GESTAMP AUTOMOCIÓN, S.A.

COMUNICACIÓN HECHO RELEVANTE

Madrid, 18 de abril de 2018

De conformidad con lo previsto en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, y disposiciones concordantes, Gestamp Automoción, S.A. (en adelante, la "**Sociedad**") comunica el siguiente

HECHO RELEVANTE

La Sociedad comunica que en el día de hoy ha lanzado una oferta de bonos senior garantizados tal y como se describe en la nota de prensa adjunta.

Asimismo se adjunta un Suplemento de Información elaborado ad hoc para comunicar información adicional contenida en la documentación de la oferta de dichos bonos.

La presente comunicación tiene meramente efectos informativos, y no constituye en ningún caso una oferta para la venta o la realización de una oferta para la adquisición de cualquier tipo de valor negociable en los Estados Unidos, y no se considerará una oferta, requerimiento o venta en cualquier estado o jurisdicción en la cual dicha oferta, requerimiento o venta pudieren ser consideradas ilegales sin el previo registro o cualificación bajo las leyes del mercado de valores de cualquier estado o país. Los valores negociables no serán ofertados o vendidos en los Estados Unidos sin el previo registro al amparo del U.S. Securities Act de 1933, tal y como ha sido modificado ("Securities Act") o salvo obtención previa de la exención de los requisitos de registro. Cualquier oferta pública de valores negociables realizada en los Estados Unidos o cualquier otra jurisdicción será realizada mediante la emisión de un folleto por parte de la Compañía, que contendrá información detallada sobre la misma y sus órganos directivos, así como sus cuentas anuales. El presente comunicado ha sido emitido al amparo del artículo 135e del Securities Act.

* * *

ESTA NOTA DE PRENSA NO ES PARA SU DISTRIBUCIÓN O PUBLICACIÓN DENTRO DE LOS ESTADOS UNIDOS DE AMERICA, AUSTRALIA, CANADA O JAPON O CUALQUIER OTRA JURISDICCIÓN EN LA CUAL LA OFERTA O VENTA PUEDA SER ILICITA POR LA LEY APLICABLE

Gestamp anuncia el lanzamiento de una oferta de 400.000.000 € de bonos senior garantizados con vencimiento en 2026.

18.04.2018

Gestamp Automoción, S.A. ("Gestamp") ha anunciado hoy el lanzamiento de una oferta por importe de 400.000.000 € de bonos senior garantizados con vencimiento en 2026. Ciertas sociedades subsidiarias de Gestamp garantizarán los bonos y se otorgarán garantías con cargo a las acciones de determinadas sociedades de Gestamp.

Los fondos recibidos por la oferta, si fuera finalmente completada, serán destinados a refinanciar endeudamiento financiero existente y a financiar los costes derivados de la propia oferta y de la mencionada refinanciación.

Sobre Gestamp

Gestamp es una multinacional española especializada en el diseño, desarrollo y fabricación de componentes metálicos de alta ingeniería para los principales fabricantes de automóviles. Desarrolla productos con un diseño innovador para conseguir vehículos cada vez más seguros y ligeros y, por tanto, mejores en relación al consumo de energía e impacto medioambiental. Sus productos abarcan las áreas de carrocería, chasis y mecanismos.

Gestamp está presente en 21 países, cuenta con más de 105 plantas industriales, 13 centros de I+D y una plantilla de más de 41.000 empleados en todo el mundo. Su facturación ascendió a 8.201 millones de euros en 2017.

****

Declaración Cautelar

La presente nota de prensa tiene meramente efectos informativos, y no constituye en ningún caso una oferta para la venta o la realización de una oferta para la adquisición de cualquier tipo de valor negociable en los Estados Unidos de América, y no se considerará una oferta, requerimiento o venta en cualquier estado o jurisdicción en la cual dicha oferta, requerimiento o venta pudieren ser consideradas ilegales sin el previo registro o cualificación bajo las leyes del mercado de valores de cualquier estado o país. No es posible asegurar que la oferta será finalizada o, en tal caso, en qué términos será finalizada. Los valores negociables no serán ofertados o vendidos en los Estados Unidos de América sin el previo registro al amparo del U.S. Securities Act de 1933, tal y como ha sido modificado ("Securities Act") o salvo obtención previa de la exención de los requisitos de registro. Cualquier oferta pública de valores negociables realizada en los Estados Unidos de América o cualquier otra jurisdicción será realizada mediante la emisión de un folleto por parte de la Compañía, que contendrá información detallada sobre la misma y sus órganos directivos, así como sus estados financieros. La presente nota de prensa ha sido emitida al amparo del artículo 135e del Securities Act.

Esta comunicación no constituye y no deberá constituir, bajo ninguna circunstancia, una oferta pública ni una invitación al público en relación con cualquier oferta según este término se define en la Directiva 2003/71/CE del Parlamento Europeo y del Consejo, de 4 de noviembre de 2003 vigente en cada momento ("Directiva de

Folletos”). La oferta y venta de los valores será realizada en virtud de una excepción regulada en la Directiva aplicable a los Estados Miembros del Espacio Económico Europeo, en cuanto al requisito de publicar un folleto de valores.

En relación con la emisión de valores, uno de los suscriptores iniciales actuará como agente de estabilización y podrá sobre-adjudicar los valores o efectuar transacciones con el fin de sostener el precio del mercado de los valores a un nivel superior a aquel que en otro caso hubiera prevalecido. Sin embargo, no existe garantía de que el agente de estabilización (o personas que actúen por cuenta del agente de estabilización) vaya a llevar a efecto acciones de estabilización. Cualquier medida de estabilización podrá comenzar en la fecha o con posterioridad a la fecha en que se haya producido un nivel adecuado de publicidad de los términos finales de la oferta de los valores, y una vez iniciada una medida de estabilización podrá interrumpirse en cualquier momento, debiendo finalizar, en todo caso, no más tarde de la más temprana de las dos siguientes fechas: 30 días después de la fecha de emisión de los valores o 60 días después de la fecha de adjudicación de los valores. Cualquier medida de estabilización o de sobre-adjudicación debe ser efectuada respetando en todo caso la legislación y normativa aplicables.

Declaraciones de futuro

Esta nota de prensa puede contener declaraciones de futuro (“*forward looking statements*”). Estas declaraciones de futuro pueden identificarse por el uso de expresiones de declaraciones de futuro, incluyendo términos como “cree”, “estima”, “prevé”, “espera”, “pretende”, “puede”, “sería”, “debería”, o en sentido negativo a las anteriores u otras expresiones variantes o comparables. Estas declaraciones de futuro incluyen aquellos asuntos que son expectativas relativas a, entre otros, resultados operativos, condiciones financieras, liquidez, perspectivas, crecimiento y estrategias de Gestamp, y la industria en el que opera Gestamp. Por su naturaleza, las declaraciones de futuro implican riesgos e incertidumbres dado que están relacionadas con acontecimientos y dependen de circunstancias que pueden o no ocurrir en el futuro. Se advierte a los lectores que las declaraciones de futuro no garantizan resultados futuros y que los actuales resultados operativos, condiciones financieras y liquidez de Gestamp y el desarrollo actual de la industria en la que opera Gestamp pueden variar de manera sustancial respecto de las declaraciones de futuro realizadas o sugeridas en esta nota de prensa. Asimismo, incluso si los resultados operativos, condiciones financieras y liquidez de Gestamp y el desarrollo del sector industrial en el que opera Gestamp fueran consistentes con las declaraciones de futuro incluidas en esta nota de prensa, dichos resultados o desarrollos pueden no ser indicativos de los resultados o desarrollos en periodos posteriores.

Supplemental Disclosure

in relation to

the offering of senior secured notes

April 2018

TABLE OF CONTENTS

TABLE OF CONTENTS ii
USE OF TERMS AND CONVENTIONS iii
FORWARD-LOOKING STATEMENTS v
PRESENTATION OF FINANCIAL AND OTHER DATA vii
EXCHANGE RATE AND CURRENCY INFORMATION x
RISK FACTORS 1
SELECTED FINANCIAL AND OTHER INFORMATION 19
RECENT DEVELOPMENTS 23
OPERATING AND FINANCIAL REVIEW AND PROSPECTS 24
BUSINESS 50
MANAGEMENT 88
SHAREHOLDERS AND CERTAIN TRANSACTIONS 93
DESCRIPTION OF INDEBTEDNESS 95
GLOSSARY OF TECHNICAL TERMS 103

USE OF TERMS AND CONVENTIONS

Unless otherwise specified or the context requires otherwise in this ad hoc disclsoure:

- references to "2023 Indenture" are to the indenture governing the 2023 notes and dated May 11, 2016;
- references to "2023 notes" are to the €500.0 million aggregate principal amount of 3.50% senior secured notes due 2023 issued by Gestamp Funding Luxembourg S.A. pursuant to the 2023 Indenture;
- references to "Acek" are to our majority shareholder Acek, Desarrollo y Gestión Industrial, S.L. (formerly named Corporación Gestamp, S.L.);
- references to "ArcelorMittal Group" are to ArcelorMittal S.A. and its subsidiaries, a previous shareholder of Gestamp (until February 2016), that also has a relationship with the Grupo Acek through its 35% equity ownership of Gonvarri. The relationship is primarily related to the purchase of steel;
- references to "Asia" are to China, India, South Korea, Japan, Thailand and Taiwan;
- references to "Bank of America loan" are to the facility agreement, dated March 21, 2012, entered into by, amongst others, the Company and Bank of America, N.A., Sucursal en España, for a maximum amount of €60.0 million. This loan has been fully repaid;
- references to "CAGR" are to compound annual growth rate;
- references to "Eastern Europe" are to Russia, Poland, Hungary, Slovakia, the Czech Republic and Turkey;
- references to "EIB Loan" are to the financing agreement entered into by the Company and the European Investment Bank on June 15, 2016 for an amount of €160.0 million;
- references to "E.U." are to the European Union;
- references to "EUR," "Euro(s)," "Euro(s)," and "€" are to the currency of those countries in the European Union that form part of the common currency of the Euro;
- references to "Existing Debt Facilities" are to 2016 MARF Commercial Paper Program, the EIB Loan and our other interest bearing loans and borrowings (See "Description of Indebtedness—Existing Debt Facilities");
- references to "GBP", "pound(s)" and "£" are to the currency of the United Kingdom;
- references to "Gestamp", "Gestamp Automoción", "we", "us" and "our" are to Gestamp Automoción, S.A. together with its consolidated subsidiaries;
- references to "Gonvarri" are to Holding Gonvarri, S.L., together with its consolidated subsidiaries, an industrial group controlled by Acek that has two main activities: (i) steel services, through the subgroup headed by Gonvarri Corporación Financiera, S.L. and (ii) manufacturing of metal components for renewable energy plants, through the subgroup headed by GRI Renewable Industries, S.L.;
- references to "Grupo Acek" are to Acek together with its subsidiaries;
- references to "IFRS" are to the International Financial Reporting Standards promulgated by the International Accounting Standards Board and as adopted by the European Union;
- references to "North America" are to the United States and Mexico;
- references to "Senior Facilities" are to the senior term facilities and the revolving credit facility made available under the Senior Facilities Agreement;
- references to "Senior Facilities Agreement" are to the senior facilities agreement dated April 19, 2013 as amended through the date hereof, entered into between, among others, Gestamp Automoción as the company and original borrower, Gestamp Funding Luxembourg, S.A. as original borrower, various

subsidiaries of Gestamp Automoción as original guarantors, the original lenders listed therein, and Deutsche Bank AG, London Branch as agent and as security agent;

- references to "South America" or "Mercosur" are to Brazil and Argentina;
- references to "U.K." are to the United Kingdom;
- references to "US", "U.S." and "United States" are to the United States of America;
- references to "U.S.$", "Dollar(s)" and "$" are to the currency of the United States of America; and
- references to "Western Europe" are to Spain, Portugal, France, the United Kingdom, Germany, Sweden, Belgium and Luxembourg.

Please also refer to page 103 for a "Glossary of Technical Terms" used in this ad hoc disclosure.

FORWARD-LOOKING STATEMENTS

This ad hoc disclosure includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this ad hoc disclosure including, without limitation, in the sections captioned “Risk Factors”, “Business”, and “Operating and Financial Review and Prospects”, and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this ad hoc disclosure. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this ad hoc disclosure, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- our international operations, including in relation to compliance with anti-corruption laws, regulations and economic sanctions programs;
- the loss of customers and/or the inability to realize revenues;
- volatility in raw material and energy prices;
- risks associated with our joint ventures, certain of which we do not control;
- risks associated with investment in markets in which we expect growth;
- difficulties in connection with program launches and integration and consolidation;
- our inability to offset price concessions or additional costs;
- the costs in relation to construction, maintenance and closing of plants, including mechanical failures, equipment shutdowns and interruptions to the supply of utilities;
- risks on the conduct of our business as a result of a failure to comply with restrictive covenants under our credit facilities;
- risks associated with foreign exchange fluctuations;
- risks associated with the adequacy of our hedging arrangements;
- risks associated with the capital expenditure needs of our on-going operations;
- risks associated with tax liability in the jurisdictions in which we operate;
- the inability for us or our customers or suppliers to obtain and maintain sufficient capital financing;
- disruptions to the automotive supply chain;
- increased or more pronounced cyclicality in the automobile industry;
- risks related to a shift away from technologies in which we invest;
- increased competition and/or shifts in demand for certain vehicles and products;
- legal, regulatory, product liability and/or health and safety issues;

- economic downturns or continued or increased weakness in the global economy and restricted access to financing;
- continued uncertainties and challenging political conditions in Spain, Brexit, the European economy and the Euro;
- risks associated with acquisitions;
- inaccuracies in our estimates of return on investment;
- changes in regulation;
- loss of key executives and availability of labor and workforce; and
- other risks and uncertainties inherent in our business and the world economy.

We urge you to read the sections of this ad hoc disclosure entitled “Risk Factors”, “Operating and Financial Review and Prospects” and “Business” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this ad hoc disclosure may not occur.

We provide a cautionary discussion of risks and uncertainties under “Risk Factors” contained elsewhere in this ad hoc disclosure. These are factors that we think would cause our actual results to differ materially from expected results. Other factors besides those listed there could also adversely affect us. Investors are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this ad hoc disclosure.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Information and Operational Data

This ad hoc disclosure references our audited consolidated historical financial statements as of and for the years ended December 31, 2017, 2016 and 2015.

Other financial data included in this preliminary ad hoc disclosure is derived from our accounting records. We prepare our financial statements in Euro. Unless otherwise indicated, all financial information in this ad hoc disclosure has been prepared in accordance with IFRS applicable at the relevant date. IFRS differs in certain significant respects from generally accepted accounting principles in the U.S.

Alternative Performance Measures (“APMs”)

This ad hoc disclosure contains financial measures that are not defined or recognized under IFRS including: EBITDA, EBITDA margin; growth capital expenditures; recurrent capital expenditures; adjusted operating cash flow; total financial debt; net financial debt; net financial expenses; and leverage and coverage ratios. We present these APMs because we believe that the APMs contribute to a better understanding of our results of operations by providing additional information on what we consider some of the drivers of our financial performance. Furthermore, we believe that these APMs are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

We believe that the description of these APMs in this ad hoc disclosure follows and complies with the European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM) dated October 5, 2015 and July 12, 2017.

APMs should not be considered in isolation and investors should not consider such information as alternatives to revenue, profit for the year from continuing operations, cash flows from operating activities calculated in accordance with IFRS, as indications of operating performance or as measures of the Company’s profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this ad hoc disclosure. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the financial statements referenced in this ad hoc disclosure.

For the definition of and a reconciliation to an appropriate measure calculated in accordance with IFRS of the APMs included in this ad hoc disclosure, see “Operating and Financial Review and Prospects—Alternative Performance Measures (“APMs”)”.

Currency References

All references in this ad hoc disclosure to “Euro”, “€”, or “EUR” are to the lawful currency of the participating Member States, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time and all references to “U.S. Dollars”, “Dollars”, “U.S. $”, “USD” or “$” are to the lawful currency of the United States of America.

The exchange rates used for the major currencies were as follows:

Average exchange rates for the year (in Euros)

	2017	**2016**	**2015**
United States Dollar	1.130	1.107	1.110
Pound Sterling	0.876	0.819	0.727
Swedish Krona	9.637	9.467	9.357
Polish Zloty	4.257	4.363	4.184
Hungarian Forint	309.270	311.460	309.970
Russian Ruble	65.906	74.143	68.019
Czech Crown	26.332	27.034	27.285
Mexican Peso	21.340	20.659	17.620
South Korean Won	1276.510	1284.274	1256.697
Chinese Yuan	7.628	7.349	6.981
Indian Rupee	73.501	74.365	71.219
Brazilian Real	3,608	3.858	3.698
Argentinian Peso	18.746	16.330	10.280
Turkish Lira	4,120	3.344	3.024

These average exchange rates should not be construed as a representation that the relevant currency could be or was converted into Euro at that rate or at any other rate.

Rounding adjustments have been made in calculating some of the financial information included in this ad hoc disclosure. Figures shown as totals in some tables and elsewhere may not be exact arithmetic aggregations of the figures that precede them.

Industry Data

In this ad hoc disclosure, we rely on and refer to information regarding our business and the market in which we operate and compete. We have obtained this information from various third party sources, including providers of industry data, discussions with our customers and our own internal estimates. While we believe that industry publications, surveys and forecasts are reliable, they have not been independently verified, and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this ad hoc disclosure.

In drafting this ad hoc disclosure, we used industry sources, including reports prepared by IHS, Inc. ("IHS") and Roland Berger GmbH ("Roland Berger").

The IHS Markit reports, data and information referenced herein (the "IHS Markit Materials") are the copyrighted property of IHS Markit Ltd. and its subsidiaries ("IHS Markit") and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Markit Materials speak as of the original publication date thereof and not as of the date of this document. The information and opinions expressed in the IHS Markit Materials are subject to change without notice and IHS Markit has no duty or responsibility to update the IHS Markit Materials. Moreover, while the IHS Markit Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it. IHS Markit and IHS Markit Autoinsight are trademarks of IHS Markit. Other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.

The "Roland Berger Study: Automotive metal components for car bodies and chassis" dated February 2017 (the "Roland Berger Study") and prepared by Roland Berger is based on publicly available information which has not been independently verified by Roland Berger, as well as certain assumptions, general assessments, projections and experience derived from Roland Berger's consulting activities, in each case as at the time of the study's preparation.

Additionally, industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot assure you of the accuracy and completeness of such information as we have not independently verified such information.

This ad hoc disclosure also contains estimations of market data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry we operate in and our position within it. Our own estimates have not been checked or verified externally. We nevertheless believe that our own market observations are reliable. We give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from future studies conducted by market research institutes or other independent sources.

While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “Risk Factors” in this ad hoc disclosure.

We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. Some of the surveys or sources were compiled by our advisors and are not publicly available and accordingly may not be considered to be as independent as other third party sources.

EXCHANGE RATE AND CURRENCY INFORMATION

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. Dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information referenced in this ad hoc disclosure. We make no representation that the U.S. dollar amounts referred to below could have been or could, in the future, be converted into Euro at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the Euro on April 17, 2018 was $1.2374 per €1.00.

	U.S. Dollars per €1.00			
	High	**Low**	**Average[1]**	**Period end**
2015	1.2103	1.0497	1.1102	1.0856
2016	1.1532	1.0389	1.1069	1.0520
2017	1.2036	1.0406	1.1300	1.2005

	High	**Low**	**Average[2]**	**Period end**
November 2017	1.1933	1.1587	1.1744	1.1904
December 2017	1.2005	1.1742	1.1838	1.2005
January 2018	1.2427	1.1937	1.2193	1.2414
February 2018	1.2509	1.2194	1.2344	1.2194
March 2018	1.2444	1.2241	1.2336	1.2324
April 2018 (through April 17, 2018)	1.2379	1.2240	1.2319	1.2374

(1) The average of the exchange rates on the last business day of each month during the relevant period.

(2) The average of the exchange rates on each business day during the relevant period.

RISK FACTORS

We are subject to risks related to our international operations.

Spain continues to be a significant market for our business, representing 17.7% of our revenues for the year ended December 31, 2017. However, since our inception we have expanded our global footprint worldwide. Our international operations include manufacturing facilities and sales of our products in, among other locations, the United States (which accounted for 12.3% of our total revenue in the year ended 2017), certain European countries (for example, Germany and the United Kingdom, each of which accounted for 14.1% and 7.8% of our revenues in the year ended 2017, respectively), China, Mexico, Brazil, India, Argentina and Russia (each of which accounted for 9.0%, 5.7%, 4.2%, 2.7%, 2.6%, 1.4% of our revenues in the year ended 2017, respectively) and we may expand our business to other countries in the future. As a result, our international operations in such markets are subject to various risks that could have a material adverse effect on those operations and our business as a whole, including but not limited to:

- exposure to local economic and social conditions, including logistical and communication challenges;
- exposure to local political conditions, including political disputes, requirements to expend a portion of funds locally and governmental industrial cooperation requirements, coups, the risk of seizure of assets by a foreign government, increased risk of fraud and political corruption, terrorism, acts or war or similar events;
- exposure to local public health issues and the resultant impact on economic and political conditions;
- exposure to potentially undeveloped legal systems which make it difficult to enforce contractual rights and to potentially adverse changes in laws and regulatory practices, including grants, adjudications, concessions, among others;
- exposure to local tax requirements and obligations, as well as tax inefficiencies associated with the lack of double taxation treaties between Spain and the country where the revenue and net income is generated;
- exposure to different effective tax rates in each country in which we conduct business such that changes in our mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could have a material adverse effect on our profitability;
- foreign currency exchange rate fluctuations and currency controls;
- greater risk of uncontrollable accounts and longer collection cycles;
- the risk of government-sponsored competition;
- difficulty in staffing and managing widespread operations and in attracting and retaining qualified management and employees, while continuing to further rationalize our work force;
- compliance with a variety of U.S. and other foreign laws, as well as European laws affecting the activities of European companies abroad, including compliance with anti-corruption and economic sanctions regulations;
- controls on the repatriation of cash, including the imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries; and
- imposition of tariffs and embargoes, export and import restrictions, licensing requirements, other trade restrictions and the implementation of other protectionist political measures that could affect our OEM customers.

While these factors or the effect of these factors are difficult to predict, adverse developments in one or more of these areas could materially adversely affect our business, results of operations, financial condition and cash flows.

We are dependent on a few large-volume customers for current and future revenues. The loss of any of these customers or the loss of market share by these customers could have a material adverse impact on us.

Although we supply our products to many of the leading automobile manufacturers and the sales deriving

from any one vehicle model do not represent a material proportion of our consolidated revenue, we depend on certain large-volume customers for a significant proportion of our revenues, as is common in our industry. For example, for the year ended December 31, 2017, Volkswagen, Daimler and Renault Nissan represented 25.7%, 11.3% and 11.1% of our consolidated revenues (excluding tooling) respectively, and our top 12 OEM customers (Volkswagen, Daimler, Renault Nissan, Ford, PSA, General Motors, BMW, Fiat Chrysler, Tata JLR, Geely-Volvo, Honda and Toyota) together accounted for 89.1% of our consolidated revenues (excluding tooling). The loss of all or a substantial portion of our sales to any of our large-volume customers could have a material adverse effect on our business, financial condition, results of operations and cash flows by reducing cash flows and by limiting our ability to spread our fixed costs over a larger revenue base.

We may realize fewer sales to these customers for a variety of reasons, including, but not limited to the loss of awarded business, the termination of our supply agreements, a reversal of our OEM customers' trend to outsource and an increase in insourcing business they have traditionally outsourced to us, the entrance of new competitors or a reduction of demand for their products due to, among other macroeconomic factors, disruptive business models affecting final consumer preferences, damage to their reputation, bankruptcy or insolvency.

For example, the reputation of certain OEMs has been substantially damaged as a result of recent ongoing investigations by environmental authorities worldwide (including, *inter alia*, Australia, Brazil, Canada, China, France, Germany, India, the E.U. and the United States) in relation to the potential manipulation of CO_2 emissions control systems which had been installed by certain OEMs for the purposes of manipulating laboratory CO_2 emissions testing.

Any further consolidation in the OEM space could also affect our business negatively. For example, PSA has acquired the Vauxhall/Opel brands from General Motors, last year, becoming the second largest OEM in Europe after Volkswagen. Although we believe that the merged group will be focused on suppliers that are well positioned with both OEMs, and although both PSA and Opel are significant customers for us, there is no assurance that we will continue to be one of the suppliers of choice for the merged group.

Additionally, financial difficulties experienced by any major customer could have a material adverse impact on us if such customer were unable to pay for the products we provide, materially reduced its capital expenditure on, and resulting demand for, new product lines, or if we otherwise experienced a loss of, or material reduction in, business from such customer.

As a result of such potential difficulties, we could experience a decrease in revenues, material write-offs of accounts receivable, significant impairment charges or additional restructurings beyond the steps we have taken to date, which individually or taken together, could have a material adverse effect on our business, financial condition and results of operations.

If we are not able to pass through the impact of the volatility of steel and energy prices to our OEM customers, our results of operations may be adversely affected.

Raw materials represented on average approximately 38% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. Approximately 63% of our steel is typically purchased through OEM re-sale programs, while the remainder is purchased through contracts with steel suppliers that we negotiate. See "—We have in the past engaged, and expect in the future to engage, in transactions with our affiliates and affiliates of our controlling shareholder, some of which may not be, in the future, considered by third parties on an arm's-length basis".

An increase or decrease in steel prices can affect our results. Although the practice of OEMs adjusting prices in accordance with raw material fluctuations has historically limited the impact of steel price volatility on our results, there is no guarantee that we will be able to continue to achieve that goal. Parts that we produce which use steel not subject to re-sale programs do not have any contractual provisions for passing through the price of steel to OEMs and, while market practice has historically been for OEMs to adjust pricing on those products in a way consistent with the adjustments made for products subject to re-sale programs, there are no assurances that this will continue in the future.

We sell scrap steel in secondary markets in which, typically, the price of scrap steel fluctuates in line with fluctuations in steel prices. We generally share our recoveries from sales of scrap steel with our OEM customers either through scrap sharing agreements where we are on re-sale programs, or in the product pricing that we negotiate with OEMs where we purchase steel outside of re-sale programs. Thus, we may be impacted by fluctuations in scrap steel prices in relation to our various customer agreements.

Though energy and utilities represent a small proportion of our operating costs, if costs of raw materials and energy rise, and if we are not able to undertake cost saving measures elsewhere in our operations or increase the selling

prices of our products, we will not be able to compensate such cost increases, which could have a material adverse effect on our business, financial condition and results of operations.

Our inability to realize revenues expected from our awarded business or termination or non-renewal of production purchase orders by our customers could materially and adversely impact our business, financial condition, results of operations and cash flows.

The realization of future revenues from awarded business is inherently subject to a number of important risks and uncertainties, including the number of vehicles that our customers will actually produce and the timing of that production.

Typically, the terms and conditions of the agreements with our customers do not include committed minimum purchase volumes. Thus, there can be no assurance that we will continue to supply our customers in the future with a volume of our products similar to the volume we have supplied to them in the past or at all. In addition, such contracts typically provide customers with a unilateral termination right, including in instances where we fail to comply with certain obligations under these supply contracts, such as compliance with technical specifications and qualification requirements, delivery schedules or change of control clauses. If such contracts are terminated by our customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incurred for raw materials and work-in-progress and, in certain instances, undepreciated capital expenditures. Further, there is no guarantee that our customers will renew their purchase orders with us.

Our results of operations could be materially adversely impacted in the future if we are unable to realize revenues from our awarded business, if our customers cancel awarded business or if our customers fail to renew their contracts with us.

Certain decisions made by our joint ventures require consent from third parties that we do not control, and we do not control certain of our joint ventures.

We have a number of strategic partnerships, joint ventures and alliances, and our ownership stake in these arrangements is such that, even if we own a majority interest in such ventures, we may be required to seek consent from third parties in order to make certain decisions but our interests may not always be aligned. In 2017, our net income derived from our largest joint ventures were €90.6 million, representing 31.4% of our consolidated profit for the year, with our subconsolidated Mexican group (which includes Gestamp Holding México, S.L., our joint venture with Mitsui) and our joint venture with Beyçelik, A.S. in Turkey, each accounting for €50.9 million and €28.2 million of our consolidated profit for the year, respectively (see Note 18 of our consolidated financial statements as of and for the year ended December 31, 2017). For example, while as of December 31, 2017, we owned 70% of our joint venture with Mitsui, the shareholders' agreement governing that joint venture provides for certain reserved matters on which both, we and Mitsui have a veto right. In addition, while as of December 31, 2017, we owned approximately 58% of our joint venture with JSC Severstal and Severstal Trade GesmbH in Russia, the agreement governing that joint venture provides for certain reserved matters on which both we and Severstal have a veto right. There have been no changes in our ownership shareholding in these joint ventures since December 31, 2017.

Furthermore, we do not control or have a majority interest in certain other of our joint ventures. For example, we are part of a Turkish joint venture in Beyçelik in which we have a 50% interest. There can be no assurance that the arrangements will be successful and/or achieve their planned objectives. The performance of all such operations in which we do not have a controlling interest will depend on the financial and strategic support of the other shareholders. Such other shareholders may make ill-informed or inadequate management decisions, or may fail to supply or be unwilling to supply the required operational, strategic and financial resources, which could materially adversely affect these operations. If any of our strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these strategic partnerships, joint ventures and alliances, our business, financial condition and results of operations could be materially adversely affected.

Moreover, in some of the businesses operated under these joint ventures, we may not have the power to control the payment of dividends or other distributions, so even if the business is performing well, we may not be able to receive payment of our share of any profits. In addition, we may have agreed to certain financing commitments or restrictions on transferability of the shares. Finally, there could be circumstances in which we may wish or be required to acquire the ownership interests of our partners in our joint ventures. There can be no assurance that we will have access to the funds necessary to do so, on commercially reasonably terms or at all.

We have invested substantial resources in markets where we expect growth, and we may be unable to timely alter our strategies should such expectations not be realized.

Our future growth is partly dependent on our making the right investments at the right time to support product development and manufacturing capacity in areas where we can support our customer base. We have identified certain markets including North America, Asia, Mercosur and Eastern Europe as key markets where we are likely to experience substantial growth, and accordingly have made and/or expect to make certain investments, both directly and through participation in various partnerships and joint ventures to support anticipated growth in those regions. If we are unable to deepen existing and develop additional customer relationships in these regions, we may not only fail to realize expected rates of return on our investments, but we may incur losses on such investments and be unable to timely redeploy the invested capital to take advantage of opportunities available in other markets, potentially resulting in lost market share to our competitors. Our results may also suffer if these regions do not grow as quickly as we anticipate. For example, a slower than expected growth of the economies of emerging markets such as China, Russia and Brazil, where we have significant operations, may have a material impact on our results of operations in these countries, and their effects remain unpredictable.

Product liability claims and warranty and recall costs could cause us to incur losses and damage our reputation.

Many of our products are critical to the structural integrity of a vehicle. As such, we face an inherent business risk of exposure to product liability claims in the event of the failure of our products to perform to specifications, or if our products are alleged to result in property damage, bodily injury or death. We are generally required under our customer contracts to indemnify our customers for product liability claims in respect of our products. Accordingly, we may be materially and adversely impacted by product liability claims.

Although major defects in our products tend to be discovered during the manufacturing process or early in the supply chain, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall involving those products. In addition, our customers demand that we bear the cost of the repair and replacement of defective products that we have manufactured which are either covered under their warranty or are the subject of a recall by them. Currently, under most customer agreements, we only account for existing or probable warranty claims. Under certain complete vehicle engineering and assembly contracts, we record an estimate of future warranty-related costs based on the terms of the specific customer agreements and the specific customer’s warranty experience. Warranty provisions are established based on our best estimate of the amounts necessary to settle existing or probable claims on product defect issues. Recall costs are costs incurred when government regulators or our customers decide to recall a product due to a known or suspected performance issue and we are required to participate either voluntarily or involuntarily. We might be the cause of a vehicle recall, be required to participate in product recalls or bear the cost of liability damages. Further, we may have no warranty and recall data which allows us to establish accurate estimates of, or provisions for, future warranty or recall costs relating to new products, assembly programs or technologies being brought into production. In addition, we have limited insurance covering product recalls. The obligation to repair or replace such products could have a material adverse effect on our profitability and financial condition.

A decrease in the actual or perceived quality of our products could damage our image and reputation or our OEM customers’ confidence in us and their reliance on our products. We could also be subject to claims from our customers due to the delivery of defective products which could result in loss of sales, loss of customers and loss of market acceptance. Any major defect in one of our products could also have a material adverse effect on our reputation and market perception, which in turn could have a material adverse effect on our sales and results of operations.

Difficulties regarding the launch of new programs may adversely affect our business operations, financial position and operational results.

The launch of new business is a complex process, the success of which depends on a wide range of factors, including the production readiness of our and our suppliers’ manufacturing facilities and manufacturing processes, as well as factors related to tooling, equipment, employees, initial product quality and other factors. In addition, the launch of a new business is usually accompanied with significant costs and profitability could be impacted. Our failure to successfully launch material new business could have an adverse effect on our business operations, financial position and operational results.

Our inability to offset price concessions or additional costs from our customers could have an adverse effect on our profitability.

We face ongoing pricing pressure, as well as pressure to absorb costs related to product design, engineering and tooling, as well as other items, such as raw materials, previously paid for directly by OEMs. Typically, in line with industry practice, our customers benefit from price reductions during the life cycle of a contract. We expect to offset these price concessions by achieving production efficiencies; however, we cannot guarantee that we will be able to do so. If we fail to achieve production efficiencies to fully offset price concessions or do not otherwise offset such price concessions, our profitability and results of operations would be materially adversely affected.

We may incur material costs related to plant closings, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

If we are forced to close manufacturing locations because of loss of business or consolidation of manufacturing facilities, employee severance, asset retirement and other costs, including reimbursement costs relating to public subsidies, to close these facilities may be significant. In certain locations that are subject to leases, we may continue to incur material costs consistent with the initial lease terms. For example, in 2014 we stopped the production in our *Edscha Briey* plant located in Nancy (France) and in subsequent years we dismissed our personnel operating this plant, incurring significant redundancy costs as a result. Given that we continually attempt to align production capacity with demand, we cannot assure you that additional plants will not have to be closed and associated costs incurred in the future.

The construction and maintenance of our facilities entails certain risks.

The construction and maintenance of our facilities entails certain difficulties, both from a technical perspective as well as in terms of the timing of the various construction phases. A number of problems may arise in relation to our facilities, such as interruptions or delays due to failed deliveries by suppliers or manufacturers, problems with connecting to the utilities networks, construction faults, problems linked to the operation of equipment, adverse weather conditions, unexpected delays in obtaining or sourcing permits and authorizations, or longer-than-expected periods for technical adjustments. The additional costs that may arise in the maintenance of facilities may materially adversely affect our business operations, financial position and operational results.

Our level of indebtedness may make it difficult for us to service our debt and to operate our business.

We have a significant amount of indebtedness. As of December 31, 2017, we had €2,837.0 million of indebtedness, of which €836.1 million were under long-term agreements and €543.7 million were under short-term loan agreements. We anticipate that our level of indebtedness will remain at these levels or increase for the foreseeable future as we continue to pursue our capital expenditure programs. Our level of indebtedness may have important negative consequences, which include, but are not limited to, the following:

- making it more difficult for us and our subsidiaries to satisfy our obligations with respect to our debt and other liabilities;
- requiring that a substantial portion of the cash flow from operations of our operating subsidiaries be dedicated to debt service obligations, reducing the availability of cash flow to fund internal growth through working capital and capital expenditures, and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

In the worst case, an actual or impending inability by us or our subsidiaries to pay debts as they become due and payable could result in our insolvency.

Despite our current substantial indebtedness, we may be able to incur more debt in the future, including on a secured basis, which could further exacerbate the risks of our indebtedness.

We may incur more debt in the future. The revolving portion of our Senior Facilities Agreement provides for total commitments of up to €280.0 million. Although the 2023 Indenture and the Senior Facilities Agreement limit our ability to incur additional debt, we may incur additional debt in the future, and such debt could be secured on an equal, ratable and *pari passu* basis with the 2023 notes.

We are subject to restrictive covenants under our debt facilities and debt instruments. These covenants could significantly affect the way in which we conduct our business. Our failure to comply with these covenants could lead to a default and acceleration of our debt and the foreclosure of the security created in respect of such indebtedness.

The 2023 Indenture, Senior Facilities Agreement, the EIB Loan and the other long-term bilateral financing contain restrictions that substantially limit our financial and operational flexibility and that of our subsidiaries. In particular, these agreements place limits on our ability to incur additional indebtedness; grant security interests to third persons; dispose of material assets; undertake organizational measures such as mergers, changes of corporate form, joint ventures or similar transactions; and enter into transactions with related parties. For a description of the financial undertakings and covenants to which we are subject as a result of our financing arrangements see "Description of Indebtedness—Senior Facilities Agreement" and "Description of Indebtedness —2023 Notes".

Certain of our debt facilities also require compliance with specified financial covenants, including minimum interest coverage and maximum leverage ratio. Our ability to comply with the applicable covenants and to meet the relevant tests may be affected by events beyond our control and, as a result, there can be no assurance that we will be able to comply with these covenants and/or meet these tests. Our failure to comply with these restrictive covenants and with these obligations could lead to a default under the Senior Facilities Agreement, the 2023 Indenture, the EIB Loan or the other long-term bilateral financing unless we can obtain waivers or consents in respect of any breaches of these obligations thereunder. There can be no assurance that these waivers or consents will be granted. In the event of any default under the Senior Facilities Agreement, the 2023 Indenture, the EIB Loan or the other long-term bilateral financing, lenders would be permitted to terminate their commitments to extend debt thereunder and/or all outstanding borrowings, together with accrued interest, fees and other amounts due thereunder, could immediately become due and payable. We may not have sufficient funds to make these accelerated payments and may not be able to obtain any such waiver on acceptable terms or at all. Moreover, the acceleration of any portion of our indebtedness could result in the acceleration of other of our debt instruments unrelated to the foregoing as a result of the customary cross acceleration provisions contained therein. The acceleration of debt could have a material adverse effect on our financial condition and liquidity. If the debt thereunder or any other debt that we may incur in the future were to be accelerated, the security interest created over certain of our assets, including the shares of some of our Spanish subsidiaries, to secure certain of such indebtedness could be foreclosed, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In the event of an acceleration of our indebtedness there can be no assurance that our assets would be sufficient to repay such debt in full.

Foreign exchange rate fluctuations could cause a decline in our financial condition, results of operations and cash flows.

Although our reporting currency is the Euro, a portion of our sales and operating costs are realized in other currencies, such as the U.S. Dollar, the Pound Sterling, the Chinese Yuan, the Russian Ruble, the Brazilian Real, the Argentinian Peso, the Turkish Lira, the Mexican Peso, the Indian Rupee, the Czech Corona, the Polish Zloty, the Swedish Crown, the Hungarian Forint, the Korean Won, the Japanese Yen, the Thai Baht, the Romanian Leu and the Taiwanese Dollar. In the year ended December 31, 2017, €4,883.6 million of our revenues (which represented approximately 59.5% of our revenue for that period) on a consolidated basis, were generated in currencies other than the Euro, in particular, €1,012.3 million or 12.3% were generated in U.S. Dollar, €736.2 million or 9.0% were generated in Chinese Yuan and €636.4 million or 7.8% were generated in Pound Sterling.

Significant long-term fluctuations in relative currency values, including due to local economic instability, and in particular a significant change in the relative values of the U.S. Dollar, the Pound Sterling, the Chinese Yuan, the Russian Ruble, the Brazilian Real, the Argentinian Peso, the Turkish Lira, the Swedish Crown and the Mexican Peso could have a material adverse effect on our profitability and financial condition, and any sustained change in such relative currency values could adversely impact our competitiveness in certain geographic regions.

In some cases, we are subject to risk of appreciation of the foreign currency in which our costs are paid against the currency in which we generate revenues because the appreciation effectively increases our cost in that country. In addition, the financial condition, results of operations and cash flows of some of our operating entities are reported in foreign currencies and then translated into Euros at the applicable foreign exchange rate for inclusion in our consolidated financial statements. As a result, appreciation of the Euro against these foreign currencies generally will have a negative impact on our reported revenues and profits while depreciation of the Euro against these foreign currencies will generally have a positive effect on reported revenues and profits.

Moreover, in jurisdictions where the prevailing currency is subject to significant volatility, we seek to nominate an alternative functional currency in the contracts we enter into, typically either the Euro or U.S. Dollar, in order to minimize the impact of any exchange rate fluctuations. In the year ended December 31, 2017, we had a

negative impact on our balance sheet of €163.2 million as a result of foreign exchange rate translations to our reporting currency, mainly due to the exchange rate fluctuation of the U.S. Dollar, Brazilian Real and the Chinese Yuan (with a negative impact of €33.9 million in the United States, €16.7 in Brazil and €16.0 million in China, respectively). Moreover, the fluctuation of the U.S. Dollar and the Brazilian Real had a negative impact of €62.6 million in Spain, corresponding to the financing granted to our subsidiaries in the United States and Brazil.

According to a sensitivity analysis of the impact of currency fluctuations in our profits, the currencies which fluctuation would have a bigger impact on our profits would be the Swedish Crown, the U.S. Dollar, the Chinese Yuan, and the Mexican Peso. A 5% fluctuation in the exchange rate of the Swedish Crown or the U.S. Dollar would have a positive or negative impact of €1.5 million on our profits, while a 5% fluctuation in the exchange rate of the Chinese Yuan or the Mexican Peso would have a positive or negative impact of €1.2 million on our profits. For a sensitivity analysis of the impact of currency fluctuations in our profits, see "Operating and Financial Review and Prospects—Market Risks—Foreign currency risks".

As of December 31, 2017, we had no derivative financial instruments to hedge the exchange rate risks in place. For a further discussion on foreign currency risk, see "Operating and Financial Review and Prospects—Market Risks—Foreign currency risk". In the future, we may use a combination of natural hedging techniques and financial derivatives aimed at protecting us against certain foreign currency exchange rate risks to which we are exposed. Because hedging may be subject to certain external market events that may limit our capacity to protect ourselves from such foreign currency exchange risk, our hedging activities may prove to be ineffective or may only offset a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities also may negatively impact operating results.

Our operations may require increased capital expenditure at certain stages that would consume cash from our operations.

In order to set up and maintain production lines for existing and new projects, from time to time, we are required to make certain operational and maintenance related capital expenditures on our facilities, and build new facilities or increase capacity in existing ones. The construction period for new manufacturing facilities (or expansions of existing facilities) typically ranges between 12 and 24 months. The cash used in investments in property, plant and equipment associated with the construction and equipment of a new manufacturing facility typically ranges between €40 million and €70 million. Therefore, our ability to make such operational and maintenance capital expenditures and to build new facilities or increase capacity at existing ones largely depends on our cash flow from operations and access to capital. However, there may be unforeseen capital expenditure needs which could consume a significant amount of cash from operations and thus adversely affect our financial position, or for which an adequate amount of capital may not be available to us on a timely basis or at all, which could affect our ability to construct or maintain manufacturing facilities. The timing of potential required capital expenditures also may cause fluctuations in our operational results. Any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

We require a significant amount of cash to service our debt and for other general corporate purposes. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these "Risk Factors" and elsewhere in this ad hoc disclosure.

As of December 31, 2017, our long-term indebtedness consisted primarily of (i) the 2023 notes, (ii) the Senior Facilities Agreement, including a revolving credit facility in an amount of €280.0 million which remained undrawn as of such date, (iii) the EIB Loan and (iv) €676.1 million of aggregate principal amount in other long-term bilateral financing. In addition, we have registered a commercial paper program to be listed in the Spanish Alternative Fixed-Income Market (*Mercado Alternativo de Renta Fija* or MARF) under which we may issue commercial paper for a maximum outstanding balance of €150.0 million. Other than the 2023 notes, our borrowings under those instruments bear interest at floating rates, exposing us to risks from fluctuations in market interest rates.

Our business may not generate sufficient cash flows from operations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to fund our other liquidity needs. For a discussion of our cash flows and liquidity, please see "Operating and Financial Review and Prospects".

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures, including in terms of funding our R&D expenditures, which could affect our continued technological leadership;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, the Senior Facilities Agreement, the 2023 notes and the EIB Loan, and any future debt that we may incur may limit our ability to pursue any of these alternatives.

Tax audits or legal or regulatory claims or investigations against us could have a material adverse effect on our financial position.

From time to time, we may become involved in tax audits, legal or regulatory proceedings, claims or investigations, including those conducted by national or regional tax authorities, governmental bodies, customers, suppliers, former employees, class action plaintiffs and others. On an ongoing basis, we attempt to assess in advance the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty.

We have not been subject to materially adverse tax audits in the past. Although we have followed in the past and intend to follow in the future a prudent approach in our tax position and our compliance with tax laws and regulations, there is no assurance that we have complied or will comply with such laws at all times and, as a result, we could be subject to fines and penalties that could have a material adverse effect on our business, financial condition or results of operations. For example, as of December 31, 2017, we have contingent liabilities in an amount of €36.1 million (approximately 101 million Brazilian Real per the applicable exchange rate of 2017) associated with tax audits in Brazil that relate to tax payable on the historical sales of our products, for which we have not booked any provision in our financial statements as of and for the year ended December 31, 2017.

The nature of our operations subjects us to various statutory compliance and litigation risks under health, safety and employment laws. We cannot guarantee that there will be no accidents or incidents suffered by our employees, our contractors or other third parties on our sites. If any of these incidents occur, we could be subject to prosecutions and litigation, which may lead to fines, penalties and other damages being imposed on us and may harm our reputation.

Except as disclosed in our consolidated financial statements, we do not believe that any of the proceedings or claims to which we are party will result in costs, charges or liabilities that will have a material adverse effect on our financial position. However, we cannot assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in our consolidated financial statements. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters are resolved unfavorably to us.

We and some of our subsidiaries are subject to the tax legislation of Bizkaia (one of the three Historical Territories of the Basque Country), pursuant to the Economic Agreement with the Basque Country, approved by Law 12/2002, of May 23, as (i) we have our tax domicile in the Basque Country and (ii) our revenues (*volumen de operaciones*) earned in the common territory of Spain (i.e., the rest of Spain) do not exceed specific thresholds (less than 75% of the total revenues for each entity). However, depending on the revenue generated by these entities in the Spanish common territory going forward, it is possible that we and our subsidiaries may become subject to the Spanish Corporate Income Tax applicable in the common territory of Spain in subsequent tax years. In that event, although the laws applicable in Bizkaia and the common territory of Spain are similar, there are some differences that may have an impact on the taxation of companies, including, amongst others, the deductibility of the expenses estimated by us and our subsidiaries resident in the Basque Country (in particular, as to net financial expenses), the applicable tax rate or certain tax credits and incentives.

The value of our deferred tax assets could become impaired or we could be unable to utilize tax losses or manage other tax exposures, which could materially and adversely affect our operating results.

As of December 31, 2017, we had approximately €265.8 million in net deferred income tax assets. These deferred tax assets include net operating loss carry forwards that can be used to offset taxable income in future periods

and reduce income taxes payable in those future periods. We periodically determine the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. If we determine in the future that there is not sufficient positive evidence to support the valuation of these assets, due to the factors described above or other factors, we may be required to write down all or a portion of our deferred tax assets. We may also be materially and adversely affected by any changes in the applicable tax laws, leading to future limitations to our capacity to carry forward our losses. Such a reduction could result in material non-cash expenses in the period in which we are required to write down our deferred tax assets and could have a material adverse effect on our results of operations. Our ability to utilize our net operating loss carry forwards may be limited or delayed. In addition, adverse changes in the underlying profitability and financial outlook of our operations in several foreign jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax accruals that could adversely affect our financial results.

Further, we have incurred losses in some countries which we may not be able to fully or partially offset against income we have earned or may earn in the future. In some cases, we may not be able to utilize these losses at all if we cannot generate profits in those countries or if we have ceased conducting business in those countries altogether. Our inability to utilize material tax losses could materially adversely affect our profitability. At any given time, we may face other tax exposures arising out of changes in tax laws, tax reassessments or otherwise. For example, we will have to follow and implement measures to comply with the Spanish Good Tax Practices Code ("*Código de Buenas Prácticas Tributarias*"). To the extent we cannot implement measures to offset these exposures, they may have a material adverse effect on our profitability.

Our insurance arrangements may not provide adequate insurance coverage.

We currently have insurance arrangements in place for products and public liability, property damage, business interruption (including for sudden and unexpected environmental damage). Although we believe that we maintain an adequate insurance coverage, these insurance policies may not cover all losses or damages resulting from the materialization of any of the risks we are subject to. Further, significant increases in insurance premiums could reduce our cash flow. It is also possible in the future that insurance providers may no longer wish to insure businesses in our industry against certain occurrences.

In the year ended December 31, 2017, we paid €13.7 million in insurance premium.

If impaired, our goodwill could result in a reduction in our net income and equity.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. IFRS requires that goodwill be periodically evaluated for impairment based on the fair value of the reporting unit. Declines in our profitability or the value of comparable companies may impact the fair value of our reporting units, which could result in a write-down of goodwill and a reduction in net income.

As of December 31, 2017, we had approximately €104.8 million of goodwill on our consolidated balance sheet, representing 1.45% of our total assets that could be subject to impairment. In addition, if we acquire new businesses in the future, we may recognize additional goodwill, which could be significant. Any future impairment charge on our goodwill could have a material adverse effect on our results of operations in the period of recognition.

The inability for us, our customers or our suppliers to obtain and maintain sufficient capital financing, including working capital lines, and credit insurance may adversely affect our, our customers' and our suppliers' liquidity and financial condition.

Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers. Our liquidity could also be adversely impacted if our suppliers were to suspend normal trade credit terms and require payment in advance or payment on delivery. If our available cash flows from operations are not sufficient to fund our ongoing cash needs, we would be required to look to our cash balances and availability for borrowings under our credit facilities to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all.

There can be no assurance that we, our customers and our suppliers will continue to have such financing ability. This may increase the risk that we cannot produce our products or will have to pay higher prices for our inputs. These higher prices may not be recovered in our selling prices.

Our suppliers often seek to obtain credit insurance based on the strength of the financial condition of our

subsidiary with the payment obligation, which may be less robust than our consolidated financial condition. If we were to experience liquidity issues, our suppliers may not be able to obtain credit insurance and in turn would likely not be able to offer us payment terms that we have historically received. Our failure to receive such terms from our suppliers could have a material adverse effect on our liquidity.

Disruptions in the automotive supply chain could have a material adverse impact on our business, financial condition, results of operations and cash flows.

The automotive supply chain is subject to disruptions because we, along with our customers and suppliers, attempt to maintain low inventory levels. In addition, our plants are typically located in close proximity to our OEM customers, in order to employ a just-in-time production model. We bear any disruption risk in our just-in-time manufacturing arrangements and as a result of the shorter lead time in such arrangements, are particularly affected by any disruption in the supply chain which could result in our inability to deliver our products on time or at all.

Disruptions could be caused by various factors, such as closures of one of our plants or our suppliers' plants or critical manufacturing lines due to strikes, mechanical breakdowns, electrical outages, fires, explosions or political upheaval, as well as logistical complications due to, among other factors, weather, earthquakes, or other natural or nuclear disasters, mechanical failures or delayed customs processing.

If we are the cause of a customer being forced to halt or delay production, such customer may seek to claim all of its losses and expenses from us. In addition, our inability to deliver products on time or at all could impact our reputation and credibility. We have experienced disruptions in the past and we may experience additional disruptions in the future, and as a result, any such disruptions affecting us or caused by us could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The automobile industry is highly cyclical, and cyclical downturns or secular shifts affecting the automotive industry could negatively impact our business, financial condition, results of operations and cash flows.

The volume of automotive production and the level of new vehicle purchases regionally and worldwide are cyclical and have fluctuated from year to year, sometimes significantly. These fluctuations are caused by factors such as general economic conditions, interest rates, inflation, employment rates, consumer confidence, consumer preferences, and patterns of consumer spending. Moreover, a number of factors that we cannot predict can and have impacted cyclicality in the past, including macroeconomic factors such as the global financial crisis. Furthermore, new business models driven, for example, by shared mobility concepts and connectivity services could create new competitors to our customers, and a shift towards shared mobility may cause vehicle unit sales to grow at lower rates or to decline. These factors, as well as changes in government support, fuel costs and the automobile replacement cycle, could reduce demand for automobiles generally, or for the demand for our products in particular, which could materially and adversely impact our business, financial condition, results of operations and cash flows.

The highly cyclical and fluctuating nature of the automotive industry presents a risk that is outside our control and that cannot be accurately predicted and there is no assurance that our geographical and portfolio diversification will be sufficient to offset all such risks.

A shift away from technologies in which we invest and changes in industry requirements, including in materials, could have a material adverse effect on our profitability and financial condition.

Our business requires a high level of technical expertise for the development and manufacture of our products and our customers demand increasingly high quality, complex and innovative solutions to meet their needs. We invest in technology and innovation which we believe will be critical to our long-term growth, and we need to continually adapt our expertise in response to technological innovations, industry standards and customer requirements, including in relation to the materials that we use for our products. For example, the increasing trend towards hybrid and electric vehicles increases the focus on weight reduction. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products or manufacturing processes on a timely and cost-effective basis will be a significant factor in our ability to remain competitive. New technologies or changes in industry and customer requirements, including any legal or regulatory requirements, may render one or more of our current products obsolete, excessively costly or otherwise unmarketable. If there is a shift away from the use of technologies in which we are investing, our costs may not be fully recovered and any decrease in our R&D expenditure, as a result of us experiencing any liquidity issues may adversely affect our ability to maintain our technological leadership. We may be placed at a competitive disadvantage if other technologies emerge as industry-leading technologies, which could have a material adverse effect on our prospects for growth, profitability and financial condition.

We may have difficulty competing favorably in the highly competitive automotive parts industry generally and in certain product or geographic areas specifically, and such competition might impact our results.

The automotive parts industry is highly competitive. Although the overall number of competitors has decreased over the last decade due to ongoing industry consolidation, we face, or may face in the future, significant competition within each of our major product areas, including from new competitors entering the markets that we serve, regional competitors offering low cost alternatives, the development of new technologies which may replace ours and a potential reversal of the current trend of OEMs to outsource certain areas of production. The consolidation among market players may allow our industry peers to be better positioned than us to enter into commercial agreements with our target customers, to intensify competition in the market and to have more capital to face the risks inherent in our industry. If this consolidation were to continue, it may become more difficult for us to be successful in obtaining new customers, new business or new contracts. Moreover, there are few large-volume and high-value OEMs in the automobile industry. Therefore, competition among suppliers is increased by the concentrated nature of the OEM business globally.

As a Tier 1 supplier, we sell products directly to OEMs. Typically, these products are large modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers in turn typically integrate products from a further layer of suppliers ("Tier 3 suppliers"). There is the possibility that a supplier currently positioned at the Tier 2 level may become a Tier 1 supplier, thereby further increasing the competition among Tier 1 suppliers. To the extent that Tier 2 suppliers evolve into Tier 1 suppliers, competition among potential and existing Tier 1 suppliers could intensify. As a result, our business success strongly depends on the feasibility of retaining and strengthening our position as a Tier 1 supplier in the future.

The principal factors affecting competition in our industry include product quality, ability to manage complex projects, R&D competences, geographical footprint, process technology competences, tooling competences, price, financial stability and partnership in the consolidation and rationalization of the global automotive supply base. If we fail to compete effectively based on any of these factors, we could experience a reduction in sales and profit margins, which would in turn materially adversely affect our business, results of operations and financial condition, or lead to the loss of any of our major clients to such competitors.

We principally compete for new business projects at the beginning of the development of new models and upon the redesign of existing models by major OEM customers. In some cases, a number of our major OEM customers manufacture products that we currently produce, thereby eliminating an opportunity for us to bid for the production of such products. New model development generally begins three to five years prior to the marketing of such models to the public. Redesign of existing models begins during the life cycle of a platform, usually at least two to three years before the end of the platform's life cycle. The failure to obtain new business projects on new models or to retain or increase business projects on redesigned existing models, could adversely affect our business, financial condition, results of operations, and cash flows. In addition, as a result of the relatively long lead times required for many of our structural components, it may be difficult in the short-term for us to obtain new revenues to replace any unexpected decline in the sale of existing products.

The workforce in the automotive industry is highly unionized, and if we fail to extend or renegotiate our collective bargaining agreements with our labor unions as they expire from time to time, or if our employees, or our customers' employees, engage in work stoppages and other labor problems, this could have a material adverse effect on our business. An increase in workforce remuneration as a result of a renegotiation of a bargaining agreement can reduce our profitability.

We are subject to local labor laws and regulations in the different jurisdictions in which we operate. As of December 31, 2017, we had over 41,000 employees, the majority of whom were covered under collective bargaining agreements on a plant-by-plant basis and that expire at various times. In addition, we have specific exposure to labor strikes in our international operations related primarily to the potential economic instability in several countries in the European Union. If major work disruptions involving our employees were to occur, our business could be adversely affected by a variety of factors, including a loss of revenues, increased costs and reduced profitability. We cannot assure you that we will not experience a material labor disruption at one or more of our facilities in the future in the course of renegotiating our labor arrangements or otherwise. We cannot guarantee that we will be able to successfully extend or renegotiate our collective bargaining agreements as they expire from time to time. If we fail to extend or renegotiate any of our collective bargaining agreements or are only able to renegotiate them on terms that are less favorable to us, we may need to incur additional costs, which could have a material adverse effect on our business, financial condition and results of operations.

Further, many of the manufacturing facilities of our customers and suppliers are unionized and are subject to the risk of labor disruptions from time to time. We have suffered labor disruptions in the past and we cannot assure

you that we will not suffer additional disruptions in the future. A significant labor disruption could lead to a lengthy shutdown of our customers' or our suppliers' production lines, which could have a material adverse effect on our operations and profitability.

We are subject to environmental and health and safety requirements and risks as a result of which we may incur significant costs, liabilities and obligations. In addition, significant changes in laws and governmental regulations could have an adverse effect on our business, financial condition and results of operations.

We are subject to a variety of environmental and pollution control laws, regulations and permits that govern, among other things, soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including GHG emissions, into the environment; and health and safety. Our activities may have an adverse impact on the environment; in particular, we may contaminate the soil or cause water discharge contamination. If we fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators or become subject to litigation. Environmental and pollution control laws, regulations and permits, and the enforcement thereof, change frequently, and have tended to become more stringent over time, which may require substantial capital expenditures or operating costs to ensure compliance with them. Costs related to the investigation of the nature of a potential damage to the environment and any remediation measures required to be taken may be substantial. In addition, although we attempt to monitor and reduce accidents in our production facilities, we remain exposed to risks of accidents and failure to prevent a health and safety incident may result in penalties and litigation.

In addition, the legal, regulatory and industry-standard environment in our principal markets is complex and dynamic, and future changes to the laws, regulations (including the establishment of new or modified authorizations, permits or licenses in different countries) and market practice as regards, for example, CO_2 emissions and safety tests and protocols, could have an adverse effect on demand for the products we produce and our profitability. Additionally, changes in tax or other laws which impose additional costs on automobile manufacturers or consumers or the adoption and implementation of more stringent environmental laws and CO_2 emissions requirements on our OEM customers could negatively impact their levels of production and therefore, materially adversely affect their demand for our products. For example, changes to CO_2 emissions testing protocols as a result of the ongoing investigations by environmental authorities worldwide in relation to the potential manipulation of CO_2 emissions control systems which had been installed by certain OEMs for the purposes of manipulating laboratory CO_2 emissions testing could have an adverse effect on the sales of the products we produce and our profitability.

We may face risks relating to climate change that could have an adverse impact on our business.

GHG emissions have increasingly become the subject of substantial international, national, regional, state and local attention. GHG emissions regulations have been promulgated in certain of the jurisdictions in which we operate, and additional GHG requirements are in various stages of development. For example, the United States Congress has considered legislation that would establish a nationwide limit on GHGs. In addition, the Environmental Protection Agency in the United States has issued regulations limiting GHG emissions from mobile and stationary sources pursuant to the federal Clean Air Act. When effective, such measures could require us to modify existing or obtain new permits, implement additional pollution control technology, curtail operations or increase our operating costs. In addition, our OEM customers may seek price reductions from us to account for their increased costs resulting from GHG regulations. Further, growing pressure to reduce GHG emissions from mobile sources could reduce automobile sales, thereby reducing demand for our products and ultimately our revenues. Thus, additional regulation of GHG emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business, results of operations, financial condition, reputation, product demand and liquidity.

We are exposed to certain risks regarding our intellectual property, its validity and the intellectual property of third parties.

We endeavor to protect our technologies and processes by means of registration of intellectual property rights and confidentiality agreements. As of December 31, 2017, we held over 1,160 patents, utility models and applications thereof pertaining to our business and products. Registration of intellectual property rights may require time and capital investment and in some cases, we will be unable to obtain effective patent protection on currently pending or future applications or the protection afforded to our intellectual property may be insufficient in scope, duration or strength to provide us with meaningful protection. Further, the laws of certain countries do not protect the Company's proprietary rights to the same extent as the laws in Europe and the U.S. We also seek protection of our trademarks, but such protection may also not always be available to us in every jurisdiction in which we operate. Consequently, we may face the risk that other third parties, including our competitors, may be able to use the technology behind our products and processes without license.

Our intellectual property arises mostly as a consequence of development works of our employees during the course and in the context of their employment relationship with us. Former or present employees who made or may make employee inventions might continue to be the owners of the rights to such inventions if we fail to claim the invention properly and in a timely manner. Even if we became or become in the future the owner of such valuable rights, we may have failed or may fail to properly utilize, develop and exploit such inventions.

In addition, many technologies and processes employed by us are the result of our know-how and trade secrets which, in some cases, cannot be patented or protected through intellectual property rights. Although we also seek to protect our intellectual property through confidentiality agreements with third parties that work with us and our employees, there is always a risk that our know-how and trade secrets might be disclosed to or accessed by third parties, including our competitors. The undue exploitation of our intellectual properties by third parties may reduce or eliminate our competitive advantage derived from our own technology, limiting our ability to develop further innovative technologies as well as our capacity to compete in the markets where we operate and to attract new customers. We may also be involved in intellectual property claims against us which may be costly, time-consuming and result in the diversion of managerial attention and resources from our core business. Likewise, if successful, such claims could require us to cease manufacturing, using or exploiting the relevant technologies or products in certain countries or to be forced to implement changes in our manufacturing processes or products. In addition, we could be liable to pay compensation or damages for infringements or could be forced to purchase licenses to make use of technology from third parties. The realization of any of these risks could have a material impact on our reputation as well as a material adverse effect on our business, financial condition and results of operations.

Our operations rely on complex IT systems and networks.

We rely heavily on information technology systems and networks to support our business processes and manufacturing, as well as internal and external communications. These systems and networks are potentially vulnerable to damage or interruption from a variety of sources or to security threats. Although we have taken precautions to manage our risks related to system and network disruptions, an extended outage in a data center or telecommunications network utilized by our systems, any security breaches or any similar event could lead to an extended unanticipated interruption of our systems or networks that could hinder our business operations. We could also be subject to cyberattacks that could lead to undue disclosure of our know-how and trade secrets and our employees' personal data to third parties. The realization of any risks related to our IT system and network disruptions could have a material adverse effect on our business, financial condition and results of operations.

Economic downturns or a worsening of global economic and political conditions could have a material adverse effect on the demand for our products and on our profitability.

The level of demand for our products depends primarily upon the level of consumer demand for new vehicles that are manufactured with our products, which is, in turn, dependent on a number of economic and political conditions and other factors present in the various domestic and international markets where our products are sold.

In particular, the global economic crisis in 2008 and 2009 adversely affected consumer spending and demand, and thus resulted in delayed and reduced purchases of durable consumer goods, such as automobiles. Although the global economic climate has improved since 2010, the global economy has recently been impacted by the current unpredictable political landscapes in certain countries, low oil prices and strong currency fluctuations. For example, there have been recent political tensions between the U.S. and Mexico, which together accounted for 18% of our revenues in the year ended December 31, 2017, and the continuation or worsening of such political tensions may adversely affect our operations in North America. In addition, recent concerns relating to the development of several emerging market economies, particularly China, Russia and Brazil, which accounted for 14.6% of our revenues in the year ended December 31, 2017, may further impact the global economy. There is no assurance that the global economic climate will continue to improve or that the current levels of growth will remain stable.

If the global economy recovers at a slower pace than expected or were to experience another significant downturn, depending upon its length, duration and severity, demand for our products could be impacted, which in turn could materially adversely affect our business, financial condition and results of operations.

Continuing uncertainties and challenging political conditions in Spain, the European economy and the Euro could intensify the risks faced by the automotive industry and our business, which could have a material adverse effect on our operations, financial condition and profitability.

Despite our global presence, the E.U. as a whole (and particularly Spain) is an important market for our business which accounted for 61.6% of our revenues for the year ended December 31, 2017, and adverse economic

effects within the E.U. could have a material adverse impact on our financial condition, results of operations and cash flows. Continuing or renewed instability in the European markets, the instability of the Euro or the European Union and the uncertainty derived from the political events in the United Kingdom, Italy, Spain and other European countries have contributed to weak European economic performance in the past. Future developments may continue to be dependent upon a number of political and economic factors, including the effectiveness of measures by the European Central Bank and the European Commission to address debt burdens of certain countries in Europe and the continued stability of the Eurozone.

Concerns persist regarding the debt burden of certain European countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual member states of the Eurozone. These concerns could lead to the exit of one or more countries from the Eurozone and the reintroduction of national currencies in the affected countries.

For example, the U.K.'s decision to leave the E.U. ("Brexit") has triggered a process of negotiation which will determine the future terms of the U.K.'s relationship with the EU. This could result in the U.K. losing access to certain aspects of the single E.U. market and the global trade deals negotiated by the E.U. on behalf of its members. The uncertainty concerning the terms of Brexit could have a negative impact on the growth of the E.U. and cause greater volatility in all of the global currencies that we currently use to transact business. Lack of clarity about future U.K. laws and regulations as the U.K. determines which E.U. laws and regulations to replace or replicate upon exit, may increase costs associated with operating in either or both of the U.K. and Europe. The Brexit vote and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the E.U. and elsewhere. It may result in relocation of businesses, business interruptions, economic recession or depression and adversely affect the stability of the financial markets and financial institutions, the availability of credit and the financial and monetary system. This and other potential developments, or market perceptions concerning this and related issues, could have adverse consequences for us with respect to our outstanding debt obligations that are Euro-denominated and our overall performance in the E.U. and as a result, our business, financial condition, results of operation and cash flow may be materially affected.

Similarly, the reintroduction of national currencies in one or more countries that use the Euro could lead to the disruption of financial markets and could have a material adverse impact on our operations. Furthermore, any such redenomination event would likely be accompanied by significant economic dislocation, particularly within the Eurozone countries, which in turn could have an adverse impact on demand for our services and, accordingly, on our revenue and cash flows. Moreover, any changes from Euro to non-Euro currencies within the countries in which we operate may impact our billing and other financial systems. In light of the significant exposure that we have to the Euro through our Euro-denominated cash balances and cash flows, a redenomination event could have a material adverse impact on our cash flows, financial condition and results of operations.

Despite our global presence, Spain is still a significant market for our business, representing 17.7% of our revenues for the year ended December 31, 2017. While Spain's economy has been gradually improving since 2013, Spain experienced a significant economic downturn between 2008 and 2012. The unemployment rate, while improving in relative terms, was reported to be 16.4% in December 2017 and gross domestic product contracted in 2012 and 2013 before gradually recovering between 2014 and 2016. Continued political uncertainty or if Spain recovered at a slower pace than in recent years or were to experience another significant downturn, could have a material adverse effect on our business, financial condition and results of operations.

Finally, institutions in the European Union are facing significant challenges derived from recent crises in the Middle East, including the Syrian refugee crisis as a result of the Syrian civil war which started in 2011. While several E.U. member states have made attempts to address the humanitarian crisis, a common approach by all E.U. member states has not been yet achieved, leading to political uncertainty on this matter in the future.

Instability in the European economy, the Euro or Spain could have a material adverse effect on our business, financial condition and results of operations.

Significant developments stemming from the recent U.S. presidential election could have a material adverse effect on us.

On January 20, 2017, Donald J. Trump was inaugurated as the president of the United States. The Trump administration has called for substantial change to fiscal and tax policies, international agreements, regulatory oversight of businesses and greater restrictions on free trade, including significant increases on tariffs on goods imported into the U.S., particularly from China and Mexico (one of our key markets). Proposals and legislation espoused and implemented by President Trump may result in changes to social, political, regulatory and economic conditions in the U.S. or in laws and policies affecting the development and investment in countries where we currently conduct business. We cannot

assure you as to the ultimate content, timing, or effect of changes. Given that, in the year ended December 31, 2017, 18.1% of our revenue was attributable to North America, any such changes could have an impact on us. However, we cannot currently quantify or predict with any certainty the likely impact of such changes on our business model, prospects, financial condition or results of operations.

We have in the past engaged, and expect in the future to engage, in transactions with our affiliates and affiliates of our controlling shareholder, some of which may not be, in the future, considered by third parties on an arm's-length basis.

We have in the past engaged, and expect in the future to engage, in transactions with our affiliates and affiliates of our controlling shareholder on an arm's-length basis, but some of which may not be deemed by third parties to be on an arm's-length basis.

For example, we enter into a significant number of transactions on a regular basis and in the ordinary course of business with companies forming part of the Gonvarri group primarily related to the purchase of processed steel. Gonvarri is a steel service center which is controlled by Acek, which holds a 65.0% capital stake, with the ArcelorMittal Group holding the remaining 35% stake.

We also enter into transactions in the ordinary course of business with Acek and its subsidiaries, including lease and license agreements, professional and other services and the sale of goods and real estate. In particular, we have leased the following properties from Inmobiliaria Acek S.L. ("Inmobiliaria") (in which Acek holds a 67.0% interest): (i) the offices located at Alfonso XII, Madrid; and (ii) part of the offices located at Ombú 3, Madrid, all of them for an aggregate annual payment of €2.0 million, as of the year ended December 31, 2017. In addition, in 2014 we purchased two plants from Inmobiliaria, both of which we had previously leased from Inmobiliaria, for a total consideration of €25.0 million. For additional information, see "Shareholdes and Certain Transactions".

If we are not able to agree on transaction terms with our affiliates and/or affiliates of our major shareholders, or if we are not able to enter into agreements for such transactions that are in our best interests, our business, results of operations and financial condition could be materially adversely affected.

There are integration and consolidation risks associated with potential future acquisitions; we may not be able to achieve our target rate of return in our investments.

We have a history of making strategic acquisitions, and in the future we may consider and may make further strategic acquisitions of suitable acquisition candidates in markets where we currently operate as well as in markets in which we have not previously operated.

However, we may not be able to identify suitable acquisition candidates in the future or our targets may prove not to be as profitable as estimated, or we may not be able to finance such acquisitions on the most favorable terms. We may lack sufficient managerial, financial and other resources to successfully integrate future acquisitions or to ensure that such future acquisitions will perform as planned or prove to be beneficial to our operations. Acquisitions involve numerous other risks, including the diversion of our management's attention from other business concerns, undisclosed risks impacting the target and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions could impact our financial position, cash flow or, if funded with the issuance of new shares, create dilution for our shareholders. In certain transactions, our acquisition analysis includes assumptions regarding the consolidation of operations and improved operating cost structures for the combined operations. Such synergies or benefits may not be achieved on the assumed time schedule or in the assumed amount, if at all. Any future acquisitions may result in significant transaction expenses, unexpected liabilities and risks associated with entering new markets in addition to the integration and consolidation risks.

As a result of our acquisitions, we may assume continuing obligations, deferred payments and liabilities. Any past or future acquisitions may result in exposure to third parties for liabilities, such as liability for faulty work done by the acquired business and liability of the acquired business or assets that may or may not be adequately covered by insurance or by indemnification, if any, from the former owners of the acquired business or assets. The occurrence of any of these liabilities could have a material adverse effect on our business and results of operations.

One of the factors we consider in assessing a new investment or acquisition, as part of our internal decision making methodology, is whether we believe that the investment may achieve certain internal rate of return targets. However, there can be no assurances that any of our investments or acquisitions will achieve returns at our target levels or at all. Returns on investments are not guaranteed and making an investment which results in a lower rate of return than anticipated could have a material adverse effect on our results of operations.

Changes in accounting regulations and interpretations could affect our operating results and financial covenants.

Changes in accounting regulations and interpretations could require us to record further liabilities on our statement of financial position, or delay recognition of revenue and/or accelerate the recognition of expenses, resulting in lower earnings.

In particular, the IAS Board issued IFRS 16 ("Leases") in January 2016 which sets out the principles for the recognition, measurement, presentation and disclosure of leases and will remove the distinction between "operating leases" and "finance leases". Under the new standard, a lease is defined as a contract that provides the right to use an asset for a period of time in exchange for consideration. IFRS 16 will effectively require companies that are lessees, including us, to report all leases as assets and liabilities on their statements of financial position. We expect to be required to apply IFRS 16 from January 1, 2019. We continue to evaluate the potential impact of the first-time application of this standard on our consolidated annual accounts. We have not yet completed the process, given the recent publication of this standard and the various transition options established by this standard for first-time application. Given that we are a lessee of buildings, warehouses, machinery and vehicles, the application of IFRS 16 in 2019 is expected to have an impact on our accounts. For a more detailed discussion of the potential impact of IFRS 16 and other changes in accounting regulations, see Note 5 to our consolidated financial statements as of and for the year ended December 31, 2017 and "Operating and Financial Review and Prospects—New Accounting Pronouncements".

We are exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanction programs.

We are required to comply with a wide variety of laws and regulations in each of the jurisdictions in which we operate. Such laws and regulations vary significantly from jurisdiction to jurisdiction and include, but are not limited to, anti-corruption laws.

Our international operations are subject to anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010, and economic sanction programs, including those administered by the UN, E.U. and Office of Foreign Asset Control in the United States. These laws prohibit improper business conduct and restrict us from dealing with certain sanctioned countries.

We have policies and procedures designed to assist our compliance with applicable laws and regulations including training of our employees to comply with such laws and regulations. While we have a strong culture of compliance and have adequate systems of control, we seek to continuously improve our systems of internal controls, to remedy any weaknesses that are identified through appropriate corrective action depending on the circumstances, including additional training, improvement of internal controls and oversight, and deployment of additional resources and to take appropriate action in case of any breach of our rules and procedures which might include disciplinary measures, suspensions of employees and ultimately termination of such employees. There can be no assurance, however, that our policies and procedures will be followed at all times or will effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners and, as a result, we could be subject to penalties and material adverse consequences on our business, financial condition or results of operations if we failed to prevent any such violations.

As a result of our international operations, we are exposed to the risk of violating anti-corruption laws and sanctions regulations applicable in those countries where we operate. Some of the countries in which we operate lack a legal system as developed as other locations and are perceived to have high levels of corruption. Our continued geographical diversification, including in some emerging markets, development of joint venture relationships and our employment of local agents in the countries in which we operate increases the risk of violations of anti-corruption laws, sanctions or similar laws. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business and maintain long-term commercial relationships with our customers.

We are exposed to risks in relation to compliance with antitrust laws and regulatory approvals.

Many jurisdictions in which we operate have antitrust regulations which involve governmental filings for certain acquisitions and joint ventures, impose waiting periods and require approvals by government regulators. Governmental authorities may seek to challenge potential acquisitions or impose conditions, terms, obligations or restrictions that may delay completion of the acquisition or materially reduce the anticipated benefits (financial or otherwise).

We are currently awaiting regulatory approvals from the Chinese, Korean and European authorities regarding our recent joint venture agreement with Beijing Hainachuan Automotive Parts Co. Ltd. Our inability to consummate this or other potential future acquisitions or to receive the full benefits of such acquisitions because of antitrust regulations could limit our ability to execute on our acquisition strategy which could have a material adverse effect on our financial condition and results of operations.

Certain of our guarantors are subject to minimum capital maintenance requirements

Certain of the jurisdictions under which our guarantors are incorporated may have capital requirements under which such guarantor entities are required to maintain a level of net equity or otherwise be wound up. For instance, when accumulated losses cause the amount of the net equity to fall below half, or another applicable threshold, of the share capital, the entity will need to be wound up, unless its share capital is increased or decreased in the required amount to re-establish the balance between its net equity and its share capital. In such case the entity must convene a general meeting for the shareholders within a specified period of the approval of the accounts revealing the losses that have generated the situation (equity being less than half of the share capital), to decide whether the concerned company should be wound-up or maintained.

Our profitability could be negatively impacted if we are not able to maintain appropriate utilization of our workforce.

The extent to which we utilize our workforce affects our profitability. If we under-utilize our workforce, our project profits and overall profitability may suffer in the short-term. If we over-utilize our workforce, we may negatively impact safety, employee satisfaction and project execution, which could result in a decline of future project awards. The utilization of our workforce is impacted by numerous factors including:

- our estimate of the headcount requirements for various manufacturing units based upon our forecast of the demand for our products;
- our ability to maintain our talent base and manage attrition;
- our need to invest time and resources into functions such as training, business development, employee recruiting and sales that are not chargeable to customer projects;
- the degree of structural flexibility of labor laws in countries where our employees are located; and
- the costs of recruiting talents/experts in the field in which we operate, and the costs of recruiting, maintaining and dismissing employees for the manufacturing of our products.

As a result of the above factors, the failure to maintain appropriate utilization of our workforce may materially adversely affect our business, financial condition, results of operations and cash flows.

Loss of key personnel or executives and failure to attract qualified employees including management could limit our growth and negatively impact our operations.

Many of the technologies and processes that we use result from the knowledge, experience and skills of our scientific and technical personnel. A failure to attract and retain qualified employees could thus adversely affect our operations. Furthermore, we have a management team with a substantial amount of expertise in the automotive industry, deemed crucial for the current success of our business. Loss of key members of management could result in the loss of valuable customer relationships and/or less or unsuccessful implementation of strategies.

Availability of skilled labor in some of the areas in which we operate could negatively impact our operations.

When establishing and operating facilities in some emerging markets, we may encounter difficulties with the availability of appropriately skilled labor. In some instances we may compete with our customers for qualified employees in a limited labor pool of adequately trained workers. Performing work in these areas and under these circumstances can slow our progress, potentially causing us to incur contractual liabilities to our customers. These circumstances may also cause us to incur additional, unanticipated costs that we might not be able to pass on to our customers.

Natural disasters, mechanical failures, equipment shutdowns and technological breakdowns could disrupt our supply of products to our customers which could have a material adverse effect on our operations and profitability.

Our manufacturing facilities are subject to risks associated with natural disasters, including fires, floods, hurricanes and earthquakes. The occurrence of any of these disasters could cause the total or partial destruction of a manufacturing facility, thus preventing us from supplying products to our customers and disrupting production at their facilities for an indeterminate period of time. The inability to promptly resume the supply of products following a natural disaster at a manufacturing facility could have a material adverse effect on our business operations, financial position and operational results.

We have experienced and may in the future experience mechanical failure and equipment shutdowns such as the breakdown of our press equipment, as well as technological breakdowns which are beyond our control. We are also reliant upon a continuous and uninterrupted supply of electricity, gas and water to our facilities to ensure the continued operation of our production lines and supply chain. An interruption to the supply of any of these utilities, even in the short term, including but not limited to an outage in the electricity grid, a gas leak or issues with local water mains, could cause equipment shutdowns, mechanical failures and/or damage to our facilities and equipment. If any such events occur, our production capacity may be materially and adversely impacted. In the event that we are forced to shut down any of our sites for a significant period of time, it would have a material adverse effect on our business operations, financial position and operational results.

Terrorist attacks and other acts of violence or war or political changes in geographical areas where we operate may affect our business and results of operations.

Some areas in which we operate, such as several countries in Europe, have recently suffered from terrorist attacks and there is a threat that further terrorist attacks may take place in the future. Terrorist attacks and other acts of violence or war may negatively affect our business and results of operations. There can be no assurance that there will not be terrorist attacks or violent acts that may directly impact us, our customers or partners. In addition, political changes in certain geographical areas where we operate may affect our business and results of operations. Any of these occurrences could cause a significant disruption in our business and could adversely affect our business operations, financial position and operational results.

SELECTED FINANCIAL AND OTHER INFORMATION

Our selected consolidated historical financial data has been derived as follows: consolidated financial data as of and for each of the years ended December 31, 2017, 2016 and 2015, has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2017, 2016 and 2015, respectively.

We have also presented certain financial measures that are not defined or recognized under IFRS. While this data has been derived from historical financial information prepared in accordance with IFRS, such financial data contains financial measures other than those in accordance with IFRS and should not be considered in isolation from or as a substitute for our historical financial information. See "Presentation of Financial and Other Data".

Our summary consolidated financial data is presented in Euro and has been prepared in accordance with IFRS. You should read this summary consolidated financial data in conjunction with "Operating and Financial Review and Prospects", and the historical consolidated financial statements and the related notes.

Rounding adjustments have been made in calculating some of the financial information included in this ad hoc disclosure. Figures shown as totals in some tables and elsewhere may not be exact arithmetic aggregations of the figures that precede them.

	Year ended December 31,		
	2015	**2016**	**2017**
		(€ millions)	
Consolidated Income Statement Data:			
Operating income	**7,202.3**	**7,673.9**	**8,390.5**
Revenue	*7,034.5*	*7,548.9*	*8,201.6*
Other operating income	*156.9*	*131.6*	*197.2*
Changes in inventories	*10.9*	*(6.6)*	*(8.3)*
Operating expenses	**(6,802.1)**	**(7,211.3)**	**(7,905.8)**
Raw materials and other consumables	*(4,308.6)*	*(4,509.7)*	*(4,882.1)*
Personnel expenses	*(1,258.0)*	*(1,366.9)*	*(1,492.8)*
Depreciation, amortization, and impairment losses	*(360.1)*	*(378.5)*	*(405.2)*
Other operating expenses	*(875.4)*	*(956.2)*	*(1,125.7)*
Operating profit	**400.2**	**462.6**	**484.7**
Finance income	13.3	5.3	9.0
Finance expenses	(121.8)	(98.8)	(101.7)
Exchange (losses)	(24.7)	(12.4)	(22.9)
Other(1)	(14.2)	(8.6)	1.1
Profit for the year from continuing operations	**252.8**	**348.1**	**370.2**
Income tax expense	(63.9)	(88.9)	(82.1)
Profit for the year	**188.9**	**259.2**	**288.1**
Loss attributable to non-controlling interests	(27.4)	(37.8)	(48.4)
Profit attributable to equity holders of the parent company	**161.5**	**221.4**	**239.7**

	As of December 31,		
	2015	**2016**	**2017**
		(€ millions)	
Consolidated Balance Sheet Data:			
Intangible assets	359.4	393.0	414.7
Property, plant, and equipment	2,861.8	3,160.0	3,407.8
Non-current financial assets	57.7	95.5	69.4
Inventories	586.4	630.9	681.3
Trade and other receivables	1,194.7	1,376.9	1,375.7
Cash and cash equivalents	356.0	430.5	860.2
Other(2)	329.7	342.8	415.8
Total assets	**5,745.7**	**6,429.6**	**7,224.9**
Total equity	**1,798.4**	**1,872.0**	**1,970.6**
Non trade liabilities (non-current)	1,674.2	1,779.5	2,364.5
Trade and other payables	1,384.4	1,621.4	1,814.1
Other liabilities(3)	888.7	1,156.7	1,075.7
Total liabilities	**3,947.3**	**4,557.6**	**5,254.3**

Year ended December 31,

	2015	2016	2017
		(€ millions)	
Consolidated Summary Cash Flow Information:			
Profit for the year before taxes and after non-controlling interests	225.4	310.3	321.8
Adjustments to profit	542.1	489.7	504.2
Changes in working capital	9.7	24.6	13.7
Other cash-flows from operating activities	(177.3)	(172.0)	(156.0)
Cash flows from operating activities	**599.9**	**652.6**	**683.7**
Payments on investments	(616.2)	(738.4)	(910.1)
Proceeds from divestments	81.6	7.9	28.7
Grants, donations and legacies received	5.8	1.7	1.6
Cash flows from investing activities	**(528.8)**	**(728.8)**	**(879.8)**
Proceeds and payments on equity instruments	(33.8)	(8.3)	(1.3)
Proceeds and payments on financial liabilities	(120.8)	216.7	705.7
Payments on dividends and other equity instruments	(50.2)	(56.1)	(73.1)
Cash flows from financing activities	**(204.8)**	**152.3**	**631.3**
Effect of changes in exchange rates	5.7	(1.6)	(5.4)
Net (decrease) increase of cash or equivalent	**(128.0)**	**74.5**	**429.8**

	As of and for the year ended December 31,		
	2015	2016	2017
	(€ millions, except percentages and ratios)		
Other Financial Data:			
EBITDA[(4)]	760.3	841.1	889.9
EBITDA margin	10.8%	11.1%	10.9%
Growth capital expenditures[(5)]	286.2	389.6	434.4
Recurrent capital expenditures[(5)]	248.0	251.5	265.9
Intangible capital expenditures[(5)]	88.3	83.6	95.7
Changes in working capital	9.7	24.6	13.7
Adjusted operating cash flow[(6)]	424.0	506.0	528.3
Dividends[(7)]	(50.2)	(56.1)	(73.1)
Additional Financial Data relating to Indebtedness:			
Total financial debt[(8)]	1,884.5	2,106.3	2,837.0
Current financial assets	35.4	43.2	78.9
Cash and cash equivalents	356.0	430.5	860.2
Net financial debt[(8)]	1,493.1	1,632.6	1,897.9
Ratio of net financial debt to EBITDA[(9)]	2.0x	1.9x	2.1x
Net financial expenses[(10)]	108.5	93.5	92.7
Ratio of EBITDA to net financial expenses[(11)]	7.0x	9.0x	9.6x

(1) Consists of share of profits from associates, change in fair value of financial instruments and impairment of and gains (losses) on sale of financial instruments.

(2) Consists of deferred tax assets, assets held for sale (which consist of assets and liabilities whose recovery is expected through sale and not through continued use, such as our stake in certain of our joint ventures), current financial assets and other current assets.

(3) Consists of deferred income and tax liabilities, provisions and other current and non-current liabilities.

(4) "EBITDA" represents operating profit before depreciation, amortization and impairment losses. Our management believes that EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA is used by our chief operating decision makers to track our business evolution, establish operational and strategic targets and make important business decisions. EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in our industry. To facilitate the analysis of our operations, this indicator excludes amortization, impairment and depreciation expenses from operating profit in order to eliminate the impact of general long-term capital investment. Although we are presenting this measure to enhance the understanding of our historical operating performance, EBITDA should not be considered an alternative to operating profit as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity. The following table presents a reconciliation of EBITDA to an appropriate measure calculated in accordance with IFRS:

Year ended December 31,

	2015	2016	2017
	(€ million)		
Operating profit	**400.2**	**462.6**	**484.7**
Adjusted for:			
Depreciation, amortization and impairment losses	360.1	378.5	405.2
EBITDA	**760.3**	**841.2**	**889.9**

(5) Capital expenditures mean expenditure on property, plant and equipment and on intangible assets. Growth capital expenditures include capital expenditures in greenfield projects, major plant expansions of existing facilities and new processes/technologies in existing plants. Intangible capital expenditures means expenditures on intangible assets. Recurrent capital expenditures include investments for plant maintenance and business replacement.

(6) We define adjusted operating cash flow as our EBITDA less our recurrent capital expenditures and our intangible capital expenditures. The following table presents a reconciliation of adjusted operating cash flow to EBITDA:

	As of December 31,		
	2015	2016	2017
	(€ million)		
EBITDA	**760.3**	**841.1**	**889.9**
Intangible capital expenditures	(88.3)	(83.6)	(95.7)
Recurrent capital expenditures	(248.0)	(251.5)	(265.9)
Adjusted operating cash flow	**424.0**	**506.0**	**528.3**

(7) Dividends consist of the dividends paid by the Company to its shareholders. In 2018, a dividend of €71.9 million to the shareholders of the Company out of net income for the year ended December 31, 2017 is expected to be declared on or about May 7, 2018, and will be paid on or before July 6, 2018.

(8) Total financial debt consists of interest-bearing loans and borrowings, financial leasing, borrowings from associated companies, loans from the Ministry of Science and Technology and other interest bearing loans but does not include derivative financial instruments, non-interest bearing loans, other current non-trade liabilities, deferred income, provisions, deferred tax liabilities, trade and other payables and other liabilities. Net financial debt consists of total financial debt less cash and cash equivalents and current financial assets. The following table presents a reconciliation of total financial debt and net financial debt to an appropriate measure calculated in accordance with IFRS:

	Year ended December 31,		
	2015	2016	2017
	(€ million)		
Interest bearing loans and borrowing and debt issues	1,730.9	1,967.6	2,710.9
Financial leasing	35.2	33.6	32.6
Borrowings from related parties	79.0	70.1	59.3
Other non-current financial liabilities	39.4	35.0	34.2
Total financial debt	**1,884.5**	**2,106.3**	**2,837.0**
Current financial assets	35.4	43.2	78.9
Cash and cash equivalents	356.0	430.5	860.2
Net financial debt	**1,493.1**	**1,632.6**	**1,897.9**

(9) Calculated by dividing net financial debt by EBITDA. In the year ended December 31, 2014, our net financial debt amounted to €1,410 million, resulting in a net leverage ratio of 2.15x.

(10) Net financial expenses consist of finance expenses less finance income.

(11) Calculated by dividing EBITDA by net financial expenses.

Summary Segmental Information of the Company

The following table shows selected financial information on a segmental basis for the periods indicated.

	As of and for the year ended December 31,		
	2015[1]	2016	2017
	(in millions of €, except percentages)		
Western Europe			
Revenue	3,607.4	3,704.1	4,011.2
EBITDA	347.3	378.0	423.9
EBITDA margin	9.6%	10.2%	10.6%
Eastern Europe			
Revenue	660.7	859.5	1,043.4
EBITDA	86.3	95.6	122.9
EBITDA margin	13.1%	11.1%	11.8%

Mercosur			
Revenue	466.5	401.3	562.3
EBITDA	26.3	23.2	59.5
EBITDA margin	5.6%	5.8%	10.6%
North America			
Revenue	1,323.3	1,546.1	1,482.8
EBITDA	144.2	167.2	123.2
EBITDA margin	10.9%	10.8%	8.3%
Asia			
Revenue	976.6	1,037.9	1,101.9
EBITDA	156.2	177.1	160.4
EBITDA margin	16.0%	17.1%	14.6%

(1) In order to enable investors to compare our financial results for the financial year ended December 31, 2015 with the financial years ended December 31, 2017 and 2016, we have presented in this ad hoc disclosure, solely for informational purposes, certain reclassified financial information as of and for the financial year ended December 31, 2015 to reflect the same five geographical segments as we report starting from the year ended December 31, 2016. See "*Operating and Financial Review and Prospects—Segment Reporting*".

RECENT DEVELOPMENTS

Current Trading

We are in the process of finalizing our results for the two months ended February 28, 2018. Based on our management estimates and information currently available, we estimate that for the twelve months ended February 28, 2018 our revenue will be between approximately €8.22 billion and €8.25 billion and our EBITDA will be between approximately €897 million and €902 million. For the twelve months ended February 28, 2017 our revenue was €7.7 billion and our EBITDA was €845 million.

Our results for the twelve months ended February 28, 2018, compared to the twelve months ended February 28, 2017, benefited from increased sales to customers mainly in Western Europe (primarily in Spain, Portugal and France), Eastern Europe (primarily in Poland and Turkey) and Mercosur, and were partially offset by a decrease in sales in North America due to unfavorable exchange rate movements. The increase in sales is mainly due to the start of new projects related to tangible investments made in previous years.

Our EBITDA for the two months ended February 28, 2018 compared to the two months ended February 28, 2017, benefited from our higher sales volume, which has not resulted in corresponding increases in our fixed costs structure, and hence has resulted in a better distribution of our fixed costs within our overall costs structure.

We anticipate that our revenues and EBITDA in the two months ended February 28, 2018 are in line with the amounts considered in our budgeting process.

This information is based solely on preliminary internal information used by management. Our actual and consolidated financial results for the two months ended February 28, 2018 may differ from our preliminary estimated results and remain subject to our normal end of period closing procedures and review process. Those procedures have not been completed. Accordingly, these results may change and those changes may be material. We caution that the foregoing information has not been audited or reviewed by our independent auditors and should not be regarded as an indication, forecast or representation by us or any other person regarding our financial performance for the three months ended March 31, 2018, the six months ending June 30, 2018, the nine months ending September 30, 2018 or the full year ending December 31, 2018.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion together with our consolidated financial statements. The financial data in this discussion of our results of operations and financial condition as of and for the years ended December 31, 2017, 2016 and 2015 has been derived from the audited consolidated financial statements of Gestamp Automoción and its subsidiaries as of and for the years ended December 31, 2017 and 2016 prepared in accordance with IFRS as adopted by the European Union. We show the results of operations for the year ended December 31, 2015 reclassified to include a breakdown of our results of operations by geographic segment. This reclassification does not appear in our audited financial statements as of and for the year December 31, 2015. Certain monetary amounts, percentages and other figures included in this ad hoc disclosure have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Unless otherwise indicated, all historical financial information presented in this ad hoc disclosure is from Gestamp Automoción and its subsidiaries; accordingly, all references to "we", "us", "our" or the "Group" in respect of historical financial information in this ad hoc disclosure are to Gestamp Automoción and its subsidiaries on a consolidated basis unless otherwise indicated.

You should read the following discussion together with the sections entitled "Selected Financial and Other Information", "Risk Factors", "Forward-Looking Statements" and "Presentation of Financial and Other Data".

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" and "Forward-looking statements" sections of this ad hoc disclosure. Our actual results may differ materially from those contained in, or implied by, any forward-looking statements.

Overview

We are one of the world's largest suppliers of automotive components and assemblies in terms of revenue. We design, develop, manufacture and sell highly engineered body and chassis components and mechanisms to OEMs, primarily for use in the production of light vehicles. We have cultivated strong relationships with our OEM customers by offering them leading technologies through our extensive global footprint of 105 production facilities and 13 R&D centers in 21 countries over four continents, as of March 31, 2018. In addition, we have seven plants under construction, of which the acquisition of one production facility and one plant under construction are subject to the approval of the relevant competition authorities. Our technological leadership and extensive geographical and customer footprint allow us to take advantage of global growth opportunities while maintaining a conservative, diversified risk profile.

We offer our OEM customers a diverse product portfolio as a Tier 1 supplier of Body-in-White and Chassis structures and complex assemblies, opening systems and Mechanisms, as well as tooling and dies and other related services.

Our revenues grew by 8.6% in the year ended December 31, 2017, reaching €8,201.6 million (market production volume grew 1.7% in our production footprint according to IHS Markit Materials). In terms of profitability, EBITDA in the year ended December 31, 2017, reached €889.9 million with a growth rate of 5.8% when compared to the year ended December 31, 2016.

We believe we are the leading supplier of metal components for Body-in-White products globally by revenue. In Chassis products, we believe we are among the top three suppliers globally by revenue. In Mechanisms products, we believe we are the clear market leader globally by revenue.

Thanks to our ability to capture outsourcing projects from OEM customers and global footprint, as well as to our tooling capabilities, we believe we are one of the two truly global OEM suppliers that are able to develop and manufacture Body-in-White and Chassis structures and complex assemblies, opening systems and Mechanisms, while meeting the same high standards worldwide, whether the same vehicle model is produced in several regions or the same vehicle platform is used across different models globally.

Our expertise and core competence in developing and producing light-weight components help our customers to reduce CO_2 emissions while at the same time enhancing the safety features of their vehicles. Our leading technologies, global footprint and proven track record in executing complex projects set us apart from many of our competitors in the

industry and have allowed us to secure strong relationships with almost all major global automakers, including Volkswagen, Daimler, Renault Nissan, Ford, PSA, General Motors, BMW, Fiat Chrysler, Tata JLR, Volvo, Honda and Toyota, which represented our top 12 customers and together accounted for 89.1% of our consolidated revenues (excluding tooling) for the year ended December 31, 2017. In addition, our leading technologies have allowed us to rapidly grow our revenue with our newer OEM customers. We currently supply products to all top 12 OEMs globally by volumes.

We are committed to maintaining our technological leadership in the development of innovative and high quality products. We are involved in the full cycle of the component supply process, often co-developing parts jointly with our OEM customers and applying computer-aided design and crash test simulations in order to optimize weight and safety features. Between 2010 and 2017, the number of our co-development programs with OEM customers has increased from four to more than 250 across Body-in-White, Chassis and Mechanisms products. We design and manufacture components adapted to each new car model or platform and conclude contracts to provide these products throughout the anticipated life of the model or platform (usually between five and ten years). We have been successful in obtaining a high rate of renewal of our programs.

Our segment within the automotive components market has been, and continues to be, particularly characterized by the secular trend of OEMs outsourcing an increasing share of a vehicle's metal components content as they shift more of their capital spending to other areas. The push towards further weight reduction, known as 'lightweighting' and aimed at lowering fuel consumption and thereby CO_2 emissions, is another secular trend of our segment. These trends impact our organic investment and sales growth, particularly as OEMs increasingly rely on fewer, larger, well-capitalized and trusted partners. As such, our R&D and innovation capabilities are fully aligned with our customers' strategy in order to fulfill their needs.

We believe that our strategic, customer-focused record of geographical expansion and diversified revenue streams, as well as our manufacturing process, design and technological expertise underlie our historical and continuing financial and operational success. We believe that these factors have allowed us to achieve our position as a leading global supplier in the automotive industry, of strategic importance to many of the largest OEMs globally.

Segment Reporting

We are comprised of five segments, covering the following geographical regions: Western Europe (comprising Belgium, France, Germany, Luxembourg, Portugal, Spain, Sweden and the United Kingdom), Eastern Europe (comprising the Czech Republic, Hungary, Poland, Russia, Slovakia, Turkey and Romania), Mercosur (comprising Argentina and Brazil), North America (compromising Mexico and the United States), and Asia (comprising China, India, Japan, South Korea, and Thailand). These geographical regions represent our main operating units and are subject to monitoring and internal steering by our management based on the metrics of revenue and EBITDA. Financial income (expenses), Income tax expense and Profit (loss) attributable to non-controlling interests are analyzed in the Group as a whole, as the management of such metrics is carried out on a consolidated basis. For more information see "—Alternative Performance Measures ("APMs")".

Starting from the year ended December 31, 2016, we present our results of operation in the financial statements both on a consolidated basis and by geographical segmentation. For the purposes of comparability, we have reclassified our results for the year ended December 31, 2015 to reflect the same five geographical segments as we currently report. However, this reclassification by segment does not appear in our audited annual accounts as of and for the year ended December 31, 2015.

Key Factors Affecting our Results of Operations

We believe that the following factors impact our results of operations:

Outsourcing

Increasing investments by OEMs in the four pillars of CASE (connectivity, autonomous driving, shared mobility and electrification) lead to less investments in other important areas of vehicle construction such as Body-in-White and Chassis development and production. This trend, together with ongoing global platform standardization among OEMs, has led to an increased need of outsourcing, as OEMs entrust a select number of strategic supply partners with an increasingly high content of vehicle production. In parallel, specialization has led to advances achieved by strategic suppliers, such as ourselves, in certain technologies which OEMs find difficult to match in-house in price and quality, thereby resulting in increased outsourcing. For example, we are a market leader in the hot stamping manufacturing process, one of the most advanced technologies for reducing the weight of a vehicle's body structure and improving passenger safety in case of collision. In addition, as OEMs grow outside of their home markets, they are more inclined to

turn to external suppliers with plants located in close proximity to the OEMs' headquarters for content they have provided in-house in their home markets. For instance, nine of our plants are involved in supplying components for up to 50 versions of a vehicle for a project in Poland that requires significant skills and tooling capabilities. In 2017, several of our OEM customers have announced their strategy with regards to electric vehicles, including BMW's launch of 25 models by 2025 with an electrified drive system and VW's launch of 80 new electric vehicles by 2025. These model launches are expected to lead to an increase in the levels of outsourcing to global strategic suppliers, such as us. Furthermore, we benefit from economies of scale that our OEM customers find more difficult to achieve in their domestic markets.

Capital Expenditure

The growth of our business involves significant capital expenditure, to the extent that we build new manufacturing plants or increase capacity in existing plants. From 2015 to 2017, we invested €2.1 billion in total capital expenditures, of which approximately €1.1 billion was in growth projects. Growth capital expenditures include mainly capital expenditures in greenfield projects, of which we established 12 between 2013 and 2018, major expansions of existing facilities and new processes and technologies in existing plants. Increased success and penetration with our customers based on increased project awards translates into increased capital expenditure to accommodate the execution of those projects. Project awards involve long-term production orders based on the lifecycle of the specific model or platform, which provides strong visibility on mid-term project revenues, profit and cash flow potential. Once a project is ongoing, maintenance capital expenditure is limited. When new programs or vehicle models are required, usually at the end of a vehicle cycle, "renewal" or "replacement" capital expenditure is required in order to adapt existing infrastructure to accommodate new assembly and process design, although usually at levels significantly below the expenditure required to create the capacity in the first place.

The construction period for new manufacturing facilities (or expansions of existing facilities) typically ranges between 12 months and 24 months and the cash used in investments in property, plant and equipment associated with the construction and equipment of a new manufacturing facility typically ranges between €40 million and €70 million. Once the construction of a manufacturing facility is completed, the output of the manufacturing facility increases over time, reaching full production capacity typically during the following 18 to 24 months. As a result, EBITDA generated by greenfield projects is usually negatively impacted by ramp-up costs during the first two years after completion of construction and increasingly stabilizes after the relevant facility has reached full production.

Diversification

Our strong geographic, customer and product diversification has in the past had the effect of reducing revenue volatility during periods of economic downturn, as well as limiting our exposure to regional business cycles. Our well-diversified customer base, which includes all of the 12 largest OEMs by production volume, has limited our exposure to a decrease in the demand for any one OEM's product portfolio. Regional differences in duration, timing and intensity of economic cycles, combined with the diversity of our geographic footprint, have mitigated the effects of the economic cycle on our business, limiting the impact of our exposure to the cycle in any one region or geography. Our diversified revenue base has allowed us to take advantage of global growth opportunities, even during periods of economic downturn.

The revenues received from our five largest customers, Volkswagen, Daimler, Renault-Nissan, Ford and Peugeot Citroën represented 63.7% of our consolidated revenues (excluding tooling) in the year ended December 31, 2017. In terms of geographic diversification, Spain, Germany and the United States were the three highest revenue generating geographies and represented 44.1% of our revenues in the year ended December 31, 2017 compared to 46.6% of our revenues in the year ended December 31, 2016.

Global automotive market production

We operate within the global automotive equipment sector and our business growth is entirely driven by trends in the global automobile market. The cycles of the global automotive industry, which correlate with general global macroeconomic conditions, impact our OEM customers' production requirements and consequently impact the volume of purchases and pricing of our products by our OEM customers. Global vehicle production levels have grown moderately between 2012 and 2017, with substantial growth being registered in Western Europe and Greater China, which was partially offset by negative vehicle production growth in Mercosur and, to a lesser extent, Japan. The increase in vehicle production has resulted in a higher demand for our products and a positive impact on our revenues during that period, while slightly offset by the impact of slower economic growth from Brazil and Russia, which has weakened demand for new vehicles and, as a result, for our products.

While growth in China is expected to slow down compared to previous years, we believe that China, the Indian Subcontinent, South East Asia, North America, Eastern Europe and Mercosur have strong potential for vehicle production

volume growth. Brazil, in particular, after a significant decrease in vehicle production in recent years, is improving its economic prospects and we believe it has potential for growth in the coming years. While Russia has experienced weak economic performance recently, it has rebounded in 2017 and we believe there is potential for growth in the medium term. Going forward, global auto production is expected to sustain a steady increase at an estimated CAGR of 2.2% in the period between 2017 and 2021. Growth in vehicle production during that period is expected to be led primarily by Greater China, the single largest market globally, with an estimated increase of 3.0%, while other key geographies of North America and Eastern Europe are expected to grow their auto production at an estimated CAGR of 0.5% and 3.8%, respectively. Vehicle production growth in Western Europe is expected to remain flat between 2017 and 2021. Mercosur, which recorded declines between 2012 and 2017, is also expected to return to growth, with an estimated CAGR of 7.7% between 2017 and 2021.

Seasonality

Our business is seasonal. Due to the following factors, our working capital requirements typically increase during the first three quarters of the year and reduce towards the end of the year. OEMs typically slow down vehicle production during certain periods of the year. For instance, our customers in Europe typically downshift vehicle production during holiday seasons such as July, August or December and often conduct internal maintenance and adjustments to inventory in these periods. Furthermore, there are a fewer number of working days at the end of a year as opposed to the beginning of a year which results in a reduction in vehicle production at the end of the year. In addition, we typically agree final due amounts with our suppliers at the end of the year, which are usually paid at the beginning of the following year, resulting in higher payables at the end of the year and significant cash outflows during January and February. Furthermore, a significant portion of our tooling receivables balances are collected from our clients typically before year-end, resulting in cash inflows and a reduction in receivables at the end of the year. Our results of operations, cash flows and liquidity may therefore be impacted by these seasonal practices. However, our strong geographic, customer and product diversification allows us to take advantage of global production cycles and has mitigated the impact of regional demand fluctuations during the year on our business.

Foreign exchange transactions and translation

Although our reporting currency is the Euro, a portion of our sales and operating costs are realized in other currencies, such as, among others, the U.S. Dollar, Pound Sterling, the Brazilian Real, the Chinese Yuan, the Indian Rupee, the Mexican Peso, the Czech Crown, the Russian Ruble and the Turkish Lira. We seek to limit our foreign exchange transaction risk by purchasing and manufacturing products in the same country where they are ultimately sold to our customer. However, the translation of foreign currencies back to the Euro may have a significant impact on our revenues and financial results. Foreign exchange has an unfavorable impact on revenues when the Euro is relatively strong as compared with foreign currencies and a favorable impact on revenues when the Euro is relatively weak as compared with foreign currencies. The functional currency of our foreign operations is the local currency.

Assets and liabilities of the foreign companies included in the scope of consolidation, denominated in currencies other than the Euro, were translated to Euro using the applicable period-end rates of exchange. To counteract seasonal effects, the income statement items of these companies were translated to Euro at the applicable average rates prevailing throughout the period. Translation gains or losses are reported as a separate component of accumulated other comprehensive income in our consolidated statements of stockholders' equity (deficit). Gains and losses resulting from foreign currency transactions are included in net income (loss).

Steel price

A significant part of our cost base consists of purchases of raw materials, which vary in direct proportion to our sales. Raw materials represent on average approximately 38% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. While steel prices affect our revenue and costs, historically, our profit margins have not been significantly affected by changes in steel prices. In 2017, approximately 63% of our steel was purchased through OEM re-sale programs, under which an OEM customer negotiates directly with the steel suppliers the price of the steel that we use to manufacture components for that OEM. Such negotiated steel price is passed through to our OEM customers in the sale price of the automotive component. The remainder of our steel purchasing requirements is typically met through direct contracts with steel suppliers. Historically, we have negotiated with our OEM customers to pass through the increase or decrease in the steel price, eliminating significant volatility in our margins relating to such increases or decreases, and we intend to do so in the future.

We also sell scrap steel, which is a byproduct of our production process. Typically, the price of scrap steel fluctuates in line with steel prices. We generally share our recoveries from sales of scrap steel with our OEM customers either through scrap sharing agreements, in cases where we are on re-sale programs, or in the product pricing that we negotiate with OEMs based on increases and decreases in the steel price in cases where we purchase steel outside of

re-sale programs. As with input steel prices, we may be impacted by the fluctuation in scrap steel prices, either positively or negatively, but historically these fluctuations have had a limited impact on our margins.

Product pricing

During the life cycle of a contract, we are expected to achieve production efficiencies. Typically, in line with industry practice, we pass on a portion of these production efficiencies to our customers by way of price reductions during the term of the contract. In some cases, when negotiated price reductions are expected to be retroactive, we accrue for such amounts as a reduction of revenues as products are shipped. To the extent we are not able to achieve the efficiencies necessary to offset the price reductions, such price reductions negatively impact our profit margins.

Labor costs

Labor costs have represented in the last three years between approximately 17.9% and 18.2% of our total annual sales. A significant part of our labor costs are semi-variable in nature and can be adjusted to meet business needs. For example, we can adjust shifts worked in our manufacturing facilities and working hours in general according to the demand for our products. In addition, we also have considerable flexibility with respect to workers who are on project-based, non-fixed labor contracts. The semi-variable nature of our labor costs has assisted our strategic planning and has allowed us to maintain consistent profit margins.

Vehicle cycles

In our industry, once a project has been nominated to a preferred supplier, it is rare for an OEM to switch to another supplier, given the significant operational, technical and logistical costs of switching suppliers, particularly during the life cycle of a specific vehicle model. Vehicle models typically have long, multi-year product life cycles. Given these factors, while the actual revenues which we derive from a project ultimately depend on our OEM customers' production volumes achieved for the respective car models, we have good visibility on mid-term revenues within a relatively small range of sensitivity.

Principal Profit and Loss Account Items

The following is a brief description of the revenue and expenses that are included in the line items of our consolidated profit and loss accounts.

Operating Income

Revenue

Revenue is recognized when products are delivered or services are provided, regardless of when actual payment or collection occurs. Revenue is recognized at fair value of the balancing entry, defining fair value as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, taking into account the amount of any discounts or rebates provided. Revenue includes:

- Sale of goods: Revenue from the sale of goods is recognized when the following conditions have been met:
    - we have transferred to the buyer the significant risks and rewards of ownership of the goods;
    - we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
    - the amount of revenue can be measured reliably;
    - it is probable that the economic benefits associated with the transaction will flow to us; and
    - the costs incurred or to be incurred in respect of the transaction can be reliably measured.
- Manufacture of tools for third party sale and rendering of services: Tooling revenues are linked to projects under development. Related revenue development may not always reflect the evolution of tooling activity, depending on the timing of the underlying projects, given that revenue arising from the manufacture of tools for sale to third parties and the rendering of services is recognized by reference to the stage of completion of the transaction at the reporting date. This is referred to as the stage of completion method. See Note 6 to our consolidated financial statements for the years ended December 31, 2017 and 2016 and Note 5 to our

consolidated financial statements for the year ended December 31, 2015.

- Interest, royalties, and dividends: interest revenue is recognized as interest accrues taking into account the effective return of the asset (using the effective interest method, i.e., the rate that makes discounted future cash receipts through the expected life of the financial instrument equal to the initial carrying amount of the asset). Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividends are recognized when the shareholder's right to receive payment is established.

Other operating income

Other operating income is comprised principally of grants related to income and grants related to assets released to income for the year, surplus provision for environmental matters and other commitments and own work capitalized.

Operating Expenses

Our operating expenses are comprised primarily of expenses on raw materials and other consumables, personnel expenses and depreciation, amortization and impairment losses. Expenses are recognized when products are delivered or services are provided, regardless of when actual payment or collection occurs. Further, expenses are recognized when there is a decrease in an asset or an increase in a liability that can be measured reliably, and they are recognized during the period in which they are incurred.

Raw materials and other consumables

Our expenses on raw materials and other consumables include purchases of goods for re-sale and tools, discounts for prompt payment, purchase returns and similar transactions, volume discounts, change in inventories, purchases of raw materials, consumption of other supplies, expenses on work performed by third parties, impairment and reversal of impairment of goods for re-sale and raw materials.

Personnel expenses

Our personnel expenses include salaries, social security and other benefits expenses. Personnel expenses are primarily costs driven by the size of our operations, our geographical reach and customer requirements.

Depreciation, amortization and impairment losses

Depreciation and amortization relates to the depreciation of our property, plant and equipment. Annual depreciation is calculated using the straight-line method based on the standard estimated useful lives of the various assets. The physical life of our forming assets is typically longer. Our maintenance and replacement/renewal capital expenditures for our equipment are less than the depreciation of our assets. Land is not depreciated and is presented net of any impairment charges.

Property, plant, and equipment is carried at either acquisition or production cost, including all the costs and expenses directly related with assets acquired until ready for use, less accumulated depreciation and any impairment losses.

Certain major parts of some items of plant and equipment may require replacement at irregular intervals. The cost of these parts is capitalized when the part is replaced and depreciated over their estimated useful lives. The net carrying amount of replaced parts is retired with a charge to income when the replacement occurs. Ordinary repair or maintenance work is not capitalized.

An item of property, plant, and equipment is retired upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on retirement of the asset (calculated as the difference between the net disposal proceeds and the net carrying amount of the asset) is included in the income statement in the year the asset is retired. Borrowing costs directly attributable to the acquisition or development of a qualifying asset (which is an asset that takes more than one year to be ready for its intended use) are capitalized as part of the cost of the respective assets.

Other operating expenses

Our other operating expenses relate to maintenance and upkeep, other external services, taxes and levies, impairment of accounts receivable, profits or losses from disposal of assets, application of non-current provisions and profits from business combinations.

Financial income (expenses)

Financial income primarily consists of income from equity investments and loans within our group and to third parties.

Financial expenses are composed of interest expenses from our borrowings from companies within our group and our external financings including bank borrowings and trade bills and other financial expenses.

Exchange gains (losses)

Exchange gains (losses) relates to the impact of changes in the functional currency relative to the Euro on foreign currency borrowings considered permanent. These exchange gains (losses) are taken directly to equity under "Translation differences", net of the tax effect.

Transactions in foreign currencies are translated to Euros at the exchange rate prevailing at the date of the transaction. Exchange gains and losses arising on the settlement of these transactions or on translating foreign currency denominated monetary assets and liabilities at closing rates are recognized in the consolidated income statement.

Share of profits (losses) from associates carried under the Equity Method

Share of profits (losses) in companies carried under the equity method is composed of the results of companies included in our consolidated results, on which we have significant influence but not control or joint control. For the purposes of the preparation of our financial statements, significant influence is deemed to exist in investments in which we, directly or indirectly, hold over 20% of the voting power, and in certain instances where our holding is less than 20%, but significant influence can be clearly demonstrated (for example through veto rights on capital expenditures, approval of budget and annual accounts). Companies in which our direct or indirect holding is between 20% and 50%, but in which we do not hold the majority of voting rights or in which we do not have effective control or joint control with another third party entity, are consolidated using the equity method.

Income tax

We file income tax returns in each of the jurisdictions in which our subsidiaries are located. Our tax expense (tax income) was calculated based on accounting profit, which is calculated based on a number of factors such as theoretical tax expense, difference in prevailing rates, permanent differences, application of tax credits carried forward, tax credits restructured by prescription, adjustments related to current tax (previous years) and other tax adjustments.

Our theoretical tax rate applied was 28% for the years ended December 31, 2017, 2016 and 2015.

In the year ended December 31, 2015 "Other tax adjustments" includes adjustments to capitalized tax credits related to differences in tax rates.

Profit (loss) attributable to non-controlling interest

Our consolidated results include entities in which we have a non-controlling interest. See Note 18 to our consolidated financial statements for the years ended December 31, 2017 and 2016 and Note 16 to our consolidated financial statements for the year ended December 31, 2015, for a description of such entities.

Alternative Performance Measures ("APMs")

Below is a discussion of certain non-IFRS financial information. Such financial information is not defined under IFRS, and other companies may calculate such financial information differently or may use such measures for different purposes, limiting the usefulness of such measures as comparative measures. The APMs should not be considered in isolation and investors should not consider such information as alternative to net income as an indicator of our financial performance, an alternative to operating profit as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this ad hoc disclosure. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the financial statements for the years ended December 31, 2017, 2016 and 2015.

This ad hoc disclosure contains financial measures that are not defined or recognized under IFRS, including: EBITDA, EBITDA margin, growth capital expenditures, recurrent capital expenditures, adjusted operating cash flow, total financial debt, net financial debt, net financial expenses and leverage and coverage ratios. We present these APMs

because we believe that they contribute to a better understanding of our results of operations by providing additional information on what we consider some of the drivers of our financial performance. Furthermore, we believe that these APMs are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

In addition, the presentation of these measures is not intended to and does not necessarily comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

We believe that the description of these APMs in this ad hoc disclosure follows and complies with the European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM) dated October 5, 2015.

EBITDA and EBITDA margin

We calculate EBITDA as operating profit before amortization, depreciation and impairment losses. EBITDA is not a measurement of performance under IFRS and investors should not consider EBITDA as an alternative to operating profit as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity.

We calculate EBITDA margin as EBITDA divided by revenue.

We believe that EBITDA and EBITDA margin are meaningful for investors because they provide an analysis of our operating results, profitability and ability to service debt and because they are used by our chief operating decision makers to track our business evolution, establish operational and strategic targets and make important business decisions. To facilitate the analysis of our operations, EBITDA excludes amortization, impairment and depreciation expenses from operating profit in order to eliminate the impact of general long term capital investment.

The following table sets forth a reconciliation of EBITDA to our operating profit for the periods discussed herein.

	Year ended December 31,		
	2015	2016	2017
		(€ million)	
Operating profit	**400.2**	**462.6**	**484.7**
Adjusted for:			
Depreciation, amortization and impairment losses	360.1	378.5	405.2
EBITDA	**760.3**	**841.1**	**889.9**
Revenue	7,034.5	7,548.9	8,201.6
EBITDA margin	**10.8%**	**11.1%**	**10.9%**

Growth capital expenditures, recurrent capital expenditures and intangible capital expenditures

Growth capital expenditures include capital expenditures in greenfield projects, major plants expansions of existing facilities and new processes/technologies in existing plants. Recurrent capital expenditures include investments for plant maintenance and business replacement. Intangible capital expenditures include expenditures on intangible assets.

We believe that growth capital expenditures, recurrent capital expenditures and intangible capital expenditures are meaningful for investors because they provide information about our growth prospects and investment profile by illustrating the nature of our investments and cash flows.

The following table presents the calculation of these measures to reconcile with capital expenditures:

	Year ended December 31,		
	2015	2016	2017
		(€ million)	
Growth capital expenditures	286.2	389.6	434.4
Recurrent capital expenditures	248.0	251.5	265.9
Intangible capital expenditures	88.3	83.6	95.7
Capital expenditures	**622.4**	**724.7**	**796.0**

Adjusted operating cash flow

Adjusted operating cash flow is defined as our EBITDA, less our recurrent capital expenditures and our intangible capital expenditures.

We believe that adjusted operating cash flow is meaningful for investors because it is an indicator of our ability to generate operating cash flow in a scenario in which we aim to grow only in line with the overall vehicle production market, thereby enhancing the comparison with other companies with a lower growth profile than our own.

The following table presents the calculation of these measures:

	Year ended December 31,		
	2015	2016	2017
		(€ million)	
EBITDA	**760.3**	**841.1**	**889.9**
Intangible capital expenditures	(88.3)	(83.6)	(95.7)
Recurrent capital expenditures	(248.0)	(251.5)	(265.9)
Adjusted operating cash flow	**424.0**	**506.0**	**528.3**

Total financial debt and net financial debt

Total financial debt consists of interest-bearing loans and borrowings, financial leasing, borrowings from associated companies, loans from the Ministry of Science and Technology and other interest bearing loans but does not include derivative financial instruments, non-interest bearing loans, other current non-trade liabilities, deferred income, provisions, deferred tax liabilities, trade and other payables and other liabilities. Net financial debt consists of total financial debt less cash and cash equivalents and current financial assets.

We believe that total financial debt and net financial debt are meaningful for investors because they provide comprehensive information about our financial situation and are helpful in calculating our level of leverage.

The following table presents a calculation of these measures:

	Year ended December 31,		
	2015	2016	2017
		(€ million)	
Interest bearing loans and borrowings and debt issues	1,730.9	1,967.6	2,710.9
Financial leasing	35.2	33.6	32.6
Borrowings from related parties	79.0	70.1	59.3
Other interest bearing loans	39.4	35.0	34.2
Total financial debt	**1,884.5**	**2,106.3**	**2,837.0**
Current financial assets	35.4	43.2	78.9
Cash and cash equivalents	356.0	430.5	860.2
Net financial debt	**1,493.1**	**1,632.6**	**1,897.9**

Net financial expenses

Net financial expenses consist of financial expenses less financial income. We believe that net financial expenses are meaningful for investors because they provide an indication of our financing costs after taking into consideration the income from our financial investments.

	Year ended December 31,		
	2015	2016	2017
		(€ million)	
Financial expenses	(121.8)	(98.8)	(101.7)
Financial income	13.3	5.3	9.0
Net financial expenses	**(108.5)**	**(93.5)**	**(92.7)**

Ratio of net financial debt to EBITDA; ratio of EBITDA to net financial expenses

We calculate the ratio of net financial debt to EBITDA by dividing net financial debt by EBITDA. We calculate the ratio of EBITDA to net financial expenses by dividing EBITDA by net financial expenses.

	Year ended December 31,		
	2015	**2016**	**2017**
	(€ million, except ratios)		
EBITDA	760.3	841.1	889.9
Net financial debt	1,493.1	1,632.6	1,897.9
Net financial expenses	(108.5)	(93.5)	(92.7)
Ratio of net financial debt to EBITDA	2.0x	1.9x	2.1x
Ratio of EBITDA to net financial expenses	7.0x	9.0x	9.6x

Results of Operations

Year ended December 31, 2017 compared to Year ended December 31, 2016

The table below sets out our results of operations for the year ended December 31, 2017, compared to the year ended December 31, 2016.

	Year ended December 31,		
	2016	2017	% Change
	(€ millions)		
Consolidated Income Statement Data:			
Operating income	**7,673.9**	**8,390.5**	**9.3%**
Revenue	*7,548.9*	*8,201.6*	*8.6%*
Other operating income	*131.6*	*197.2*	*49.8%*
Changes in inventories	*(6.6)*	*(8.3)*	*(25.8)%*
Operating expenses	**(7,211.3)**	**(7,905.8)**	**9.6%**
Raw materials and other consumables	*(4,509.7)*	*(4,882.1)*	*8.3%*
Personnel expenses	*(1,366.9)*	*(1,492.8)*	*9.2%*
Depreciation, amortization, and impairment losses	*(378.5)*	*(405.2)*	*7.0%*
Other operating expenses	*(956.2)*	*(1,125.7)*	*17.7%*
Operating profit	**462.6**	**484.7**	**4.8%**
Finance income	5.3	9.0	69.8%
Finance expenses	(98.8)	(101.7)	(3.0)%
Exchange gains (losses)	(12.4)	(22.9)	(84.7)%
Other	(8.6)	1.1	NM
Profit before taxes from continuing operations	**348.1**	**370.2**	**6.3%**
Income tax expense	(88.9)	(82.1)	7.6%
Profit for the year	**259.2**	**288.1**	**11.2%**
(Loss) attributable to non-controlling interests	(37.8)	(48.4)	(28.0)%
Profit attributable to equity holders of the parent	**221.4**	**239.7**	**8.3%**

Revenue

Revenue increased by €652.7 million, or 8.6%, to €8,201.6 million in the year ended December 31, 2017 from €7,548.9 million in the year ended December 31, 2016. The increase in revenue is primarily attributable to a €307.1 million, €184.0 million and €161.0 million or 8.3%, 21.4% and 40.1% increase in revenue in Western Europe, Eastern Europe and Mercosur, respectively. These increases were partly offset by a €63.3 million or 4.1% decrease in revenue in North America.

The annual increase of our revenues was higher than the rate of increase in the overall volume of production in countries in which our manufacturing plants operate, which was 1.7% for the year ended December 31, 2017. The increase in our revenues resulted primarily from an increase of production volumes in existing and new programs and higher tooling revenues.

In line with recent years, in the year ended December 31, 2017, we have continued to make significant investments to support high-quality projects which provide high revenue visibility and are expected to drive strong profitable growth. As of December 31, 2017, our order book (excluding intercompany, scrap and tooling sales) covers more than 90% of the targeted revenues for the period up to 2020.

Revenue by geographic segment

The following tables set forth, by geography, our revenue for the years ended December 31, 2017 and 2016:

	Year ended December 31,		
	2016	2017	% Change
	(€ million)		
Revenue:			
Western Europe	3,704.1	4,011.2	8.3%
Eastern Europe	859.5	1,043.4	21.4%
Mercosur	401.3	562.3	40.1%
North America	1,546.1	1,482.8	(4.1%)

	Year ended December 31,		
	2016	2017	% Change
	(€ million)		
Asia	1,037.9	1,101.9	6.2%
Total	**7,548.9**	**8,201.6**	**8.6%**

Western Europe. Revenue from operations in Western Europe increased by €307.1 million, or 8.3%, to €4,011.2 million in the year ended December 31, 2017 from €3,704.1 million in the year ended December 31, 2016. This increase was mainly attributable to a solid growth across most countries which outpaced global market production volume growth in the same period, as a result of new project ramp-ups and a favourable mix of underlying vehicle models for which our plants supply components as well as very strong tooling revenues. This increase was offset in part by a decline in revenues in the United Kingdom due to the depreciation of the Pound Sterling against the Euro.

Eastern Europe. Revenue from operations in Eastern Europe increased by €183.9 million, or 21.4%, to €1,043.4 million in the year ended December 31, 2017 from €859.5 million in the year ended December 31, 2016. This increase in revenues was mainly due to continued growth activity in most countries, especially in Poland as a result of the ramp up of the new Volkswagen Crafter model, in Turkey as a result of our cooperation with FCA and Ford and in Hungary due to projects conducted for Audi.

Mercosur. Revenue from operations in Mercosur increased by €161.0 million, or 40.1%, to €562.3 million in the year ended December 31, 2017 from €401.4 million in the year ended December 31, 2016, attributable to above-market growth in both Argentina and Brazil, fueled by new program wins entering ramp-up phase and the related increase in market production volumes in both countries. Higher tooling revenues have also contributed to this increase in revenue.

North America. Revenue from operations in North America decreased by €63.3 million, or 4.1%, to €1,482.8 million in the year ended December 31, 2017 from €1,546.1 million in the year ended December 31, 2016, mainly driven by a change-over in large programs in the United States and Mexico resulting in lower production volumes. The depreciation of the U.S. Dollar against the Euro and lower tooling revenues, both in the fourth quarter of the year, also had a negative impact on our revenues in North America.

Asia. Revenue from operations in Asia increased by €64.0 million, or 6.2%, to €1,101.9 million in the year ended December 31, 2017 from €1,037.9 million in the year ended December 31, 2016, driven mainly by good performance in our Pune plants in India and a moderate growth in China, negatively impacted by the depreciation of the Chinese Yuan and lower production volumes in our plant in Wuhan.

Operating expenses

Raw materials and other consumables. Raw materials and other consumables increased by €372.4 million, or 8.3%, to €4,882.1 million in the year ended December 31, 2017 from €4,509.7 million in the year ended December 31, 2016. This increase is mainly due to higher sales volumes consistent with the increase in revenues, and an increase in the price for raw materials.

Personnel expenses. Personnel expenses increased by €125.9 million, or 9.2%, to €1,492.8 million in the year ended December 31, 2017 from €1,366.9 million in the year ended December 31, 2016, mainly due to additional hires in relation to higher sales volumes in Western Europe, Mercosur, Eastern Europe and Asia and higher project and launching expenses, especially in North America.

Depreciation, amortization and impairment losses. Depreciation, amortization and impairment losses increased by €26.7 million, or 7.0%, to €405.2 million in the year ended December 31, 2017 from €378.5 million in the year ended December 31, 2016, mainly in Western Europe, North America, Asia and Eastern Europe, largely as a result of the depreciation of new investments carried out during the year ended December 31, 2016.

Other operating expenses. Other operating expenses increased by €169.5 million, or 17.6%, to €1,125.7 million in the year ended December 31, 2017 from €956.2 million in the year ended December 31, 2016, mainly due to higher sales volumes in Western Europe, Eastern Europe, Mercosur and Asia and higher project and launching expenses, especially in North America.

Operating profit

Operating profit increased by €22.1 million, or 4.8%, to €484.7 million in the year ended December 31, 2017 from €462.6 million in the year ended December 31, 2016. This increase was primarily due to the increase in revenues partially offset by higher project and launching expenses, especially in North America.

EBITDA

EBITDA increased by €48.8 million, or 5.8%, to €889.9 million in the year ended December 31, 2017 from €841.1 million in the year ended December 31, 2016, primarily due to the increase in revenues partially offset by higher project and launching expenses, especially in North America.

	Western Europe		Eastern Europe		Mercosur		North America		Asia		Total	
	Year ending December 31,											
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
	(€ million)											
Operating Profit	190.7	225.9	55.1	78.8	3.4	39.6	97.4	45.5	116.0	94.9	462.6	484.7
Adjusted for: Depreciation, amortization and impairment losses	187.3	198.0	40.5	44.1	19.8	19.9	69.8	77.7	61.1	65.5	378.5	405.2
EBITDA	**378.0**	**423.9**	**95.6**	**122.9**	**23.2**	**59.5**	**167.2**	**123.2**	**177.1**	**160.4**	**841.1**	**889.9**
Revenue	3,704.1	4,011.2	859.5	1,043.4	401.4	562.3	1,546.1	1,482.8	1,037.9	1,101.9	7,548.9	8,201.6
EBITDA Margin	10.2%	10.6%	11.1%	11.8%	5.8%	10.6%	10.8%	8.3%	17.1%	14.6%	11.1%	10.9%

Western Europe. EBITDA from our operations in Western Europe increased by €45.9 million, or 12.1%, to €423.9 million in the year ended December 31, 2017 from €378.0 million in the year ended December 31, 2016, primarily due to efficiency gains in the main markets, partially offset by higher tooling sales and the depreciation of the Pound Sterling against the Euro. As a percentage of revenue, EBITDA in Western Europe increased by 0.4 percentage points from 10.2% in the year ended December 31, 2016 to 10.6% in the year ended December 31, 2017.

Eastern Europe. EBITDA from our operations in Eastern Europe increased by €27.3 million, or 28.5%, to €122.9 million in the year ended December 31, 2017 from €95.6 million in the year ended December 31, 2016, primarily due to efficiency gains in Turkey, Poland and Russia, partially offset by launching expenses in Slovakia and the Czech Republic. As a percentage of revenue, EBITDA increased by 0.7 percentage points from 11.1% in the year ended December 31, 2016 to 11.8% in the year ended December 31, 2017.

Mercosur. EBITDA from our operations in Mercosur increased by €36.3 million, or 156.5%, to €59.5 million in the year ended December 31, 2017 from €23.2 million in the year ended December 31, 2016. This increase was primarily attributable to continued recovery of production volumes, the positive impact from the ramp-up of programs and performance improvements pursuant to a restructuring carried out in recent years. As a percentage of revenue, our EBITDA in Mercosur increased by 4.8 percentage points from 5.8% in the year ended December 31, 2016 to 10.6% in the year ended December 31, 2017.

North America. EBITDA from our operations in North America decreased by €44.0 million, or 26.3%, to €123.2 million in the year ended December 31, 2017 from €167.2 million in the year ended December 31, 2016. This decrease reflects the impact of the one-off non-recurring costs relating to above budget project launch costs and preventive measures to mitigate flaws in launches of other projects incurred in the third and fourth quarters of 2017, higher launch costs due to an increased number of project launches compared to the year ended December 31, 2016 as well as the change-over in large programs in the United States and Mexico which resulted in production volumes that were lower than expected. As a percentage of revenue, our EBITDA in North America decreased by 2.5 percentage points from 10.8% in the year ended December 31, 2016 to 8.3% in the year ended December 31, 2017.

Asia. EBITDA from our operations in Asia decreased by €16.7 million, or 9.4%, to €160.4 million in the year ended December 31, 2017 from €177.1 million in the year ended December 31, 2016. This decrease is primarily attributable to higher project and launching expenses, especially in our Tianjin and Matsusaka plants and a normalization of profitability levels after a high margin in the year ended December 31, 2016 which was due to unusually high utilization rates in our plants. As a percentage of revenue, our EBITDA in Asia decreased by 2.5 percentage points from 17.1% in the year ended December 31, 2016 to 14.6% in the year ended December 31, 2017.

Net financial expenses

Net financial expense decreased by €0.7 million, or 0.8%, to €92.8 million in the year ended December 31, 2017 from €93.5 million in the year ended December 31, 2016. This decrease was due in part to lower average interest rates on our financial liabilities and the renegotiation of loan interest margins with financial institutions, partially offset by a higher average net financial debt.

Exchange gains (losses)

Exchange losses increased by €10.5 million to €22.9 million in the year ended December 31, 2017 from €12.4 million in the year ended December 31, 2016. This increase was primarily due to the depreciation of the Pound Sterling and the Turkish Lira against the Euro.

Income tax

Income tax expense decreased by €6.8 million, or 7.6%, to €82.1 million in the year ended December 31, 2017 from €88.9 million in the year ended December 31, 2016. This decrease in the income tax was primarily due to the application of tax credits which were not recognized as such in our internal accounting as of December 31, 2016.

Profit (loss) attributable to non-controlling interest

Profit attributable to non-controlling interest increased by €10.6 million to €48.4 million in the year ended December 31, 2017, from €37.8 million in the year ended December 31, 2016. This increase in profit attributable to our non-controlling interest is primarily due to the application of tax credits, mainly in Poland and France, which were not recognized as such in our internal accounting as of December 31, 2016.

Year ended December 31, 2016 compared to Year ended December 31, 2015

The table below sets out our results of operations for the year ended December 31, 2016, compared to the year ended December 31, 2015.

	Year ended December 31,		
	2015	2016	% Change
	(€ million)		
Consolidated Income Statement Data:			
Operating income	**7,202.3**	**7,673.9**	**6.5%**
Revenue	*7,034.5*	*7,548.9*	*7.3%*
Other operating income	*156.9*	*131.6*	*(16.1)%*
Changes in inventories	*10.9*	*(6.6)*	NM
Operating expenses	**(6,802.1)**	**(7,211.3)**	**6.0%**
Raw materials and other consumables	*(4,308.6)*	*(4,509.7)*	*4.7%*
Personnel expenses	*(1,258.0)*	*(1,366.9)*	*8.6%*
Depreciation, amortization, and impairment losses	*(360.1)*	*(378.5)*	*5.1%*
Other operating expenses	*(875.4)*	*(956.2)*	*9.2%*
Operating profit	**400.2**	**462.6**	**15.6%**
Finance income	13.3	5.3	(60.1)%
Finance expenses	(121.8)	(98.8)	(18.9)%
Exchange gains (losses)	(24.7)	(12.4)	(49.8)%
Other	(14.2)	(8.6)	(39.4)%
Profit before taxes from continuing operations	**252.8**	**348.1**	**37.7%**
Income tax expense	(63.9)	(88.9)	39.1%
Profit for the year	**188.9**	**259.2**	**37.1%**
(Loss) attributable to non-controlling interests	(27.4)	(37.8)	37.9%
Profit attributable to equity holders of the parent	**161.5**	**221.4**	**37.1%**

Revenue

Revenue increased by €514.4 million, or 7.3%, to €7,548.9 million in the year ended December 31, 2016 from €7,034.5 million in the year ended December 31, 2015. The increase in revenue was primarily attributable to a €222.7 million, €198.8 million, €96.8 million and €61.2 million or 16.8%, 30.1%, 2.7% and 6.3% increase in revenue in North America, Eastern Europe, Western Europe and Asia, respectively. These increases were partly offset by a

€65.1 million or 14.0% decrease in revenue in Mercosur associated with lower sales in Brazil. These lower sales in Mercosur are due to a 8.8% decrease of overall vehicle production compared to the same period in the prior year.

The annual increase of our revenues was higher than the rate of increase in the overall volume of production in countries in which our manufacturing plants operate, which was 5.7% for the year ended December 31, 2016. The increase in our revenues resulted primarily from the start of production of major projects mainly in Eastern Europe and North America, including certain projects for which we received the outsourcing mandate for nearly all of the Body-in-White stampings, which also led to growth in tooling revenue. In addition, the start of production or the ramp-up of several new projects in the United States, Spain and China, where we have implemented significant investments in prior years, also contributed to our above-market growth.

Revenue by geographic segment

The following tables set forth, by geography, our revenue for the years ended December 31, 2016 and 2015 with and without constant currencies:

	Year ended December 31,		
	2015[1]	**2016**	**% Change**
	(€ million)		
Revenue:			
Western Europe	3,607.4	3,704.1	2.7%
Eastern Europe	660.7	859.5	30.1%
Mercosur	466.5	401.3	(14.0)%
North America	1,323.3	1,546.1	16.8%
Asia	976.6	1,037.9	6.3%
Total	**7,034.5**	**7,548.9**	**7.3%**

(1) In order to enable investors to compare our financial results for the financial year ended December 31, 2015 with the financial years ended December 31, 2017 and 2016, we have presented in this ad hoc disclosure, solely for informational purposes, certain reclassified financial information as of and for the financial year ended December 31, 2015 to reflect the same five geographical segments as we report starting from the year ended December 31, 2016. See "*Operating and Financial Review and Prospects—Segment Reporting*"

Western Europe. Revenue from operations in Western Europe increased by €96.7 million, or 2.7%, to €3,704.1 million in the year ended December 31, 2016 from €3,607.4 million in the year ended December 31, 2015. This increase was mainly driven by market volume growth in Spain, Portugal and France and related revenue growth of €51.0 million, €25.4 million, €24.1 million and €16.4 million, or 4.0%, 6.2% and 11.4% in Spain, France and Portugal, respectively, which outpaced global market production volume growth of 3.8% in the same period, as a result of new project ramp-ups and a favorable mix of underlying vehicle models for which our plants supply components. These increases were partly offset by a €15.1 million and €5.1 million or 2.2% and 6.5% decline in the United Kingdom and Sweden, respectively. The decline in sales in the United Kingdom was mainly driven by adverse movements of the exchange rate of the Euro against the Pound Sterling.

Eastern Europe. Revenue from operations in Eastern Europe increased by €198.8 million, or 30.1%, to €859.5 million in the year ended December 31, 2016 from €660.7 million in the year ended December 31, 2015, largely due to the sale of tooling products related to the new Volkswagen Crafter model produced in Poland for which virtually all of the Body-in-White and Chassis stampings have been outsourced to us. Revenues also grew considerably in the Czech Republic due to increased volumes of Body-in-White components manufactured at our facility in Louny as well as increased volumes of Mechanisms products, in both cases related to an increase in overall vehicle production volumes. Turkey also contributed to growth in Eastern Europe, largely due to an increase in the volume of vehicle production, particularly for Fiat. Revenue grew €144.5 million, €37.8 million and €30.6 million or 129.2%, 29.1% and 12.6% in Poland, the Czech Republic and Turkey, respectively. These increases were partly offset by a decrease in revenue of €10.1 million and €4.0 million or 8.6% and 43.5% in Russia and Slovakia, respectively. In Russia, the decrease was due to the impact of local currency devaluations, while, in Solvakia, the decrease was due to lower volumes.

Mercosur. Revenue from operations in Mercosur decreased by €65.2 million, or 14.0%, to €401.4 million in the year ended December 31, 2016 from €466.5 million in the year ended December 31, 2015, largely due to adverse exchange rate movements in both Brazil and Argentina. The decline in revenue in Brazil of €63.6 million or 29.0% was also driven by a lower volume of vehicle production compared to the same period in the prior year.

North America. Revenue from operations in North America increased by €222.8 million, or 16.8%, to €1,546.1 million in the year ended December 31, 2016 from €1,323.3 million in the year ended December 31, 2015, mainly driven by an increase of €246.5 million, or 27.2% in revenue attributable to the United States based on project ramp-ups in West

Virginia as well as a significant number of sales of tooling products related to projects in Chattanooga. Revenue in Mexico decreased by €23.7 million or 5.7% due to a decline in parts sales driven by planned stoppages related to the major plant expansion and new program launch at Toluca, partly offset by higher tooling sales.

Asia. Revenue from operations in Asia increased by €61.3 million, or 6.3%, to €1,037.9 million in the year ended December 31, 2016 from €976.6 million in the year ended December 31, 2015 driven mainly by Body-in-White sales in South Korea, as well as growth in Mechanisms in China, in each case due to ramp-up projects and increases in the volume of vehicle production, partially offset by adverse currency effects related to the Chine Yuan. Revenue increased by €29.5 million, €19.3 million and €10.4 million or 4.3%, 16.3% and 6.6% in China, South Korea and India.

Operating expenses

Raw materials and other consumables. Raw materials and other consumables increased by €201.1 million, or 4.7%, to €4,509.7 million in the year ended December 31, 2016 from €4,308.6 million in the year ended December 31, 2015, mainly due to an increase of our production in North America, Eastern Europe, Western Europe and Asia and is consistent with the growth rate of our sales. As a percentage of revenue, raw materials and other consumables decreased by 1.5 percentage points from 61.2% in the year ended December 31, 2015 to 59.7% in the year ended December 31, 2016, mainly as a result of our product mix in this period.

Personnel expenses. Personnel expenses increased by €108.9 million, or 8.6%, to €1,366.9 million in the year ended December 31, 2016 from €1,258.0 million in the year ended December 31, 2015, primarily due to an increase in the overall number of employees as a result of higher demand to facilitate the expansion of our business. As a percentage of revenue, our personnel expenses increased by 0.2 percentage points from 17.9% in the year ended December 31, 2015 to 18.1% in the year ended December 31, 2016.

Depreciation, amortization and impairment losses. Depreciation, amortization and impairment losses increased by €18.4 million, or 5.1%, to €378.5 million in the year ended December 31, 2016 from €360.1 million in the year ended December 31, 2015, largely as a result of new investments carried out in recent years, particularly in North America and Asia. As a percentage of revenue, depreciation, amortization and impairment losses remained stable at 5.0% in the years ended December 31, 2016 and 2015.

Other operating expenses. Other operating expenses increased by €80.8 million, or 9.2%, to €956.2 million in the year ended December 31, 2016 from €875.4 million in the year ended December 31, 2015, primarily due to an increase in our volumes of production in North America, Eastern Europe, Western Europe and Asia. As a percentage of revenue, our other operating expenses increased by 0.3 percentage points from 12.4% in the year ended December 31, 2015 to 12.7% in the year ended December 31, 2016.

Operating profit

Operating profit increased by €62.4 million, or 15.6%, to €462.6 million in the year ended December 31, 2016 from €400.2 million in the year ended December 31, 2015. This increase was primarily due to the higher sales volume and lower percentage increase in operating expenses as well as the positive impact of operating leverage.

EBITDA

EBITDA increased by €80.8 million, or 10.6%, to €841.1 million in the year ended December 31, 2016 from €760.3 million in the year ended December 31, 2015, driven mainly by revenue growth in North America, Asia, Eastern Europe as well as Western Europe. EBITDA growth was inhibited by a decline in EBITDA in Mercosur and the negative impact of exchange rates in the United Kingdom, Turkey, China and Brazil. As a percentage of revenue, EBITDA increased by 0.3 percentage points from 10.8% in December 31, 2015 to 11.1% in December 31, 2016.

EBITDA by geographic segment

	Western Europe		Eastern Europe		Mercosur		North America		Asia		Total	
	Year ending December 31,											
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	(€ million)											
Operating Profit	166.3	190.7	44.5	55.1	3.9	3.4	84.4	97.4	101.1	116.0	400.2	462.6
Adjusted for: Depreciation, amortization and impairment losses	181.0	187.3	41.8	40.5	22.4	19.8	59.8	69.8	55.1	61.1	360.1	378.5

	Western Europe		Eastern Europe		Mercosur		North America		Asia		Total	
	Year ending December 31,											
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	(€ million)											
EBITDA	**347.3**	**378.0**	**86.3**	**95.6**	**26.3**	**23.2**	**144.2**	**167.2**	**156.2**	**177.1**	**760.3**	**841.1**
Revenue	3,607.4	3,704.1	660.7	859.5	466.5	401.4	1,323.3	1,546.1	976.6	1,037.9	7,034.5	7,548.9
EBITDA Margin	9.6%	10.2%	13.1%	11.1%	5.6%	5.8%	10.8%	10.8%	16.0%	17.1%	10.8%	11.1%

Western Europe. EBITDA from our operations in Western Europe increased by €30.7 million, or 8.8%, to €378.0 million in the year ended December 31, 2016 from 347.3 million in the year ended December 31, 2015, primarily due to increased activity in our plants in Spain, Portugal and France and margin improvement in the United Kingdom. As a percentage of revenue, EBITDA in Western Europe increased by 0.6 percentage points from 9.6% in the year ended December 31, 2015 to 10.2% in the year ended December 31, 2016.

Eastern Europe. EBITDA from our operations in Eastern Europe increased by €9.3 million, or 10.8%, to €95.6 million in the year ended December 31, 2016 from €86.3 million in the year ended December 31, 2015. This increase was primarily attributable to sales of tooling products related to the new Volkswagen Crafter model and volume increases in Body-in-White and Mechanisms, particularly in the Czech Republic, partially offset by decreased production activity in Russia. As a percentage of revenue, EBITDA decreased by 2 percentage points from 13.1% in the year ended December 31, 2015 to 11.1% in the year ended December 31, 2016. This decrease in EBITDA margin was due to higher tooling sales in the year ended December 31, 2016 compared to the prior year, which generate a lower EBITDA margin than other product categories and higher launch costs, as well as due to a continuation in the decline in vehicle volumes affecting our customers in Russia.

Mercosur. EBITDA from our operations in Mercosur decreased by €3.1 million, or 11.8%, to €23.2 million in the year ended December 31, 2016 from €26.3 million in the year ended December 31, 2015. This decrease was primarily attributable to a decline in sales both in Brazil and Argentina. In addition, we undertook and executed a significant restructuring, which resulted in a reduction in headcount in order to adapt the workforce to market demand, resulting in the incurrence of extraordinary expenses. The devaluations of the local currencies during the year ended December 31, 2016 also had a negative impact on the translation of results into Euros and therefore on reported EBITDA. As a percentage of revenue, our EBITDA in Mercosur increased by 0.2 percentage points from 5.6% in the year ended December 31, 2015 to 5.8% in the year ended December 31, 2016.

North America. EBITDA from our operations in North America increased by €23.0 million, or 15.9%, to €167.2 million in the year ended December 31, 2016 from €144.2 million in the year ended December 31, 2015. This increase is primarily attributable to increased sales due to ramping up of projects in the United States, with a positive impact from tooling sales partially offset by higher launch costs related to new projects in both Mexico and the United States. As a percentage of revenue, our EBITDA in North America remained virtually constant at 10.8% in the year ended December 31, 2016 compared to the same period in the prior year.

Asia. EBITDA from our operations in Asia increased by €20.9 million, or 13.4%, to €177.1 million in the year ended December 31, 2016 from €156.2 million in the year ended December 31, 2015. This increase is primarily attributable to higher sales from our operations in South Korea, general improvements in efficiency and positive trends in our Mechanisms plants, which offset the negative impact of foreign exchange fluctuations, particularly in relation to the Chinese Yuan. As a percentage of revenue, our EBITDA in Asia increased by 1.1 percentage points from 16.0% in the year ended December 31, 2015 to 17.1% in the year ended December 31, 2016.

Net financial expenses

Net financial expense decreased by €15.0 million, or 13.9%, to €93.5 million in the year ended December 31, 2016 from €108.5 million in the year ended December 31, 2015. This decrease was primarily due to a lower average interest rate on our financial liabilities in the year ended December 31, 2016 compared to the prior year, mainly due to the refinancing of notes in the first half of 2016.

Exchange gains (losses)

Exchange losses decreased by €12.3 million to €12.4 million in the year ended December 31, 2016 from €24.7 million in the year ended December 31, 2015. In the year ended December 31, 2016, there was an impact from adverse currency movements primarily due to movements in Mexico, the United Kingdom, Turkey and Brazil.

Income tax

Income tax expense increased by €25.0 million, or 39.1%, to €88.9 million in the year ended December 31, 2016 from €63.9 million in the year ended December 31, 2015, which has resulted in a slight increase in the average tax rate

from 25.3% in the year ended December 31, 2015 to 25.5% in the year ended December 31, 2016. This increase in income tax was primarily due to higher profit from continuing operations in the year ended December 31, 2016 compared to December 31, 2015.

Profit attributable to non-controlling interest

Profit attributable to non-controlling interest increased by €10.4 million, or 37.9%, to €37.8 million in the year ended December 31, 2016 from €27.4 million in the year ended December 31, 2015. This increase is attributable to higher profits or lower losses achieved by our subsidiaries in which third parties hold a minority interest, such as our joint ventures in the U.S. and in Russia.

Liquidity and Capital Resources

Historical cash flows

The following tables set forth our historical cash flow items for the periods indicated:

	Year ended December 31,		
	2015	2016	2017
	(€ millions)		
Cash flows from operating activities:			
Profit for the year before taxes and after minority interest	**225.4**	**310.3**	**321.8**
Adjustments to profit	**542.1**	**489.7**	**504.2**
Depreciation and amortization of fixed assets and PP&E	*356.4*	*377.9*	*401.6*
Impairment of fixed assets and PP&E	*3.7*	*0.6*	*3.5*
Impairment	*5.6*	*(1.1)*	*16.0*
Change in provisions	*31.2*	*(12.2)*	*(14.0)*
Grants released to income	*(6.6)*	*(6.2)*	*(4.9)*
Profit (loss) attributable to non-controlling interests	*27.4*	*37.8*	*48.4*
Profit (loss) from disposal of fixed assets and PP&E	*(1.8)*	*(1.0)*	*(6.0)*
Profit from disposal of financial instruments	*13.8*	*0.1*	—
Financial income	*(13.3)*	*(5.3)*	*(9.0)*
Financial expenses	*121.8*	*98.8*	*101.8*
Share of profits from associates—equity method	*0.4*	*8.5*	*1.0*
Exchange rate differences	*4.9*	*(8.2)*	*(31.5)*
Change of fair value of financial instruments	—	—	*(2.1)*
Other income and expenses	*(1.4)*	—	*(0.6)*
Changes in working capital	**9.7**	**24.6**	**13.7**
(Increase) in Inventories	*(19.9)*	*(42.7)*	*(58.7)*
(Increase) in Trade and other receivables	*(141.6)*	*(168.7)*	*(3.6)*
(Increase) in other current assets	*(5.2)*	*(2.7)*	*(38.6)*
Increase in Trade and other payables	*171.1*	*243.2*	*117.0*
Increase/(Decrease) in other current liabilities	*5.3*	*(4.4)*	(2.4)
Other cash-flows from operating activities	**(177.2)**	**(172.0)**	**(156.0)**
Interest paid	*(113.1)*	*(98.2)*	*(99.9)*
Interest received	*8.7*	*6.3*	*8.3*
(Payments) of income tax	*(72.8)*	*(80.2)*	*(64.4)*
Cash flows from operating activities	**599.9**	**652.6**	**683.7**
Cash flows from investing activities:			
Payments on investments	**(616.2)**	**(738.4)**	**(910.1)**
Group companies and associates	*(2.5)*	*(7.6)*	*(10.9)*
Business combinations	*2.7*	*0.2*	*2.6*
Intangible assets	*(88.3)*	*(84.6)*	*(95.7)*
Property, plant and equipment	*(528.0)*	*(587.1)*	*(787.4)*
Other financial assets	—	*(59.4)*	*(18.6)*
Proceeds from divestments	**81.6**	**7.9**	**28.7**
Intangible assets	*0.6*	*1.5*	*6.5*
Property, plant and equipment	*20.2*	*6.4*	*22.2*
Net change of financial assets	*60.9*	—	—
Grants, donations and legacies received	**5.8**	**1.7**	**1.6**
Cash flows from investing activities	**(528.8)**	**(728.8)**	**(879.8)**

Cash flows from financing activities:			
Proceeds and payments on equity instruments	**(33.8)**	**(8.3)**	**(1.3)**
Change in non-controlling interests	*(32.2)*	*(6.3)*	*(2.1)*
Translation differences in equity	*(0.9)*	*(2.0)*	*0.8*
Other equity movements	*(0.7)*	—	—
Proceeds and payments on financial liabilities	**(120.8)**	**216.7**	**705.7**
Issue:	*162.7*	*1,226.9*	*1,065.3*
Bonds and other securities to trade	—	*497.9*	—
Interest-bearing loans and borrowings	*154.5*	*659.4*	*1,057.1*
Net change in credit facilities, discounted bills and factoring	—	*53.8*	—
Borrowings from Group companies and associates	—	*5.1*	*0.1*
Other borrowings	*8.2*	*10.8*	*8.1*
Repayment of:	(283.5)	(1,010.2)	(359.6)
Bonds and other marketable securities	*(20.4)*	*(807.9)*	—
Interest-bearing loans and borrowings	*(139.1)*	*(172.2)*	*(264.2)*
Net change in credit facilities, discounted bills and factoring	*(59.8)*	—	*(82.4)*
Borrowings from Group companies and associates	*(22.0)*	*(12.5)*	*(7.0)*
Other borrowings	*(42.3)*	*(17.7)*	*(6.0)*
Payments on dividends and other equity instruments	**(50.2)**	**(56.1)**	**(73.1)**
Dividends	(50.2)	(56.1)	(73.1)
Cash flows from financing activities	**(204.8)**	**152.3**	**631.3**
Effect of changes in exchange rates	**5.7**	**(1.6)**	**(5.4)**
NET INCREASE/DECREASE OF CASH OR EQUIVALENTS	**(128.0)**	**74.5**	**429.8**

Cash flows from operating activities

Our net cash flows from operating activities were €683.7 million in the year ended December 31, 2017, primarily attributable to (i) the profit for the year before taxes and after non-controlling interests of €321.8 million, as a result of increased activity and improvement of our underlying EBITDA in absolute terms; (ii) depreciation and amortization of €401.6 million; (iii) reduction of needs in working capital of €13.7 million; (iv) net cash payment of interest of €91.6 million; and (v) payment of income tax of €64.4 million. Our cash flow from operating activities were negatively impacted in the year ended December 31, 2017 by an increase in tooling in progress of €27.6 million, which was partially offset by an increase in non-recourse factoring of €79.6 million.

Our net cash flows from operating activities were €652.6 million in the year ended December 31, 2016, primarily attributable to (i) the profit for the year before taxes and after non-controlling interest of €310.3 million, as a result of increased activity and improvement of our operating margins; (ii) depreciation and amortization of €377.9 million; (iii) a reduction of needs in working capital of €24.6 million; (iv) net cash payments of interest of €91.9 million; and (iv) payments of income tax of €80.2 million. Our cash flow from operating activities was negatively impacted in the year ended December 31, 2016 by an increase in tooling in progress of €87.7 million, which was partially offset by an increase in non-recourse factoring of €76.8 million.

Our net cash flows from operating activities were €599.9 million in the year ended December 31, 2015, primarily attributable to (i) the profit for the year before taxes and after non-controlling interests of €225.4 million, as a result of increased activity and improvement of our operating margins; (ii) depreciation and amortization of €356.4 million; (iii) reduction of needs in working capital of €9.7 million; (iv) net cash payment of interest of €104.4 million; and (v) payment of income tax of €72.8 million. Our cash flow from operating activities were negatively impacted in the year ended December 31, 2015 by an increase in tooling in progress of €112.2 million, which was partially offset by an increase in non-recourse factoring of €73.3 million.

Cash flows from (used in) investing activities

Our net cash flows used in investing activities were €879.8 million in the year ended December 31, 2017, primarily attributable to €787.4 million used in investments in new projects in the United States, Mexico, China, Spain, Germany and the United Kingdom as well as €95.7 million used in investments in intangible assets, mainly in our R&D projects.

Our net cash flows used in investing activities were €728.8 million in the year ended December 31, 2016, primarily attributable to €587.1 million used in investments in new projects in the United States, Mexico, Spain, Germany and Poland, mostly tied to growth projects driven by our OEM customers, as well as €84.6 million used in investments in intangible assets, mainly in project developments.

Our net cash flows used in investing activities were €528.8 million in the year ended 2015, primarily attributable to €528.0 million used in investments in new projects in Spain, Poland, Mexico, China, the United States, United Kingdom and Germany, as well as €88.3 million used in investments in intangible assets.

Cash flows from financing activities

Our net cash flows from financing activities were €631.3 million in the year ended December 31, 2017, attributable to:

- the proceeds from interest-bearing loans and borrowings of €1,057.1 million;
- the repayment of interest-bearing loans and borrowings in the amount of €264.2 million; and
- the payments of €66.4 million in dividends to our shareholders and €6.7 million in dividends to shareholders in our subsidiaries.

Our net cash flows from financing activities were €152.3 million in the year ended December 31, 2016, attributable to:

- the amortization of bonds and other securities to trade in the amount of €807.9 million that were issued in 2013;
- the amortization of interest-bearing loans and borrowings in the amount of €172.2 million;
- the proceeds from bonds of €497.9 million and interest-bearing loans and borrowings of €659.3 million; and
- the payment of €48.4 million in dividends to our shareholders and €7.7 million in dividends to shareholders in our subsidiaries.

Our net cash flows used in financing activities were €204.8 million in the year ended December 31, 2015, attributable to a decrease in our indebtedness of €283.6 million and primarily due to a reduction of debts as a result of:

- the net amortization of other interest bearing loans in the amount of €64.8 million (repayments of loans and borrowings of €198.9 million and repurchase of then-existing notes of €20.4 million and proceeds from loans and borrowings of €154.5 million);
- the payment of €22.0 million of borrowings from Group companies, and €42.3 million of other borrowings; and
- the payment of €37.7 million in dividends to our shareholders and €12.5 million to shareholders in our subsidiaries.

Liquidity

Our principal source of liquidity is our operating cash flow, which is analyzed above. Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled *"Risk Factors"*.

Cash and cash equivalents amounted to €860.2 million, as of December 31, 2017. In addition, we have a revolving credit facility in an amount of €280.0 million as part of our Senior Facilities, undrawn as of December 31, 2017, as well as €677.0 million in credit lines of which €34.0 million were drawn as of December 31, 2017. These unsecured credit lines are generally renewed each year and have customary covenants. In this renewal process we may modify tenors and sizes, with a goal to extend tenors while reducing volume in 2018.

Although we believe that our expected cash flows from operations, together with available borrowings and cash on hand, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operations or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due or to fund our other liquidity needs.

Our liquidity needs include €544 million of financial debt maturing in 2018, cash flows from investing activities (which in the year ended December 31, 2017, exceeded cash flow from operating activities by €196.1 million), and

dividend payments to shareholders. In 2018, a dividend of €71.9 million to our shareholders and a dividend of €6.0 million to shareholders in our subsidiaries, out of net income for the year ended December 31, 2017, are expected to be declared on or about May 7, 2018, and will be paid on or before July 6, 2018.

We believe that the potential risks to our liquidity include:

- a reduction in operating cash flows due to a lowering of operating profit from our operations, which could be caused by a downturn in our performance or in the industry as a whole;
- the failure or delay of our customers in making payments due to us;
- the failure to maintain low working capital requirements; and
- the need to fund expansion and other development capital expenditures.

If our future cash flows from operations and other capital resources (including borrowings under our current or any future credit facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell our assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of the 2023 notes and any future debt may limit our ability to pursue any of these alternatives.

In addition, historically we have paid dividends to our shareholders of €37.7 million in the year ended December 31, 2015 (plus €12.5 million to shareholders in our subsidiaries), €48.4 million in the year ended December 31, 2016 (plus €7.7 million to shareholders in our subsidiaries) and €66.4 million in the year ended December 31, 2017 (plus €6.7 million to shareholders in our subsidiaries). In all cases, the dividends distributed amounted to 30% of the Group consolidated net income of the previous year, in line with the Company's policy to distribute dividends corresponding to 30% of the Group's consolidated net income of the previous year.

We are leveraged and have debt service obligations. As of December 31, 2017, we had approximately €1,897.9 million of net financial debt. We anticipate that our leverage will continue for the foreseeable future. Our level of debt may have important negative consequences for you.

Working Capital

The following table sets forth changes to our working capital for the periods indicated.

	Year ended December 31,		
	2015	**2016**	**2017**
		(€ millions)	
(Increase) in Inventories	(19.9)	(42.7)	(58.7)
(Increase)/Decrease in Trade and other receivables	(141.6)	(168.7)	(3.6)
(Increase) in Other current assets	(5.2)	(2.7)	(38.6)
Increase in Trade and other payables	171.1	243.2	117.1
(Decrease)/Increase in Other current liabilities	5.3	(4.4)	(2.4)
Total	**9.7**	**24.6**	**13.7**

Our working capital requirements largely arise from our trade receivables, which are primarily composed of amounts owed to us by our customers as well as unbilled tooling work in process, inventories primarily composed of raw materials (mainly steel) and other current assets which comprise receivables accounts with the public treasury by the advanced payments of taxes or refunds of taxes. Our trade payables primarily relate to trade payables to our suppliers for raw materials and services, other amounts to the public treasury for taxes and payments to our employees by way of

salaries. We have historically funded our working capital requirements through funds generated from our operations, from borrowings under bank facilities and through other sources of financing, such as recourse and non-recourse factoring of our accounts receivable. See Note 14 to our consolidated financial statements for the years ended December 31, 2017 and 2016 and Note 12 to our consolidated financial statements for the year ended December 31, 2015.

Net working capital requirements decreased by €13.7 million during the year ended December 31, 2017, as compared to a decrease of €24.6 million during the year ended December 31, 2016. The decrease in net working capital in the year ended December 31, 2017 was due to an increase in trade and other payables by 117.1 million, with average days for payments to suppliers increasing to 84 days in the year ended December 31, 2017, from 75 days in the year ended December 31, 2016, partially offset by an increase in inventories by €58.7 million, primarily due to increased production activity.

Net working capital requirements decreased by €24.6 million during the year ended December 31, 2016, as compared to a decrease of €9.7 million in the year ended December 31, 2015. In the year ended December 31, 2016, working capital requirements decreased primarily as a result of an increase in trade and other payables by €243.2 million, with average days for payments to suppliers increasing to 75 days in the year ended December 31, 2016, from 70 days in the year ended December 31, 2016, partially offset by an increase in inventories and trade and other receivables by €168.8 million, primarily due to a higher volume of work in process of tooling.

Our working capital requirements typically increase during the first three quarters of the year and decrease towards the end of the year. See "—Key Factors Affecting our Results of Operations—Seasonality".

We anticipate that our working capital requirements in the foreseeable future will generally be stable as a percentage of revenue. However, these requirements can fluctuate for a variety of factors, including any significant increase in receivables due to longer time periods to collect payment from our customers or a substantial increase in the cost of our raw materials.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated:

	As of December 31,		
	2015	2016	2017
		(€ millions)	
Capital expenditures	622.4	724.7	796.0

Capital expenditures for the years ended December 31, 2017, 2016 and 2015 amounted to approximately €796.0 million, €724.7 million and €622.4 million, respectively. We define capital expenditures as consisting primarily of expenditure on property, plant and equipment. This includes expenditure on new manufacturing plants and expansion of existing plant capacity for new production lines, maintenance capital expenditure comprising expenditures on maintenance of machinery and buildings, improvements of existing plants driven by health and safety and noise reduction concerns and replacement capital expenditure incurred when we change the engineering of our production platforms in connection with new models. Replacement capital expenditure is primarily incurred in connection with updating our welding and assembly cells and equipment, given that the most costly categories of our infrastructure, such as land, buildings and press equipment, have long lives and can be adapted with relatively low expenditure for replacement or renewal business.

We define net payments on investments as our actual net cash outlays for property, plant and equipment and intangible assets, taking into account increases and decreases in payables to our suppliers of property, plant and equipment and intangible assets, as well as proceeds from divestments of property, plant and equipment and intangible assets.

The following table presents a reconciliation for our capital expenditures:

	Year ended December 31,		
	2015	2016	2017
		(€ million)	
Growth capital expenditures	286.2	389.6	434.4
Recurrent capital expenditures	248.0	251.5	265.9
Intangible capital expenditures	88.3	83.6	95.7
Capital expenditures	**622.4**	**724.7**	**796.0**

Contractual Obligations

We have contractual commitments providing for payments primarily pursuant to our outstanding financial debt, excluding financial derivatives.

Our consolidated contractual obligations as of December 31, 2017, were as follows:

	Total	Less than 1 year	1–5 years	More than 5 years
		(€ millions)		
Contractual Obligations				
Interest bearing loans and borrowings	2,710.9	543.8	1,525.5	641.6
Financial leases	32.6	2.5	14.4	15.7
Borrowings from associated companies	59.3	2.0	37.9	19.4
Other financial debts	34.2	—	25.8	8.4
Total Financial Debt	**2,837.0**	**548.3**	**1,603.6**	**685.1**
Operating leases	497.2	89.9	215.4	191.9
Non-interest bearing loans	9.6	—	8.2	1.4
Current non-trade liabilities	130.0	130.0	—	—
Total Contractual Obligations	**3,473.8**	**768.2**	**1,827.2**	**878.4**

Off-balance Sheet Arrangements

We generally do not utilize off-balance sheet arrangements.

Critical Accounting Policies

Our financial statements and the accompanying notes contain information that is pertinent to this discussion and analysis of our financial position and results of operations. The preparation of financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. For a detailed description of our critical accounting policies, see Note 6 to our consolidated financial statements for the years ended December 31, 2017 and 2016 and Note 5 of our consolidated financial statements for the year ended December 31, 2015.

New Accounting Pronouncements

The following standards and interpretations, which are not yet effective and not yet endorsed by the European Union and have not been early adopted by the Group, will be adopted in future accounting periods:

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. We started applying IFRS 9 on January 1, 2018. See Note 5 of our consolidated financial statements as of and for the year ended December 31, 2017 for the expected quantified effect of IFRS 9 on our consolidated financial statements in 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized and also requires the provision of financial statements with certain additional disclosures. The objective is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. We started applying IFRS 15 from January 1, 2018. The table below sets forth the expected quantified effect of IFRS 15 on our consolidated financial statements in 2018:

	(€ millions)
Assets	**2017**
Work in progress	(143)
Finished products	(124)

Assets from conracts with customers	284
Total assets	17
Liabilities	**2017**
Deferred tax liabilities	5
Total liabilities	**5**
Impact in equity	**12**
Retained earnings	11
Non-controlling interest	1

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard, where lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases/Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. We currently plan to apply IFRS 16 initially on January 1, 2019.

The introduction of IFRS 16 will have significant impact on the reported results of the Group, although it is not currently possible to quantify the effect because it will be dependent on the financial instruments that we hold and economic conditions at that time, as well as accounting elections and judgements that we will make in the future.

Market Risks

Our treasury team is responsible for managing our exposure to financial risk and for minimizing the potential adverse effects on our financial returns. We are primarily exposed to market risk from changes in foreign currency exchange rates and interest rates and we are also exposed to liquidity risk and credit risk. We manage our exposure to these market risks through our regular operating and financing activities.

Foreign currency risks

In the year ended December 31, 2017, €4,883.7 million of our revenues (which represented approximately 59.5% of our revenue for that period), on a consolidated basis, were generated in currencies other than the Euro, and the net amount of depreciation of intangible and material fixed assets located in countries with currencies other than the Euro amounted to €2,449.0 million, which represented approximately 64.1% of our intangible and material assets. Our strategy for managing currency risk relies primarily on conducting business and making investments in a foreign country in that country's currency. The effects on us of foreign currency fluctuations are mitigated by the fact that expenses are generally incurred in the same currency in which revenues are generated.

However, fluctuations in the exchange rate between the currency in which a transaction is denominated and our presentation currency, the Euro, can have some negative or positive impact on our profit or loss.

We mainly operate in the following currencies: Argentine Peso, Brazilian Real, Chinese Yuan, Czech Crown, Euro, Pound Sterling, Hungarian Forint, Indian Rupee, Korean Won, Mexican Peso, Polish Zloty, Russian Ruble, Swedish Crown, Thai Baht, Turkish Lira, U.S. Dollar and Japanese Yen.

To manage exchange rate risk, we use a series of financial instruments that give us a degree of flexibility, essentially comprised of the following:

- Foreign currency forward contracts: These arrangements lock in the price at which an entity can buy or sell a currency on a set date; the timing can be adjusted to align the transactions with the hedged cash flows.

- "Puttable instruments": Other derivatives are also used to hedge currency risk, including those designed to lock in a maximum or minimum exchange rate (collar or tunnel) at a set settlement date.

As of December 31, 2017, we had no foreign currency forward contracts or puttable instruments in place.

The following table demonstrates the notional impact on our profits of a 5% positive and negative fluctuation in the currencies specified against the Euro:

	Currency	2017 Impact on Profit (€ thousands) 5% Fluctuation	−5% Fluctuation
	Swedish Krona	(1.5)	1.5
	U.S. Dollar	(1.5)	1.5
	Hungarian Forint	(0.7)	0.7
	Pound Sterling	0.8	(0.8)
	Mexican Peso	1.2	(1.2)
	Brazilian Reals	(0.2)	0.2
	Chinese Yuan	1.2	(1.2)
	Indian Rupee	0.2	(0.2)
	Turkish Lira	0.8	(0.8)
	Argentine Peso	0.4	(0.4)
	Russian Ruble	0.1	(0.1)
	Korean Won	0.3	(0.3)
	Polish Zloty	0.9	(0.9)
	Czech Koruna	0.2	(0.2)
Impact in absolute terms		**2.2**	**(2.2)**
Effect in relative terms		**0.9%(1)**	**(0.9)%(1)**

(1) Effect in relative terms is calculated by dividing impact in absolute terms by profit attributable to equity holders of parent company of €239.7 million.

Interest rate risks

A substantial portion of our borrowings bear interest at floating rates, exposing us to risk from fluctuations in market interest rates, so that market fluctuations affect cash flows. We mitigate this risk by using interest rate derivatives/hedges, through entities that operate on organized markets. These instruments are used to hedge exposure to fluctuations in floating interest rates on a portion of the bank loans granted to us and on a portion of expected future borrowings. We use mainly swaps, by which we convert the floating rate on a loan into a fixed rate. We may swap the rate on a portion of the loan or on the entire loan, and for its entire duration or a part thereof. Virtually all of our variable rate borrowings are at floating rates indexed to Euribor.

Assuming a 50 basis point variation in the average interest rate on our floating interest rate financial borrowings and assuming that all other variables remained constant, the finance cost would have been €7.1 million, €3.8 million and €0.1 million higher or lower in the years ended December 31, 2017, 2016 and 2015, respectively.

Liquidity risk

Liquidity risk is defined as the risk that a company will not be able to service its commitments as a result of adverse conditions in the debt markets that prevent or hinder its capital raising efforts. We manage liquidity risk by maintaining sufficient cash balances to enable us to negotiate refinancing on the best possible terms and to cover our near term cash outlays, thereby avoiding the need to raise funds on disadvantageous terms.

Credit risk

Credit risk is concentrated primarily in our accounts receivable. Our management considers that our counterparties are creditworthy, multinational companies. Volkswagen, Daimler, Renault Nissan, Ford, PSA, General Motors, BMW, Fiat, Tata JLR, Geely-Volvo, Honda and Toyota represented our top 12 customers and together accounted for 89.1% of our consolidated revenues (excluding tooling) for the year ended December 31, 2017. We manage our credit risk according to policies, procedures and controls determined by us regarding credit risk management of customers. At each closing date, we analyze on the basis of real historical data the balances of each major client individually in order to determine the need for provisions or impairment. We have no guarantee on debts and have concluded that the risk concentration is low given that our customers belong to distinct jurisdictions and operate in highly independent markets. Our credit risk with banks is managed by our treasury department according to our policies. The surplus cash investments are contracted only with authorized counterparties and always within the credit limit assigned for each counterparty. The limits are established in order to minimize risk concentration, thereby mitigating financial losses in the event of a default by the counterparty. Our maximum exposure to credit risk at December 31, 2017, 2016 and 2015 amounts to the carrying

values, except for financial guarantees and derivative financial instruments.

Commodity risk

The primary raw material used in our business is steel. We are mostly neutral to changes in the price of steel as a result of our pass-through arrangements with OEMs, which provide us a natural hedge. However, the prices of steel and energy have been volatile in the past, and while we have managed to maintain a high degree of neutrality with regard to the impact on our results, volatility may result in future declines in our margins, especially if we are not able to pass-through the impact of such price changes to our customers. In the year ended December 31, 2017, our purchases of steel amounted to €3,131.3 million or 41.7% of our total operating expenses excluding depreciation and amortization.

BUSINESS

Our Company

We are one of the world's largest suppliers of automotive components and assemblies in terms of revenue. We design, develop, manufacture and sell highly engineered body and chassis components and mechanisms to OEMs, primarily for use in the production of light vehicles. We have cultivated strong relationships with our OEM customers by offering them leading technologies through our extensive global footprint of 105 production facilities and 13 R&D centers in 21 countries over four continents, as of March 31, 2018. In addition, we have seven plants under construction, of which the acquisition of one production facility and one plant under construction are subject to the approval of the relevant competition authorities. Our technological leadership and extensive geographical and customer footprint allow us to take advantage of global growth opportunities while maintaining a conservative, diversified risk profile.

We offer our OEM customers a diverse product portfolio as a Tier 1 supplier of Body-in-White and Chassis structures and complex assemblies, opening systems and Mechanisms, as well as tooling and dies and other related services.

Our revenues grew by 8.6% in the year ended December 31, 2017, reaching €8,201.6 million (market production volume grew 1.7% in our production footprint according to IHS Markit Materials). In terms of profitability, EBITDA in the year ended December 31, 2017, reached €889.9 million with a growth rate of 5.8% when compared to the year ended December 31, 2016.

We believe we are the leading supplier of metal components for Body-in-White products globally by revenue. In Chassis products, we believe we are among the top three suppliers globally by revenue. In Mechanisms products, we believe we are the clear market leader globally by revenue.

Thanks to our ability to capture outsourcing projects from OEM customers and global footprint, as well as to our tooling capabilities, we believe we are one of the two truly global OEM suppliers that are able to develop and manufacture Body-in-White and Chassis structures and complex assemblies, opening systems and Mechanisms, while meeting the same high standards worldwide, whether the same vehicle model is produced in several regions or the same vehicle platform is used across different models globally.

Our expertise and core competence in developing and producing light-weight components help our customers to reduce CO_2 emissions while at the same time enhancing the safety features of their vehicles. Our leading technologies, global footprint and proven track record in executing complex projects set us apart from many of our competitors in the industry and have allowed us to secure strong relationships with almost all major global automakers, including Volkswagen, Daimler, Renault Nissan, Ford, PSA, General Motors, BMW, Fiat Chrysler, Tata JLR, Volvo, Honda and Toyota, which represented our top 12 customers and together accounted for 89.1% of our consolidated revenues (excluding tooling) for the year ended December 31, 2017. In addition, our leading technologies have allowed us to rapidly grow our revenue with our newer OEM customers. We currently supply products to all top 12 OEMs globally by volumes.

We are committed to maintaining our technological leadership in the development of innovative and high quality products. We are involved in the full cycle of the component supply process, often co-developing parts jointly with our OEM customers and applying computer-aided design and crash test simulations in order to optimize weight and safety features. Between 2010 and 2017, the number of our co-development programs with OEM customers has increased from four to more than 250 across Body-in-White, Chassis and Mechanisms products. We design and manufacture components adapted to each new car model or platform and conclude contracts to provide these products throughout the anticipated life of the model or platform (usually between five and ten years). We have been successful in obtaining a high rate of renewal of our programs.

Our segment within the automotive components market has been, and continues to be, particularly characterized by the secular trend of OEMs outsourcing an increasing share of a vehicle's metal components content as they shift more of their capital spending to other areas. The push towards further weight reduction, known as 'lightweighting' and aimed at lowering fuel consumption and thereby CO_2 emissions, is another secular trend of our segment. These trends impact our organic investment and sales growth, particularly as OEMs increasingly rely on fewer, larger, well-capitalized and trusted partners. As such, our R&D and innovation capabilities are fully aligned with our customers' strategy in order to fulfill their needs.

We believe that our strategic, customer-focused record of geographical expansion and diversified revenue streams, as well as our manufacturing process, design and technological expertise underlie our historical and continuing financial and operational success. We believe that these factors have allowed us to achieve our position as a leading global

supplier in the automotive industry, of strategic importance to many of the largest OEMs globally.

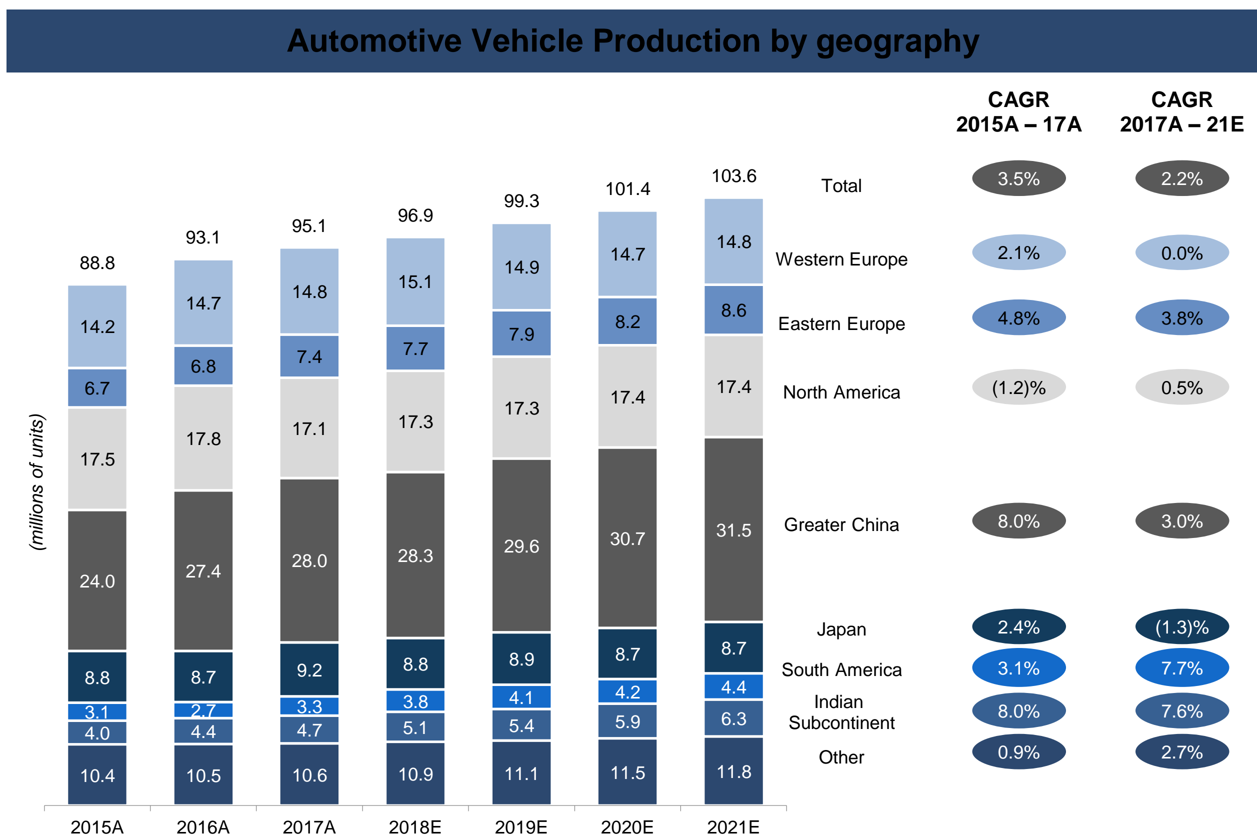
Our Market

The automotive industry designs, develops, manufactures, markets, sells and services motor vehicles which are classified into light vehicles and heavy commercial vehicles. The automotive production value chain is split between OEMs and automotive suppliers like us. The OEM market is concentrated with the 12 largest OEMs by production volume, all of which belong to our group of customers, accounting for 83.0% of global light vehicle production in 2017.

Automotive suppliers are generally less concentrated and are categorized into three different tiers. Tier 1 suppliers, such as ourselves, sell products directly to OEM customers. Typically these products are large modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers in turn typically integrate products from a further layer of suppliers referred to as Tier 3 suppliers. Moreover, automotive suppliers may generally be characterized as (i) global or regional; (ii) focused on one OEM group or customer-diversified; or (iii) capable of product development or only able to "build-to-print", i.e., active only in the production segment of the value chain. We are global, customer-diversified and capable of product development and thus a strategic partner to our OEM customers, capable of taking on engineering work typically performed by OEM customers themselves as well as influencing product design by co-developing products with OEM customers.

One of the factors influencing our revenue is the growth in vehicle sales and production. Although vehicle production growth rates tend to vary somewhat across geographical regions, global vehicle production as a whole has grown at a CAGR of over 3 % over the past 10 years, registering only two year-over-year declines during that period, in 2008 and 2009. Even during the global financial crisis in 2008 and 2009, some regions proved more resilient than others, while some OEMs fared somewhat better than others. Global automotive suppliers with a diversified customer base, such as ourselves, may thereby experience less volatility in revenue and more stable growth than many of the OEMs.

The chart below shows the expected automotive production growth by key geographic region for the period between 2017 and 2021:



Source: IHS Automotive (March 2018).

More recently, the automotive industry has recovered strongly from the decline in production and sales as a result of the financial crisis, albeit with regional variations. Global automotive unit production growth increased at a CAGR of 3.5% between 2015 and 2017. This increase has been primarily led by strong growth in Greater China, which

increased at a CAGR of 8.0%, as well as a result of the steady momentum in Western Europe, which increased at a CAGR of 2.1%. Going forward, global auto production growth is expected to sustain a steady increase, at an estimated CAGR of 2.2% in the period between 2017 and 2021. Growth during that period is expected to be led primarily by Greater China, the single-largest market globally, with an estimated increase at a CAGR of 3.0%, while other key geographies of North America and Eastern Europe are expected to grow their auto production at an estimated CAGR of 0.5% and 3.8%, respectively. Vehicle production growth in Western Europe is expected to remain flat between 2017 and 2021. Mercosur, which recorded declines between 2012 and 2016, came back to growth in 2017, with an estimated CAGR of 7.7% between 2017 and 2021

Industry sources forecast that in the period between 2017 and 2021 there will be a higher CAGR with respect to sales in Brazil, Russia, India, and China and in other emerging economies than the one experienced in more mature economies, such as those of Western Europe. Notwithstanding the recent declines in the Brazilian and Russian markets, Brazil, Russia, India and Greater China's combined automobile production is expected to increase at an estimated CAGR of 4.0% in the period between 2017 and 2021, compared to a CAGR of 2.2% in the global market during the same period. Primary drivers of this trend are expected to be rising disposable incomes, along with currently lower car ownership rates. In response to this, OEMs continue to develop their presence in these markets, resulting in an increased need for OEMs to establish supplier networks beyond their home markets. In certain of these markets, such as China, there is already significant demand for new, premium brand vehicle models. Nevertheless, vehicle demand in these emerging economies is predominantly for less advanced models with lower entry-level price points. The evolution of volume demand in these markets is taking place in parallel to an evolution of regulatory and industry standards modeled after those prevalent in mature economies. This trend not only offers automobile suppliers such as ourselves an opportunity to expand our business with our customers in these emerging markets, but it also is an indicator of the high predominance of steel over other more expensive materials, in the production of Body-in-White, Chassis and Mechanisms components in the industry for the foreseeable future.

Our Strengths

We operate in a growing market segment with favorable dynamics, and benefit from a geographically diverse footprint spanning 21 countries, with strong relationships with our OEM customers and a reputation for technological innovation, in particular in higher value-added technologies such as (i) hot stamping in our Body-in-White products, where we are a market leader with 84 hot stamping lines as of December 31, 2017, which is expected to increase to 92 in 2018, (ii) hybrid solutions involving steel pressings combined with other materials, in our Chassis products, and (iii) the first plastic door check and the first spindle drive for automatic lift-gates in the market, in our Mechanisms products. We believe these strengths have enabled us to increase our market share, win new business and increase our overall profitability.

Leading market position in large, protected and attractive segment representing highest overall content per vehicle

We believe that we are the leading supplier of metal components for Body-in-White products globally by revenue. In Chassis products, we believe that we are among the top three suppliers in the market, and in Mechanisms products, we believe we are the clear market leader globally.

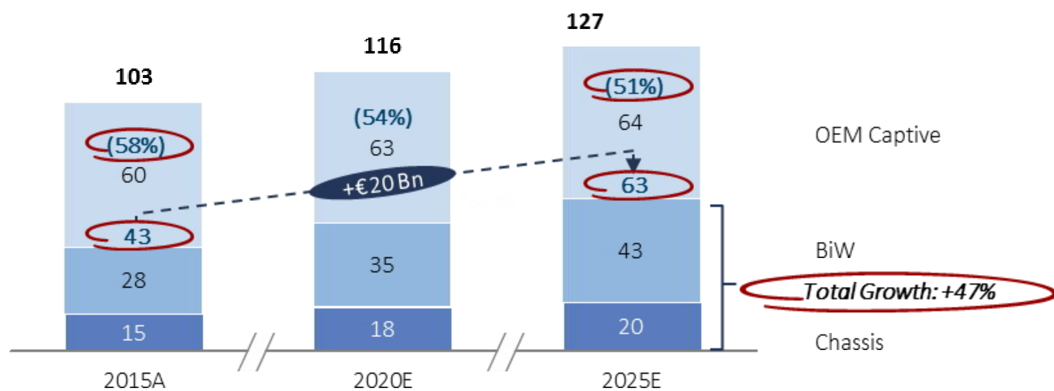
We have strategic and long-standing relationships with our largest OEM customers, which are based on confidence and an understanding established over many years of successful collaboration. We manufacture for over 900 vehicle models across approximately 92 brands and over 20 OEM groups.

As one of the world's largest suppliers of components and assemblies for light vehicles, we operate in a segment of the automotive industry that we believe requires participants to make significant investments, demonstrate high technical sophistication and possess a global footprint in order to remain competitive. We believe that we are one of only a few suppliers who can support an OEM during the early stages of product development and an even smaller number of suppliers that are capable of delivering solutions to complex projects. We do this on a truly global scale and a consistent and high quality basis across product portfolios, thanks to our ability to capture outsourcing projects from OEM customers and global footprint, as well as to our tooling capabilities. Our scale and ability to develop differentiated solutions for OEMs across a global footprint are critical to our success and differentiate us from local and regional suppliers, especially as increased outsourcing leads OEMs to entrust a fewer number of strategic supply partners with an increasingly high content of vehicle production.

Well-placed to substantially grow across the markets in which we operate and capitalize on current and future automotive market trends with minimal disruption risk from "car of the future" trends

We believe that our technological leadership, scale and extensive geographical presence have contributed to our financial and operational success and make us well-placed to substantially grow in the markets in which we operate. Global light vehicle production is expected to grow at an estimated CAGR of 1.9% between 2017 and 2025. During the period from 2008 to 2017, we have increased our organic revenues by a CAGR of 11.4%, while during the same period the CAGR of global light vehicle production has been 3.9% (per the IHS report). We believe we will continue to grow at a faster pace than global light vehicle production, capitalizing on the key trends in the automotive industry, including:

- *Outsourcing*. Increasing investments by OEMs in the four pillars of CASE (connectivity, autonomous driving, shared mobility and electrification) lead to less investments in other important areas of vehicle construction such as Body-in-White and Chassis development and production. This trend, together with ongoing global platform standardization among OEMs, has led to an increased need for outsourcing, as OEMs entrust a select number of strategic supply partners with an increasingly high content of vehicle production. In parallel, specialization has led to advances achieved by strategic suppliers, such as ourselves, in certain technologies which OEMs find difficult to match in-house, both in price and quality, thereby resulting in increased outsourcing. For example, we are a market leader in the hot stamping manufacturing process, one of the most advanced technologies for reducing the weight of a vehicle's body structure and improving passenger safety in case of collision. In addition, as OEMs grow outside of their home markets, they are more inclined to turn to external suppliers with plants located in close proximity to the OEMs' production facilities for content they would have otherwise provided in-house in their home markets. For instance, nine of our plants are involved in supplying components for up to 50 versions of a vehicle for a project in Poland that requires significant skills and tooling capabilities. Furthermore, we benefit from economies of scale that our OEM customers find more difficult to achieve in their domestic markets. Driven by increased outsourcing, our addressable market of automotive components and assemblies is expected to grow significantly faster than the overall automotive vehicle market, and we believe we are uniquely positioned to capture this growth. The total addressable market for Body-in-White and Chassis is expected to grow from €43 billion in 2015 to €63 billion in 2025, as illustrated by the chart below.



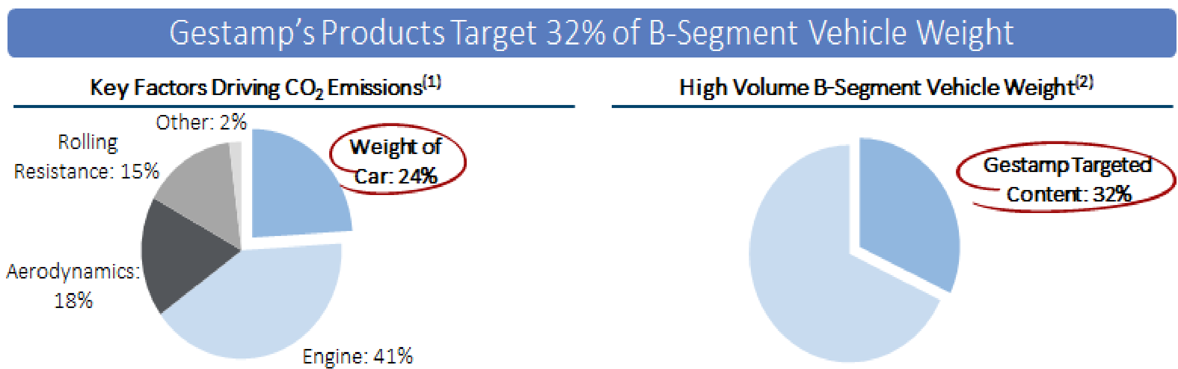
(1) Source: Roland Berger Study.
(2) Does not include Mechanisms market.

- *Common platforms and global models*. As OEMs gradually move towards platform standardization (in order to increase economies of scale across the value chain, differentiate their products from those of their competitors, expand the number of product segments in which they compete, extend the life of existing automobile platforms and remain responsive to changing lifestyle trends and customer tastes), they need large, technically and financially strong global suppliers that are capable of producing consistent and high quality products at competitive prices. As a result, global, reliable, multi-technology, high quality Tier 1 partners, such as ourselves, are increasingly taking market share from smaller, regional competitors, as these partners are in a better position

to meet the OEM criteria. Furthermore, we believe we are strategically entrenched with our OEM customers as a result of our long standing, strategic relationships with them, which we believe gives us an advantage over certain of our competitors. Our ability to win platform contracts and maintain close, collaborative relationships with our OEM customers in turn leads to higher revenue visibility.

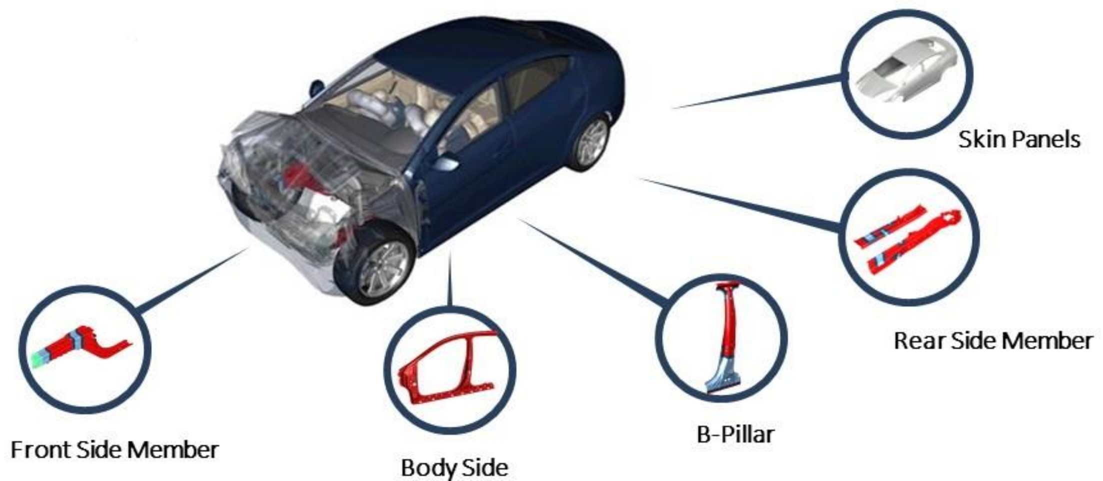
- *Increasingly stringent global CO_2 emissions regulations.* Automobile manufacturers, in order to meet evolving regulatory and industry-standard requirements in the markets in which they operate, are increasingly focused on weight and emissions reduction. This focus has initially been more intense in Western Europe, where standards generally have been more stringent than in other markets, but is increasing in North America and other markets as regulatory and industry standards continue to evolve. The technological expertise in light-weighting which we have developed in the European market is therefore increasingly in demand in other markets. We are a leader in developing lightweight components through hot stamping, which help our customers meet their CO_2 emission targets.

- Our significant R&D capabilities, leadership in hot stamping technologies and expertise in developing multi-material solutions enable us to provide innovative solutions to address OEM regulatory pressures in a cost-effective manner. The charts below set out the effect of our products on vehicle weight and, in turn, CO_2 emissions.

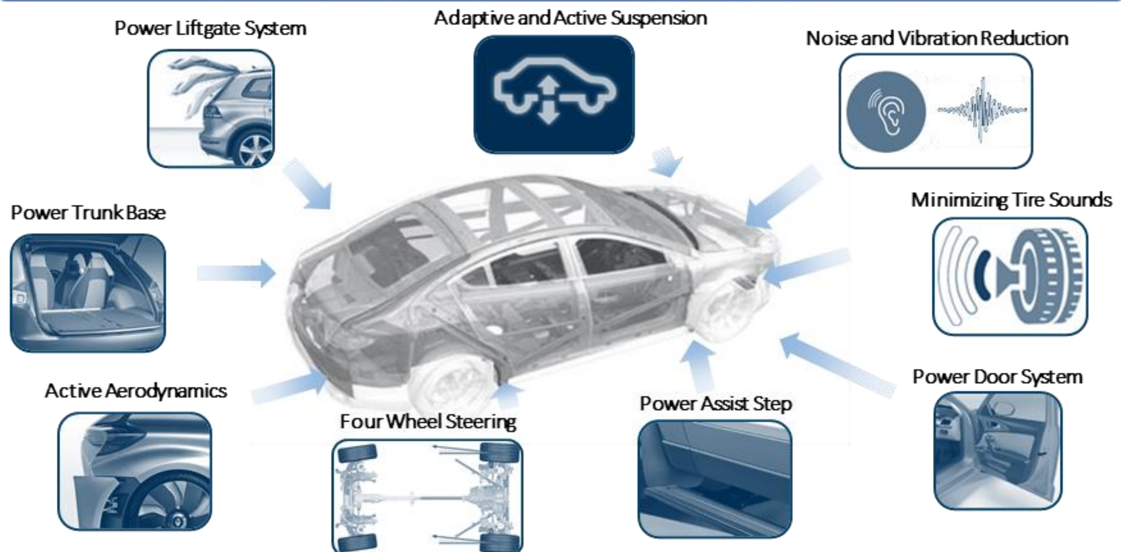


(1) Source: Automotive Circle International Insight Edition @ Ford USA 2015
(2) Source: A2MAC1 Global Automotive Benchmarking.

- *Increasing safety standards.* Our innovative, cost efficient products enable our OEM customers to comply with evolving safety regulations, which are becoming increasingly complex by addressing the full spectrum of vehicle safety. For example, our high strength and ultra high strength steel products significantly improve the ability of vehicles to withstand impacts. Also, we believe that energy absorption improvements in our Chassis and Body-in-White product portfolio increase driver and passenger safety by minimizing the effects of car-to-car side impacts while customized hood hinges in our Mechanisms product portfolio improve pedestrian safety. We believe vehicles will increasingly need to employ new technologies such as hot stamping, where we are a market leader, to satisfy stricter safety requirements, including car-to-car crash safety testing. The diagram below outlines our products which help our OEM customers to satisfy increasing safety requirements.



- *Higher comfort feature and dynamics*. Customers are becoming more focused on solutions that enhance the driving experience and provide additional comfort and dynamics. This is leading to an increase in demand of components such as power lift-gate systems, components that reduce noise and vibration, power door systems, power assist steps or sound minimizing tires, which we believe we are positioned to provide, as outlined in the diagram below.



- *Increasing importance of EVs*. We believe that we will experience minimal disruptions from future trends such as EVs or hybrid vehicles, autonomous driving and shared mobility models. Furthermore, we believe that EVs will enable us to provide more tailored, innovative products to increase our overall content per vehicle. In particular, EV and hybrid vehicles are generally heavier than other vehicles and while production materials may change over time, we believe that our expertise in developing lighter, safer components as well as our continued investment in our R&D capabilities will strengthen our ability to address current and future industry trends. For example, with Volkswagen we are developing a battery box concept for the electrical MEB platform, a Modular Electric Model line-up platform that will be used with a wide number of EVs, by applying various lightweight solutions, such as hot stamping.

Recognized technological leadership and well-integrated R&D capabilities

One of the global trends in the automotive industry is the increased focus on innovative and technologically advanced products that seek to address the parallel concerns of improved safety for passengers and road users and weight and emissions reduction. Our R&D capabilities and technological leadership, combined with our global footprint, enable

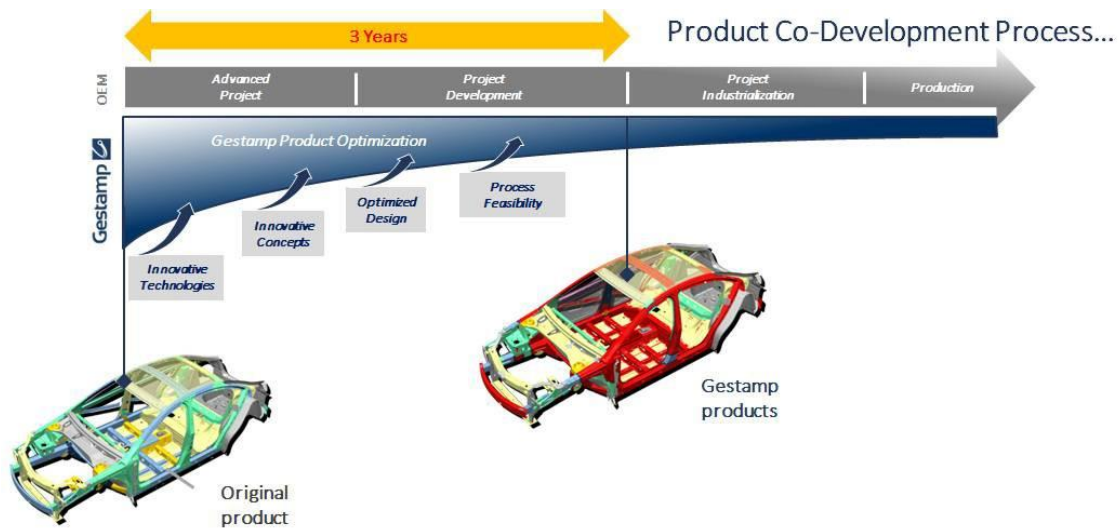
us to capitalize on OEMs' needs evolving from these regulatory requirements.

We believe we are a trusted co-development partner to our OEM customers as a result of our long standing, strategic relationship with them, and our co-development programs with OEM customers have increased from four in 2010 to more than 250 across our Body-in-White, Chassis and Mechanisms divisions in 2017. Our innovative products and market-leading processes are developed through our R&D platform, which has a dedicated team of over 1,500 employees spread across 13 centers around the globe. We are committed to continued investment in R&D and, in November 2017, we announced the opening of a new R&D center in Shanghai, China. The main objective of this new facility is to strengthen our collaboration both with international and local OEMs in China. The aim is to develop this site together with our customers in order to improve manufacturing processes and products and reduce costs at the same time. Additionally, we replaced two of our existing R&D centers in Asia and North America with new, improved facilities in 2017. The R&D center in Auburn Hills, Michigan, was inaugurated in May 2017 and houses robotic prototype assembly cells, a laser cell, a durability performance test lab and complementary metallurgical and metrology labs. Designed with the needs of our customers in mind, the Auburn Hills R&D center ensures faster response and access to technical information required. The R&D center in Tokyo, Japan, was inaugurated in June 2017 and is equipped with simulation resources, including virtual crash tests and advanced simulation of hot stamping processes, which offer comprehensive vehicle development capabilities for Chassis and Body-in-White with very high standards within the global R&D network.

We are a recognized leader in industry innovations based on the recurrent number of co-development projects that we are awarded and our large portfolio of multi-material solutions. Many of our products are manufactured using our state-of-the-art technologies in hot stamping and other high strength steel stamping processes. We believe that this technology is becoming the new standard for a growing number of vehicle body components globally. Our expertise in products manufactured through hot stamping, which provide tailored material performance, deformation control and energy absorption potential, improved safety and reduced vehicle weight, differentiates us from our competitors. Furthermore, we are a strategic partner for certain important premium brands in aluminum chassis development and collaborate with such brands in light weighting and aluminum technologies. We are active in developing new material applications and joining technologies and believe that we are well-positioned as a multi-material solutions provider to employ suitable combinations of steel, aluminum and fiber components (or other materials such as carbon) in producing components for our OEM customers. For example, we were appointed to implement certain of our patented press hardening processes and improvements to Ford's initial design for certain vehicle components, which improved crash and rupture behavior and reduced product weight by approximately 16%.

Further, our sophisticated in-house tooling and project management capabilities, and our proven track record of successfully managing large, challenging projects complement our product development and technological expertise and have helped us win major project awards. For example, we have been entrusted with the manufacturing of the outside enclosures ("skin panels"), Body-in-White structural components and Chassis components in Chattanooga, Tennessee for the recently launched Atlas, Volkswagen's first midsize SUV to be produced in North America. This large-scale program award highlights our expertise in strategic products and processes such as Class A skin panels, hot stamping of structural components, and Chassis structures. We are also constructing a pressing plant in Slovakia near JLR's production facility that is expected to start production in mid-2018. This complete outsourcing, mostly of aluminum Body-in-White stamping for JLR, further exemplifies our OEM customers' tendency to entrust us with complex projects as we support them in their global expansion. Further, we have launched our first EV-Chassis production for a European OEM in the first quarter of 2018.

We are involved in the full cycle of the component supply process, often co-developing parts jointly with our OEM customers, which facilitates direct influence on product specifications. The chart below outlines the product co-development process from early idea to production.



For example, in Japan we developed press hardening technology onsite with Honda to reduce weight and increase safety in a cost effective manner. This co-development significantly enhanced our relationship with Honda, generating combined product patents that are jointly shared among Gestamp and Honda, the seventh largest OEM by production volume in 2017. This led to new orders at our West Virginia plant in 2014 for components for the new Honda Civic, which launched production in late 2015 and which also led to follow on awards in 2015 for components for the Honda CRV (which was launched in October 2016), as well as the Honda Accord (which was launched in the second half of 2017). The Honda Civic, which won the 2016 North American Car of the Year Award, where safety is among the selection criteria, features our soft zone hot stamping technology.

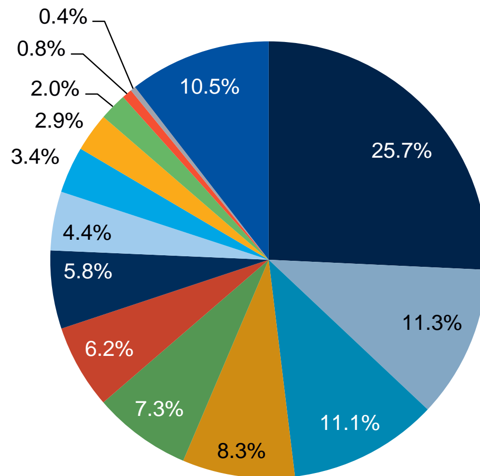
Supporting our innovative products and processes and in-house capabilities is the maintenance of rigorous quality management systems in all of our manufacturing plants and R&D facilities. Through regular internal audits we are able to ensure that our products and processes are monitored to the highest industry standards. We believe that these competencies and capabilities along the entire value chain, together with a high standardization of process equipment and process development, give us a competitive advantage over many other suppliers. In fact, these competences have already contributed to our competitiveness, for example, concept ideas developed first in 2011 (such as single shell lower control arms and single shell spring links) are today global market leaders.

Well-diversified portfolio of blue chip OEM customers

We have a large, diversified, global customer base, with long standing and trusted relationships established over many years of successful collaboration with each of the 12 largest OEMs worldwide and handle manufacturing for over 900 vehicle models.

The chart below sets out the breakdown of our customer base in 2017.

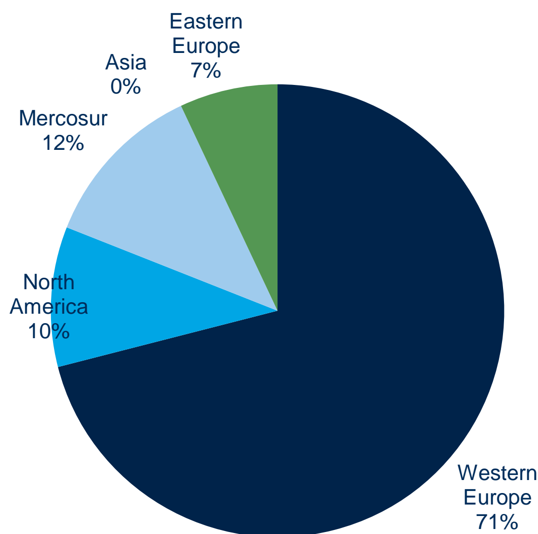
2017[(1)]
(% of revenues)



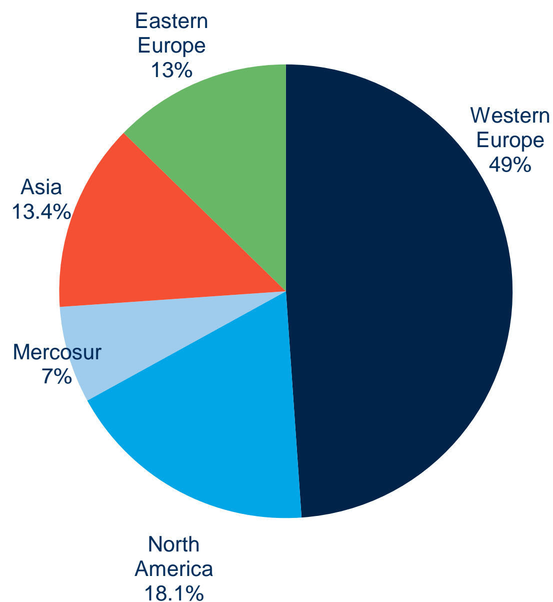
(1) Based on consolidated revenues from OEMs (excluding tooling).

We believe that our globally diversified revenue base makes us resilient to regional market fluctuations. For example, the recent declines in vehicle production in Russia and Brazil due to a challenging macroeconomic context have been offset by production growth in Asia, North America and Western Europe, while production in Asia and Mercosur during the global financial crisis in 2008 and 2009 mitigated the concurrent steep drop in vehicle production in North America. When Gestamp started its operations in 1998, only 27% of the revenues of the Group were generated outside of Spain. The chart below sets out the breakdown of our sales by geography in 2007 and 2017.

2007[(1)]
(% of revenues)



2017[(1)]
(% of revenues)



(1) Based on manufacturing origin of consolidated revenues.

The success of our geographical diversification is evidenced by the growth in the share of our total revenues originating in North America (10% for the year ended December 31, 2007) and Asia, where we had no presence in 2007 to 18.1% and 13.4% for the year ended December 31, 2017, respectively. Furthermore, the U.S. is now our third largest market, after Spain and Germany. We intend to continue our growth focus on North America and Asia, bolstered by our track record in winning new customers and new orders. We believe that these markets offer a strong potential for growth.

Furthermore, our joint venture with Mitsui has provided enhanced access to Japanese OEMs, as evidenced by deepening relationships with OEMs such as Honda, Toyota and Mazda. We believe that our technological leadership, particularly with regard to hot stamping structural components, offers solutions to Japanese OEMs that are superior to what is available within their traditional local and regional supplier networks. In addition, we see significant benefit in building relationships with local Chinese OEMs who are increasingly seeking our technologically advanced body and structural solutions. While for the year ended December 31, 2017, our revenues derived from Japanese OEMs amounted to only 7.0% of our total revenues, Japanese OEMs accounted for more than 30% of the global light vehicle production, creating a significant opportunity for us to grow. Similarly, our revenues derived from Chinese and Indian OEMs amounted to only 1.0% of our total revenues for the year ended December 31, 2017, while Chinese and Indian OEMs, taken together, accounted for more than 30% of the global light vehicle production.

We believe that our customer-focused approach to expansion has been key to our success. While we decide when and where to expand our market presence based on the economic and strategic merits of each particular business opportunity, we tend to expand in regional markets in line with our customers' strategic needs. Once we have established a strategic supplier relationship with an OEM customer, particularly in locations outside its home market, it becomes difficult for that OEM to switch suppliers, and we become well positioned to maintain or increase our business with that OEM. From operational, technical and logistical perspectives, OEMs often face substantial switching costs in replacing the supplier of a particular component or platform, particularly during the life cycle of a specific vehicle model. As a result, the supplier of a particular car model is also often chosen for subsequent generations of that model. This is largely due to the long lead time and significant investment required to set up the production and supply processes as well as the efficiencies and savings gained through experience with the manufacturing processes of particular products.

Our long standing and collaborative relationships with OEMs, highly advanced technological capabilities, global manufacturing and managerial footprint, significant operational scale and track record of financial stability provide us with an advantage over our competitors, entrench our strategic relationships with OEMs and encourage OEMs to entrust us with repeat and new business.

Increasingly growing global footprint

We have a geographically highly diversified global footprint with 105 production facilities and 13 R&D centres in 21 countries over four continents as of March 31, 2018. In addition, we have seven plants under construction, of which the acquisition of one production facility and one plant under construction are subject to the approval of the relevant competition authorities. Our customers often demand just-in-time and just-in-sequence component deliveries. Quality standards for many of the components we produce also require the distance travelled to the OEM to be minimized. These logistical and quality factors generally require that suppliers in our product segments be located close to OEMs' production facilities.

Our production facilities and R&D centers are located in close proximity to OEM R&D hubs and manufacturing plants, which allows us to provide services locally that are tailored to individual customer expectations. Furthermore, our proximity to OEMs enables us to have local-to-local supply chains almost anywhere in the world to facilitate just-in-time and just-in-sequence component deliveries, which are key to winning OEM mandates and maintaining OEM relationships.

Our extensive geographic reach, which we believe would be difficult to replicate without significant investment, provides us with an advantage over competitors by allowing us to deliver complex solutions on a global level and implement them on a local level, thus contributing to increased customer loyalty and in turn, higher revenue visibility.

High growth visibility and resilient business model

We have long-term and strategic relationships with our OEM customers. In our industry, once a project has been nominated to a preferred supplier, it is rare for an OEM to switch to another supplier, given the significant operational, technical and logistical costs of switching suppliers, particularly during the life cycle of a specific vehicle model. Given these factors, while the actual revenues which we derive from a project ultimately depend on our OEM customers'

production volumes achieved for the respective car models, we have good visibility into mid-term revenues. Each year, most of our revenues are derived from projects that continue into following years, given that vehicle cycles last several years. Based on current order book expectations (sales excluding intercompany, scrap and tooling sales we expect to record based on assumed volumes converting to orders and shipments under contracts for vehicle programs that we have been awarded by OEMs), we believe that about 90% of the revenues we expect in the period between December 31, 2017 and December 31, 2020 will be generated by orders already in hand by the end of 2017. In addition, we believe we have a strong track record of winning replacement business, including awards for content on subsequent cycles of car models for which we already manufacture components.

Furthermore, our disciplined capital expenditure program has and, we believe, will in the future continue to contribute to our revenue growth. Our capital expenditures are primarily comprised of investments in new manufacturing plants or increased capacity at existing plants and are tied to specific customer project mandates with high revenue visibility before investment commitments are made. When committing capital to new manufacturing plants or otherwise increasing manufacturing capacity, we are highly selective, focusing on contracts which allow us to meet our target project internal rate of return of 15%. Once a project is ongoing, maintenance and replacement capital expenditure is limited and relatively predictable. Our capital expenditures for the years ended December 31, 2017, 2016 and 2015 amounted to €796 million, €725 million and €622 million, of which approximately 33.0% qualified as recurrent capital expenditures in the year ended December 31, 2017.

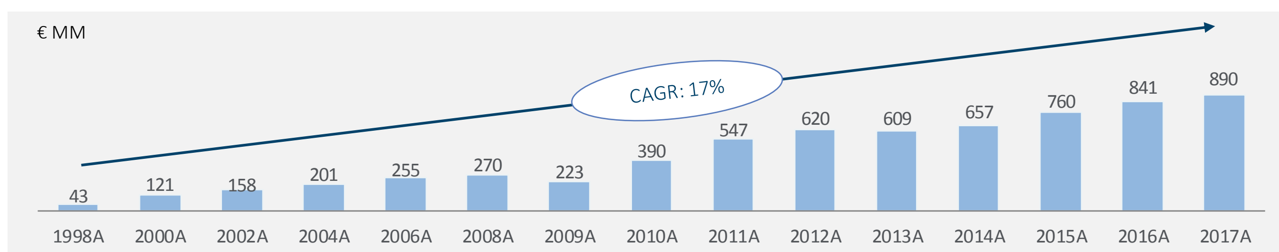
We have a variable and flexible cost base, with limited exposure to raw material price volatility and limited recurrent capital expenditure requirements once a project is ongoing. Raw materials represented on average approximately 38% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. While steel prices affect our revenue and costs, historically, our profit margins have not been significantly affected by changes in steel prices. In 2017, approximately 63% of our steel was purchased through “re-sale” programs with customers, whereby our OEM customers periodically negotiate with the steel maker the price of the steel that we use for the production of automotive components. Any fluctuations in steel prices are directly adjusted in the selling price of the final product. In the case of products that use steel which is not purchased under “re-sale” programs, our OEM customers adjust our selling prices based on the steel prices they themselves have negotiated with steel suppliers. Historically, we have negotiated and agreed our purchase contracts with steel suppliers under terms such that the impact (whether positive or negative) of the steel price fluctuation in these cases is minimal, and we intend to do so in the future.

In addition to our limited exposure to raw material price volatility, we have a low operating leverage, with fixed costs accounting for less than 19.4% of our revenues in the year ended December 31, 2017. A significant part of our labor costs, which have represented between approximately 17.9% and 18.2% of our total annual sales in the last three years, are semi-variable in nature and can be adjusted to meet business needs.

Our conservative risk profile also derives from our areas of product focus. The automotive component segment in which we operate is highly independent of the type of motorization, irrespective of whether the vehicle is gasoline or diesel, ICE or EV, or hybrid. Whether a vehicle has an ICE or is electrically powered, we are well-positioned to benefit from the current trends, as light weight and safety will continue to be key for our OEM customers. Therefore, we believe we are less exposed to the evolution of engine technology than other automotive suppliers. In fact, during 2017 our R&D teams have developed an innovative concept of battery box, a new product within EVs in which we have collaborated directly with the engineering departments of our OEM customers.

We have demonstrated increasing absolute EBITDA levels and stable, resilient EBITDA margins including during the economic downturn, with our EBITDA margin declining moderately to 11.0% in 2009 from 11.7% in 2008 and recovering in 2010 to 12.3%. As a result, we are able to focus on growth even during unfavorable market conditions. For example in Brazil, as a result of our flexible cost base and operational efficiency, we were able to maintain a stable EBITDA margin in the high single digits from 2014 to 2017 despite steep declines in light vehicle production in the region from 2014 to 2016. Furthermore, we have been able to maintain and improve conservative leverage ratios despite investing over €1.9 billion between 2015 and 2017 in tangible capital expenditures, largely for growth projects, a significant number of which have not yet reached full production capacity. For the years ended December 31, 2017, 2016 and 2015, our EBITDA was €889.9 million, €841.1 million and €760.3 million, representing a CAGR of 8.2%. We expect certain plants and projects to finalize full ramp-up in 2018 and 2019, and believe that this phase out of ramp-up costs, the expected recovery of certain auto production markets (where we have a significant presence), as well as our focus on new plants and expansion projects with higher EBITDA margins will help drive the increase of our overall EBITDA margin.

The chart below shows our EBITDA growth since our inception in 1998.



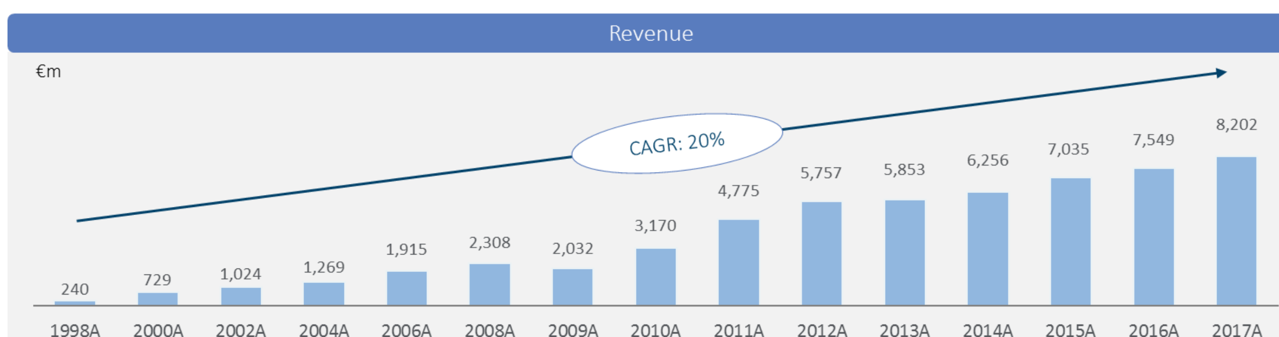
(1) Gestamp prepared its financial statements in accordance with IFRS for the first time in 2008. Prior to 2008, Gestamp prepared its financial statements in accordance with Spanish GAAP. IFRS differs in certain respects from Spanish GAAP, and accordingly data presented with Spanish GAAP may not be comparable to data prepared in accordance with IFRS.

(2) EBITDA numbers in 2010, 2011 and 2012 were impacted by the acquisitions of Edscha in 2010 and ThyssenKrupp's metal forming division (TK-MF) in 2011, respectively.

(3) Financial statements as of and for the year ended December 31, 2013 were restated to give effect to IFRS 10 and 11.

Similarly, our revenues have increased from €240 million in 1998 to €8,201.6 million for the year ended December 31, 2017, representing a CAGR of 20.4%. From 2009 to 2017 we have significantly outperformed some our peers, in terms of revenues according to their company filings.

The chart below shows our revenues growth since our inception in 1998.



Over the same period the global auto market, as measured by total units sold, has had a CAGR of 3%. Source: IHS Automotive (March 2018);

Highly experienced management team with proven track record and stable family ownership structure

Our management team has extensive experience in the automotive industry and most of our senior management have been with us for more than ten years while several key members of management have been with us for more than 15 years. Our management team has demonstrated a successful track record of achieving long term profitable growth over the economic cycle by maintaining double digit EBITDA margins even during the global financial crisis in 2008 and 2009 and successfully integrating sizeable acquisitions in 2010 (Edscha) and in 2011 (ThyssenKrupp Metal Forming), as part of an active and successful merger and acquisitions strategy. Furthermore, our management team has guided us to continuous growth since inception with revenue and EBITDA growing 255% and 230%, respectively, between 2008 and 2017. Our customer base has also expanded from including the seven largest OEMs in 2007 to the 12 largest OEMs in 2017. We have also experienced significant geographical diversification, largely due to access to Asian and North American markets. Sales in China represented 9.0% of total sales in the year ended December 31, 2017 as compared to the year ended December 31, 2007, when we had no presence in China and sales in North America represented 12.3% of total sales in the year ended December 31, 2017 as compared to 8.0% in the year ended December 31, 2007.

A focus on operational excellence across business divisions deeply entrenched in the company culture has been key to achieving our ongoing strategy of long-term value creation for our shareholders. Our ultimate controlling shareholders, the Riberas Family, have been instrumental in establishing and implementing our vision and strategy and continue to drive and support our profitable growth. The Riberas Family currently controls, directly or indirectly (through Acek and Gestamp 2020), approximately 71.27% of our issued share capital and intends to maintain ownership of more than 50% of our issued share capital, which will assist in maintaining our culture. Through its investment in Gestamp 2020, Mitsui currently indirectly has the economic benefit of 12.5% of our issued share capital. Mitsui also owns a 30% minority stake in our operations in North America and Mercosur. We expect Mitsui to accompany the Riberas Family as a long-term supportive shareholder in Gestamp. Our partnership with Mitsui has

increased our traction with Japanese OEMs outside of Japan, and we believe that our continued relationship with Mitsui will facilitate greater access to Japanese OEMs, which are currently under-represented in our customer base.

Our Strategies

Our goal is to continue to be the global partner of choice for OEMs in Body-in-White, Chassis and Mechanisms in order to maintain our historical above market growth. To achieve our goal, our strategy, as set out in detail below, focuses on maintaining and strengthening our technological leadership, maximizing growth on the basis of our client-oriented business model, continuing a relentless focus on operational excellence and driving long term value creation by enhancing high standards of corporate social responsibility.

Maintain and strengthen our technological leadership

To maintain our position as a leader in the automotive supplier market, we intend to be at the forefront of developing technological capabilities, manufacturing processes and new materials for use in our products. We believe that our ability and experience in working closely with our OEM customers on the co-development of Body-in-White, Chassis and Mechanisms products further strengthens our reputation as a leader in industry innovation based on the recurrent number of co-development projects that we are awarded and our large portfolio of multi-material solutions. We will continue to invest in R&D to make the "car of the future" safer and lighter by using innovative solutions that apply new materials and technologies while maintaining cost efficiency.

Enhancing technologies and processes

Regulatory and industry standards are moving towards more stringent emissions and safety requirements. As a result, car production is shifting from the use of cold stamping, the main manufacturing process used by OEMs today, towards hot stamping, where we are a market leader. Hot stamping provides enhanced deformation control and energy absorption, improves vehicle safety and reduces vehicle weight. Currently, up to approximately 40% of the total Body-in-White of certain advanced vehicle models have been produced with ultra high strength steel through the use of hot stamping.

The automotive industry is currently focused on developing the defining components of the "car of the future". Thus, OEMs have been focusing on developing powertrain technology, platform design and more recently, new shared mobility technologies. To free up capital, OEMs are increasingly willing to outsource the production of certain vehicle components such as Body-in-White and Chassis components to a select number of strategic supply partners such as ourselves. We believe that as OEMs invest less in their in-house capabilities relating to certain areas of vehicle production, they increasingly turn to suppliers like us to reduce vehicle weight and increase safety, which ultimately translates into a higher content per vehicle for us as the value of these lighter parts is higher. This in turn has led suppliers, such as ourselves, to achieve certain technological advances, which OEMs find difficult to match in-house in price and quality. We are the largest global supplier of Body-in-White parts produced via hot stamping and our manufacturing capabilities cover the entire value chain of hot stamping, from manufacturing of our own dies to the production of the hot stamping lines themselves, which we believe represents a significant advantage compared to other suppliers. We have increased our hot stamping production lines from 16 in 2007 to 84 in 2017 (with 92 expected in 2018) and we also have eight tool shops in Europe, one in America and one in Asia.

In Chassis, we are developing innovative solutions for components, focused on weight reduction, passenger safety and cost savings by applying advancements in materials, technologies and processes, including hybrid solutions involving steel pressings combined with other materials and solutions tailored for EVs.

In Mechanisms, we have introduced the first plastic door check and the first spindle drive for automatic lift gates in the market, which enhances the passenger experience in entering and exiting vehicles, and we were the first supplier worldwide to introduce a hood hinge made from carbon fiber reinforced plastic, which reduces vehicle weight.

Developing new materials and combinations of materials

While we will continue to develop, in cooperation with the steel industry, additional types of steel for use in our products, we believe that the "car of the future" will be made from a combination of different materials in addition to steel. We believe that we are a leader in aluminum stampings for Body-in-White, particularly with regard to skin panels (which are the largest aluminum-based component in Body-in-White), and are an important supplier for several premium OEMs, including BMW and JLR with regard to their aluminum stamping needs. We are currently a strategic partner to a number of premium brands in aluminum chassis development and have successfully introduced multi- material solutions to our customers. Our Chassis R&D teams are also developing hybrid solutions involving steel

pressings combined with other materials. While we believe the combination of high strength steel and hot stamping will remain the most cost effective means of producing automotive Body-in-White components in the medium term, we intend to strengthen our reputation as a multi material solutions provider by continuing to develop new materials and processes in producing components for our OEM customers. We also intend to focus on cultivating additional co-development opportunities with our OEM customers that facilitate our direct influence on product specifications, including materials used, which we believe would reinforce our position as a leader in industry innovation based on the recurrent number of co-development projects that we are awarded and our large portfolio of multi-material solutions.

Our investment in R&D is driven by our focus on improving fundamental characteristics of a vehicle such as weight, and safety through monitoring complete crash performance, deformation and energy absorption. We routinely showcase our R&D capabilities to OEMs globally, and in 2017 implemented several "Tech Shows" around the world to increase awareness of our technologies and strengthen our long standing relationships with our OEM customers. By continuing to invest in R&D, we believe that we can develop proprietary technology innovations while helping our OEM customers to improve vehicle safety, meet emissions targets and optimize costs, which together we believe will ultimately allow us to be one of a few key suppliers for OEMs across different geographies.

Maximize the growth potential of our client-focused business model

We believe that a key to our success is to be strategically close to our OEM customers, with regard to product development and the alignment of our geographical expansion strategies. Providing solutions to our OEM customers has made us increasingly critical to their success. We intend to continue to reinforce this strategy as a means to increase our share of content with the OEMs.

The foundation of our business lies in building long standing, collaborative relationships with OEMs by providing them with innovative, high-quality, cost-effective products in a timely, efficient manner. By further adapting to customer needs, we believe that we have become a trusted partner to our OEM customers and increasingly critical to their success. In addition, our senior management team has invested and will continue to invest significant time in cultivating and maintaining relationships with our OEM customers.

We prioritize customer relationships and believe that our customer-focused approach to expansion has been key to our past and current success. In particular, we believe that our close relationships with OEMs have provided us with insight into their individual needs, which in turn guides our own market expansion strategy. We believe that we are well-placed to support the needs of OEMs as they expand their business globally especially in light of the growing trend of outsourcing. Thus, we will continue to aim to be strategically close to our OEM customers both in terms of product development and geographical presence, with the aim of being the supplier of choice of OEMs, with a competitive advantage over other suppliers to capture market share.

In addition to our general growth and expansion strategy, we intend to target the following areas of focus:

Maintain leadership in the European market.

In Europe, we believe that we are the clear market leader for Body-in-White and Mechanisms and among the top three for Chassis in terms of revenue. We intend to maintain and improve our market presence and leadership in the European market by reinforcing the strong customer relationships that we already have.

Increase penetration of Asian OEMs

In order to be closer to markets with fast growing vehicle demand, Japanese OEMs, who generally tend to use their captive or semi-captive supplier networks, have been shifting more of their production facilities outside of Japan, which in turn has created opportunities for foreign suppliers like us to work directly with Japanese OEMs. As a result, we have been working on strengthening our relationships with Japanese OEMs. We believe that our track record of product innovation and technological leadership, particularly with regard to press hardening structural components, offers solutions to Japanese OEMs that are superior to components available from their traditional supplier networks. For example, we recently won mandates to supply components from our West Virginia plant for the Honda Civic, CR-V and Accord. Our Japanese OEM exposure has increased since our partnership with Mitsui in the U.S. began in 2013. We believe our continued relationship with Mitsui, who recently acquired 12.5% of our share capital, will facilitate even greater access to Japanese OEMs. On February 13, 2018, we acquired a plant from Scorpios Indústria Metalúrgica Limitada, a local group specialized in the manufacture of metal components in Brazil. The production facility has a workforce of 418 employees and recorded around €27 million in revenues in the year ended December 31, 2017. The Brazilian plant currently supplies Body-in-White components to the Japanese OEM Toyota. The acquisition reinforces our stated strategy of growing with Japanese customers, which currently account for approximately one third of global

light vehicle production. In addition, we opened a new hot stamping plant in Matsusaka, Japan, in February 2017.

We also intend to develop relationships with OEMs in other Asian markets such as China, which is expected to remain the single largest market globally for automotive production. We see a significant upside in strengthening our relationships with local Chinese OEMs and already have a regional presence of eight production facilities with three new production facilities currently under construction. On January 25, 2018, we signed a joint venture agreement with BHAP, a Chinese company specialized in auto components, which is a subsidiary of BAIC Group, one of the major automotive companies in China. The BAIC Group is the fifth largest car manufacturer in China and is specialized in manufacturing locally branded automobiles as well as Daimler and Hyundai vehicles via its own joint ventures with these OEMs. This joint venture strengthens our presence in the country. The operation is subject to approval from the Chinese anti-trust commission and other government authorities. The new alliance improves our strategic position, in order to support not only Daimler, Hyundai and other non-Chinese brands in the Beijing area, but also BAIC's own vehicle brands in all of China. Outside of Beijing, Tianjin, and Hebei Province, we will continue to manufacture auto components to all non-BAIC clients outside of the joint venture.

We are also working to expand our presence in India, concentrating on high value-add products. We expect that local OEMs will increasingly seek our products to help them meet certain technological and quality challenges that domestic suppliers may not be able to adequately address.

Selectively increase market share in North America

In North America, we are a leading supplier to German OEMs and intend to maximize our technological leadership and existing regional footprint in order to develop and enhance relationships with U.S. and Asian OEMs in the region. We are currently building new manufacturing facilities and expanding the capacity of existing manufacturing facilities, including in the U.S. (Chattanooga I, Chattanooga II and Washtenaw) and Mexico (Puebla II Phase 2). Furthermore, emissions standards, which have traditionally been more stringent in Europe, have been tightened in North America. We believe that our expertise in developing and producing light-weight components, which help our customers meet CO_2 emissions targets, makes us well-placed to increase our North American market share as OEMs become increasingly under pressure to comply with stricter emissions standards.

Drive organic growth through a disciplined capital expenditure program

Our capital expenditures are primarily comprised of investments in new manufacturing plants or increased capacity at existing plants and have been a result of disciplined growth tied to specific customer project mandates with high revenue visibility before investment commitments are made. Once a project is ongoing, recurrent capital expenditures are limited and relatively predictable. We intend to maintain our selective, disciplined capital expenditure program targeting growth projects which meet our target project internal rate of return of 15%.

Pursue strategic acquisitions

While we are primarily focused on organic growth, we have a strong track record of successfully integrating sizeable acquisitions, including Edscha in 2010 and ThyssenKrupp Metal Forming in 2011. We will continue to monitor the market for potential opportunities and may pursue selective acquisitions which support our strategy of offering our OEM customers optimized multi-material solutions for their light-weighting and safety requirements across a global footprint.

Guided by our continuing focus on building customer relationships, we intend to grow our business primarily by strengthening our position as a critical partner for OEMs worldwide, becoming a first choice supplier when OEMs expand into new markets or technologies and maintaining a focused growth strategy.

Relentless focus on operational excellence

Operational excellence is deeply rooted in our organizational structure and culture and we believe primarily driven by reliability and efficiency. As a result, we intend to focus on achieving and maintaining operational excellence by aiming to be a reliable supplier of consistently high quality products and by optimizing the efficiency of our internal operations.

Reliability

Product quality is a key concern for our OEM customers as each vehicle component can affect both vehicle functionality and user safety. Our expertise in project management on a global scale, as well as our in- house tooling capabilities, give our OEM customers the necessary confidence that we will be able to successfully execute high

content, complex projects according to the required quality standards. We aim to build on our proven track record of successfully managing projects which were highly demanding, whether due to scope and size, technological complexity, timing of execution, or geographic location. Furthermore, we believe that the rigorous quality management systems in all of our manufacturing and R&D facilities are critical to our strategy and intend to continue to maintain and improve such quality standards. For example, we apply high standards of testing capabilities in our crash, vibration and modal and fatigue and dynamic tests to our Body-in-White components. To further enhance customer confidence in our consistent and high quality production capabilities, we began identifying key human resources talent across our organization and implementing standardized training programs globally in 2015 and intend to continue these initiatives.

We believe that our diversified footprint and revenue base, our consistent track record of meeting our customers' strategic needs in project execution, the maintenance of high quality standards globally, and our conservative financial policies, have demonstrated to our OEM customers that we are a reliable partner, which has led to an increase in the content that such customers have awarded to us. We intend to continue to align our expansion to the strategic needs of our OEM customers in order that we become the supplier of choice to accompany OEMs as they enter new markets.

Efficiency

We believe that operational and management efficiency is crucial for Tier 1 suppliers, such as ourselves, to remain competitive in our industry where quality, price, supply chain management, client services and technological capabilities are all important criteria tracked by OEMs to select their preferred suppliers. As a result, we have designed our organizational structure to maximize operational efficiency as our business units are centered around customers, products, process innovation and R&D while our geographic divisions are focused on improving manufacturing processes and profitability such that each manufacturing facility can be tracked as a profit center.

Over the last few years, we have been implementing standardized corporate processes that complement our organizational structure in order to improve both operational and management efficiency and we intend to continue to focus on executing these initiatives, including the following:

- Requiring each manufacturing facility, group division and business area to track key performance indicators on a monthly basis;

- Measuring the performance of our manufacturing facilities through a standard system focused on tracking efficiency, production rates and saturation rates;

- Tracking production capacity across our manufacturing facilities in order to optimize their use;

- Standardizing all business and operational processes across our organization;

- Increasing the "intelligence" of our processes with our "Industry 4.0" plan, which through the comprehensive analysis of the performance data from our production facilities, will enable us to create standardized, reliable processes and streamline the management of our production facilities;

- Standardizing management of customer projects to improve transparency and collaboration as well as efficiency;

- Reducing energy consumption in our manufacturing facilities through an energy monitoring system developed together with internationally recognized technology partners;

- Consolidating performance data and know how in order to be able to access any piece of information in real time at any facility worldwide; and

- Managing our supplier base through a global platform that tracks supplier performance, risk and regulatory compliance while streamlining the order process.

Underlying our focus on maintaining operational excellence is a strong company culture focused on long term growth that has resonated since our inception primarily due to the continuing influence of our ultimate controlling shareholders, the Riberas Family. We intend to continue to partner and collaborate with those that we believe will positively contribute to our development such as Mitsui.

Focus on long term value creation by maintaining and enhancing high standards of corporate social responsibility

Supported by our strong track record in regulatory compliance, internal controls and risk management, we seek to build on our transparent and strong relationships with all of our stakeholders, enhancing our ties in particular with our employees, suppliers, investors, as well as other social and institutional bodies governing the sectors in which we operate. We aim to achieve this by continuous improvement in our management processes, such as corporate governance and regulatory compliance, maintaining an ongoing dialogue with our stakeholders and regulators, maintaining the highest standards of internal compliance and proactively addressing wider issues affecting our industry such as emissions standards, waste management and other environmental initiatives. In addition, we have participated in and intend to maintain our commitment to social and community initiatives, in particular to educational programs that provide young people with technological training.

Key Trends Affecting us and our Industry

The global automotive market is characterized by various global megatrends. These trends can be summarized in (i) technological and regulatory trends, (ii) geographical trends and (iii) trends related to the current strategy of OEMs.

Technological and regulatory trends:

- Increasingly stringent global regulations and standards related to emissions.
- Increased focus on active and passive safety.
- Increasing focus on comfort features and dynamics.
- Use of non-internal combustion engines, particularly electric vehicles.
- Global vehicle production.

Geographical trends:

- Regional shift towards emerging markets.
- Market recovery in Russia and Mercosur.
- Localized production.

Trends related to the current strategy of OEMs:

- Outsourcing parts of the production process to reduce capital requirements.
- Movement towards common platforms and global models.
- Autonomous driving technologies and shared mobility.

All these trends support us favorably, as vehicles will require a Body-in-White and Chassis and we expect that products with enhanced features like the ones we produce in Mechanisms, will become more widely applied.

Our Shareholders and History

On December 22, 1997, the Riberas Family founded Gestamp Automoción, S.A. with the aim of becoming a leading supplier in the automotive sector. Soon after our incorporation, we entered strategic automobile markets such as Germany, France and Brazil.

In 2004, we entered the U.S. market with the acquisition of our first manufacturing plant there and by acquiring the Hardtech Group, a Swedish group specialized in hot stamping that was already established in the United States. This acquisition allowed us to improve our technological competencies with the most innovative hot stamping technology. From 2006, we continued our expansion in new markets in Asia (Korea, India and China) and Eastern Europe, and continued our growth in the Americas and Western Europe.

In 2009, we acquired LSP Automotive Systems LLC, a U.S. subsidiary of the German group Läpple and

supplier of BMW which was facing financing problems. The acquired subsidiary was renamed to Gestamp South Carolina, LLC. Through this acquisition we supported BMW in a critical situation while we enhanced our presence in the U.S. and became a reference supplier to BMW.

In 2010, we acquired Edscha, a German leader in automotive closure systems in terms of revenue and product portfolio, with 14 plants and two R&D centers across nine countries, which allowed us to further extend our product portfolio with the incorporation of our current Mechanisms division. Following this product oriented growth strategy, in 2011, we acquired ThyssenKrupp's metal forming division (TK-MF), adding 17 plants and two R&D centers to our production center network, and in particular, an important Chassis division.

On July 3, 2013, Mitsui acquired a 30% minority stake in our operations in North America and Mercosur, allowing us to enhance our overall relationships with Japanese OEMs and support our strategy for deepening supply relationships with Japanese OEMs outside of Japan.

On February 1, 2016, Acek (the Riberas Family industrial holding) purchased ArcelorMittal's 35% stake in Gestamp Automoción, owned since 1998, for a cash consideration of €875.0 million. ArcelorMittal continues its commercial relationship and cooperation with us (supply of processed steel and collaboration in automotive research and development) and continues to own 35% of Gonvarri. Furthermore, one ArcelorMittal Group representative sits on our Board of Directors as a director classified under the category of "other external" (i.e. cannot be classified as an "independent" or "proprietary" director) pursuant to an agreement between Acek and the ArcelorMittal Group. See "Shareholders and Certain Transactions".

On December 20, 2016, Mitsui and Acek (together with some of its affiliates) signed an investment agreement, in relation to Mitsui's acquisition of 12.525% of our share capital through Gestamp 2020 S.L., a special purpose vehicle wholly-owned by Mitsui (25%) and Acek (75%), for a consideration of €416 million. The transaction was completed and closed on December 23, 2016.

On April 7, 2017, we made our debut as a publicly listed company on the Spanish stock exchanges, selling 156,588,438 shares, which rendered an initial market capitalization of €3,222 million. As of December 31, 2017, our total free float amounted to 28.73%. The remaining shareholding of 71.27% is controlled (directly and indirectly) by Acek, being 58.745% owned by Acek and 12.525% by Mitsui.

Acek was incorporated under the name Corporación Gestamp, S.L., before the change of its legal name was adopted in a shareholder's meeting on February 5, 2015. Since its foundation, Acek has expanded its holdings to companies active in (i) automotive components, through Gestamp Automoción and its minority stake in CIE Automotive, S.A., (ii) other metal industries, through Gonvarri Corporación Financiera, S.L., (iii) renewable energy, and (iv) other businesses, including real estate. Acek carries out commercial and financial transactions with the companies of Grupo Acek under the terms and conditions established among the parties on an arm's length basis. Acek is wholly owned by the Riberas Family who has been supportive of our vision, strategy and growth throughout our evolution. The Chairman and Vice-Chairman of our Board of Directors are members of the Riberas Family.

Our Products

We produce a diverse range of products, many of which are critical to the structural integrity of a vehicle. Our product portfolio covers Body-in-White and Chassis, Mechanisms, as well as tooling and other services. We focus on innovation in the design of our products with the fundamental goals of promoting vehicle weight reduction, therefore reducing harmful CO_2 emissions and overall environmental impact, and improving vehicle safety, thereby increasing the protection of passengers, other road users and pedestrians.

Body-in-White and Chassis

Body-in-White

Our Body-in-White product lines are comprised of component parts and assemblies, such as hoods, roofs, doors, fenders and other "Class A" surfaces and assemblies, which are used to create the visible exterior skin of the vehicle. Because these component parts and assemblies form the visible exterior of the vehicle and therefore its outward appearance, they require consistent and flawless surface finishes. This product line also consists of structural and other crash-relevant products, such as floors, pillars, rails and wheel houses, which together with the exterior skin component parts and assemblies, form the essential upper and under body (platform) structures of an automobile.

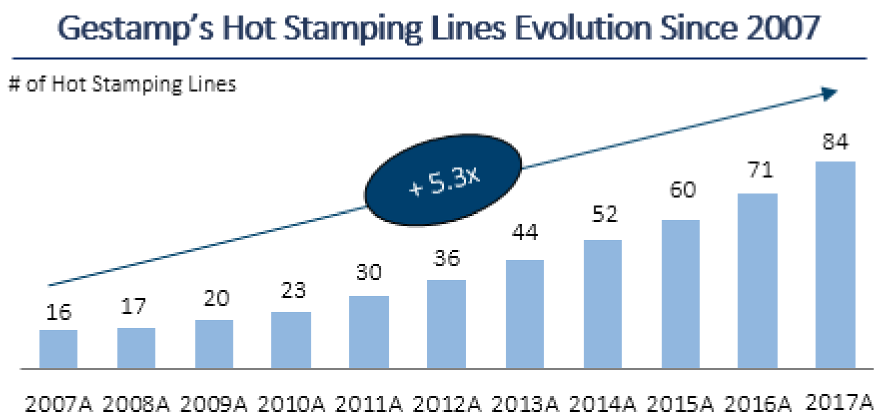
Product Category	Typical Products
Exterior	• Bodyside

	• Panels • Roofs • Hoods • Fenders • Skin Bumpers	
Structure/Crash relevant	• Floors • Rails • Dash cross members • A-Pillars • B-Pillars • C-Pillars • Door rings • Bumpers • Impact beams • Wheel houses	
Other	• Cross car beams • Battery boxes	

Our Body-in-White product lines consist of component parts, as well as the complex assemblies which are made up of multiple component parts and sub-assemblies joined together to form major portions of the vehicle's body structure.

In 2017, we have developed 13 hot stamping lines in 10 production facilities, 3 R&D centers and 2 tool shops. We believe we are the clear leader in Body-in-White globally based on IHS data relating to the volumes of the OEM platforms where we are present.

The chart below sets out the evolution of our hot stamping lines since 2007.



Chassis

Our Chassis product lines are comprised of systems, frames and related parts, such as front and rear axles and links, control arms and integrated links, which are used to create the essential lower body structure and carry the load of the vehicle. These structures are critical to overall performance of the vehicle, particularly in the areas of noise, vibration and harshness, handling and crash management. Chassis structures include metal stampings that provide structural integrity in crash scenarios, are critical to the strength and safety of vehicles and also include a wide variety of stamped, formed and welded suspension components.

Product Category	Typical Products
Front / Rear subframes	• Cross members • Perimeter & Multilink frames • Rear axles
Links/Control arms	• Front / Rear control arms • Front / Rear knuckles • Trailing arms • Single / camber links • Spring links
Other	• Safety systems • Longitudinal beams • Cradles

We are working to further diversify our Chassis footprint, focusing in particular on constructing new plants in North America and Asia, in order to achieve a more balanced division of revenue across geographical regions by 2020. We believe we are among the top 2 suppliers worldwide and number 1 in Europe of front sub-frames and front lower control arms; among the top 3 suppliers worldwide and among the top 2 suppliers in Europe of rear sub-frames and rear suspension arms, based on the volumes of the OEM platforms we supply.

Mechanisms

Our Mechanisms product lines include mechanical components such as hinges for doors, hoods, and trunk lids, door checks and door hinges with integrated door checks that join the vehicle's body with the moving parts and that enable the user to open and shut the vehicle's doors, front and rear lids and lift-gates. Mechanisms also include powered systems that allow automobile doors to open and close electronically and by remote activation. This product category

also includes driver control products such as parking brakes and clutch or brake pedals.

Product Category	Typical Products
Body components	• Door checks
Powered systems	• Hinge systems
Driver controls	• Powered systems
	• Parking brakes
	• Pedal boxes

The primary technologies and processes involved in the manufacturing of our Mechanisms products include, among other things, stamping, sawing, milling and plastic injection molding. See "Manufacturing Processes".

As of December 31, 2017, 5,518 employees worked in this business unit. We believe we are the market leader in Europe and worldwide in door, hood and rear hinges and door checks and among the top 3 suppliers in powered systems based on the volumes of the OEM platforms we supply according to IHS data. We intend to focus on growing our presence in North America and Asia in the Mechanisms segment.

We believe that our Mechanisms segment has an attractive growth profile which is driven by a relatively high demand for these components arising from the trend of car automatization, including the introduction of more sophisticated powered systems.

Tooling and Other Products

We have extensive in-house capabilities in the design, engineering, manufacturing and servicing of dies and tools in support of our customers. We also have in-house press manufacturing services. Additionally, we provide engineering support services, independent of particular production programs. See "—Manufacturing Processes".

In addition, we typically sell the scrap steel that is generated by our manufacturing processes in secondary markets, the revenue from which is allocated between our Body-in-White, Chassis and Mechanisms products lines according to where the scrap was derived. We generally share our recoveries from sales of scrap steel with our customers either through scrap sharing agreements, in cases where we utilize steel re-sale programs, or in the product pricing that we negotiate with customers, in cases where we purchase steel outside of re-sale programs.

Manufacturing Processes

Since our foundation in 1997 we have evolved significantly from a limited-technology company based only on cold stamping, to a multi-technology company with diversified technological capabilities. We now have a broad technology portfolio and capabilities across the value chain, including (i) in-house die/tool manufacturing capabilities; (ii) a wide range of forming technologies from press hardening (hot stamping) to cold forming technologies such as roll-forming and hydro-forming, in addition to the full range of cold stamping processes; (iii) advanced assembly technologies such as remote laser welding and Metal Active Gas ("MAG") welding; and (iv) finishing technologies such as powder coating and cataphoretic painting. For example, as part of our work on multi-material solutions for our customers, we have used fiber-reinforced plastic ("FRP") in numerous prototype development projects. We seek to improve and develop new material applications and joining technologies and believe that we are well positioned as a multi-material solutions provider to employ the most suitable combinations of steel, aluminum and all types of FRP for our OEM customers.

Die or tool manufacturing

Dies or tools are the common terms for the equipment used in the stamping and forming processes to cut or form raw material into a required shape using a press. Our in-house tooling capabilities cover the entire tooling value chain from the initial process of die design to the secondary phase of prototyping, patterning, casting, machining and setting the die through to try-out verification, quality checks and logistics. We are recognized as one of the few suppliers that have in-house tooling capabilities that can address the manufacture of parts that comprise the visible exterior skin of the car (also called "Class A" parts) such as doors and hoods. Critical phases such as follow-ups and quality checks are carried out globally by dedicated teams. Our customers recognize us as one of the few suppliers that have the internal capacities for developing and manufacturing tooling for hot stamping.

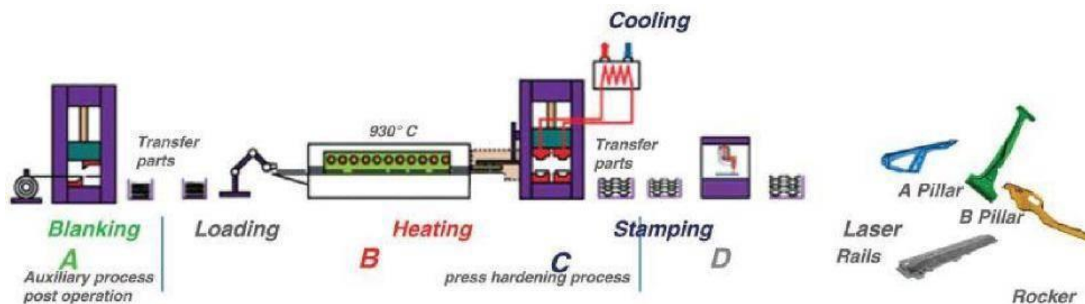
Forming

Press Hardening or Hot Stamping

Press hardening is an innovative process by which advanced ultra-high strength steel is formed into complex shapes more efficiently than with traditional cold stamping. The process involves the heating of the steel blanks until they are malleable, followed by formation and then rapid cooling in specially designed dies, creating in the process a transformed and hardened material. Because of this ability to efficiently combine strength and complexity, press hardened parts accomplish in one relatively light-weight piece what would typically require thicker, heavier parts welded together in more than one process under cold stamping. Press hardening parts therefore currently represent one of the most advanced lightweight solutions for the car body structure that simultaneously allows us to improve crash performance and the fulfillment of passenger safety requirements.

We believe that car production is shifting towards the use of press hardening technology, where we are a market leader. Press hardening provides enhanced deformation control and energy absorption, improves vehicle safety and reduces vehicle weight. In addition, OEMs are increasingly looking for materials which seamlessly integrate these new technologies and safety measures while ensuring a high level of parts design flexibility, as design and specifications are impacted by regulations.

Set out below is a graphic description of the basic process of press hardening.

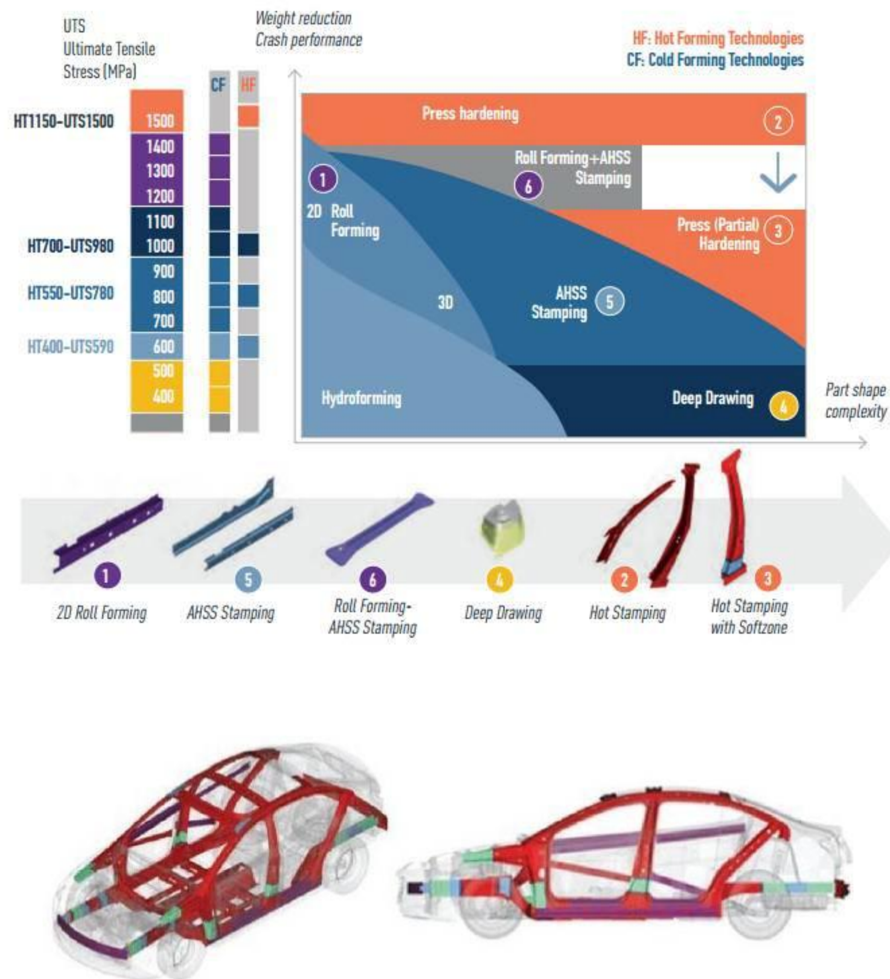


The press hardening process is comprised of four main steps. First, sheets of material are cut into blank units by a blanking line. The blanks are then loaded into an automatic furnace and heated over a defined period of time to 930°C. After the heating process is complete, they are transferred into a press. Immediately upon transfer into the press, the material is stamped to a complex shape while being cooled at a minimum cooling rate of 50°C per second while inside the die. The newly produced part has an ultra-high strength of 1500 Mpa, as opposed to ca. 550 Mpa with cold stamped boron steel. Following this process, the produced part needs to be cut and pierced using a laser.

We are the largest global supplier of press hardened parts and, our press hardening production lines cover the entire value chain from the manufacturing of our own dies to production lines. The majority of the hot stamping lines we are investing in are manufactured by our subsidiary, Loire Sociedad Anónima Franco Española. By manufacturing our hot stamping lines in-house, we are in a position to better develop the technology and improve the manufacturing process in order to meet our OEM customers' needs.

The close cooperation between our R&D and process know-how has resulted in the creation of a highly sophisticated "Tailored Material Property" or "TMP" design. TMP is a specific press hardening process with which we can produce different strength levels in different areas of the same part, using the same equipment inside the dies but controlling the different hardening temperatures during the cooling process. Press hardening using the TMP design process is changing the car body architecture. By creating deformable soft zones, TMP technology allows us to provide new product offerings that improve crash performance and controlled car body deformation than other products. Using the TMP design process, we are also able to achieve up to 20% weight reduction when compared with other products made using traditional methods.

The graphic below illustrates the various technologies and materials used for the part shape complexity as a function for weight reduction crash performance:



Cold Forming

Cold forming technologies include forming operations in different types of machines. Sub-categories of cold forming include roll forming and hydro-forming. Cold forming allows us to manufacture a range of parts from small reinforcement parts to a complete car body side.

Cold forming involves the transformation of a sheet of metal at room temperature inside a forming die under pressure. We operate various kinds of cold forming presses with different automation concepts with press forces ranging from 200 tons up to 2,500 tons. In order to achieve complex forms, parts must be pressed or stamped and cut in several steps, under different press technologies. Depending on the size and shape of the part, we can choose the press process operations used to stamp the parts. For instance:

- For large parts, we use tandem presses where the material is moved by robots from press to press in five or six operations.

- For medium size parts with cupped shapes, we use transfer presses, where the material is moved inside the die by transfer bars in up to six operations. During the transfer press stamping process steel coil sheet is fed into a press and a blank is created where the material is cut from the coil strip. The blank is then pushed or transferred to the next station where the rough cup is created. The cup is then transferred by mechanical fingers to one or more subsequent draw stations until the rough, final shape has been created. The part is then transferred into additional stations that are used to establish critical diameters and lengths, features, and forms.
- For small size parts, we use progressive presses, where the material is always connected with the stamped part in the material strip and the finished part is separated from the strip after several forming and cutting operations. Progressive presses are mainly used for some deep draw stamping where the length to diameter ratio is low and part side features are not required. In progressive presses, the steel coil sheet is not cut,

but is fed through the press. After several forming and cutting operations, and only once finished, the stamped part is separated from the material strip.

We operate presses in the upper range of forces of greater than 1,000 tons and consequently we are able to stamp high strength materials, which have a typical strength up to 1,000 MPa. Ultra-high strength steels are an important part of weight reduction solutions for the car body structure and have a significant impact where material thickness and strengths are required.

Roll forming is a cold forming process, where a coil strip is subjected to a bending operation by passing the strip through sets of rollers resulting in continuous deformation. Each set of rollers performs an incremental part of the bend, until the desired cross-section profile is obtained. This process is ideal for producing parts with constant profiles, long lengths and in large quantities. We operate several variations of roll forming and can also perform automatic cutting, piercing, separating and laser welding. With this range of capabilities we can manufacture parts with minimum material usage.

Hydroforming is a specialized type of cold forming that uses a high pressure hydraulic fluid to press room temperature tubes into a die. The process consists of pre-bending a metallic tube and placing this pre-shaped tube inside a die with the desired cross sections and forms, and applying pressure to the inside of the tube held by the die. During the blowing or forming of the tube held in the die, holes can be pierced into the tube thereby avoiding secondary operations in most cases. Hydroforming allows complex shapes with concavities to be formed, which would be difficult or impossible with standard stamping. Hydroforming is considered to be a cost-effective way of shaping metal into lightweight, structurally stiff, complex and strong pieces. One of the advantages of using this process is that it enables us to create a three dimensional tube that in ordinary cold stamping could only be manufactured by welding two shells together. The ability to deform thick materials makes this technology useful for chassis applications in particular.

Assembly

During the assembly stage, we effectively combine components of all our different manufacturing processes using welding, clinching and adhesive technologies. Our factories use the most advanced technologies for assembling complex parts such as complete chassis and engine cradles using advanced assembly technologies such as metal inert gas welding ("MIG") or metal active gas welding ("MAG"). For advanced light weight products such as ultra-high strength steel and press hardening parts, we use mainly solid state disc lasers for cutting and cutting-edge laser welding and plasma technology of blanks for welding purposes in addition to resistant medium frequency (MF 1000Hz) spot welding technology for the assemblies. Our welding cells are typically highly automated and we use robots to perform several of the most precise operations inside the welding cells to achieve maximum cost reduction and ensure we produce the highest quality assemblies.

We use a special process of laser welding in all the different aspects of our production. For instance, the Tailor Welded Blank ("TWB") process involves the welding of two flat metal blanks, thereby creating a single product with different thicknesses or comprising several different types of materials. TWB products are important in the weight reduction of the car body structure and can be combined with any types of material for cold forming and press hardening.

Laser welding technology is not limited to flat material welding and is used also to weld different parts into an assembly. The advantages of laser welding are the very short time cycles and minimal deformation due to the reduced thermic effect.

Finishing

We use various finishing technologies such as shot blasting, zinc coating, powder coating and cataphoretic painting on our products. Shot blasting is used to clean surfaces such as uncoated steels, mainly in press hardening and to prepare parts for welding and painting. Zinc coating is used for maximum corrosion protection and is applied to chassis components. Powder coating and painting operations are the basis for any assembly for normal corrosion requirements. Finishing is always a fully automated process so as to guarantee the highest quality finish and to meet pre-agreed product specifications and requirements.

Processes specifically used in our Mechanisms segment

Certain products in our Mechanisms segment are produced using specialized manufacturing processes. For example, hinges are made of three different raw materials with different manufacturing processes. We may use sheet metal and use a stamping process in progressive dies. We may also use other raw materials such as profiles, which are

first sawn and then finely milled and profiled by automated milling centers. The manufacture of hinges involves partial zinc coating and the final assembly on specific assembly-lines with screwing and riveting processes. The manufacture of door checks involves plastic injection molding. The manufacture of driver controls may additionally involve cataphoretic painting. Powered systems production is mainly based on the assembly of purchased electrical and mechanical components on customized assembly lines.

Operations

With the aim of addressing our customers' global needs and to ensure a homogeneous operational model throughout our plants, we have implemented a global management system called GPS (Gestamp Production System) which is based on the principles of Lean Manufacturing. Based on the geographical, the level of development of each production facility and the launch of new projects, we choose the most suitable technological options for each plant.

That our equipment and facilities work at an optimal level is key to our production model, where unscheduled shutdowns may adversely affect our production capacity and therefore our ability to serve our clients on a timely and adequate manner. Therefore, we have implemented a global preventive maintenance program that covers certain pieces of our industrial equipment in order to increase their availability, durability and the optimization of their cost. To maximize our existing assets, we have developed a global strategy to identify multi-purpose industrial installations and equipment in order to reuse them in future projects.

Our production facilities comply with and maintain all international certifications required by our customers, becoming a key part of the Gestamp Quality System (GQS). The Corporate Quality team thoroughly monitors new strategic products. Further, the performance, efficiency and quality of our operations in our production facilities are analyzed by the Group's Technical Office and the Group's Quality Management office respectively, to define action and improvement plans if and when needed. Periodically, the Group's management team also analyzes the management of our production facilities through industrial and quality indicators and supervises project implementation.

Our sophisticated and global in-house tooling capabilities have facilitated the delivery of a superior and differentiated service relative to some of our competitors who lack these capabilities in-house. Our presence across the full value chain provides us with higher visibility around execution and timings, increased flexibility to work around tight deadlines and urgent client requests, as well as an enhanced ability to innovate across the value chain, which together have resulted in a differentiated and superior ability to address our customers' needs. We are recognized by OEMs as one of the few suppliers with in-house tooling capabilities, which together with our expertise in managing large and complex projects has been instrumental to win major projects awards.

During the last few years, we have promoted energy efficiency within our business model as part of our environmental commitment to reduce CO_2 emissions, focused initially in those production facilities with the highest levels of energy consumption within the Group. The definition of energy saving targets and the identification of energy efficiency measures have allowed us to reduce energy consumption and the level of CO_2 emissions throughout our production facilities. Further, best practices and related know-how have also been shared across our production facilities.

"Industry 4.0"

Our "Industry 4.0" initiative aims to create more efficient production facilities and more consistent and reliable processes through the analysis of our internal data. We believe that a comprehensive analysis of the data of our production facilities at all levels will speed up and facilitate the decision-making process regarding the management of our production facilities. We are thus launching a mix of pilot projects with different scopes and approaches in order to allow us to evaluate and optimize the implementation of our "Industry 4.0" strategy in different manufacturing processes. We believe that the addition of each individual project will facilitate a "Connected Plant" that allows us to digitalize the Group's internal know-how to be accessed at any of our facilities worldwide.

As an example, we currently have ongoing projects related to hot stamping, logistics and arc welding. In hot stamping, we aim to improve the performance of our hot stamping lines through real time monitoring based on Big Data and enhanced IT systems to control the processes. With regards to logistics, we are using the data from the monitoring of real-time production, stock and warehouse availability to prioritize tasks and optimize internal logistic functions (smart logistics). Finally, our hot arc welding project aims to reduce the number of defects in our products by improving the individual traceability of pieces and monitoring all parameters of the production process.

In addition to these ongoing projects, we are also working on other projects in the areas of maintenance, small parts, multistep and cold stamping, and we also have projects currently under consideration in the areas of skin parts, smart crane, traceability and smart Work in Progress materials (partially completed inventory of our plants).

Research and Development (R&D)

We operate in a highly competitive and globalized industry, and we must constantly change and adapt to meet our customers' needs and expectations. We consider innovation and R&D to be key success factors for the differentiation of our products and services from those of our competitors. Our innovative products and market leading processes are developed through our R&D platform, which has a dedicated team of over 1,500 employees, spread across 13 facilities around the globe and we are committed to continued investment in R&D. For example, between 2014 and 2017, we have inaugurated four new R&D centers in Germany (Bielefeld), China (Anting), Japan (Tokyo) and in the United States (Detroit). We believe that proximity of our R&D platforms to OEM customer headquarters is improving our market position with OEMs.

Our close working relationships with OEMs result in a deep understanding of our customers' requirements and constraints. This major advantage enables us to provide innovative, customized and cost effective products that address their needs, strengthens our relationship with them as a core supplier and co-developer of strategic importance, and allows us to gain know-how and develop capabilities that become very valuable for OEMs. For example, we routinely showcase our R&D capabilities to OEMs around the world. In 2017, we implemented several "Tech Shows", events where we show our innovative technologies, around the world which have allowed us to increase the awareness of our brand and have served as a basis for strengthening our long-standing business relations with our OEM customers.

In addition, we also work closely with our steel suppliers to improve and develop new material applications and joining technologies to strengthen our position as a multi-material solutions provider and obtain the most suitable combinations of steel, aluminum and all types of FRP for our OEM customers.

In the years ended December 31, 2017, 2016 and 2015 we had capitalized R&D expenses within intangible assets of €72.7 million, €58.8 million and €57.9 million, respectively, which accounted for 0.9%, 0.8% and 0.8% of our total revenues, respectively.

Body-in-White and Chassis R&D

When conceiving of, designing and producing our Body-in-White products, we collaborate with OEMs to focus on improving fundamental, strategic characteristics of the vehicle such as sustainability (including lightweight design and use of eco-friendly technologies), passive safety using crash validation (for compliance with safety regulations such as EuroNCAP and IIHS), Noise, Vibration and Harshness (NVH) and architecture (involving support to all the functions and modules of the vehicle), crash performance, deformation monitoring and energy absorption. We seek to create close collaborations with our clients in order to co-develop Body-in-White concepts and technologies for the future. For example, we are developing press hardening technology to reduce weight and increase safety in a cost-effective manner, together with Honda at our R&D center in Japan. This co-development work significantly enhanced our relationship with Honda, generating combined product patents that are jointly shared among Gestamp and Honda, the seventh largest OEM by production volume in 2017. This led to new orders at our West Virginia plant in 2014 for components for the new Honda Civic, which launched production in late 2015 and which also led to follow on nominations in 2015 for components for the Honda CR V (which was launched in October 2016), as well as the Honda Accord (which was launched in 2017). The Honda Civic, which won the 2016 North American Car of the Year Award, where safety is among the selection criteria, features our soft zone hot stamping technology. We also won the steel award in the area of U.S. winners of the 2016 annual Great Designs in Steel (GDIS) Automotive Excellence Award for advanced high strength steel innovations.

For example, we are co-developing with Volvo a weight saving solution by applying our latest proprietary press hardening solutions such as soft flanges (TMP technology) and patch work reinforcements to the crash safety cell of the Volvo XC90 which has resulted in weight savings of 60 kilograms in the body design and improved overall safety. As a result of our co-development with Volvo, the weight of press hardened content in the Body-in-White of the Volvo XC90 increased from 7% to 38%.

In addition to our co-development projects, we are also developing innovative solutions which allow us to increase our volume capacity at a lower cost or to tailor our Body-in-White products to our customers' needs, such as the extreme one-piece body side (outlined in the exhibit below), the thermo-stabilized tool technology, the "snake design" rear rail with vertical bending control (also one piece with no patches required), or the HT700 Flex Laser.

In Chassis, we are developing innovative solutions for components, focused on weight reduction, passenger safety and cost savings applying advancements in materials, technologies and processes. The development of Chassis components focuses on four areas of performance: (i) stiffness, (ii) strength, (iii) durability and (iv) crash performance. These performance areas are designed to withstand abuse loadcases, apply "Fail-Safe" strategy, define deforming-strategy for safety, enhance robust design, simulate car life in prototypes, improve Euro NCAP rating, buckling and deformation. Our R&D teams in Chassis are developing hybrid solutions involving steel pressings combined with other materials, and are active with premium OEMs in developing aluminum solutions. For example, we develop advanced solutions for Volvo scalable cluster 60 and cluster 90 platforms in Europe, Asia and the U.S., such as front and rear sub frame. This development results in high crash performance increase for the product as well as in a light weight platform approach with a reduced tooling cost. As a consequence, investments have been reduced by using a modular design approach for a scalable platform architecture.

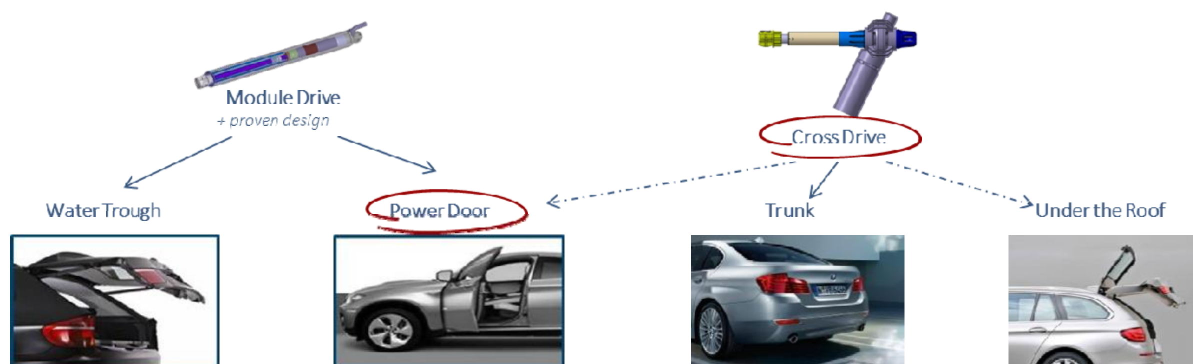
We are also working on the application of our Body-in-White hot stamping techniques to our Chassis components. For example, we have applied our press hardening to develop a single shell spring link and a single shell lower control arm resulting in a significant weight reduction and cost savings.

Our Chassis business unit is also working on solutions tailored for electric vehicles.

Mechanisms R&D

In Mechanisms, which are usually entirely outsourced by OEMs, we carry out the design and development of different elements. Therefore, our R&D teams develop and design innovative hinge systems, driver control and powered systems, focused on weight reduction, ease of use in entering and exiting the vehicle, as well as safety. With regard to weight reduction, our teams have developed hinge systems using aluminum, FRP, as well as high strength steel. Products developed by us also protect pedestrians, such as the "Pop-up" function of hood hinges which helps to minimize head trauma of pedestrians in case of an accident. Our expertise in the development of spindle drives for powered lift gates as well as active/adaptive door checks enhance the passenger's experience entering and exiting the vehicle. In addition, our adaptive door check protects the vehicle door from collisions with the environment. We are perceived in Mechanisms as the innovation leader by our customers and have introduced the first plastic door check (ECC Edscha Corporate Check), the first spindle drive for automatic lift gates and the first hinge made from carbon-fiber-reinforced plastic. In addition, the development of the Cross-Drive hinge has increased the performance of our power systems solutions, allowed us to improve the acoustic performance and reduce the overall weight of the vehicle compared to other solutions.

The diagram below outlines the Cross-Drive and the Module-Drive products. These modular based products are built through best-in-class know-how in vehicle kinematics and are based on historical expertise within power systems.



Our R&D and innovation capabilities are fully aligned with new materials and trends in the sector in order to fulfill the needs of our OEM customers. In the area of ultra-high strength steel, we have created a process using zinc coated boron steel that increases corrosion protection at a lower cost level. We will be at the forefront of offering this new process to OEMs in the upcoming years and we believe that it will reduce investment levels for manufacturing equipment, increase productivity and result in a range of new press hardening design products. We also produced aluminum components for several of our OEM customers globally. We are a strategic partner for some important premium brands in aluminum chassis development, and we collaborate with them in light-weighting and aluminum technologies. Finally, we have used FRP in numerous prototype development projects, as part of our work on multi-material solutions for our customers. We are active in R&D with regard to new material applications and joining technologies and believe that we are well positioned as a multi-material solutions provider to employ the most suitable combinations of steel, aluminum and all types of FRP for our OEM customers.

Our past R&D activities have resulted in a number of new proprietary manufacturing processes and products including, for example, the TMP design technology described above, which enables us to create specifically targeted material properties in precision targeted areas of the part and which allows our clients to optimize weight and control the crash performance. See "—Manufacturing Processes" and "—Intellectual Property".

Intellectual Property

We consider our intellectual property rights and the implementation of their related know-how of considerable importance to our business and an element that grants us a competitive advantage compared to our competitors. We invest significant resources to the filing and monitoring of our intellectual property rights, to the prosecution of infringements thereof and to the protection of our confidential information.

We have received grants and applied for patents related to our developments and innovations to protect our products and our manufacturing processes and have obtained licenses in order to ensure their use. As of December 31, 2017, we held more than 1,160 patents, utility models and applications thereof.

Many of the technologies and processes that we use result from the knowledge, experience and skills of our scientific and technical personnel. In some cases, these technologies and processes cannot be patented or protected through intellectual property rights. To protect our trade secrets, know-how, technologies and processes, we enter into confidentiality agreements with our employees, customers, suppliers, competitors, contractors, consultants, advisors and collaboration partners that prevent the disclosure of confidential information to third parties.

When we enter into development agreements, we preserve our pre-existing intellectual property rights and do not transfer them to our collaboration partners, customers, suppliers, competitors nor other third parties. We claim ownership on such intellectual property rights that might result during the course of such development agreements and which are related to or based on our know-how, trade secrets, technology and processes. In the case of co-development agreements, we allocate the co-ownership of any intellectual property rights that might result during the course of such co-development relationship depending on the degree of participation of the relevant parties.

We also seek protection of our trademarks in the territories in which we operate.

For a detailed description of the risks associated with intellectual property rights, see "Risk Factors—We are exposed to certain risks regarding our intellectual property, its validity and the intellectual property of third parties".

Customers

Our leading technologies, global footprint and proven track record in executing complex projects set us apart from many of our competitors in the industry and have allowed us to secure strong relationships with almost all major global automakers, including Volkswagen, Daimler, Renault Nissan, Ford, PSA, General Motors, BMW, Fiat Chrysler, Tata JLR, Geely-Volvo, Honda and Toyota which represent our top 12 customers by revenues and together accounted for 89.1% of our consolidated revenues (excluding tooling) for the year ended December 31, 2017, and to rapidly grow our revenue with other OEMs. For the year ended December 31, 2017, our top 3 customers, Volkswagen, Daimler and Renault Nissan represented 25.7%, 11.3% and 11.1% of our consolidated revenues (excluding tooling), respectively. For further information about our client portfolio, see "—Our Strengths— Well-diversified portfolio of blue chip OEM customers".

We have developed long-standing business relationships with our automotive customers around the world. Usually, we do not enter into formal supply agreements with our OEM customers, but rather we agree on the key elements of the supply through the relevant purchase order that they deliver to us, which is referred to and subject to the applicable relevant OEM general terms and conditions. These purchase orders are typically for at least one entire vehicle model cycle, which usually lasts between six to eight years. We work together with our customers along the entire value chain, including development, industrial engineering, tooling and manufacturing. Further, quality assurance programs matching the highest standards underlie our service offering. In certain emerging markets, our customers are focusing their own resources on vehicle assembly and seek to outsource certain areas of vehicle production to suppliers that are capable of providing an integrated supply service. We believe that our customers perceive us as a supplier that is capable on a global scale of providing: 1) standardized, high-quality products at competitive prices; 2) innovative solutions for complex projects; and 3) on-time delivery and quality customer service. Our technical expertise and extensive global footprint have enabled us to win complex mandates on global projects with the top OEMs around the globe. For example, we were entrusted by Volkswagen to manufacture "Class A" surfaces, Body-in-White structural components and Chassis components in Chattanooga, Tennessee, for the Atlas, their first midsize SUV to be produced in the North American market, for which we launched production in December 2016. This project was our 15th hot stamping line in North America and our 58th project worldwide. Furthermore, as one of the top three Chassis suppliers worldwide, we are introducing our Chassis activity to the U.S. market through this project.

Project awards in the automotive OEM business involve long-term production orders based on the lifecycle of the specific model or platform. As a result of our strategic and long term relationships with our OEM customers, and given the prohibitive operational, technical and logistical costs of switching, particularly during the life cycle of a specific vehicle model, we have strong visibility on our mid-term revenues. Furthermore, we believe we can leverage our strong customer relationships to obtain similar awards in the future.

Suppliers

We purchase various manufactured components and raw materials for use in our manufacturing processes. All of these components and raw materials are available from numerous sources. We employ just in time manufacturing and sourcing systems enabling us to meet customer requirements for faster deliveries while minimizing our need to carry significant inventory levels.

Raw materials represent on average approximately 38% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. In 2017, approximately 63% of our steel was purchased through OEM re-sale programs, under which an OEM customer negotiates directly with the steel suppliers the price of the steel that we use to manufacture components for such OEM. Such negotiated steel price is passed through to the OEM customer in the sale price of the automotive component. The remainder of our steel purchasing requirements is typically met through contracts with steel suppliers that we negotiate. Historically, we have negotiated with our OEM customers to pass through the increase or decrease in the steel price, eliminating significant volatility in our cost base relating to volatility in steel prices, and we intend to do so in the future.

In 2017, 63% of our steel was purchased through "re-sale" programs under which an OEM customer negotiates with the steel maker the price of the steel we use for the production of automotive components. Therefore, in this "re-sale" scenario we do not choose the steel raw material producer for the steel that we use and purchase through steel service centers, but this is determined directly by the agreements of such steel providers with the relevant OEM. Any fluctuations in steel prices are directly adjusted in the selling price of the final product.

In the case of products that use steel not purchased under "re-sale" programs, we have arrangements with our OEM customers, whereby they adjust our selling prices based on the steel prices they themselves have negotiated with steel suppliers. In this scenario, we negotiate and agree purchase agreements directly with the steel raw material producers.

Historically, the Group has negotiated and agreed its purchase contracts with steel raw material producers under terms such that the impact (whether positive or negative) of the steel price fluctuation in these cases is minimal. Due

to our strong relationships with OEMs and the large steel volumes we acquire in the market place, we expect to continue to pass through increases or decreases in steel prices to our customers, thus minimizing the effect on our results.

We enter into a number of transactions in the ordinary course of business with companies forming part of the Gonvarri group primarily related to the purchase of steel blanks and coils. The majority of such sales are through direct agreements between Gonvarri and our OEM customers through re-sale programs without our involvement (as detailed above), and the balance is negotiated at market prices on a non-exclusive and arm's length basis, typically applying contractual formulas to account for the degree and type of steel processing, treatment or preparation.

Competitive Landscape

Overview

We develop, manufacture and market different components, modules and system solutions included in the vehicle's body and structural system. The body and structural market consists of various product groups and is therefore split into many sub-markets. Consequently, our competitive position differs among the various sub-markets. Broadly speaking, we are one of the few players in body and structural parts to offer OEMs a truly global manufacturing footprint. Our key competitors with a similar global offering are Magna International, Inc. (Cosma division) ("Magna"), Benteler and, to a somewhat lesser extent, Tower International LLC ("Tower"). The market positions and additional data stated below are based on information derived from the Roland Berger Study and internal estimates based on company information and public filings of competitors.

Competitive landscape for Body-in-White and Chassis

We believe that we are the global market leader for Body-in-White components by revenue. The competitive landscape for Body-in-White varies significantly by region. Western and Eastern Europe, North America and Mercosur are relatively highly consolidated, while the Asian market is highly fragmented. We believe that we are the clear market leader in terms of revenue among individual suppliers in Western and Eastern Europe combined. In the North American market, we are within the top four individual players. In Mercosur, we believe we are the market leader. In this region, the severe macro-economic downturn and resulting steep declines in vehicle production have weakened and diminished the competition. In Asia, it is difficult to estimate our regional market position with any accuracy, as competitive dynamics can vary significantly by country. In Japan and South Korea, a significant proportion of parts are outsourced to companies that traditionally have close links to domestic OEMs, with local OEMs sometimes being the only major customer of the respective suppliers. In China, domestic OEMs still mostly work with domestic suppliers in body and structural components; however, while our exposure to the Chinese market is primarily through supplying foreign OEMs, we are growing our business with local Chinese OEMs as their requirements for more highly value additive products evolve, mainly in relation to highly innovative products and technologies, such as hot stamping, that local suppliers may not be able to provide.

We believe that we are among the top three leading companies for Chassis components in terms of revenue. Market concentration dynamics for Chassis are similar to Body-in-White, with Western and Eastern Europe, North America and Mercosur being highly consolidated, while the Asian market remains fragmented. We believe that we are number two in the market by individual suppliers in Western and Eastern Europe combined, and in Mercosur. The North American market in particular exhibits very high concentration, where we do not have a significant presence in Chassis. In the Asian market, domestic suppliers have significant market shares. Our presence in the Asian market is still relatively small and is focused on working with foreign OEMs in the region. The local trends in Chassis are similar to those described for Body-in-White in Asia.

Our main competitors in Body-in-White and Chassis are Benteler, Constellium, Flex-N-Gate, Ftech, GF Fischer, Huizhong, Kirchhoff, Magna Cosma, Magnetto, Martinrea, Metalsa, Sungwoo HiTech, Tower, Unipress, Voestalpine, Yifeng and Yorozu. Martinrea and Tower are listed on the Toronto Stock Exchange and the New York Stock Exchange, respectively.

Competitive landscape for Mechanisms

We believe that we are the clear market leader in terms of revenue by individual suppliers in Western and Eastern Europe combined and in Mercosur. In Mercosur, we compete against a range of players with substantially lower market shares in the region. We are relatively small players in North America and medium-sized players in Asia, where it is difficult to estimate our market position with any accuracy.

Our main competitors in Mechanisms are Aisin Seiki, Brose, Multimatic and Stabilus. Aisin Seiki and Stabilus are listed on the Tokyo Stock Exchange and the Frankfurt Stock Exchange, respectively.

Key customer criteria for purchasing decisions

We believe that our customers choose between different suppliers based largely on the following criteria:

- product quality;
- ability to manage complex projects;
- R&D competencies;
- breadth of geographical manufacturing footprint;
- process technology competencies;
- tooling competencies across the value chain;
- price competitiveness;
- financial stability; and
- partnership in consolidation/rationalization of the global automotive supplier base.

We principally compete for new business both at the beginning of the development of new models and upon the redesign of existing models. Once a supplier has been designated to supply parts for a new program, an OEM usually will continue to purchase those parts from the designated producer for the life of the program, although not necessarily for a redesign. OEMs typically rigorously evaluate suppliers based on many criteria such as quality, price/cost competitiveness, system and product performance, reliability and timeliness of delivery, new product and technology development capability, excellence and flexibility in operations, degree of global and local presence, effectiveness of customer service and overall management capability.

We believe that we compete effectively with other leading suppliers in the markets where we operate. The strength and breadth of our program management and engineering capabilities, as well as our geographic, customer and product diversification, provide us with the necessary scale to be competitive in terms of cost and product quality. We follow manufacturing practices designed to improve efficiency and quality so that we can deliver quality components and systems to our customers in the quantities and at the times ordered.

Although there are many players in the global automotive industry, there are very few global competitors in the areas of the industry in which we operate, as the financial and logistical constraints inherent in establishing and maintaining a true global presence are quite high. We compete with other companies with respect to certain of our products and in particular geographic markets. The number of our competitors has decreased in recent years and we believe will continue to decline due to continued supplier consolidation. We expect that OEMs will continue to be increasingly focused on the financial strength and viability of their supply base. We believe that such scrutiny of suppliers will result in additional contraction in the supplier base.

Joint Ventures and Investments

Mitsui Investment in our American Operations

On January 4, 2013 we entered into an investment agreement, as amended from time to time, with Mitsui, pursuant to which Mitsui acquired on July 3, 2013, a 30% minority stake in our operations in North America and Mercosur by investing €297.0 million in newly issued shares of Gestamp North America, Inc., Gestamp Holding México, S.L. (formerly, Gestamp 2015, S.L.), Gestamp Holding Argentina, S.L. (formerly, Gestamp 2016, S.L.) and Gestamp Brasil Indústria de Autopeças, S.A. (collectively, the “Holdcos”), our U.S., Mexican, Argentine and Brazilian sub-holding companies, respectively (the “Mitsui Investment”). We also entered into a shareholders’ agreement with Mitsui to govern the terms of the Mitsui Investment and promote the efficient management of each of the Holdcos. The governance structure reflects our majority holding, with certain reserved matters such as certain amendments of the by-laws of the Holdcos or the payment of dividends on which both we and Mitsui must agree.

The shareholders' agreement also contains certain restrictions on guarantees being given by any of the Holdcos or their respective subsidiaries for obligations of Gestamp Automoción and its affiliates. Subject to cash and working capital needs and certain additional obligations, the joint venture's policy would be that the Holdcos would declare and pay dividends which, on an aggregate annual basis, amount to the lesser of (i) 60% of the Holdcos' net profit; and (ii) the maximum amount permitted to be distributed under applicable law.

Subject to certain restrictions as regards transfers to competitors, the shareholders' agreement includes standard exit provisions including rights of first refusal, a tag-along right for Mitsui and a drag-along right for us.

The shareholders' agreement also includes typical put options, both for us and for Mitsui on a change of control and, following a material default under the shareholders' agreement; a call option for us (where Mitsui is the defaulting party) and a put option for Mitsui (where we are the defaulting party). The shareholders' agreement also contains certain non-compete restrictions on Mitsui.

We believe that our relationship with Mitsui enhances our relationships with Japanese OEMs in general and supports us in our strategy for deepening supply relationships with Japanese OEMs, given the trend of Japanese OEMs towards shifting more of their production base outside of Japan to be closer to the markets with growing demand for vehicles.

Severstal

In October 2008 our subsidiary Gestamp Levante, S.A. signed a shareholders' agreement with the Russian steel manufacturer JSC Severstal and its subsidiary Severstal Trade GesmbH, pursuant to which Gestamp incorporated a joint venture company in Spain, Todlem, S.L., which is the holding company of two operative companies in Russia, Gestamp Severstal Vsevolozhsk LLC and Gestamp Severstal Kaluga LLC. The current shareholding structure of the joint venture company is as follows: Gestamp (through the company Gestamp Holding Russia, S.L.): 77.53% of the share capital; Severstal (through Severstal Trade GesmbH): 22.47% of the share capital. The governance structure reflects our majority holding, with certain reserved matters on which both we and Severstal must agree.

Each of Gestamp and Severstal is required to use their reasonable endeavours to obtain financing for their two projects in Russia such that 60% of the required funding is provided in the form of equity contributions and 40% in the form of loans. Subject to cash and working capital needs and certain additional obligations, the joint venture's policy would be that the operating companies distribute no less than 50% of each operating company's profit.

The shareholders' agreement includes standard exit provisions including rights of first refusal and typical put/call options, both for Gestamp and for Severstal. The shareholders' agreement also contains certain non-compete restrictions.

Beyçelik, A.S., joint venture with Faik Çelik Holding A.S.

On June 13, 2007, our subsidiary Gestamp Servicios, S.A. ("Gestamp Servicios") entered into a share purchase agreement with certain members of the Çelik family pursuant to which it acquired a 50% stake in Beyçelik Gestamp Kalip ve Oto Yan Sanayii Pazarlama ve ticaret A.S. (the "Beyçelik JV") for a total consideration (subject to certain adjustments) of €52.5 million. On July 27, 2007, Gestamp Servicios signed a shareholders' agreement with certain members of the Çelik family and Faik Çelik Holding A.S. (the "Local Shareholders"), pursuant to which the management of the Beyçelik JV is governed on a 50–50 basis. On July 11, 2012 the Beyçelik JV acquired 100% of the share capital of GMF Otomotiv Parçalari Sanayi Ve Ticaret Limited Şirketi (former ThyssenKrupp Otomotiv Parçalari Sanayi Ve Ticaret Limited Şirketi) ("GMF Otomotiv") from Gestamp Tallent Automotive Limited, and thus GMF Otomotiv became part of the joint venture with Faik Çelik Holding A.S. On January 29, 2016, the Beyçelik JV acquired from Faik Çelik Holding A.S. a 51.6% stake in the company Çelik Form Otomotiv A.S. (renamed as "Çelik Form Gestamp Otomotiv A.S.") ("Çelik Form"), for a purchase price of €9.05 million. On the same date, the shareholders' agreement signed between Gestamp Servicios and the Local Shareholders was amended to include Çelik Form under its scope.

Shanghai Edscha Machinery Co. Ltd.

On May 21, 1994 Edscha International Holding GmbH AG signed a joint venture contract (which was transferred to Edscha Holding GmbH ("Edscha")) with Shanghai Automotive Forging Works pursuant to which Edscha acquired a 50% interest in Shangai Edscha Machinery Co. Ltd., for a total initial contribution equivalent to approximately €1.8 million. In 2010, Shanghai Automotive Forging Works was merged into Shanghai Tractor and Internal Combustion Engine Co., Ltd. ("STICE").

Edscha acquired from STICE 5% of its equity interests in Shanghai Edscha Machinery Co. Ltd. and increased

its participation from 50% to 55%, effective as of January 1, 2013. The registered capital held by STICE after the transaction is 45%, equal to $5,445,000, and by Edscha is 55%, equal to $6,655,000.

Beijing Hainachuan Automotive Parts Co. Ltd.

On January 25, 2018, we signed a joint venture agreement with Beijing Hainachuan Automotive Parts Co. Ltd. ("BHAP"), a Chinese company specialized in auto components, which is a subsidiary of Beijing Automotive Industry Group Co., Ltd. (the "BAIC Group"), one of the major automotive companies in China. The BAIC Group is the fifth largest car manufacturer in China and is specialized in manufacturing locally branded automobiles as well as Daimler and Hyundai vehicles via its own joint ventures with these OEMs. This joint venture strengthens our presence in the country. The operation is subject to approval from the Chinese antitrust commission and other government authorities. The new alliance improves our strategic position in order to grow the business with Daimler, Hyundai and other non-Chinese brands in the Beijing area as well as BAIC's own vehicle brands in all of China. Outside of Beijing, Tianjin, and Hebei Province, we will continue to manufacture auto components to all non-BAIC clients outside of the joint venture.

Other joint ventures and recent acquisitions

We are also part of other joint ventures with local partners which we do not deem to be material for the purposes of this ad hoc disclosure. Below is a list of our other joint ventures as of December 31, 2017:

(i) the French public fund "Fonds d'Avenir Automobile" holds a 35% minority stake in our French subsidiary Gestamp Sofedit SAS and we own the remaining 65% stake. We have reached an agreement to purchase the 35% minority stake for less than €40 million in a transaction expected to close in May 2018;

(ii) the French Company MPO Group holds a 35% minority stake in our Romanian subsidiary MPO (recently acquired and pending to be renamed) and we own the remaining 75% stake;

(iii) the Spanish state-owned company "Compañía Española de Financiación al Desarrollo, Cofides, S.A." holds an indirect 22.47% minority stake in our Spanish subsidiary Gestamp Holding Rusia, S.L. which is the indirect holding company of Gestamp Severstal Vsevolozhsk LLC and Gestamp Severstal Kaluga LLC. We hold the remaining 77.53% stake;

(iv) the Spanish state-owned company "Compañía Española de Financiación al Desarrollo, Cofides, S.A." holds an indirect 35% minority stake in our Chinese Subsidiaries Gestamp Auto Components (Dongguan), Co. Ltd. and Gestamp Auto Components (Shenyang) Co. Ltd., as well as a 31.05% minority stake in our Chinese subsidiary Gestamp Auto Components (Kunshan), Co. Ltd. through our Swedish subsidiary Gestamp Holding China AB. We hold the remaining 65% and 68.94% stakes respectively;

(v) Gonvarri owns a 50% stake in our Indian subsidiary Gestamp Automotive Private Limited, and we hold the remaining 50% stake;

(vi) Jui Liu Enterprise Co. Ltd and minority stakeholders hold a 40% indirect stake in our Chinese subsidiary Jui Li Edscha Hainan Ind, and we hold the remaining 60% stake;

(vii) AAPICO Hitech Public Co. Ltd holds a 49% minority stake in our Thailand subsidiary Edscha AAPICO Automotive Co. Ltd, and we hold the remaining 51% stake;

(viii) PHA Pyeonghwa Automotive Co, Ltd. holds a 50% stake in our Korean subsidiary Edscha PHA Ltd. and we hold the remaining 50% stake;

(ix) three different Basque public funds (Ekarpen Private Equity, S.A., Ezten FCR and Basque FCR) own in aggregate a 70% of our Spanish subsidiary Gestión Global de Matricería S.L. (which owns a 100% of GGM Puebla S.A. de C.V) and we hold the remaining 30% stake;

(x) 50%-50% joint venture with components manufacturer, Tuyauto S.A., to construct a greenfield plant in Morocco; and

(xi) the acquisition of a plant from Scorpios Indústria Metalúrgica Limitada, a local group specialized in the manufacture of metal components in Brazil.

Property, Plant and Equipment

Our registered address is Polígono Industrial de Lebario s/n, 48220, Abadiño, Bizkaia, Spain.

We have an extensive global footprint and our products are manufactured at 105 production facilities in 21 countries, out of which the acquisition of two production facilities are subject to the approval of the relevant competition authorities, including 15 (one out of which is subject to the approval of the relevant competition authority) new production facilities opened since 2012 but not including production facilities associated with unwound joint ventures or production facilities that have been consolidated, closed or sold, and with seven additional plants under construction, out of which one is subject to the approval of the relevant competition authority, as of March 31, 2018. Our plants are strategically positioned to serve our global customer base locally and to create logistical cost efficiencies.

As of December 31, 2017, the Group was comprised of 148 entities worldwide, with the Company being the holding company. Notwithstanding the legal structure of the Group (ownership/shareholding of each subsidiary), our operations are organized in eight operational divisions apart from the support of corporate services:

- *South Europe Division:* our South Europe Division includes 32 plants located in six different countries: Spain, France, Portugal, Hungary, Turkey and Romania. All plants belong to Gestamp fully owned subsidiaries, except as follows: (i) our local partner "Faik Çelik Holding, A.S." owns a 50% stake of the subsidiary operating the five Turkish plants, with Gestamp owning the remaining 50% stake, (ii) the French public fund "Fonds d'Avenir Automobile" holds a 35% minority stake of the subsidiary operating four plants in France with Gestamp holding the remaining 65% stake (we have reached an agreement to purchase the 35% minority stake in a transaction expected to close in May 2018), and (iii) the French Company MPO Group holds a 35% minority stake in subsidiary operating the Romanian plant., with Gestamp holding the remaining 75% stake.

- *North Europe Division:* our North Europe Division includes 17 plants located in six different countries: Germany, the United Kingdom, Sweden, Poland, Czech Republic and Russia. All plants belong to Gestamp fully owned subsidiaries, except two plants in Russia where (i) the Spanish state-owned company "Compañía Española de Financiación al Desarrollo, Cofides, S.A." holds an indirect 16.87% minority stake in the subsidiary operating the plant and (ii) our local partner "Severstal" holds an additional 25.02% minority stake. Gestamp holds the remaining 58.11% stake.

- *North America Division:* our North America Division includes 11 plants located in United States and Mexico. Mitsui holds a 30% minority stake in the subsidiary that operates all the North America Division plants and Gestamp holds the remaining 70% stake.

- *Mercosur Division:* our Mercosur Division (South America) includes 12 plants (one out of which is subject to the approval of the relevant competition authority) located in Brazil and Argentina. Mitsui holds a 30% minority stake of the subsidiary that operates all the Mercosur Division plants with Gestamp holding the remaining 70% stake.

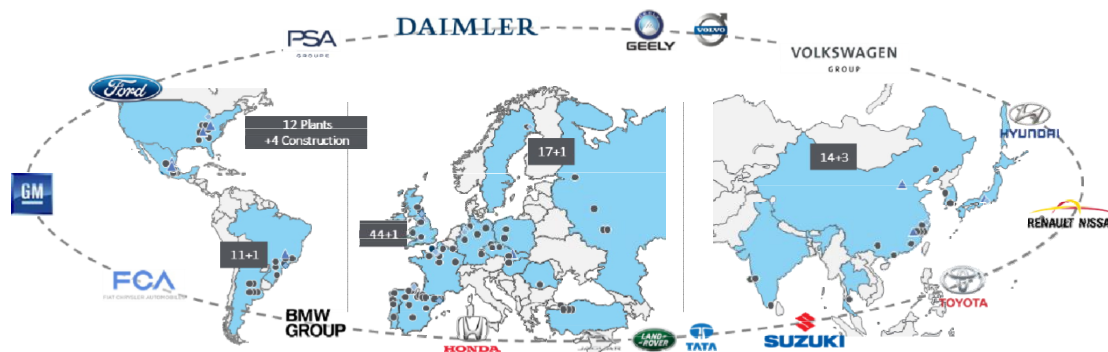
- *Asia Division:* our Asia Division includes 11 plants (one out of which is subject to the approval of the relevant competition authority) located in three different countries: China, Korea and India. All plants belong to Gestamp fully owned subsidiaries, except as follows: (i) the Spanish state-owned company "Compañía Española de Financiación al Desarrollo, Cofides, S.A." holds a 35% minority stake in a subsidiary that operates two plants in China, where Gestamp holds the remaining 65% stake as well as a 31.05% minority stake in one additional subsidiary that operates a plant also in China where Gestamp holds the remaining 68.94% and (ii) Gonvarri owns a 50% stake in a subsidiary that operates one plant in India where Gestamp holds the remaining 50% stake.

- *Edscha Division (Mechanisms):* our Edscha Division (Mechanisms) has 15 plants located in ten different countries: Germany, Spain, Slovakia, Czech Republic, Russia, United States, Brazil, Korea, China and Thailand. All plants belong to Gestamp fully owned subsidiaries, except: (i) our local partner Shanghai Tractor Internal and Combustion Engine Co., Ltd. holds a 45% minority stake in a subsidiary that operates one plant in China; and Gestamp holds the remaining 55% stake, (ii) our local partner Jui Liu Enterprise Co. Ltd and others hold a 50% stake in a subsidiary operating one plant in China where Gestamp held the remaining 50% stake (as of December 31, 2016), (iii) our local partner AAPICO Hitech Public Co. Ltd holds a 49% minority stake in a subsidiary that operates one plant in Thailand where Gestamp holds the remaining 51% stake and (iv) our local partner "PHA Pyeonghwa Automotive Co, Ltd." holds a 50% stake in the subsidiary that operates a plant in Korea and Gestamp holds the remaining 50% stake.

- *Tooling and Equipment Division:* our Tooling and Equipment Division includes seven plants located in three different countries: Spain, Mexico and China. All plants belong to Gestamp fully owned subsidiaries, except one plant in Mexico where three different Basque public funds (Ekarpen Private Equity, S.A., Ezten FCR and Basque FCR) own in aggregate a 70% stake and Gestamp holds the remaining 30% stake and one in China.

• *Research and Development Division (Autotech subsidiaries):* our Research and Development Division includes 13 R&D centers located in eight different countries: Spain, Germany, France, Sweden, United States, Brazil, China and Japan. All centers belong to Gestamp fully owned subsidiaries.

The diagram below shows our global footprint as of March 31, 2018:



The following table sets forth selected information regarding our top 20 production facilities by size. Our installed capacity is generally running at normal rates. Some plants in Russia and Mercosur have more than usual spare capacity due to the market downturn. We expect that the respective utilization rates will increase as these markets recover.

Manufacturing Plant	Country	Land Surface (m^2)	Owned/Leased	Date Opened	Date Acquired (if applicable)
Gestamp Mason	USA	254,952	Owned	1998	2004
Gestamp South Carolina	USA	250,000	Owned	2007	2009
Gestamp Bielefeld	Germany	205,500	Owned	1983	2011
Gestamp Santa Isabel	Brazil	204,998	Owned	2011	NA
Gestamp Alabama (McCalla)	USA	178,466	Leased	2004	2004
Gestamp Le Theil	France	172,000	Owned	1964	2011
Gestamp Llanelli	U.K.	153,000	Owned	1961	2011
Gestamp Severstal Vsevolozhsk	Russia	149,850	Owned	2009	NA
Gestamp Severstal Kaluga	Russia	149,250	Leased	2010	NA
Gestamp West Virginia	USA	137,598	Leased	2013	NA
Gestamp Paraná	Brazil	135,783	Owned	1999	NA
Gestamp Baires Escobar	Argentina	129,507	Owned	2006	NA
Edscha Hengersberg Real State	Germany	118,136	Owned	1963	2010
Gestamp Ludwigsfelde	Germany	113,000	Owned	1991	2011
Gestamp Automotive India	India	107,500	Leased	2009	NA
Gestamp Shenyang	China	103,669	Owned	2012	2013
Gestamp Griwe Haynrode	Germany	100,889	Owned	1991	2000
Gestamp Kunshan	China	100,800	Leased	2008	NA
Gestamp Hungary	Hungary	100,000	Owned	1999	2003
Gestamp Taubate	Brazil	93,000	Owned	1996	1999

The following table sets forth the total number of our production facilities and our R&D centers, by region as of December 31, 2017:

Region	Production Facilities	R&D Centers
Western Europe	47[(2)]	8
Eastern Europe	18[(1)]	-
North America	16[(3)]	1
Mercosur	13[(4)]	1
Asia	18[(1)(4)]	3
TOTAL	**112**	**13**

(1) Includes one under construction.
(2) Includes two under construction, one of which is subject to the approval of the relevant competition authority.
(3) Includes three under construction.
(4) One is subject to the approval of the relevant competition authority.

As of December 31, 2017, no items of property, plant and equipment were subject to liens or charges. For a further description of our property, plant and equipment, please see Note 11 of our consolidated financial statements as of and for the year ended December 31, 2017, and Note 9 to our consolidated financial statements for the year ended December 31, 2016 and 2015.

Environmental

We have a strong commitment to environmental issues and to assessing the impact of our operations on the environment, including with respect to climate change. Our environmental policy is based on the implementation of an Environmental Management System ("EMS") certified according to international standards at each of our manufacturing facilities, as well as the implementation of an environmental management tool, the "Environmental Indicator", which allows us to (i) monitor and control all our facilities, (ii) identify improvement opportunities and (iii) implement best practices.

We require that each center has an environmental management certificate that ensures legislative compliance, minimization of contamination and the continued improvement in processes. Approximately, 82% of our facilities are ISO 14001 or EMASII certified and the remaining 18% of our facilities (most of which have been recently acquired or built by the Group) have to achieve certification within consistent target deadlines.

As part of our EMS, we subject the manufacturing process to environmental standards: from the selection of our suppliers to the optimization of raw materials or the management of all the waste we produce (98% of the waste we generate is not hazardous and 98% is fully recyclable (scrap) and therefore re-enters the steel production process). On a quarterly basis, we monitor the environmental performance of our facilities through the Environmental Indicator and, in particular, through the following key indices:

- EEI: Energy Efficiency Index.
- CO_2EI: CO_2 Emissions Index.
- WPRI: Waste Production Index.
- WMI: Waste Management Index.
- WCI: Water Consumption Index.

We actively work to mitigate climate change on two fronts. On the one hand, we make an effort to reduce CO_2 emissions in our manufacturing processes through proper environmental management. On the other hand, as a supplier of components for the automotive industry, our added value lies in our technological and R&D capacity to develop new products and innovative solutions that make it possible to obtain lighter vehicle components that help our customers reduce their CO_2 emissions given the direct relationship between the weight of a component and the amount of gas emissions during the vehicle usage stage.

To measure the Group's carbon footprint generated by our business activities, we use the GHG Protocol and the Intergovernmental Panel on Climate Change (IPCC) guidelines. On an annual basis, we also voluntarily report our performance related to GHG emissions to the international initiative Carbon Disclosure Project, an organization based in the United Kingdom which works with shareholders and corporations to disclose the GHG emissions of major corporations, and where, in 2015, we were recognized in its publication entitled "Supply Chain Report in 2015".

In recent years, despite the increase of manufacturing facilities and the introduction of hot stamping (a more energy-intensive technology), we have been able to reduce CO_2 emissions (in relative terms) owing to improvements in environmental management and in the management of processes.

	Year ended December 31		
	2015	**2016**	**2017**
CO_2EI[(1)]	24	24	24

(1) Tones of CO_2 emissions per €100,000 of added value.

In addition, we have implemented an energy efficiency project for our operations worldwide, through which the electricity and gas consumption of equipment and facilities is monitored instantly. The analysis of this information, together with the study of best practices in the Group and the exchange of the knowledge acquired, means new energy saving measures can be adopted and, therefore, new targets can be set.

Furthermore, we were able to reduce our consumption of electricity and gas by 54 GWh in 23 plants in which this

new project was implemented. Due to its success, we plan to roll-out this project in further plants in the near future.

Health and Safety

We are committed to offer to our employees and any external workers working in our facilities a health and safety environment. To this end, we have implemented an ambitious Occupational Health and Safety policy and an integrated management system, the GHSS (Gestamp Health and Safety System), which is implemented in all our facilities.

Within the general system, we have developed a tool (GHSI) on the basis of 77 weighted factors related to:

- *Traditional Indicators*: Severity Index, Frequency Index and Serious Accidents.
- *Working Conditions*: internal traffic routes, safety conditions for different types of machinery, warehouse conditions, etc.
- *Prevention Management:* management of external companies, specific training, work at heights, etc.

The GHSI is an in-house tool, designed and tailored to the characteristics of our activity, and reaches more stringent levels than those required by international standards.

The GHSI allows us to implement safe working conditions for our business activities. Every quarter, each facility reports its GHSI to our centralized system and we evaluate the facility's specific performance compared to the Group's standards. In addition, full audits are performed in each site every two years to assess the site's condition in all aspects of the GHSI.

The table below reflects the traditional indicators that are part of the GHSI (Severity Index, Frequency Index and Fatal Accidents) for both our own employees and those that are outsourced to our facilities or who work for temporary employment agencies and perform our tasks or tasks that are necessary for our business.

	2015	2016	2017
Severity Index[(1)]	0.18	0.19	0.14
Frequency Index [(2)]	13.4	13.2	13.1
Fatal Accidents [(3)]	1	1	2

(1) Severity Index: Number of lost labor days (Mon-Fri) / thousand hours worked.
(2) Frequency Index: Number of lost labor days (Mon-Fri) / number of accidents causing loss of time.
(3) Number of Fatal Accidents.

Despite our growth over the past years in terms of operations and number of employees, we have managed to keep our rates stable or to slightly improve them, which reflects our commitment in terms of health and safety.

Proceedings

We are from time to time involved in legal proceedings, claims or investigations that are incidental to the conduct of our business. We vigorously defend ourselves against these claims. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including our assessment of the merits of the particular claims, we do not expect that our pending legal proceedings or claims will have a material adverse impact on our future consolidated financial condition, results of operations or cash flows. As of the date of this ad hoc disclosure, we had no significant contingent liabilities. We have not made any provisions with respect to these contingent tax liabilities in Brazil and we intend to dispute any tax reassessments associated with these tax events.

In addition, Gestamp South Carolina LLC ("Gestamp South Carolina") has received a non-judicial claim from the insurer Allianz AG, as insurer of BMW, arising out of damages Allianz AG paid to BMW as the result of an accident at the Gestamp South Carolina plant. In the accident, the wire rope on an overhead crane being used to move a BMW die parted, allowing the die to fall to the floor of the plant. Although no one was hurt in the accident, the die was damaged, resulting in a line stoppage at the BMW plant. Allianz AG alleged to have paid BMW a total of $57.9 million under the terms of the applicable insurance policy, and sought to recover the full amount (including lost profits) from Gestamp South Carolina. We held meetings with both BMW and Allianz AG for the purposes of resolving the claim outside the court, and have settled for $14.3 million, out of which we expect to recover $4.05 million from third parties and $4.2 million from our insurer. Therefore the total impact is expected to be about $6 million, out of which $5 million have already been included in the 2017 financial statements.

Other than the proceedings mentioned in the paragraph above, there are no governmental, legal or arbitration proceedings, whether initiated, pending or threatened, in which we are involved and which may reasonably have, or have had in the recent past, a material effect on the Group's financial position or profitability.

Employees

Over the past decade, as our operations have grown, we have seen our employee headcount grow commensurately. Our international expansion has led to considerable challenges in terms of corporate culture, organization and management of our human resources: the ongoing adaptation of our organizational structure to our growing needs, adjustment of the size of the workforce, standardization of processes, training in new technologies and fostering a corporate culture.

As of December 31, 2017, we had over 41,000 employees globally, of which 41.9%, 17.8%, 13.2%, 14.9% and 12.2% were based in Western Europe, Eastern Europe, Asia, North America and Mercosur, respectively. For a description of the breakdown of average headcount by professional level and personnel expenses, see Note 26 to our consolidated financial statements as of and for the year ended December 31, 2017.

In addition to our over 41,000 employees employed directly by us, we have an additional 5,436 employees employed by agencies and temporary work agencies (*empresas de trabajo temporal*) working in our facilities.

We believe that we provide an attractive career path to our employees and a challenging work environment. While 47.3% of our employees are under 35, approximately 29.3% of our total workforce has worked in Gestamp for more than 10 years.

Our commitment to attract and retain highly skilled and qualified professional is driven by three different approaches to the management of our workforce: (i) the development of a talent management plan that allows us to identify key positions within the Group, (ii) the implementation of a global training plan focused on the standardization of our manufacturing processes and (iii) international mobility.

The development of a talent management plan has allowed us to identify key positions and to take constructive and appropriate measures to retain, train and promote internal talent with a view to cover these positions from within our internal workforce. Given our rapid growth and our continuous commitment to technological leadership, we endeavor to internally develop the talent and to retain experienced and qualified professionals as a fundamental part of our growth strategy. In addition to our commitment to develop the talent of our employees internally, we are always seeking to attract and recruit qualified professionals.

The implementation of a global training plan facilitates the standardization of our technical knowledge and manufacturing processes, allowing us to serve and respond to our clients consistently in a global scenario. In this regard, we have developed a Corporate University (*Universidad Corporativa*) where all our educational materials are managed on a standardized basis. Virtual training is spread through Gestamp Global Learning, and face-to-face technology and process training is conducted through the Gestamp Technology Institute, our Center of Training Excellence in Spain, as well as through the Chassis GTI in the U.K. and the Gestamp Bielefeld Academy in Germany. In 2017, we have provided more than 28 hours of training per employee and invested more than €20 million in training, which amounts to an increase of 17% as compared to the prior year.

We consider the international mobility of our employees as a key element for the transferability of our know-how and the dissemination of our corporate culture across our production facilities. We are committed to promoting the international careers of our employees as part of our growth strategy worldwide.

At Gestamp, the management of our labor relations is carried out in accordance with the labor and trade union legislation in effect in each geographical area. All aspects related to the employees' trade union, workforce and contractual terms are negotiated with each plant's trade union representatives. In certain geographical areas, due to historic, cultural or regulatory reasons, we have inter-workplace committees that complement the plant-based negotiations framework. Moreover, we abide by the rules of the European Works Council with regards to our employees in the European Economic Area.

We place particular emphasis on issues that are essential for the reputation of the Group, such as adherence to trade unions and labor legislation, anti-discrimination policies, compliance with the code of conduct, occupational health and safety, and training and development in key areas to ensure the correct implementation of our business strategy. Moreover, we place particular emphasis on the framework of fundamental labor rights contained in the International Labor Organization (ILO) conventions.

MANAGEMENT

Board of Directors

Our Board of Directors has the power and duty to manage our corporate affairs, and is responsible for the management, administration and representation of our Company in respect of its business matters, subject to the provisions of the bylaws and except for those matters expressly reserved to the general shareholders' meetings.

The Board of Directors elects its Chairman, which is currently titled Executive Chairman, and can select one or several Vice Chairman. Except for matters reserved by law, our bylaws, the rules of our Board of Directors and the rules of our general shareholders' meeting, the Board of Directors is the highest decision making body of the Company.

Our Board of Directors is comprised of 12 members, of which five are independent Directors, two are executive Directors, three are proprietary Directors and two are "other external" Directors. The following table sets forth, as of the date of this ad hoc disclosure, the name and title of each member, and is followed by a summary of biographical information of each director.

Name	Date of Last Appointment	Title	Category
Francisco José Riberas Mera	03/03/2017	Executive Chairman	Executive
Juan Maria Riberas Mera	03/03/2017	Vice-Chairman	Proprietary
Francisco López Peña	03/03/2017	Chief Executive Officer	Executive
Schinichi Hori	04/03/2018	Member	Proprietary
Tomofumi Osaki	03/03/2017	Member	Proprietary
Alberto Rodriguez-Fraile Diaz	03/03/2017	Member	Independent
Javier Rodriguez Pellitero	03/03/2017	Member	Independent
Pedro Sainz de Baranda Riva	03/03/2017	Member	Independent
Ana Garcia Fau	03/03/2017	Member	Independent
César Cernunda Rego	03/03/2017	Member	Independent
Geert Maurice Van Poelvoorde	03/03/2017	Member	Other External
Gonzalo Urquijo Fernández de Araoz	03/03/2017	Member	Other External

Francisco José Riberas Mera (53) has been on our Board of Directors since inception on December 22, 1997, and was appointed as the Executive Chairman on March 24, 2017. He holds a degree in Law and a degree in Economics and Business Administration from Comillas Pontifical University (ICADE E-3), Madrid. Mr. Riberas started his professional career at Gonvarri Group, where he held different positions, such as director of Corporate Development, and later became the CEO. He promoted the creation of Gestamp Automoción in 1997 and is part of the management team of certain companies of the Gestamp's Group as well as other Acek Group companies (including companies belonging to Gonvarri Group, Acek Renewable Energies Group and Inmobiliaria Acek Group). Outside Acek Group, Mr. Riberas is a member of the board of directors of Telefónica, CIE Automotive, Global Dominion Access and Sideacero. Furthermore, he is part of Endeavor foundation, and Instituto de la Empresa Familiar, among others.

Juan María Riberas Mera (49) has been on our Board of Directors since inception on December 22, 1997, and was appointed Proprietary Director and Vice-Chairman of the Board of Directors on March 24, 2017. He holds a degree in Law and a degree in Economics and Business Administration from Comillas Pontifical University (ICADE E-3), Madrid. Mr. Riberas began his professional career in the Business Development area of the Gonvarri Group, and is currently its CEO and chairman of the board of directors. He promoted the creation of Acek Renewable Energies Group in 2007, and has been, since then, its CEO and the chairman of the board of directors. He is the chairman of the board of directors of Holding Gonvarri and a member of the management team of certain of its subsidiaries. Mr. Riberas also sits the board of directors of certain Acek group companies (including Inmobiliaria Acek Group). Outside Acek Group, he sits the board of directors of CIE Automotive and certain companies of Sideacero Group. Additionally, he is part of the Juan XXIII Foundation, among others.

Francisco López Peña (59) is our Chief Executive Officer. He was appointed member of the Board of Directors of the Company on March 5, 2010, and was appointed Executive Director on March 24, 2017. He holds a degree in Civil Engineering from the Politécnica University of Barcelona, and an MBA from the IESE Business School, Barcelona. He has wide experience in the automotive supplier industry with more than 18 years of work in executive positions at Gestamp Group. Before joining Gestamp, Mr. Peña was the managing director of companies in the industrial mining and textile sector. He joined Gestamp in 1998 as Corporate Development Director and later, in 2008, he became the Vice President and CFO. On December 14, 2017, he was appointed CEO of the Gestamp Group by the Board of Directors. He is also director of certain of our subsidiaries.

Shinichi Hori (54) was appointed Proprietary Director on April 3, 2018. He graduated from the Waseda University, Tokyo. Additionally, he holds a Master of Science degree in Management Studies from MIT, Sloan School of Management, Massachusetts. He has a broad professional experience in the steel sector, with over 30 years of experience with Mitsui Group, holding different positions worldwide. He started his career at Mitsui Group in the Iron & Steel Products Business Unit, and later held different executive positions in the United States and Japan. In 2009, he was appointed assistant to the President & CEO of the Mitsui Group. Later, he was appointed General Manager in charge of the Investment & Planning of Overseas Projects in the division of Iron & Steel Products. In 2014, he became the Senior Vice President of Mitsui & Co. (USA), and operating officer of the Steel Division of Mitsui & Co. (USA), overseeing the steel product across the region. In 2018, he was promoted to Managing Officer and Chief Operating Officer of Iron & Steel Products Business Unit, a position that he currently holds. He is also member of the board of directors of Mitsui & Co. Steel and some of our companies.

Tomofumi Osaki (53) was re-appointed to our Board of Directors on March 3, 2017. He graduated with a degree in Economics from Wakayama University. For the last 29 years, Mr. Osaki has been working at Mitsui Group, gaining experience in the steel sector through a variety of executive positions worldwide. He is currently the General Manager of the Investment & Planning Division of the Iron & Steel Products Business Unit. Before joining the Mitsui Group, Mr. Osaki was the financial officer at CAEMI Mineracao e Metalurgia for seven years, in Brazil. At Mitsui Group, he was the general manager in the Investment Department of Mineral & Metal Resources Business Unit, and post general manager of the Investment Department of the Iron & Steel Product Business Unit in Japan. After that, at Mitsui's New York Offices, he held different executive positions, such as general manager in the Investment Department for the Financial Management Division. Before taking his current position, Mr. Osaki was the deputy general manager of Iron & Steel Products Business Unit in Japan. He is director of certain companies belonging to Mitsui Group and of companies participated by Mitsui Group such as Bangkok Coil Center. He is also director of certain companies of Acek Group (including companies of Gestamp Automoción Group, and Gonvarri Group). In the past, he was part of the management team of other Mitsui Group's companies, Siam Yamato Steel, Vina Kyoei Steel, Mahindra Sanyo Special Steel and MS Avant.

Alberto Rodgriguez-Fraile Diaz (53) was appointed as Independent Director of our Board of Directors on March 3, 2017. He holds a degree in Business Administration from the University of Miami, and took part in the Business Senior Management Program (PADE) from IESE Business School. Moreover, he is qualified as a Registered Options Principal, Financial and Operation Principal and Securities Principal by the U.S. Securities and Exchange Commission and the National Association of Securities Dealers. Mr. Diaz is a founding partner and has been chairman of the board of directors of Asesores y Gestores Financieros for the last 30 years. Additionally, he is a member of the management team of certain companies belonging to A&G. He started his professional career at Merrill Lynch as a Finance Consultant.

Javier Rodriguez Pellitero (48) was appointed to our Board of Directors on March 3, 2017. He holds a degree in Law and a degree in Economics and Business Administration from Comillas Pontifical University (ICADE E-3), Madrid. He is the general secretary of the Spanish Banking Association (AEB). Mr. Pellitero is also the President of the Tax and Legal Committee, member of the Legal Committee of the Banking Federation of the European Union, and member of the Advisory Committee of the Comisión Nacional del Mercado de Valores (CNMV), which is the Spanish government agency responsible for the financial regulation of the securities markets in Spain. He started his professional career at the law firm Uría & Menéndez, and later, he served as state attorney for the Zamora region in Spain. At CNMV, Mr. Pellitero held different leadership positions, such as the general manager of Legal Services and the secretary of the board of directors. He also served as the secretary of the Special Working Group that elaborated the "Unified Good Governance Code of Listed Companies" in 2006, and as a member of the Committee of Experts in charge of elaborating the "Good Governance Code of Listed Companies" in 2015. Additionally, he is a member of the board of directors of GDF Energía España.

Pedro Sainz de Baranda Riva (56) was appointed Director of our Board of Directors on March 3, 2017. He holds a degree in Mining Engineering from the Oviedo University, an MBA from the MIT, Sloan School of Management, Massachusetts, and a PhD in Engineering from Rutgers University, New Jersey. He is currently a co-founder of an investing company called Sainberg Investments. He held a variety of positions at United Technologies Corporation worldwide. He started as a Research Engineer at United Technologies Corporation, Connecticut, then was promoted to principal engineer and manager of Advanced Technology. After that, he served as the new equipment director at Otis Elevator Mexico, the general manager of Otis Portugal, the Chief Executive Officer of Zardoya Otis, the President of the South Europe and Middle East area at Otis Elevator company, and finally as the president of the Otis Elevator Company.

Ana Garcia Fau (50) was appointed Director of our Board of Directors on March 3, 2017. She holds a degree in Law and a degree in Economics and Business Administration from Comillas Pontifical University (ICADE E-3), Madrid, and a MBA from the MIT, Sloan School of Management, Massachusetts. Currently, Ms. Fau serves as non-executive director on the board of directors of the following companies: Renovalia, Technicolor, Eutelsat Communications and Merlin Properties, and DLA Piper y Globalvia. She started her career at McKinsey & Company, and later worked at Wolff Olins and Goldman Sachs International. After that, and for nine years, she served as the managing director of Corporate Development, and later as CFO of TPI- Páginas Amarillas (Telefonica Group), where she also served as a member of the

board of directors of certain subsidiaries of TPI. She also held different leadership roles at Hibu Group (ex-Yell), such as CEO of Yell for the Spanish and Latin American business for seven years, and chief global strategy and development officer, where she was also member of its Global Executive Committee. Furthermore, she was director of Cape Harbor Advisor.

César Cernuda Rego (46) was appointed Director of our Board of Directors on March 3, 2017. He holds a degree in Business Administration and Marketing from the ESIC Business & Marketing School, Madrid. He took part in the Management Development Program (PDD) from the IESE Business School, Madrid, and in the Executive Leadership Program at Harvard University, Massachusetts. He is the president of Microsoft Latin American Organization and vice president of Microsoft Corporation. He started his career in the banking industry, at Banco 21 (Banco Gallego), and afterwards joined Software AG. In the last 20 years, he has had different leadership positions worldwide at Microsoft, such as general manager of Microsoft Business Solutions Europe, Middle East and Africa, the worldwide vice president of Microsoft Business Solutions, vice president of Sales, Marketing and Services of Microsoft Latin America, and president of Microsoft Asia Pacific. Mr Cernuda is currently a member of the board of directors for Americas Society/Council of the Americas http://www.as-coa.org/ and the Trust for the Americas http://trustfortheamericas.org representing Microsoft.

Geert Maurice Van Poelvoorde (52) was re-appointed Director of our Board of Directors on March 3, 2017. He is executive vice president of ArcelorMittal, CEO of ArcelorMittal Europe Flat Products and Europe Purchasing Platform. Mr.Van Poelvoorde started his career in 1989 as a project engineer at the Sidmar Gent hot strip mill, where he held several senior positions in the automation and process computer department. He moved to Stahlwerke Bremen in 1995 as senior project manager. Between 1998 and 2002, he headed a number of departments, and in 2003, he was appointed director of Stahlwerke Bremen, responsible for operations and engineering. In 2005, he returned to ArcelorMittal Gent to take up the position of chief operating officer. In 2008, he became CEO of ArcelorMittal Gent with direct responsibility for primary operations. He was appointed CEO of the Business Division North within Flat Carbon Europe in 2009 and, since January 2014, CEO of Flat Carbon Europe. Mr. Van Poelvoorde graduated from the University of Ghent, Belgium, with a degree in civil engineering and electronics.

Gonzalo Urquijo Fernández de Araoz (56) was appointed as Director of our Board of Directors on March 3, 2017. He holds a degree in Economics and Political Science from Yale University, Connecticut, as well as a MBA from Instituto de Empresa, Madrid. He is the executive chairman of Abengoa S.A. He started his professional career in banking, working for Citibank and Crédit Agricole. After that, he served as director and CFO at Corporación J M Aristrain, and later as CFO at Aceralia Corporación Siderúrgica. At ArcelorMittal Group, he held different executive positions, such as vice president of Stainless Steel, Long Products and China, Principal of AACIS, AMDS, head of the Tubular Products, and principal of the Corporate Social Responsibility, Communication, Institutional Affairs and Occupational Safety. After that, and before holding his current position, he served as Head of the Strategy area at ArcelorMittal. He is on the Board of Directors of Vocento, Fertiberia and Atlantica Yield. He is also the president of the Hesperia Foundation and member of the board of trustees of the Princesa de Asturias Foundation. In the past, he also served on the board of directors of Holding Gonvarri, Aperam, and certain companies belonging to ArcelorMittal.

Board Committees

In compliance with the Spanish Companies Act, our bylaws and the rules of our Board of Directors, our Board of Directors has an audit committee (the “Audit Committee”) and a nominations and compensation committee (the “Nominations and Compensation Committee”). Our bylaws also entitle us to create other internal committees.

Audit Committee

The members of the Audit Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Audit Committee to have between three and five members, all of them to be non-executive Directors and the majority of them to be Independent Directors. All the members of the Audit Committee, and specially its chairman, must be appointed taking into account its knowledge and experience in accountancy, auditing and risk management standards.

Among other responsibilities, the Audit Committee reports to the Board of Directors, supervises the efficiency of internal controls, internal audit and risk control and management functions, proposes to the Board of Directors the risk control and management policy, liaises with our external auditors, and issues Audit Committee's opinion on certain financial information and on the independence of the appointed external auditors.

Nominations and Compensation Committee

The members of the Nominations and Compensation Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Nominations and Compensation Committee to have between three and five members, all of them to be non-executive Directors and the majority of them to be Independent Directors.

Among other responsibilities, the Nominations and Compensation Committee evaluates competence and experience required within the Board of Director, issues proposals for the appointment or removal of independent directors and senior management, and makes proposals on compensation policies for Directors and senior management.

Senior Management

Our senior management team is led by Francisco José Riberas Mera. The following table sets forth, as of the date of this ad hoc disclosure, the name and title of each member of the senior management team who does not also serve on the Board of Directors, and is followed by a summary of biographical information of each such member including their respective ages.

Name	Position
David Vázquez Pascual	Secretary
Miguel Escrig Melia	Chief Financial Officer
Carmen de Pablo Redondo	Director of Corporate Development and Investor Relations
Felipe de Frutos	Director of Administration and Finance
Richard Egües	Director of Mergers and Acquisitions
Ignacio Martin	Director of R&D Body-in-White

David Vázquez Pascual (53) was appointed as our Secretary on December 22, 2016. He holds a degree in Law and a degree in Economics and Business Administration from Comillas Pontifical University (ICADE E-3), Madrid. He also holds an MBA from the M.B.S. University of Houston, Texas, and a Master in European Union Law from the Comillas Pontificial University (ICADE), Madrid. He has been General Counsel of the Gestamp Group since 2000, and member of its Steering Committee. At Gestamp, he also served as General Manager of the North America Division in 2006 and 2007. He started his career in banking through different roles at Banesto Banking Corporation (BBC) in New York and at Cajamadrid in Madrid. After that, he developed part of his career at the university as a professor and coordinator of European Union affairs at the M.B.S University of Houston, and subsequently became the director of the MBA program at the same school. Later, he held different managerial roles at the Antonio Nebrija University (Madrid), such as principal of La Berzosa Campus and director of the Social Sciences School. At the same time, he was professor in business disciplines at the same university and law professor at the Comillas Pontificial University (ICADE). Additionally, he is secretary and director of other companies within our Group and the Acek Renewable Energues Group.

Miguel Escrig Melia (54) is our Chief Financial Officer and has joined our Company in 2018. He holds a degree in industrial engineering from Universidad Politécnica de Valencia and a Master in Economics and Business Administration from IESE Business School. Prior to joining our Company, Miguel was Chief Financial Officer at Telefónica, from 2010 to 2016, and at Banco Popular, in 2017. He also worked previously at Banco Santander and J.P Morgan.

Carmen de Pablo Redondo (45) is our Corporate Development and Investors Relations Director and has joined our Group in 2013. She holds an MBA from the Tuck School of Business at Dartmouth College and a degree in business administration from Colegio Universitario de Estudios Financieros (CUNEF) in Madrid. Prior to joining our Company, Carmen was an Executive Director in the Investment Banking Division at Morgan Stanley, both in London and Madrid.

Prior to that she worked in consulting at McKinsey and held corporate finance advisory positions at various investment banks worldwide.

Felipe de Frutos (57) is our Administration and Finance Director. And has joined our Company in 2000. He holds a degree in economics from Universidad Autónoma de Madrid. Prior to joining our Company, Felipe was Administration Director at Ferrovial Agroman since 1988. Prior to that, he worked at Arthur Andersen as a Senior Auditor in the manufacturing industry division (automotive sector, chemical, metallurgy and electric).

Richard Egües (51) is our Director of Mergers and Acquisitions and has joined our Group in 2012. He holds an MBA from the M.I.T. Sloan School of Management and a B.A. from Yale University. Prior to joining our Company, he was Chief Financial Officer of a renewable energy business in Spain. Prior to that he held corporate banking and investment banking advisory positions in New York, Frankfurt and Madrid with Deutsche Bank, Merrill Lynch and most recently with HSBC where he was Co-Head of Advisory in Spain.

Ignacio Martin (52) is our Director of R&D Body-in-White and has joined our Group in 1999. He holds a degree in mechanical engineering from University of Wuppertal in Germany. Prior to joining our Company, he held various international management positions in the automotive sector in Germany and Austria. After that, he developed part of his career in Gestamp as Managing Director in several plants, being among others responsible for the setup and development of the hot stamping technology. In 2014, he was appointed as head of R&D Body-in-White.

Compensation

In 2017, the members of our Board of Directors accrued €2,372 from us. This amount includes both executive and non-executive Directors' remuneration, including service on Board Committees.

Further, in 2017, the total remuneration for the members of our top management amounted to €9.63 million in the aggregate (excluding Executive Directors). This amount includes (i) a contribution of €70,575 made by the Company to pension plans, and (ii) the annual accruals for the GIP (as defined below).

General Incentive Plan (GIP)

We have implemented an incentive plan linked to the value creation of the Group ("General Incentive Plan" or "GIP"), offered to key employees, including all the senior management and our CEO, Mr. Francisco López Peña.

The purposes of the GIP are (i) to motivate and retain key employees and managers of our Group, and (ii) to link their remuneration with the fulfillment of our long-term strategy, which allows for the alignment of the interests of the beneficiaries with those of our shareholders.

The GIP consists of a cash bonus based on our value creation, varying among certain divisions, regions and facilities, during a reference period of five years, starting on January 1, 2016, and ending on December 31, 2020.

The GIP was formally approved by our Board of Directors on April 1, 2016.

SHAREHOLDERS AND CERTAIN TRANSACTIONS

Shareholders	Shareholding	
	December 31, 2017	December 31, 2016
Acek Desarrollo y Gestion Industrial, S.L. ("Acek")	21.17%	37.63%
Risteel Corporation, B.V.	—	10.75%
Gestamp 2020, S.L.(1)	50.10%	50.10%
Free Float	28.73%	1.52%

(1) Gestamp 2020, S.L. is owned 75% by Acek and 25% by Mitsui.

Terms and Conditions of Transactions with Related Parties

Protocol of Treatment and Approval of Related-Party Transactions

On March 3, 2017, we, Acek and Gonvarri have entered into a protocol of treatment and approval of related-party transactions (the "Gestamp Protocol") to regulate the relationship among us and with our related parties, including the conflicts of interests.

The Gestamp Protocol shall be in place until (i) the direct or indirect stake of Acek in the Company falls below 30% or (ii) if any shareholder, directly or indirectly, holds a stake in our share capital that is higher than Acek's stake. In addition, Gonvarri will cease to be a party to the Gestamp Protocol if the direct or indirect stake of Acek in Gonvarri falls below 50%.

Definition of Related Party Transactions

For the purposes of the Gestamp Protocol, "related party transactions" shall be understood as any supplies, services, commercial relationships or operations that we develop with our principal shareholders or directors, or any third party related thereto and, in particular, with Acek or any company of Gonvarri.

The Gestamp Protocol describes the main transactions that are entered into the parties thereto: (i) blanking, slitting and coating of steel services provided by Gonvarri, (ii) provision of corporate and centralized services by Acek and (iii) corporate services provided by us to certain Acek's affiliates.

General Principles of the Gestamp Protocol

The Gestamp Protocol sets forth that any related-party transaction needs to be carried out in market conditions, with the diligence required to be conducted by an expert in the relevant sector and in the terms specifically established in the Gestamp Protocol.

A series of related-party transactions will require one approval. In addition, recurring transactions within our lines of business (in particular, the purchase of raw materials and agreement with steel service centers) may be subject to a framework approval, as long as such approval: (i) refers to a transaction undertaken within the ordinary course of business, (ii) has a limited term of no more than one year, (iii) sets forth a maximum number of transactions that may fall within the approval, (iv) establishes the price and the legal and commercial terms of the transactions (v) includes the rationale of the series of transactions and (vi) includes a reasonable period for the submission of information to the Audit Committee, which shall be at least on a quarterly basis.

Without prejudice of the above, if we consider it in our interest to terminate any of the legal or commercial related-party transactions, we will notify such circumstance to Acek, who shall cooperate with us to effectuate such termination, but in any case in compliance with the conditions and terms of such legal or commercial relations derived with agreements with third parties.

As a general rule, any related-party transactions shall be approved by our Board of Directors, following the favorable report of the Audit Committee, except where certain thresholds are not met. The alteration of the subject matter, the price or any other relevant term or condition of any related-party transaction that has already been approved, will require additional approval.

Restriction of activity

The activities reserved to us include the design, development, manufacturing and sale, as Tier 1 supplier to OEM customers of (i) Body-in White, (ii) Chassis and (iii) Mechanisms ("Strategic Activities"). However, certain additional and accessory activities that we conduct, such as TWB or press construction, are not included in such definition.

Acek or Gonvarri Corporación Financiera will notify and offer to us any business opportunity which principally relates to our Strategic Activities. If we accept such business opportunity, we will acquire such business opportunity following good faith negotiations with Acek or Gonvarri Corporación Financiera.

Disclosure of information as per the Gestamp Protocol

We will inform the market about the transactions carried out with Acek, Gonvarri or any other related party.

Acek and Gonvarri undertake to provide us as soon as possible with the necessary information about any relationships that might trigger obligations upon us, such as, preparation of financial information and submission of information to the CNMV.

Description of transactions with related parties

We enter into a significant number of transactions on a regular basis and in the ordinary course of business with companies forming part of Gonvarri, which is partially owned by Acek, the main shareholder of Gestamp. These transactions are primarily related to the purchase of steel blanks and coils, for which we paid a consideration of €1,127 million in the year ended December 31, 2017. The majority of such sales are determined by direct agreements between Gonvarri and the different OEMs through re-sale programs without our involvement, and the balance is negotiated at market prices on a non-exclusive and arm's length basis, typically applying contractual formulas to account for the degree and type of steel processing, treatment or preparation.

We also enter into transactions in the ordinary course of business with Acek, its shareholders and subsidiaries, including lease and license agreements, professional and other services and the sale of goods and real estate. In particular, we have leased the following properties from Inmobiliaria Acek S.L. ("Inmobiliaria") (in which Acek holds a 66.6% shareholding): (i) the offices located at Alfonso XII, Madrid; and (ii) the offices located at Ombú 3, Madrid, all of them for an aggregate annual payment of €2.0 million, as of December 31, 2017.

In addition to the above, and according to our business needs from time to time, we charter an airplane from Air Executive, S.L., which is a fully owned subsidiary of Acek. The total amount paid to Air Executive, S.L. for the charter of the airplane was €1.3 million in 2017.

We sell our scrap steel to Gescrap group and to Reimasa Scrap group, groups in which Acek holds a 50% indirect shareholding through Sideacero. In 2017, we received €189.3 million in consideration for these sales.

In the future, we expect to continue to enter into these types of transactions with the Gonvarri group and with Acek and its subsidiaries.

Sale of Trademark

In January 2013, Acek sold to Gestamp Automoción the Gestamp trademark for the automotive category to Gestamp Automoción. The consideration for the sale was €31.0 million to be paid within 20 years by annual installments.

Transactions with Directors

During 2016, approximately 100 key employees, including Senior Management and CEO Mr. Francisco López Peña, received loans for the purchase of shares of the Company for a total amount of €37 million. The loans, which are guaranteed by a pledge over the acquired shares, mature in July 2022 and bear an annual interest rate equal to the Spanish legal interest rate of each year (*interés legal del dinero*), which is 3% for 2016, 2017 and 2018.

DESCRIPTION OF INDEBTEDNESS

The following section contains a summary of certain key terms of the Senior Facilities Agreement, the Intercreditor Agreement and other financing arrangements. The section is intended to be a summary only and does not purport to be a complete or exhaustive description of the topics summarized. Terms not defined in the following section have the meanings given to them in the Senior Facilities Agreement.

Senior Facilities Agreement

The Company and Gestamp Funding Luxembourg, S.A. ("Gestamp Funding") are parties to a senior term and revolving facilities agreement dated April 19, 2013, as amended on May 8, 2013, May 20, 2014, December 10, 2014, April 17, 2015, as amended and restated on May 20, 2016, and as amended on July 25, 2017 (the "Senior Facilities Agreement") entered into between, among others, the Company as the company and original borrower, Gestamp Funding as original borrower, various subsidiaries of the Company as original guarantors, the lenders listed therein and Deutsche Bank AG, London Branch as agent ("Agent") and security agent ("Security Agent"). The company is currently contemplating an amendment and restatement of the Senior Facilities Agreement, however, such amendment and restatement is not expected to change the commitment, economic terms or the maturities of the Senior Facilities Agreement.

Certain terms of the Senior Facilities Agreement are summarized as follows:

- the Senior Facilities comprise two term facilities and one revolving facility;
- the margin on Facility A (as defined below) and the Revolving Credit Facility ranges from 0.95% to 1.20%, depending on applicable leverage ratios;
- the termination date for Facility A and the Revolving Credit Facility is July 15, 2022;
- the maintenance financial covenants are a ratio of EBITDA to financial expenses of not less than 4.00:1 and a ratio of net financial indebtedness to adjusted EBITDA to not exceed 3.50:1; and
- the commitment fee is 35% of the applicable margin in respect of the Revolving Credit Facility.

Senior Facilities

The Senior Facilities Agreement provides, as of December 31, 2017, for committed facilities of €1,132.5 million, split into:

- an amortizing Euro term loan facility of €520.1 million ("Facility A1");
- an amortizing Euro term loan facility of €332.4 million ("Facility A2" and together with Facility A1, "Facility A"); and
- a multi-currency revolving credit facility of €280.0 million (the "Revolving Credit Facility"), undrawn as of December 31, 2017.

Interest Rates and Fees

The interest rate on each loan under the Senior Facilities Agreement for each interest period is the rate per annum which is the aggregate of the applicable (a) margin (see below) and (b) LIBOR or, in relation to any loan in Euro, EURIBOR.

The margin on Facility A and the Revolving Credit Facility ranges from 0.95% to 1.20%, depending on applicable leverage ratios. There is a margin adjustment mechanism in the Senior Facilities Agreement pursuant to which the margin applicable to Facility A and the Revolving Credit Facility will be adjusted upwards or downwards based on the ratio of Net Financial Indebtedness to Adjusted EBITDA in respect of any relevant testing period, as demonstrated in the compliance certificate required to be delivered under the Senior Facilities Agreement. While an event of default is continuing under the Senior Facilities Agreement, the applicable margin will be the highest margin applicable to each Senior Facility.

Pursuant to the Senior Facilities Agreement, we are required to pay certain fees, including a commitment fee in respect of the available but undrawn Revolving Credit Facility commitments.

Guarantees

Pursuant to the terms of the Senior Facilities Agreement, the Company and certain of its subsidiaries (together, the "SFA Guarantors") guarantee all amounts due to the lenders and other finance parties under the Senior Facilities Agreement and related finance documents. The guarantees granted by the SFA Guarantors are subject to certain guarantee limitations which are set out in the Senior Facilities Agreement. These guarantee limitations primarily limit the scope of the guarantees granted by the SFA Guarantors to ensure that they comply with the laws of the jurisdictions in which the SFA Guarantors are incorporated.

We are required to ensure that each of our subsidiaries in which we hold at least 90 percent of the issued share capital, and which for the last financial year has (a) earnings before interest, tax, depreciation and amortization (i) calculated on the same basis as EBITDA, representing 2.50% or more of the Group's EBITDA; and (ii) (calculated on the same basis as EBITDA but on an unconsolidated basis) greater than €10,000,000; or (b) which has net assets representing 2.5% or more of our consolidated net assets (calculated on a consolidated basis) (a company meeting these criteria being a "Material Company"), accedes to the Senior Facilities Agreement as an additional guarantor as soon as possible after becoming a Material Company. The obligation to require such a Material Company to accede as a guarantor is subject to certain limitations specified in the Senior Facilities Agreement and does not apply to a Spanish company established as an *Agrupación de Interés Económico* or any subsidiary incorporated in any country located in North America or Mercosur or in Japan, China, South Korea, India or Taiwan.

Security

Gestamp Automoción, Gestamp Servicios, S.A. (other than in relation to paragraph (e) below) and Gestamp Toledo (other than in relation to paragraph (f) below) granted Spanish law pledges (the "Initial Share Pledges") over all of the shares held by them in the following subsidiaries:

(a) Gestamp Metalbages, S.A.;

(b) Gestamp Bizkaia, S.A.;

(c) Gestamp Vigo, S.A.;

(d) Gestamp Palencia, S.A.;

(e) Gestamp Servicios, S.A.; and

(f) Gestamp Toledo, S.A.

(The companies listed in (a) to (f) above being the "Share Security Subsidiaries").

The Initial Share Pledges will continue to secure obligations owed under (i) the Senior Facilities Agreement and related finance documents, and (ii) the 2023 notes. The Senior Facilities Agreement also permits us and our subsidiaries to grant pledges (the "Future Creditor Share Pledges" and together with the Initial Share Pledges, the "Transaction Security") over the shares we hold in the Share Security Subsidiaries as security for obligations that may in the future be owed by us to other creditors subject to satisfaction of certain conditions set out in the 2023 Indenture, the Senior Facilities Agreement and the Intercreditor Agreement (any such indebtedness being "Additional Senior Financing"). The security created by the Transaction Security will rank in the order described in the section titled "—Ranking of Security" below.

Undertakings

The Senior Facilities Agreement contains certain negative undertakings that, subject to certain customary and other agreed exceptions, limit the ability of each obligor (and in certain cases, members of the Group) to, among other things:

- incur or allow to remain outstanding financial indebtedness;
- be a creditor in respect of financial indebtedness;
- create or permit to subsist any security over any of its assets;
- issue or allow to remain outstanding any guarantee in respect of any liability or obligation owed to any person;

- declare or pay any dividend or other payment or distribution of any kind on or in respect of any of its shares; and
- make acquisitions of companies, businesses or undertakings.

In addition to the undertakings listed above, the Senior Facilities Agreement contains a number of other customary positive and negative undertakings. We consider that we are in compliance with these undertakings as of the date of this ad hoc disclosure.

Financial Covenants

The Senior Facilities Agreement contains financial covenants that require the Group to ensure that:

- the ratio of Adjusted EBITDA to Financial Expenses is not lower than 4.00:1.00 on each testing date; and
- the ratio of Net Financial Indebtedness to Adjusted EBITDA is not higher than 3.50:1.00 on each testing date.

Maturity

Loans drawn under Facility A are required to be repaid in semi-annual instalments, starting from January 15, 2020, in accordance with an amortization schedule set out in the Senior Facilities Agreement, with the final repayment instalment due on July 15, 2022. Each loan under the Revolving Credit Facility is required to be repaid on the last day of each interest period, provided however that Revolving Credit Facility loans may be redrawn subject to the terms and conditions set out in the Senior Facilities Agreement. All outstanding loans under the Revolving Credit Facility and any outstanding letters of credit are required to be repaid in full on July 15, 2022.

Prepayments

Subject to certain conditions, we may voluntarily cancel any available commitments under, or voluntarily prepay any outstanding utilizations of, the Senior Facilities by giving 3 business days' prior notice to the Agent. Any Facility A loans that are prepaid may not be reborrowed and the relevant commitments will be cancelled. Any Revolving Credit Facility utilizations that are prepaid may (subject to the terms of the Senior Facilities Agreement) be reborrowed.

Subject to certain exceptions and/or thresholds, mandatory prepayments of amounts outstanding under the Senior Facilities are required to be made upon the disposal of certain categories of assets or recovery of insurance claim proceeds.

A change of control of the Company will trigger a 30 day consultation period with the lenders under the Senior Facilities Agreement. At the end of such consultation period, each lender who does not wish to continue being a lender under the Senior Facilities Agreement may request prepayment of all amounts owed to it. Any lender who makes such a request must be prepaid within five business days and all of such lender's commitments will be cancelled. The Senior Facilities will be automatically cancelled and be immediately repayable upon a sale of all or substantially all of our assets to a third party.

"change of control" for these purposes means Acek Group and their respective affiliates ceasing to directly or indirectly (a) have the power to (i) cast, or control the casting of, at least 50.01% of the votes that may be cast in the Company's general meeting; (ii) appoint or remove all, or the majority of the directors or equivalent officers of the Company; or (iii) give directions with respect to our operating and financial policies with which our directors or equivalent officers are obliged to comply; or (b) hold beneficially at least 50.01% of the issued share capital of the Company with voting rights.

Events of Default

The Senior Facilities Agreement contains events of default customary for financings of this nature (with customary and agreed thresholds and carve-outs), the occurrence of any of which will allow the lenders under the Senior Facilities Agreement to cancel available commitments under the Senior Facilities, declare all amounts owed under the Senior Facilities Agreement to be due upon demand and/or demand immediate repayment of all amounts owed under the Senior Facilities Agreement.

2023 Notes

On May 4, 2016, Gestamp Funding issued €500 million 3.50% Senior Secured Notes due 2023 (the "2023

notes”) in an offering pursuant to Rule 144A and Regulation S of the Securities Act. The proceeds of the 2023 notes were issued to refinance existing debt. The 2023 notes mature on May 15, 2023.

The 2023 notes are secured on a second ranking basis by a charge over the shares of certain subsidiaries of the Company but recoveries received upon enforcement of any collateral securing the 2023 notes will be distributed *pari passu* and applied pro rata in repayment of liabilities in respect of the 2023 notes and the Senior Facilities Agreement.

After May 15, 2019, at the option of Gestamp Funding or the Company, Gestamp Funding may redeem all or a part of the 2023 notes upon not less than 10 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the 2023 notes redeemed, to, but excluding, the applicable redemption date, if redeemed during the twelve month period beginning on May 15 of the years indicated below:

Year	Percentage
2019	101.750%
2020	100.875%
2021 and thereafter	100.000%

In addition, at any time prior to May 15, 2019, at the option of Gestamp Funding or the Company, Gestamp Funding may redeem up to 40% of the aggregate principal amount of the 2023 notes with the net cash proceeds from certain equity offerings at a price equal to 103.50% of the principal amount of the 2023 notes redeemed plus accrued and unpaid interest, if any, provided that at least 60% of the original principal amount of the 2023 notes remains outstanding after the redemption and the redemption occurs within 120 days of the closing of the relevant equity offering.

Upon the incurrence of a change of control, each holder of the 2023 notes has the right, subject to certain exceptions, to require Gestamp Funding to repurchase such holder’s 2023 notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date.

The 2023 Indenture contains several covenants limiting, among other things, the ability of the Company to:

- incur or guarantee additional indebtedness (subject to specific provisions and exceptions);
- pay dividends or make other distributions or repurchase or redeem our stock;
- make investments or certain restricted other payments;
- create certain liens;
- sell assets, including capital stock of restricted subsidiaries;
- enter into certain transactions with affiliates;
- enter into agreements that restrict our restricted subsidiaries’ ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

Pursuant to the 2023 Indenture, dividend payments will be generally permitted to the extent they do not exceed 50% of our cumulative consolidated net income if certain conditions are met. Furthermore, the 2023 Indenture provides for additional specific allowances that would permit the payment of dividends, the most relevant of which is the payment of annual dividends up to 3% of our market capitalization if we do not exceed certain indebtedness ratios.

According to the terms of the 2023 Indenture, Gestamp also undertakes to comply with certain covenants of a non-financial nature, such as making the interest payments on the agreed dates or issuing reporting information to bondholders on a timely manner. The Company considers that it is in compliance with these covenants as of the date of this ad hoc disclosure.

Intercreditor Agreement

The Company, the trustee under the 2023 notes, the Agent, the Security Agent, the lenders under the Senior Facilities Agreement and certain other parties entered into an Intercreditor Agreement dated May 10, 2013 to establish the relative rights of certain of the Group’s creditors including creditors under the Senior Facilities Agreement, the 2023

Indenture, the Bank of America loan (which has been fully repaid as of March 21, 2017, as described below) and any Additional Senior Financings.

The Intercreditor Agreement has not been subject to any amendments since May 10, 2013.

The Intercreditor Agreement sets out:

- the ranking of the indebtedness under the Senior Facilities Agreement, the 2023 notes and any Additional Senior Financing (together the "Senior Secured Debt" and the creditors to whom the Senior Secured Debt is owed being the "Senior Secured Creditors");
- the ranking of the security created pursuant to the Transaction Security;
- the procedure for enforcement of the Transaction Security and any guarantee granted in favour of the Senior Secured Creditors and the allocation of proceeds resulting from such enforcement;
- the types of disposals permitted under distressed and non-distressed scenarios and the Security Agent's authority to release the Transaction Security and guarantees granted in favour of the Senior Secured Creditors in case of a distressed and non-distressed disposal;
- the terms pursuant to which intra-Group debt and certain debt owed to Acek and other equity investors ("Equity Investor Liabilities") will be subordinated; and
- turnover provisions.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and, as such, we urge you to read that document because it, and not the discussion that follows, defines certain rights (and restrictions on entitlement) of the other Senior Secured Creditors.

Priority of Debts

The Intercreditor Agreement provides that all liabilities owed under the Senior Secured Debt will rank *pari passu* and without any preference between them and in priority to any intra-Group debt and Equity Investor Liabilities.

Ranking of Security

It is agreed under the Intercreditor Agreement that the Transaction Security shall rank and secure the Senior Secured Debt *pari passu* without preference between the different categories of Senior Secured Debt, irrespective of the date of execution or order the Transaction Security Documents are entered into, or the ranking under applicable law.

Enforcement and Application of Proceeds

The Intercreditor Agreement sets forth procedures for enforcement of the Transaction Security. Subject to the Transaction Security having become enforceable, Senior Secured Creditors whose Senior Credit Participations aggregate more than 50% of the total Senior Credit Participations (the "Instructing Group") are entitled to direct the Security Agent to enforce or refrain from enforcing the Transaction Security, as they see fit. The Security Agent may refrain from enforcing the Transaction Security unless otherwise instructed by Instructing Group. For these purposes, "Senior Credit Participations" means at any time in relation to a Senior Secured Creditor, the aggregate amount owed to such Senior Secured Creditor.

The proceeds of enforcement of the Transaction Security or any guarantees granted in respect of the Senior Secured Debt and all other amounts paid to the Security Agent under the Intercreditor Agreement shall be applied in the following order:

- first, in payment on a *pari passu* and *pro rata* basis any sums (including fees, costs, expenses and liabilities) owing to (i) the Security Agent or any receiver, delegate, attorney or agent appointed under the Transaction Security Documents or the Intercreditor Agreement; and (ii) the Agent, the trustee under the 2023 notes or any creditor representative in its capacity as such (but not bilateral lenders) in respect of any Additional Senior Financing;

- second, on a *pari passu* and *pro rata* basis to (i) the Agent on its own behalf and on behalf of the creditors under the Senior Facilities Agreement; (ii) the trustee under the 2023 notes on its own behalf and on behalf of the noteholders; and (iii) any creditor representative in respect of an Additional Senior Financing on its own behalf and on behalf of the creditors under such Additional Senior Financing, for application towards the discharge of amounts owed under the Senior Facilities Agreement (in accordance with the terms thereof) and any Additional Senior Financing (on a *pro rata* basis);

- third, if none of the debtors is under any further actual or contingent liability under any of the Senior Secured Debt documents, in payment to any person the Security Agent is obliged to pay in priority to any debtor; and

- fourth, in payment or distribution to the relevant debtors.

Distressed and Non-distressed Disposals

The Security Agent is authorized (without the requirement to obtain any further consent or authorization from any Senior Secured Creditor) to release from the Transaction Security any asset that is the subject of a disposal permitted by the Senior Secured Debt documents and the Transaction Security Documents and which is not a Distressed Disposal. A Distressed Disposal means a disposal effected (i) by way of enforcement of the Transaction Security; (ii) at the request of the Instructing Group in circumstances where the Transaction Security has become enforceable; or (iii) by a debtor to a third party (not being a member of the Group) after any of the Senior Secured Debt has been accelerated.

If to the extent permitted by applicable law a Distressed Disposal is being effected or the shares of the Share Security Subsidiaries are being appropriated by the Security Agent, the Security Agent is authorized (without the requirement to obtain any further consent or authorization from any Senior Secured Creditor or other relevant party): (i) to release the Transaction Security or any other claim over any asset subject to the Distressed Disposal or appropriation; and (ii) if the asset subject to the Distressed Disposal or appropriation is the shares of a Group company, to release such Group Company and/or its subsidiaries from any liabilities under borrowings and/or guarantees under the Senior Secured Debt documents, intra-Group debt documents or documents evidencing Equity Investor Liabilities.

Intra-Group Debt

Pursuant to the Intercreditor Agreement, the Company and its subsidiaries party thereto that are creditors in respect of intra-Group debt have agreed to subordinate intra-Group debt to the Senior Secured Debt.

Neither we nor any of our subsidiaries that are creditors in respect of intra-Group debt may accept the benefit of any security, guarantee, indemnity or other assurance against loss in respect of intra-Group debt unless such action is permitted under the Senior Secured Debt documents. Neither we nor any of our subsidiaries may make any payment, prepayment, repayment or otherwise acquire or discharge any intra-Group debt if acceleration action has been taken in respect of any of the Senior Secured Debt unless the Instructing Group consent or such action is undertaken to facilitate repayment or prepayment of the Senior Secured Debt.

Equity Investor Liabilities

Pursuant to the Intercreditor Agreement, Acek and future equity investors party thereto have agreed to subordinate the Equity Investor Liabilities to the Senior Secured Debt. Gestamp Automoción and other debtors may make payments in respect of the Equity Investor Liabilities provided that such payments are permitted under the terms of the Senior Secured Debt documents and the documents evidencing the Equity Investor Liabilities. No equity investor may accept the benefit of any security, guarantee, indemnity or other assurance against loss in respect of Equity Investor Liabilities prior to the first date on which all of the Senior Secured Debt has been discharged.

Turnover

If any creditor party to the Intercreditor Agreement (including the Agent, Security Agent, the trustee under the 2023 notes, Senior Secured Creditors, creditors in respect of intra-Group debt and creditors in respect of Equity Investor Liabilities) receives or recovers a payment (whether by way of direct payment, set-off or otherwise) except as permitted pursuant to the terms of the Intercreditor Agreement, such creditor shall hold such payment in trust for the Security Agent and promptly pay over such amounts to the Security Agent for application in accordance with the provision described above under “Enforcement and application of proceeds”.

Existing Debt Facilities

The following is a brief description of certain of our other significant interest bearing loans and borrowings ("Existing Debt Facilities").

2017 MARF Commercial Paper Program

On November 27, 2017 we registered a €150 million commercial paper program (the "Program") for the issuance of commercial paper (the "Commercial Paper") to be listed in the Spanish Alternative Fixed- Income Market (Mercado Alternativo de Renta Fija) ("MARF"). Banca March, S.A. is acting as placement agent and sole lead arranger. The Program and the Commercial Paper are subject to Spanish law and any disputes arising from it shall be subject to the jurisdictions of applicable courts in accordance with Spanish law.

Under the one-year Program, we may issue Commercial Paper for a maximum outstanding balance of €150 million, with a redemption period of between three business days and 731 calendar days. Each Commercial Paper shall have a nominal value of €100,000 which means that the maximum number of Commercial Paper in circulation at any given time shall not exceed 1,500.

The Commercial Paper is issued at discount, accrues interest and shall be reimbursed at their nominal value at their maturity. It does not include an early redemption option for the Company (call) or for the securities' holder (put). Notwithstanding the above, the Commercial Paper may be early redeemed if, for any reason, it is held by the Company.

The Commercial Paper will not be secured by any *in rem* guarantees (garantías reales) or personal guarantees (garantías personales). In case of insolvency of the Company, investors rank behind any privileged creditors existing as of the date the insolvency is filed, in accordance with Act 22/2003, of July 9, governing Insolvency, and its related regulations.

As of the date of this ad hoc disclosure, we have executed the following Commercial Paper issuances under the Program, all of which remain outstanding as of the date hereof:

ISIN Code	Nominal amount	Issue Date	Maturity Rate	Interest Rate
ES0505223000	€75,000,000	01/18/2018	04/18/2018	0.00%[1]
TOTAL	€75,000,000	-	-	-

(1) No explicit interest is accrued on this commercial paper issuance since it was issued below par (at a price of 99.93%).

The European Investment Bank Loan

On June 15, 2016, Gestamp signed a €160 million financing agreement with the European Investment Bank ("EIB") with a 1.65% fix interest rate (the "EIB Loan").

The term of the EIB Loan is seven years with maturity on June 22, 2023. The EIB Loan contains certain financial covenants that require the Company to ensure that:

- the ratio of EBITDA to financial expenses is not lower than 4.00:1; and
- the ratio of Net Financial Debt to EBITDA is not higher than 3.50:1.

As of December 31, 2017, the Company was not in breach of any of these covenants. Certain Group companies, which together represent a significant portion of total consolidated assets, revenue and EBITDA, act as joint guarantors of this loan. Pursuant to the terms of the EIB Loan, the aggregate amount of dividends distributed in any fiscal year must not be greater than 50% of the consolidated net income for such relevant fiscal year.

In addition, the EIB Loan also contemplates certain events of default which would trigger, at the EIB discretion, customary for financings of this nature (with customary and agreed thresholds and carve-outs), the occurrence of any of which will allow the EIB to declare all or part of the amounts owed under the EIB Loan to be due upon demand and/or demand immediate repayment of all or part of the amounts owed under the EIB Loan.

Examples of such events of default include, but are not limited to, misrepresentation, non-payment by the borrower or the guarantors, breach of the financial covenants referred to above, cross-default, insolvency, initiation of

insolvency proceedings, unlawfulness and invalidity, cessation of business, change of ownership, audit qualification, repudiation and rescission of agreements, expropriation and litigation and material adverse change.

Other

In addition, as of December 31, 2017, we had other interest bearing loans and borrowings of €1,144.8 million maturing between 2018 and 2022, primarily including unsecured loans. Along with the MARF and EIB Loan, these debt facilities add up to €1,379.8 million, of which €543.7 is short-term indebtedness and €836.1 is long-term indebtedness. The providers of these interest bearing loans and borrowings include, among others, Banco Bilbao Vizcaya Argentaria, Banco Sabadell, Banco Santander, Bank of America, Bankia, BNP Paribas, Caixabank and Commerzbank.

While €432.4 million of our €543.7 million of short-term indebtedness is denominated in Euros, most of which is in Western Europe, the other €111.3 million is denominated in foreign currency. The table below sets forth the break down of our short-term indebtedness, as of December 31, 2017:

	As of December 31, 2017
	Actual
	(€ millions)
In Euro	
Western Europe	421.0
Esatern Europe	8.2
Asia	3.2
Total	**432.4**
In forieng currency	
U.S. Dollar	
Western Europe	37.6
North America	16.6
Turkish Lira	
Eastern Europe	16.5
Argentine Peso	
Mercosur	3.2
Brazilian Real	
Mercosur.	3.1
Indian Rupee	
Asia	26.3
Chinese Yuan	
Asia	5.3
Czech Crown	
Eastern Europe	1.3
Romaniam Leu	
Eastern Europe	1.1
Korean Won	
Asia	0.3
Total	**111.3**
Total	**543.7**

Furthermore, we have €677.0 million in credit lines granted mainly to the Company and which have a maturity of less than one year. Around €578.0 million of these credit lines are Euro-denominated, all of which are in Western Europe, while the equivalent of €102.0 are denominated in foreign currencies, mainly in Asia. These credit lines are unsecured and are generally renewed each year and are subject to customary covenants. As of December 31, 2017, €34.0 million of such credit lines had been drawn, mainly in Asia.

Bank of America loan

On March 21, 2012, we entered into a €60.0 million facility agreement with Bank of America Merrill Lynch Limited. This facility expired on March 21, 2017 and has been fully repaid.

GLOSSARY OF TECHNICAL TERMS

Unless otherwise defined in this ad hoc disclosure, the following industry terms and abbreviations when used in this ad hoc disclosure have the meaning ascribed to them below.

Abbreviation	Definitions
"bins"	11 certification levels (8 permanent and 3 temporary, which expired in 2008) promulgated under the EPA's Tier 2 emission standards.
"Body-in-White"	Component parts and assemblies, such as hoods, roofs, doors, fenders and other high quality and high efficiency or "Class A" surfaces and assemblies.
"CAFE"	Corporate average fuel economy set by the NHTSA.
"CARB"	California Air Resource Board in the United States.
"Chassis"	The internal framework of an automotive vehicle used in automobile manufacturing.
"China IV"	Engine emission standard introduced for heavy diesel vehicles in China, in force in the Beijing region in January 2008, which are expected to come into force nationwide by July 2013.
"Class A surfaces"	Freeform surfaces of high efficiency and quality with G2 (or even G3) curvature continuity to one another.
"CO"	Carbon monoxide.
"Crash box"	Automotive vehicle part for crash energy absorption.
"Die"	Equipment used in the stamping and forming processes to cut or form raw material into a required shape using a press.
"EMAS"	European Union Eco-Management and Audit Scheme.
"EPA"	Environmental Protection Agency in the United States.
"Euro 1", "Euro 2", "Euro 3", "Euro 4"	European Union regulatory standards under Directive 70/220/EEC with respect to emission regulations for new light vehicles, as amended through 2004.
"Euro 5"	European Union regulatory standards under Regulation 715/2007/EC with respect to emissions from light passenger and commercial vehicles, which came into force in September 2009.
"Euro 6"	European Union regulatory standards under Regulation 715/2007/EC with respect to emissions from light passenger and commercial vehicles, which will come into force in September 2014.
"EuroNCAP"	European New Car Assessment Program, established in 1997,and composed of seven European governments and motoring and consumer organizations to encourage safety improvements to new car design.
"EV"	Electric vehicles.
"HC"	Hydrocarbons.
"ICE"	Internal combustion engine.
"IIHS"	Insurance Institute for Highway Safety in the United States an independent, nonprofit scientific and educational organization established to reduce the losses from crashes on the roads.
"ISO 14000"	Standard set by the International Organization for Standardization in relation to various aspects of environmental management.
"LEV"	Low emission vehicle.
"LEV II", "LEV III"	Regulations issued by CARB in relation to LEVs.
"LPG"	Liquefied petroleum gas.
"M2"	European Union regulatory category under Regulation 510/2011/EC with respect to vehicles for the transportation of passengers, comprising more than eight seats in addition to the driver's seat and having a maximum mass not exceeding 5 tons.
"Mechanisms"	The moving parts and systems used in an automotive vehicle.
"MEP"	Chinese Ministry of Environmental Protection.
"MPa"	Megapascal, a measure of force per unit area.
"MPVs"	Multi-purpose vans.
"N1"	European Union regulatory category under Regulation 510/2011/EC with respect to vehicles for the transportation of goods, having a maximum mass not exceeding 3.5 tons.
"N2"	European Union regulatory category under Regulation 510/2011/EC with respect to vehicles for the transportation of goods, having a maximum mass exceeding 3.5 tons but not exceeding 12 tons.
"NEDC"	New European Driving Cycle, a test procedure for vehicle efficiency that consists of different drive cycles simulating city and highway conditions and serves as a uniform standard for measuring carbon dioxide emissions.
"NG"	Natural gas.

"NHTSA"	National Highway Traffic Safety Administration in the United States that sets CAFE.
"NOx"	Nitrogen oxides.
"NVH"	Noise, vibration and harshness.
"OEMs"	Original equipment manufacturers, a manufacturer of products that are used as components in another company's product.
"PM"	Particulate matters.
"PROCONVE L5", "PROCONVE L6"	Engine emission standards introduced for new light vehicles in Brazil, which came into force in between 2013 and 2015.
"PROCONVE P5"	Engine emission standards in Brazil, which were in-force in between 2004 and 2006.
"PROCONVE P6"	Engine emission standard introduced for new light vehicles in Brazil, which came into force January 2009.
"PROCONVE P7"	Engine emission standard introduced for new light vehicles in Brazil, which came into force January 2012.
"SUVs"	Sport Utility Vehicles.
"TMP"	Tailored Material Property, a specific press hardening process, which can be used to produce different strength levels for monolithic parts.
"TWB"	Tailored welded blank sheets made from individual steel sheets of different thickness, strength and coating which are joined together by laser welding.