.L.	83
Tarabusi, S.A.	(3,459)
GSB-TBK, Automotive Components, S.L.	81
CIE Bérriz, S.L.	(2,213)
Egaña 2, S.L.	2,087
Inyectametal, S.A.	1,628
Orbelan Plásticos, S.A.	671
Udalbide, S.A.	36
T.M. Norma, S.A.	(62)
Autokomp Ingeniería, S.A.	267
CIE Autometal, S.A. (Sub-group)	1,959
CIE Celaya, S.A. de C.V.	(1,622)
Plasfil-Plásticos da Figueira, S.A.	75
CIE Plasty CZ, s.r.o.	(209)
CIE Unitools Press CZ, a.s.	884
Muskaria Inversiones SIMCAV, S.A.	258
Matxitxako Diversificada SIMCAV, S.A.	1,140
	13,097

i) Result for year

The proposal for distributing the parent company's 2003 results that will be presented to shareholders at a General Meeting is as follows:

	Thousand euros
Available for distribution	
Profit for the year	6,861
Distribution	
To dividends (interim plus supplement)	4,523
To voluntary reserves	2,338
	6,861

j) Stock options

On 24 June 2002 the shareholders attending the parent company's general meeting approved a remuneration system for certain executives that is indexed to the value of the company's shares and consisting of stock options, in accordance with the following terms and conditions: the executives will receive a total of 420,000 stock options at a price of €10 per share. The exercise dates will coincide with the third quarter of 2005, 2006 and 2007 and shall be expressly subject to the condition that the Company meets certain objectives. These options are not transferable.

k) Interim dividend

On 17 December 2003, the Company's Board of Directors adopted a resolution to distribute an interim dividend on account of 2003 results. The gross dividend is €0.10 per share, for a total of K€ 2,243, payable on 30 December 2003.

As is required by Article 216 of the Spanish Companies Act, the Directors prepared the necessary provisional financial statements that reveals the existence of sufficient liquidity. This interim dividend was paid on 30 December 2003.

14. Minority shareholders

Movements under the heading Minority shareholders at each subsidiary are as follows:

Company	Balance at 31.12.02	Additions	Share in profits/ losses	Disposals	Balance at 31.12.03
	Thousand euros				
GSB-T.B.K. Automotive Components, S.L.	500	-	27	-	527
GSB Galfor, S.A.	138	179	(331)	-	(14)
Plasfil-Plásticos da Figueira, S.A.	1,600	-	(473)	(1,127)	-
Autometal, S.A	9,215	-	1,785	(11,000)	-
	11,453	179	1,008	(12,127)	513

An analysis of the Group's shareholdings in these companies is included in Note 1.

The breakdown of the closing balance by item is as follows:

Company	Share capital	Legal reserve	Other reserves	Profit/ loss	Total
	Thousand euros				
GSB-T.B.K. Automotive Components, S.L.	500	-	-	27	527
GSB Galfor, S.A.	540	39	(262)	(331)	(14)
	1,040	39	(262)	(304)	513

15. Negative differences on consolidation

Movements in the accounts included under Negative differences on consolidation in 2003 are as follows:

	Balance at 31.12.02	Additions	Taken to profit and loss	Balance at 31.12.03
	Thousand euros			
CIE Automotive, S.A.	3,709	-		3,709
GSB Galfor, S.A.	1,004	-		1,004
Plasfil-Plásticos da Figueira, S.A.	-	2,248	(2,248)	-
	4,713	2,248	(2,248)	4,713

The negative difference on consolidation attributed to CIE Automotive, S.A. arises from the difference relating to the shareholding in GSB Grupo Siderúrgico Vasco, S.A., which merged with CIE Automotive, S.A.

The allocation to results relates basically to the contingencies recorded by the subsidiary Plasfil-Plásticos da Figueira, S.A., which were detected in 2003 and originated prior to the acquisition of the company.

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16. Provisions for liabilities and charges

The provision recorded the following movements in 2003:

	Thousand euros
Balance at 31.12.02	16,657
Net allocation to applications and transfers to short-term items	9,416
Balance at 31.12.03	26,073

At 31 December 2003 this provision mainly includes the following:

- A 3.8 million provision for the subsidiary GSB Acero, S.A., for the restructuring plan approved in 2002 and started in 2003 and ending in 2005. This plan has the objective, among others, of adapting the payroll to ratios similar to those at other companies in the sector. The Company's total estimated cost for executing this plan totalled €9.1 million. The account "Other creditors" under Creditors: amounts falling due within one year records €1.4 million, which the Company believes will have to be contributed in 2004.

- A €7.6 million provision funded based on the prudence principle, 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.

- A €9.5 million provision to cover general risks affecting the Brazilian subsidiary.

- A €2.7 million provision covering any eventual need to wind up and liquidate the Belgian subsidiary (Note 1).

17. Bank loans falling due after more than one year

a) Analysis by maturity date

Long-term bank loans fall due as follows:

Year	Thousand euros
2004	30,102
2005	23,675
2006	57,431
2007	25,415
2008 and subsequent years	37,640
	174,263
Less: short-term portion of long-term amounts	(30,102)
Total	144,161

a) Average interest rate

The annual interest rate accruing on these debts is a market rate and indexed to the Euribor rate.

b) Secured loans

At 31 December 2003 the parent company maintains long-term credit facilities totalling K€45,953. The total limit of these credit facilities is K€52,975 and their main characteristics are as follows:

On 15 December 1999, Acerías y Forjas de Azcoitia, S.A. (now CIE Automotive, S.A.) and the then subsidiary GSB Grupo Siderúrgico Vasco, S.A. (now wound up and merged into CIE Automotive, S.A.) each obtained lines of credit from Open Bank with a limit of K€6,010, and expiring on 15 December 2004 (renewable until 15 December 2009) and indexed to the EURIBOR. During 2000, Open Bank, with the Company's consent assigned these loans to HBF Banco Financiero, S.A and then, subsequently, to Santander Central Hispano, S.A. To guarantee these lines of credit a 498,900 shares of the company Matxitxako Diversificada SIMCAV, S.A. were pledged to the bank. (Note 1). The listed price of the pledged shares must be maintained, with respect to the balance owed to the bank, at a coverage percentage agreed at the time the relevant contract was concluded. If necessary the Company must extend the pledge to cover the difference by applying it to other shares that are acceptable to the bank. At 31 December 2003 no additional pledge was necessary.

On 9 December 1999, Deutsche Bank granted Acerías y Forjas de Azcoitia, S.A. (now CIE Automotive, S.A.) and the then subsidiaries Acería Guipuzcoana, S.A. and GSB Grupo Siderúrgico Vasco, S.A. (now wound up and merged into CIE Automotive, S.A.) lines of credit with a limit of K€ 11,119 and expiring on 6 December 2004. These facilities may be renewed to 6 December 2009 and they are indexed to the EURIBOR. To guarantee these lines of credit all shares held in FIM Edelsthal (Note 6.c)) and all the shares held in Muskaria Inversiones, SIMCAV, S.A. were pledged to the bank (Note 1).

18. Creditors falling due after more than one year

a) Breakdown by item

	Thousand euros	
	2003	**2002**
Taxes and social security payable	27,582	33,872
Other creditors	13,553	9,848
	41,135	43,720

b) Analysis of taxes and social security payable by maturity date

Year	Thousand euros
2004	6,219
2005	4,648
2006	4,955
2007	4,061
2008 and subsequent years	13,918
	33,801
Less: short-term portion of long-term amounts	(6,219)
Total long-term	27,582

The most significant portion (K€16,479) of the amounts owed to the public treasury relate to taxes and social security contributions payable and late-payment interest, which were transferred 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 reached on 4 July 1994, the public institutions accepted the Company's subrogation to these debts, which gave rise to payment obligations totalling K€12,543 and K€13,024, respectively. The terms of the payment agreement call for progressively higher instalments to be paid (from 1% to 15%) on the dent over 15 years, with interest payable annually. The Company records this interest as it accrues and charges results in accordance with a financial accrual method.

The interest arising in 2003 on these debts totalled approximately K€215, and is recorded under the heading "Financial and similar expenses" in the accompanying profit and loss account.

Movements during the year are as follows:

	Thousand euros
Balance at 31 December 2002	19,054
Transfer to short-term	(2,575)
	16,479

c) Other creditors

This heading basically includes creditors for finance leases.

19. Bank loans and overdrafts falling due within one year

This heading breaks down as follows:

	Thousand euros	
	2003	**2002**
Short-term loans and credit facilities	57,031	12,248
Short-term portion of long-term loans	5,446	26,525
Financing of exports	41,687	50,125
Discounted bills yet to mature	22,569	34,892
	126,733	123,790

20. Corporate income tax and tax situation

Effective in and including 2003, the parent company is authorised to file a consolidated corporate income tax return together with the following group companies:

CIE Azkoitia, S.L.
CIE Bérriz, S.L.
CIE Inversiones e Inmuebles, S.L.
Egaña 2, S.L.
GSB Acero, S.A.
GSB Forja, S.A.
Inyectametal, S.A.
Mecanizaciones para el Automóvil, S.A.
Mecanizaciones para el Automóvil 2, S.A.
Orbelan Plásticos, S.A.
Stuka, S.A.
Transformaciones Metalúrgicas Norma, S.A.
Udalbide, S.A.
Autokomp Ingeniería, S.A.

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

	Thousand euros		
	Increases	**Decreases**	**Total**
Reported consolidated net profit for the year			13,098
Minority shareholdings			(1,007
Corporate income tax			3,188
Consolidated book results for the year before taxes			17,293
Permanent differences:			
- individual companies	8,170	2,814	5,356
- consolidation adjustments	3,670	6,872	(3,202
Timing differences:			
- individual companies:			
* arising in the year	5,134	-	5,134
* arising in prior years	1,681	6,846	(5,165
- consolidation adjustments:			
* arising in the year	-	151	(151)
Aggregate corporate income tax base	18,655	16,683	19,265

Movements in deferred consolidated corporate income tax assets and liabilities are as follows:

	Thousand euros			
	Balance at 31.12.02	**Reversal**	**Recorded during the year**	**Balance at 31.12.03**
Deferred corporate income tax liabilities	(5,085)	576	(524)	(5,033)
Deferred corporate income tax assets	5,231	(1,864)	1,712	5,079

The corporate income tax charge for the year is analysed below:

	Thousand euros
Corporate income tax payable for the year	3,088
Deferred tax liabilities	(52)
Deferred tax assets	152
	3,188

Corporate income tax expense has been reduced by K€3,351 due to the application in the year of deductions for investments.

Deductions for investments and job creation, which are mainly included in the capitalised tax credits, yet to be offset. The amounts concerned and the application deadlines are as follows:

Year generated	**Thousand euros**	**Available for offset until**
1996	232	2011
1997	226	2012
1998	2,554	2013
1999	1,793	2014
2000	6,052	2015
2001	1,581	2016
2002	1,611	2017
2003	3,459	2018
	17,508	

The above deductions do not include those arising in accordance with Basque Country Regional corporate income tax legislation as these deductions are being questioned before several courts.

Apart from the tax-loss carryforwards that some of the group's companies may have on an individual basis, the tax consolidation group has tax credits yet to be offset in 2002 totalling K€3,530 which are also included as capitalised tax credits.

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

21. Income and expense

a) Turnover

Net turnover from the consolidated Group's ordinary activities may be analysed geographically as follows:

Market	**%**
Domestic	35
Exports	65
	100

Similarly, net turnover may be analysed by product line as follows:

Line	**%**
Aluminium	24
Mechanised forging	25
Metal	15
Plastic	15
Steel	21
	100

b) Materials consumed in operations and other external expenses

The expense for materials consumed in operations and other external expenses are as follows:

	Thousand euros	
	2003	2002
Purchases	248,542	211,316
Difference between opening and closing inventories	1,869	(4,189)
	250,411	207,127

c) Staff costs

Staff costs are as follows:

	Thousand euros	
	2003	2002
Wages, salaries and similar remuneration	112,097	103,430
Staff welfare expenses	41,073	37,271
	153,170	140,701

22. Financial income and expense

The heading financial income and expense is analysed below:

	Thousand euros	
	2003	2002
Income:		
. Other interest and financial income	2,756	726
. Gains on exchange	287	-
	3,043	726
Less expense:		
. Financial and similar expenses	(15,722)	(14,248)
. Losses on exchange	(1,145)	(95)
	(16,867)	(14,343)
Net financial income/(expense)	(13,824)	(13,617)

23. Extraordinary items

The heading extraordinary items is analysed below:

	Thousand euros	
	2003	2002
Profit:		
. Profit obtained on the disposal of fixed assets	1,001	64
. Capital grants released to income during the year	1,956	1,195
. Extraordinary income and profit	5,020	840
. Prior year income and profit	357	9,839
	8,334	11,938
Less losses:		
. Loss on disposal of fixed assets	(16)	(55)
. Extraordinary loss	(10,802)	(21,742)
. Prior year losses	(1.197)	(893)
	(12,015)	(22,690)
Net extraordinary profit/(loss)	(3,681)	(10,752)

Extraordinary items mainly consist of the allocation to and elimination of the provision for liabilities and charges (Note 16).

24. Other information

a) Average number of employees in the group by category

Category	Number
Executives	195
Technicians and specialists	513
Administration	650
Technical personnel	4,023
	5,381

b) Remuneration of parent company directors

The members of the parent company's Board of Directors have not been provided with any guarantees, advance payments or loans and are not beneficiaries of any pension rights. Total remuneration paid to the entire Board of Directors, consisting of wages, per diems and other remuneration during the year amounted to €512,507.63.

The members of the Company's Board of Directors are not in any of the situations described in Article 127ter, paragraph 4 of the current Spanish Companies Act.

c) Audit fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for auditing the financial statements for 2003 total K€429. This amount includes the examination of the financial statements for individual companies and the consolidated financial statements for 2003.

Other services rendered by PricewaterhouseCoopers Auditores, S.L. totalled K€18.

25. Environment

a) 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.

b) Tangible fixed assets records the investments made in assets intended to minimise environmental impact and to protect and improve the environment. In 2003 investments totalling €6 million were made, among which the installation of a smoke scrubber at GSB Acero, S.A. and a water treatment plant at Egaña 2, S.L. are notable.

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

d) There are no environmental risks or costs that should be covered by a provision.

e) Similarly, there are no contingencies relating to the protection and improvement of the environment, any future investment commitments concerning the environment, any environmental liabilities or any compensation receivable in this respect.

f) The consolidated group has not received any significant environmental subsidies or income as a result of its environmental activities.

g) The following subsidiaries located in Spain have obtained environmental management quality certificates: GSB Acero, S.A. (Legazpi plant), GSB Forja, S.A., Tarabusi, S.A., Orbelan Plásticos, S.A., Autometal, S.A. (at its three plants: Bahía, Diadema y Taubaté) and Grupo Componentes Vilanova, S.L.

26. Post-balance sheet events

On 17 February 2004, CIE Autometal, S.A., a Brazilian company and wholly owned subsidiary of CIE Automotive, S.A., acquired 100% of the Brazilian company Maier Do Brasil, Ltda. from Maier, S.Coop. and Maier Technology Centre, S.Coop., for 2.36 million reals. MAIER do Brasil is located in San Bernardo do Campo –close to the main plant operated by CIE Autometal in Diadema (Sao Paulo)– and it is specialised in the injection of plastics and the painting of aesthetic parts for the automobile sector.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

27. Statement of source and application of funds

The statements of source and application of funds for 2003 and 2002 are set out below (thousand euros):

APPLICATIONS OF FUNDS	**2003**	**2002**	**SOURCE OF FUNDS**	**2003**	**2002**
Start-up expenses	840	610	**Funds generated from operations**		
Purchases of fixed assets			Attributed to the parent company	61,959	34,374
Intangible fixed assets	7,520	6,902	Attributed to minority shareholders	1,008	326
Tangible fixed assets	91,839	75,898			
Investments	-	4,057	**Minority shareholders**	179	-
Acquisition of own shares and transfers to long-term	-	2,594	**Deferred income**	1,236	658
Deferred expenses	23	5,348	**Long-term debt**	5,120	34,565
Goodwill	12,682	2,053	**Disposal of fixed assets**		
Dividends	2,243	4,986	Start-up expenses	-	46
			Intangible fixed assets	36	64
Cancellation or transfer to short-term of provisions for liabilities and charges	9,037	4,250	Tangible fixed assets	7,422	5,437
Minority shareholders	12,127	-	Investments	6,018	4,246
Consolidated reserves		-			
Net consolidated effect arising from incorporations due to entry into the scope of consolidation	20,603	5,369			
Other	-	5,632	**Other**	4,844	-
Net effect of merger	-	2,762			
Total applications of funds	156,914	120,461	**Total sources of funds**	87,822	79,716
			Surplus of applications over sources of funds (reduction in working capital)	69,092	40,745

The heading "Other" records basically the effect of the change in exchange rates in fixed asset, formation expense, capital and reserves and long-term debts recorded by the following foreign subsidiaries: CIE Autometal, S.A. (sub-group), CIE Unitools Press CZ, a.s., CIE Plasty CZ, s.r.o. and CIE Celaya, S.A. de C.V.

a) Change in working capital

	Thousand euros			
	2003		2002	
	Increases	Decreases	Increases	Decreases
Inventories	2,112	-	25,579	-
Debtors	-	(25,639)	90,900	-
Creditors	-	(47,861)	-	(162,050)
Own shares	126	-	-	(1,959)
Current asset investments	99	-	-	(1,474)
Cash at bank and in hand	-	(166)	8,291	-
Prepayments and accrued income	2,237	-	-	(32)
Total	4,574	(73,666)	124,770	(165,515)
Change in working capital		(69,092)		(40,745)

b) Adjustments to be made to obtain sources of funds from operations in the parent company's statements of source and application of funds.

	Thousand euros	
	2003	2002
Profit for the year	13.097	2,898
Increases:		
. Depreciation and amortisation	45,616	36,738
. Allocations to provisions for liabilities and charges	11,839	14,127
. Change in provisions for fixed assets	-	66
. Loss obtained on the disposal of fixed assets	16	-
. Losses incurred by companies consolidated using the equity method	-	3,899
. Amortisation of goodwill	2,877	2,654
Total increases	60,348	57,484
Decreases:		
. Reversal of negative consolidation differences	(2,248)	(11,564)
. Profit from companies consolidated using the equity method	(1,398)	-
. Profit obtained on the disposal of fixed assets	(1,101)	(64)
. Corporate income tax	(4,783)	(12,864)
. Capital grants	(1,956)	(1,516)
Total decreases	(11,486)	(26,008)
Total funds generated from operations	61.959	34,374

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES

MANAGEMENT REPORT FOR 2003

CHANGES IN THE SCOPE OF CONSOLIDATION

During the first half of 2003, the scope of consolidation at CIE Group was increased due to the acquisition of two new companies:

- Gameko Fabricación de Componentes, S.A., located in Álava, and which is mainly engaged in the manufacture of mechanised components for chassis products.
- Promoauto Componentes, Ltda., located in Brazil, specialised in mechanised components for drive trains, steering and chassis.

During the second half of the year CIE Group acquired the interests held by minority shareholders in:

- Plasfil-Plásticos da Figueira, S.A., located in Portugal, in which it held a 72.56% stake.
- CIE Autometal, S.A., located in Brazil, in which it held a 50% stake.

These increases in shareholdings brought CIE Group's interest to 100% for both companies.

During 2003 the following modifications were made to the shareholding structure at CIE Group:

New companies

On 19 December 2003, the company CIE Inversiones e Inmuebles, S.L. was formed and it currently holds CIE Automotive's interest in the Brazilian sub-group.

Corporate restructuring in Brazil

After the above acquisition of minority interests in the sub-group, CIE Automotive then wholly owned, through its subsidiary CIE Inversiones e Inmuebles, S.L., CIE Autometal, S.A., a holding company and leader of the sub-group formed by the companies Autometal Investimentos e Inmóveis, Ltda. and Autometal, S.A., which, in turn, merged with the company acquired during the year Promoauto Componentes, Ltda., which was wound up.

Share capital increases

The following group companies carried out share capital increases during the year:

- CIE Celaya, S.A. de C.V., Plasfil-Plásticos da Figueira, S.A. and CIE Plasty CZ, s.r.o., located in México, Portugal and the Chech Republic respectively, and these increases were fully subscribed by CIE Bérriz.
- Mecanizaciones para el Automóvil 2, S.A., Mecanizaciones del Sur-Mecauto, S.A. and GSB Galfor, S.A., located in Álava, Cádiz and Galicia, respectively, and these increases were also fully subscribed by CIE Azkoitia.

COMMERCIAL AND FINANCIAL ACTIVITIES

21% increase in turnover

During 2003 the activities carried out by CIE Automotive have increased considerably and aggregate sales increased from €527.2 million to €637.5 million, which is a 21% increase compared with the previous year, within an environment of automobile sales that fell 1.3% between January and December 2003 compared with the same period in 2002.

This positive development of sales is mainly due to CIE Automotive's increased penetration into the automobile market as a result of new projects that are being industrialised and launched by the various companies forming the Group. 6.6% of this growth is due to the entry of the companies Gameko and Promoauto Componentes, which were acquired during the first half of 2003, into the scope of consolidation.

In accordance with CIE Automotive's international strategy, which is focused on obtaining a global presence in the automobile market, during the year the Group increased its presence in Brazil, a country in which it holds a leadership position. Activities at the new CIE Celaya plant in Mexico have commenced and production capacity in the Chech Republic has increased.

EVOLUTION OF THE BUSINESSES (Thousand euros)	31-Dec-03	31-Dec-02	VARIANCE	VARIANCE %
Aggregate turnover	637,541	527,161	110,380	20.9%
Consolidated turnover	570,629	480,826	89,803	18.7%
Gross operating results-EBITDA	79,314	55,971	23,343	41.7%
Net operating results	34,028	16,356	17,672	108.0%
Results from ordinary activities	20,974	(1,727)	22,701	
Profit before taxes	17,293	(12,479)	29,772	
Profit after taxes	14,105	3,224	10,881	
Profit after minority shareholders	13,097	2,898	10,199	

Improvement of results: EBITDA 42%, EBIT x 2.1, Net profit x 4.5

This significant improvement to results compared with last year, 42% increase in EBITDA, a net operating results multiplied by 2.1 times, confirms the trend first observed in preceding months and has been achieved mainly from the following action:

- Operational improvement at all Group companies focusing on increasing productivity, and customer satisfaction, based on two key drivers: The continuous innovation of operations management and production investments to improve quality and economic efficiency.
- Increase in turnover as described above, which is partly leveraged on the existing, efficient, technical and commercial structure.

All of these improvements are also resulting in an increase in the ratio of profitability of sales and EBITDA rose from 11.6% to 13.9% and net profits from 0.6% to 2.3%.

The improvement in profits compared with last year is due to the fact that several Group plants commenced activities during the year: CIE Celaya (Mexico), CIE Plasty (Chech Republic) and the new mechanisation plant (Vitoria). In 2004 these plants are expected to contribute positively to improving the Group's results.

INDUSTRIAL ACTIVITY

It is evident that for an Industrial Group of these characteristics industrial innovation is essential to obtaining improvements to business results.

For this reason, 2003 was marked mainly by the special efforts made by CIE Automotive Group to launch a programme designed to obtain "excellence in operations" at all Group companies.

Thus, the final objective of this management programme called *AVANZA* is to obtain maximum customer satisfaction through product and service quality and economic efficiency that allows the Group to be cost competitive.

In this connection, in 2003 basic improvement activities have been implemented at all of CIE Automotive's production plants, as follows:

- The five "S": organization, orderliness, cleanliness, standarization and discipline to improve job posts.
- Production management: based on management autonomy in the various production areas, very focused on improving quality, cost and service.
- Management of industrialisation projects: with the objective of improving the management of our key process: industrialisation.

In addition to the above action, a large number of Group companies have increased production capacity and improved certain production installations, among which the following are notable:

Action taken outside Spain:

- Construction of a new plastics injection plant by CIE Plasty CZ in the Chech Republic, which means the Group's presence in strategic markets for interior and exterior products will increase.
- Extension of the chassis and brake component stamping facilities by CIE Unitools (Chech Republic).
- Launch of new stamping, tube configuration and aluminium injection production installations at the CIE Celaya plant in Mexico, which makes brake, steering and motor components.
- New plastics injection installations for interior and exterior products, as well as new chassis, steering and drive train component mechanisation lines in Brazil.

Action taken in Spain:

- Construction of a new mechanisation and forging plant (CIE Mecauto) in Júndiz-Vitoria (Alava), which will not only increase our production capacity but will also allow us to optimise production processes and the flow of materials within the manufacturing of chassis and steering components.
- Increase in the capacity of aluminium injection by launching four new groups ranging between 1000Tn. and 2800Tn.
- Extension of aluminium mechanisation capacity to manufacture CIE Automotive's strategic products in the motor and steering areas, as well as drive trains by launching two new transfer lines and for new robotic mechanisation groups.
- New product assembly facilities for Electric Systems.
- In addition, at most plants a significant number of production processes have been automated and/or made robotic, which has obtained significant productivity improvements.

HUMAN RESOURCES

The payroll at CIE Automotive Group has adjusted to production needs and the Group ended 2003 with 5,511 employees.

The main activities carried out in this area are:

- Prevention of occupational hazards: Occupational safety is a maximum priority for CIE Automotive. The Group's Prevention Departments continue to perform their activities with the ultimate aim of eradicating occupational accidents and continuously improving working conditions.
- Development of a management programme based on functional areas that has been implemented throughout the Group.
- Development of a training plan at each group company level, investing an average of 1% of total working hours to training.

Undoubtedly the improvement of results achieved in 2003 has been possible due to the employees of CIE Automotive.

QUALITY AND ENVIRONMENT

CIE Automotive has a common commitment to quality, risk prevention and the environment which has been defined in a quality policy.

In 2003 a management model was defined by CIE Automotive, which is the base used in 2004 to progress on bringing quality systems into line with ISO-TS 16949:2002. Currently all the group's plants are certified by ISO-TS6949:1999 and five plants are certified by the 2002 certification.

In 2003 €6 million was invested in the Environment area, and the new water treatment plant at Egaña 2 and the exhaust scrubber at GSB Acero are notable. The latter exceeds environmental legal requirements.

Work continues to certify all our plants under ISO 14000. This year this certification has been obtained by: GSB Acero-Legazpi plant, Autometal Bahía, Autometal Diadema and Grupo Componentes Vilanova, which join the list of companies that already had this certification: Tarabusi, Orbelán Plásticos, GSB Forja and Promoauto Componentes.

R&D ACTIVITIES

CIE Automotive's strategic technology is focused on satisfying the business model demanded by customers, the increase in competition in the sector and the need to enter the market with innovative products and services.

The development of this technological strategy requires:

a) The development of three key processes:

- Technology acquisition (knowledge management, technological vigilance, …)
- Product development (materials, functions, …)
- Process innovation

b) Define specific lines of research for vehicle areas defined as strategic, which are subsequently broken down into specific R&D&I projects.

In response to this technological strategy, three technological centres have been created at CIE Automotive:

- Berriz (Spain)
- Figueira da Foz (Portugal)
- Diadema-Sao Paulo (Brazil)

Similarly, CIE Automotive has defined three main areas of vehicles on which it focuses its R&D&I efforts: Engine & Powertrain, Chassis & Steering, and Interior & Exterior.

Within these areas the group has defined the following specific products as priorities:

- Brake-corner
- Suspension arms
- Motor subassemblies
- Cockpit subassemblies
- Interior & exterior trim
- Steering
- Airbag

In 2003 CIE Automotive successfully developed and presented its R&D&I projects to specific regional, national and European government programmes within the areas of:

- Research, mainly involving alternative and innovative materials within high resistance steels, new aluminium alloys and plastic materials reinforced with micro-structures.
- Development, within the area of strategic products, incorporating new design (ecodesign) and market (product functionality in the vehicle) trends.
- Innovation, mainly with respect to the automation and adaptation of production processes to meet new demands concerning time, cost and quality within the automobile industry.

ACQUISITION OF OWN SHARES

At 31 December 2002 CIE Automotive, S.A. held 411,055 of its own shares. In 2003 the Company acquired 22,495 shares for €134,162.57 and sold 60,000 shares for €394,800 and obtained a capital gain on the sale totalling €26,563.75. Therefore the portfolio of own shares held by CIE Automotive, S.A. at the end of 2003 held 373,550 shares, which represent 1.64% of share capital and a cost of €2,653,810.33 while their market value was €3,679,467.50. Therefore at 31 December 2003 the Company has released the €386,459.51 held in a provision for this item.

ANNUAL REPORT ON THE ACTIVITIES OF THE AUDIT AND COMPLIANCE COMMITTEE

In accordance with Article 31bis of the Articles of Association (article included by means of an amendment approved by the General Meeting on 24 June 2003), the Company's Board of Directors entrusts to the Audit and Compliance Committee the duties indicated in that article and in Article 3 of the Regulations governing the committee, whose purpose is to serve the Board of Directors.

Consequently, the Board of Directors of CIE Automotive, S.A. approved the Regulations governing the Audit and Compliance Committee and designated committee members on 24 June 2003.

The Audit and Compliance Committee was formally created on 17 July 2003 and met on four occasions in 2003 and once in 2004 (23 February) prior to the preparation of the 2003 financial statements.

The duties assigned to the committee were not therefore fully completed in 2003, when it was formed and effectively launched.

The Audit and Compliance Committee focused basically on its initial activities and on analysing the regular information that must be supplied under legislation governing the securities markets, as well as on examining the external audit process as explained below. In 2004 the committee will be fully operational.

The main steps taken by the committee in relation to the year ended 31 December 2003 are as follows:

(a) Analysis of periodic public information relating to the first half of 2003 (meeting held on 24 July 2003), the third quarter (21 October 2003) and the second half (23 February 2004), prior to submission to the Spanish National Securities Market Commission (CNMV) and to the governing companies of the Bilbao and Madrid stock exchanges (except for the periodic public information for the first half of

2003, which the committee was unable to analyse in advance given its formation date and the date such information was available).

Following the analysis, the Audit and Compliance Committee approved each mandatory report on the periodic public information. Each report was presented to the Board of Directors for approval and subsequently submitted to the CNMV and to the Bilbao and Madrid Stock Exchange Governing Companies.

(b) Analysis of the financial statements (balance sheet, profit and loss account and notes to the financial statements) and Management Report of CIE Automotive, S.A. and its consolidated Group for the year ended 31 December 2003, as well as the distribution of results.

Following the analysis, the Audit and Compliance Committee approved the mandatory report on the financial statements (balance sheet, profit and loss account and notes to the financial statements) and Management Report, which was presented to the Board for approval.

(c) Follow-up of external audit procedures: meetings were held with the external auditors to analyse the external audit procedure for the years ended 31 December 2002 and 2003, as well as to plan the external audit for the year ended 31 December 2003 and related monitoring procedures.

Prior to the audit work, the committee ratified the partner in charge of the external audit and the designation of external auditors for a number of subsidiaries.

(d) Analysis and follow-up of internal audit processes, having drawn up a pluriannual internal control plan and a specific internal audit plan to be fully implemented during 2004.

The Audit and Compliance Committee supervised the preparation of the Company's risk map and prioritised actions designed to minimise and, if possible, eliminate risks detected.

POST-BALANCE SHEET EVENTS

On 17 February 2004 the Brazilian company CIE Autometal, wholly owned by CIE Automotive acquired 100% of the Brazilian company Maier do Brasil, Ltda., located in San Bernardo do Campo-Sao Paulo.

CIE AUTOMOTIVE, S.A. AND SUBSIDIARIES
PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR 2003

In compliance with the provisions of Article 171.1 of the current Spanish Companies Act ("Ley de Sociedades Anónimas"), the Directors forming part of the Board of Directors of CIE AUTOMOTIVE, S.A. and SUBSIDIARIES have prepared the consolidated financial statements and the consolidated Management Report for CIE AUTOMOTIVE, S.A. and SUBSIDIARIES for 2003, consisting of and identified as follows:

The balance sheet is set out on government fiscal paper, Class 8, number 0G7540607.

The profit and loss account is set out on government fiscal paper, Class 8, number 0G7540608.

The Notes to the financial statements are set out on government fiscal paper, Class 8, numbers 0G7540609 to 0G7540648.

The Management Report is set out on government fiscal paper, class 8, numbers 0G7540649 to 0G7540658.

In compliance with the provisions of Article 171.2, the Directors declare that they have signed each of the above-mentioned sheets and signed this sheet of government fiscal paper, class 8, number 0G7540659.

In Bilbao, on 25 February 2004

SIGNATORIES:

Mr. Antonio María Pradera Jáuregui *(Chairman)* ______________________

SALTEC, S.L., represented by
Mr. Cesáreo García Fernández *(1st Vice Chairman)* ______________________

Mr. José Antonio Marcotegui Ros *(2nd Vice Chairman)* ______________________

Mr. Ignacio Martín San Vicente *(Chief Executive Officer)* ______________________

SALTEC 98, S.L., represented by
Mr. Pedro Echave Alberdi *(Director)* ______________________

INVERSIONES SECTORES VARIOS, S.L.,
represented by **Mr. Jesús Guibert Azcue** *(Director)* ______________________

IBERSUIZAS PARTICIPADAS, S.A., represented by
Mr. Juan Luis Ramírez Belaustegui *(Director)* ______________________

INSTITUTO SECTORIAL DE PROMOCIÓN Y GESTIÓN DE EMPRESAS, S.A., represented by
Mr. Francisco José Riberas Mera *(Director)* ______________________

POOLBACK, S.A., represented by
Mr. Miguel Angel Planas Segurado *(Director)* ______________________

ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.,
represented by **Ms. Goizalde Egaña Garitagoitia** *(Director)* ______________________