

Gestamp Automoción, S.A.
Annual Report 2016



Financial results for the year to December 31, 2016

TABLE OF CONTENTS

CERTAIN TERMS AND CONVENTIONS	i
PRESENTATION OF FINANCIAL AND OTHER INFORMATION.....	1
SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION.....	6
RISK FACTORS	9
OPERATING AND FINANCIAL REVIEW	28
BUSINESS	60
MANAGEMENT AND BOARD OF DIRECTORS.....	102
RELATED-PARTY TRANSACTIONS	122
MATERIAL CONTRACTS	126
INDEX TO FINANCIAL INFORMATION	F-4

CERTAIN TERMS AND CONVENTIONS

Unless otherwise specified or the context requires otherwise in this annual report:

- “2023 notes” means the €500.0 million aggregate principal amount of 3.50% Senior Secured Notes due 2023 issued by Gestamp Funding Luxembourg S.A.;
- “Acek” means our majority shareholder Acek Desarrollo y Gestión Industrial, S.L. (formerly named Corporación Gestamp, S.L.); • “ArcelorMittal Group” means ArcelorMittal S.A. and its subsidiaries;
- “Asia” means China, India, South Korea, Japan, Thailand and Taiwan;
- “Board of Directors” means the board of directors of the Company;
- “Body-in-White” means component parts and assemblies for car bodies, such as hoods, roofs, doors, fenders and other high quality and high efficiency or “Class A” surfaces and assemblies;
- “Bylaws” means the bylaws or articles of association of the Company, approved and restated on March 3, 2017 by the extraordinary General Shareholders’ Meeting of the Company;
- “CAGR” means compound annual growth rate;
- “Chassis” means the internal framework of an automotive vehicle used in automobile manufacturing;
- “Class A surfaces” means skin panels (i.e. exterior large parts of car bodies);
- “CNMV” means the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*);
- “CO₂” means carbon dioxide;
- “dies” means the tool used in the stamping and forming processes to cut or form raw material into a required shape using a press;
- “Directors” means the members of the Board of Directors;
- “Eastern Europe” means Russia, Poland, Hungary, Slovakia, the Czech Republic and Turkey;
- “EEA” means the European Economic Area;
- “EIB Loan” means the financing agreement entered into by Gestamp and the European Investment Bank on June 15, 2016 for an amount of €160.0 million;
- “EMAS” means the European Union Eco Management and Audit Scheme;
- “EU” means the European Union;
- “EUR,” “euro(s),” “Euro(s),” and “€” means the currency of those countries in the EU that form part of the common currency of the euro;
- “EuroNCAP” means the 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” means electric vehicles;
- “FRP” means fiber reinforced plastics;

- “GBP”, “pound(s)” and “£” means the currency of the United Kingdom;
- “Gestamp”, the “Company”, “Group”, “we”, “us” and “our” means Gestamp Automoción, S.A. together with its consolidated subsidiaries, unless otherwise indicated or the context so requires;
- “Gestamp 2020” means Gestamp 2020, S.L., a special purpose vehicle owned by Acek (75% of its share capital) and Mitsui (25% of its share capital) and which holds, in turn, 50.1% of the Company’s share capital and voting rights;
- “GHG” means greenhouse gases;
- “Gonvarri” means Gonvarri Corporación Financiera, S.L. which is the holding entity of an industrial group controlled by Acek that develops two main activities: (i) steel services and (ii) manufacturing of metal components for renewable energy plants;
- “Grupo Acek” means Acek together with its subsidiaries;
- “IFRS” means the International Financial Reporting Standards promulgated by the International Accounting Standards Board and as adopted by the European Union;
- “IHS” means IHS, Inc.;
- “IIHS” means the 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;
- “Mechanisms” means the gadgets used to operate the moving parts and systems of an automotive vehicle, such as hinges, doorchecks, liftgates, etc.;
- “Mercosur” means Brazil and Argentina;
- “Mitsui” means Mitsui & Co., Ltd.;
- “MPa” means a Megapascal, a measure of force per unit area;
- “North America” or “NAFTA” means the United States of America and the United States of Mexico;
- “NHTSA” means the National Highway Traffic Safety Administration in the United States;
- “NVH” means noise, vibration and harshness;
- “OEM” and “OEMs” means Original Equipment Manufacturer and Original Equipment Manufacturers, respectively;
- “Riberas Family” means, Mr. Francisco José Riberas Mera and Mr. Juan María Riberas Mera and their respective direct descendants by nature or adoption;
- “Senior Facilities Agreement” means the senior facilities agreement dated April 19, 2013 as amended on May 8, 2013, May 2, 2014, December 10, 2014, April 17, 2015 and as amended and restated on May 20, 2016, and as further amended from time to time, entered into between, among others, the Company as original borrower, various subsidiaries of the Company (including Gestamp Funding Luxembourg S.A.) as original guarantors, the original lenders listed therein and Deutsche Bank AG, London Branch as agent and as security agent;
- “Shares” means all the ordinary shares of the Company, with a nominal value of €0.50 per share;
- “Spanish Commercial Code” means the *Real Decreto de 22 de agosto de 1885 por el que se publica el Código de Comercio*, as amended;
- “Spanish Companies Act” means the *Real Decreto Legislativo 1/2010, de 2 de julio, por el que se*

aprueba el texto refundido de la Ley de Sociedades de Capital, as amended;

- “Spanish Corporate Governance Code” means the *Código de Buen Gobierno de las Sociedades Cotizadas* approved by the CNMV Board on February 18, 2015, as amended;
- “Spanish Securities Markets Act” means the *Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido del Mercado de Valores*, as amended;
- “SUV” means suburban or sport utility vehicles which are also classified as light vehicles;
- “Tooling and Other Products” means tooling and dies and other related services;
- “UK” or “U.K.” means the United Kingdom;
- “US”, “U.S.” and “United States” means the United States of America;
- “US\$”, “dollar(s)” and “\$” means the currency of the United States of America; and
- “Western Europe” means Spain, Portugal, France, the United Kingdom, Germany, Sweden, Belgium and Luxembourg.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial information and operational data

This annual report includes our audited consolidated historical financial statements as of and for the years ended December 31, 2016, 2015 and 2014.

The audited consolidated financial statements for the fiscal year 2016 were formally prepared (*formuladas*) by the Directors of the Company at the Board of Directors meeting held on March 3, 2017 and have been approved (*aprobadas*) by the General Shareholders' Meeting on March 22, 2017.

Other financial data are included which are derived from our accounting records. We prepare our financial statements in euro. Unless otherwise indicated, all financial information in this annual report 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 United States.

See "Independent Auditors" for a description of the independent auditors' report dated March 7, 2017 on our consolidated financial statements as of and for the year ended December 31, 2016 which have been audited by Ernst & Young, S.L., independent auditors, as stated in their unqualified reports appearing herein on pages F-1 to F-148 of this annual report.

Alternative performance measures ("APMs")

This annual report contains financial measures that are not defined or recognized under IFRS including: revenue on a constant currency basis, EBITDA, EBITDA margin; growth capital expenditures; recurrent capital expenditures; net payments on investments; adjusted operating cash flow; cash flow conversion; order intake; 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.

APMs should not be considered in isolation and investors should not consider such information as alternatives to revenue, profit before tax or cash flows from operations 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 annual report. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the Financial Statements included elsewhere in this annual report.

For the definition of and a reconciliation to an appropriate measure calculated in accordance with IFRS of the APMs included in this annual report, see "Operating and Financial Review—Alternative Performance Measures ("APMs")".

Currency references

All references in this annual report 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 constant currency translation used to calculate revenue at constant currency presented in this annual report is based on our average exchange rates for the years 2016, 2015 and 2014. The exchange rates used for the major currencies were as follows:

	Average exchange rates for the year		
	2016	2015	2014
United States dollar	1.107	1.110	1.328
Pound sterling	0.819	0.727	0.806
Swedish krona	9.467	9.357	9.103
Polish zloty	4.363	4.184	4.186
Hungarian forint	311.460	309.970	308.710
Russian ruble	74.143	68.019	51.097
Czech crown	27.034	27.285	27.535
Mexican peso	20.659	17.620	17.667
South Korean won	1284.274	1256.697	1398.113
Chinese renminbi	7.349	6.981	8.187
Indian rupee	74.365	71.219	81.063
Brazilian real	3.858	3.698	3.121
Argentinian peso	16.330	10.280	10.772
Turkish lira	3.344	3.024	2.905

We believe that constant currency measures have limitations, particularly as the currency effects that are eliminated may constitute a significant element in our revenue and expenses and could materially impact our performance. We do not evaluate our results and performance on a constant currency basis without also evaluating our financial information prepared at actual foreign exchange rates in accordance with IFRS. The measures presented on a constant currency basis should not be considered in isolation or as an alternative to the measures reported on our income statement or the notes thereto, and 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

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

Market and Industry data

In this annual report, 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 we make no representation or warranty as to the accuracy or completeness of such information set forth in this annual report.

Where information contained in this annual report has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information in this annual report has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

In drafting this annual report, we used industry sources, including reports prepared by IHS, Inc. (“IHS”) and Roland Berger GmbH (“Roland Berger”).

The IHS report “IHS Light Vehicle Production Forecast January 2017”, released on February 1, 2017 and information referenced herein (the “IHS Materials”) are the copyrighted property of IHS and represent data, research, opinions or viewpoints published by IHS, and are not representations of fact.

The IHS Materials speak as of the original publication date thereof (and not as of the date of this offering document). The information and opinions expressed in the IHS Materials are subject to change without notice and IHS has no duty or responsibility to update the IHS Materials. Moreover, while the IHS 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. To the extent permitted by law, IHS shall not be liable for any errors or omissions or any loss, damage or expense incurred by reliance on the IHS Materials or any statement contained herein, or resulting from any omission.

No portion of the IHS Materials may be reproduced, reused, or otherwise distributed in any form without the prior written consent of IHS. Content reproduced or redistributed with IHS' permission must display IHS' legal notices and attributions of authorship. IHS and the IHS globe design are trademarks of IHS. Other trademarks appearing in the IHS Materials are the property of IHS or their respective owners.

All IHS data contained herein is based on the IHS' Materials, dated January 2017.

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 annual report 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. For example, certain statements regarding our leadership position in our product portfolio or our technological and innovation capabilities are based on the assessment by our management team of certain criteria regarding our market and the industry in which we operate, such as our competitor's revenues, number of plants or cost of sales. Our own estimates have not been checked or verified externally. We nevertheless believe that our own market observations are reliable. 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 annual report.

Forward-Looking Statements

This annual report 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 annual report including, without limitation, in the sections captioned "Risk Factors", "Business", and "Operating and Financial Review", and include statements regarding our intentions, beliefs or current expectations which could affect, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. Forward-looking statements are not profit forecasts.

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 annual report. 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 annual report, those results or developments may not be indicative of results or developments in subsequent periods.

We urge you to read the sections of this annual report entitled “Risk Factors,” “Operating and Financial Review” 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 annual report may not occur.

We provide a cautionary discussion of risks and uncertainties under “Risk Factors” contained elsewhere in this annual report. 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 annual report.

Exchange Rates

The following table sets 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 appearing in this annual report. 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 December 31, 2016, 2017 was \$1.0517 per €1.00.

	U.S. dollars per €1.00			Period end
	High	Low	Average ⁽¹⁾	
2014.....	1.3925	1.2100	1.3285	1.2100
2015.....	1.2099	1.0496	1.1100	1.0866
2016.....	1.1534	1.0388	1.1069	1.0517

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

Recent Accounting Pronouncements

The IAS Board issued IFRS 16 (“Leases”) in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It 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. Therefore, companies that are lessees are required to recognize a lease liability for the obligation to make lease payments for the right to use the underlying asset for the term of the lease. IFRS 16 will effectively require companies that are lessees, including the Company, to report all leases as assets and liabilities on their statements of financial position. It will become effective from January 1, 2019 but may be implemented by companies prior to this date. Although as of the date of this annual report, the EU has not yet adopted IFRS 16, the Company is considering the changes required by IFRS 16 and expects to comply with such requirements by the time IFRS 16 comes into effect. We are currently analyzing the potential impact of the first-time application of this standard on the 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. See Note 5 to our consolidated financial statements as of and for the year ended December 31, 2016.

The IAS Board issued IFRS 15 (“Revenue from Contracts with Customers”) in 2014. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018 and early adoption is permitted. During 2016, we performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. We expect IFRS 15 to have some impact on the amount and the time of recognition of the revenues related to the products sold by us. See Note 5 to our consolidated financial statements as of and for the year ended December 31, 2016.

We are also in the process of adopting IFRS 9 (“Financial Instruments”) which is effective for annual periods beginning on or after January 1, 2018, and we expect some impact on our accounts as a consequence thereof. See Note 5 to our consolidated financial statements as of and for the year ended December 31, 2016.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

Our selected consolidated historical financial data has been derived as of and for each of the years ended December 31, 2016, 2015 and 2014, respectively, from our audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014, respectively. Our audited consolidated financial statements as of and for the year ended December 31, 2016 are included elsewhere in this annual report.

Our selected consolidated financial data is presented in € and has been prepared in accordance with IFRS. You should read this selected consolidated financial data in conjunction with “Capitalization”, “Summary Consolidated Financial and Other Information”, “Operating and Financial Review”, and the historical consolidated financial statements and the related notes thereto included elsewhere in this annual report.

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

	Year ended December 31,		
	2014	2015	2016
	(€ millions)		
Consolidated Income Statement Data:			
Operating income	6,411.4	7,202.3	7,673.9
Revenue.....	6,255.8	7,034.5	7,548.9
Other operating income.....	126.6	156.9	131.6
Changes in inventories.....	29.0	10.9	(6.6)
Operating expenses	(6,073.9)	(6,802.1)	(7,211.3)
Raw materials and other consumables.....	(3,885.8)	(4,308.6)	(4,509.7)
Personnel expenses.....	(1,124.9)	(1,258.0)	(1,366.9)
Depreciation, amortization, and impairment losses ...	(319.0)	(360.1)	(378.5)
Other operating expenses.....	(744.2)	(875.4)	(956.2)
Operating profit	337.5	400.2	462.6
Finance income.....	9.6	13.3	5.3
Finance expenses.....	(138.6)	(121.8)	(98.8)
Exchange (losses).....	(7.6)	(24.7)	(12.4)
Other ⁽¹⁾	(10.2)	(14.2)	(8.6)
Profit for the year from continuing operations	190.7	252.8	348.1
Income tax expense.....	(60.3)	(63.9)	(88.9)
Profit for the year	130.4	188.9	259.2
(Loss) from discontinued operations.....	(1.6)	—	—
(Loss) profit attributable to non-controlling interests	(3.1)	(27.4)	(37.8)
Profit attributable to equity holders of the parent	125.7	161.5	221.4

	As of December 31,		
	2014	2015	2016
	(€ millions)		
Consolidated Balance Sheet Data:			
Intangible assets.....	311.6	359.4	393.0
Property, plant, and equipment.....	2,661.8	2,861.8	3,160.0
Non-current financial assets.....	76.8	57.7	95.5
Inventories.....	573.0	586.4	630.9
Trade and other receivables.....	1,057.5	1,194.7	1,376.9
Cash and cash equivalents.....	483.9	356.0	430.5
Other ⁽²⁾	342.5	329.7	342.8
Total assets.....	5,507.1	5,745.7	6,429.6
Total equity.....	1,716.2	1,798.4	1,872.0
Non-current non-trade liabilities.....	1,725.3	1,674.2	1,779.4
Current financial liabilities.....	312.2	299.7	425.2
Current non-financial liabilities.....	142.3	151.2	290.8
Trade and other payables.....	1,191.8	1,384.4	1,621.4
Deferred taxes liabilities.....	235.1	225.5	238.5
Other liabilities ⁽³⁾	184.2	212.3	202.3
Total liabilities.....	3,790.9	3,947.3	4,557.6

	Year ended December 31,		
	2014	2015	2016
	(€ millions)		
Consolidated Summary Cash Flow Information:			
Profit for the year before taxes and after non-controlling interests.....	187.6	225.4	310.3
(Loss) for the year from discontinued operations net of taxes.....	(1.6)	—	—
Adjustments to profit.....	420.9	542.1	489.7
Changes in working capital.....	151.8	9.7	24.6
Other cash-flows from operating activities.....	(193.2)	(177.2)	(172.0)
Cash flows from operating activities.....	565.5	600.0	652.6
Payments on investments.....	(548.4)	(626.6)	(738.4)
Proceeds from divestments.....	100.8	92.1	7.9
Cash flows from investing activities.....	(447.6)	(534.5)	(730.5)
Proceeds and payments on equity instruments.....	(6.5)	(28.0)	(6.6)
Proceeds and payments on financial liabilities.....	(130.9)	(120.9)	216.7
Payments on dividends and other equity instruments.....	(41.5)	(50.2)	(56.1)
Cash flows from financing activities.....	(178.9)	(199.1)	154.0
Effect of changes in exchange rates.....	24.5	5.7	(1.6)
Net increase (decrease) of cash or equivalent.....	(36.5)	(127.9)	74.5

	As of and for the year ended December 31,		
	2014	2015	2016
	(€ millions, except percentages and ratios)		
Other Financial Data:			
Revenue at constant currency ⁽⁴⁾	N/A	6,769.2	7,897.1
EBITDA ⁽⁵⁾	656.5	760.3	841.1
EBITDA margin.....	10.5%	10.8%	11.1%
Growth capital expenditures ⁽⁶⁾	166.8	286.2	389.6
Recurrent capital expenditures ⁽⁶⁾	246.5	248.0	251.5
Intangible capital expenditures ⁽⁶⁾	70.0	88.3	83.6
Net payments on investments ⁽⁷⁾	438.4	595.5	663.7
Adjusted Operating Cash Flow ⁽⁸⁾	340.0	424.0	506.0

Cash Flow Conversion ⁽⁹⁾	52%	56%	60%
Changes in working capital	151.8	9.7	24.6
Dividends ⁽¹⁰⁾	(41.5)	(50.2)	(56.1)
Order intake ⁽¹¹⁾	5,821.0	11,780.6	11,917.4
Book-to-bill ratio ⁽¹¹⁾	1.1x	1.9x	1.8x

Additional Financial Data relating to Indebtedness:

Total financial debt ⁽¹²⁾	1,969.5	1,884.5	2,106.3
Cash, cash equivalents	484.0	356.0	430.5
Current financial assets	75.9	35.5	43.2
Net financial debt ⁽¹²⁾	1,409.7	1,493.1	1,632.6
Ratio of net financial debt to EBITDA ⁽¹³⁾	2.1x	2.0x	1.9x
Net financial expenses ⁽¹⁴⁾	129.0	108.5	93.5
Ratio of EBITDA to net financial expenses ⁽¹⁵⁾	5.1x	7.0x	9.0x

-
- (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 non-current provisions, deferred income, current provisions and other current liabilities.
- (4) We calculate revenue at constant currency based on our average exchange rates for the years 2016, 2015 and 2014. We do not present revenue for the year ended December 31, 2014 on a constant currency basis given that we are not comparing our results for the year ended December 31, 2014 with our results for the year ended December 31, 2013.
- (5) “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.
- (6) Capital expenditures mean expenditure on property, plant and equipment and on intangible assets. Growth capital expenditures include capital expenditures in greenfield projects, major plants expansions of existing facilities and new processes/technologies in existing plants. Intangible capital expenditures means expenditures on intangible assets. Recurrent capital expenditures includes investments for plant maintenance and business replacement.
- (7) 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.
- (8) We define adjusted operating cash flow as our EBITDA less our recurrent capital expenditures and our intangible capital expenditures.
- (9) We define cash flow conversion as our adjusted operating cash flow divided by EBITDA.
- (10) Dividends consist of the dividends paid by the Company to its shareholders and to our joint venture partners in certain subsidiaries. In 2016, a dividend of €48.4 million to the shareholders of the Company was declared on February 1, 2016 and June 27, 2016, and paid on June 28, 2016.
- (11) We define order intake as sales of parts attributable to vehicle programs the Company has been awarded by OEMs during the period indicated less any cancellations, based on management’s best reasonable estimates in terms of volumes, selling prices and project lifespans. Order intake excludes intercompany, scrap and tooling sales. Book-to-bill is defined as order intake during a given year divided by revenue in a given year, where both order intake and revenue exclude intercompany, scrap and tooling sales.
- (12) 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.
- (13) Calculated by dividing net financial debt by EBITDA.
- (14) Net financial expenses consist of finance expenses less finance income.
- (15) Calculated by dividing EBITDA by net financial expenses.

RISK FACTORS

The following risks and uncertainties address risks that we have identified as material to us. Additional risks or uncertainties relating to the Company that are not currently known to us, or that we currently deem immaterial, could also adversely affect the Company.

Any of the following risks and uncertainties could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows

Risks related to our Business

We are subject to risks related to our international operations.

Spain continues to be a significant market for our business, representing 17.5% of our revenues for the year ended December 31, 2016; 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 15.3% of our total revenue in 2016), certain European countries (for example, Germany and the United Kingdom, each of which accounted for 13.8% and 8.9% of our revenues in 2016, respectively), China, Mexico, Brazil, India, Argentina and Russia (each of which accounted for 9.5%, 5.2%, 3.3%, 2.2%, 2.1%, 1.4% of our revenues in 2016, 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 of 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 several 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, 2016, Volkswagen, Daimler and Renault Nissan represented 21.8%, 11.9% and 10.8% of our consolidated revenues (excluding tooling), respectively and our top 12 OEM customers (Volkswagen, Daimler, Renault Nissan, Ford, BMW, PSA, General Motors, Fiat, Tata JLR, Geely-Volvo, Honda and Toyota) together accounted for 87.4% 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 the 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 ongoing investigations by environmental authorities worldwide (including, *inter alia*, Australia, Brazil, Canada, China, France, Germany, India, the EU and the United States) in relation to the potential manipulation of CO₂ emissions control systems which had been installed by certain OEMs for the purposes of manipulating laboratory CO₂ emissions testing.

Any further consolidation in the OEM space could also affect our business negatively. For example, PSA has recently acquired the Vauxhall/Opel brands from General Motors, 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 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 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 represent on average approximately 40% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. Approximately 60% of our steel by cost is typically purchased through OEM re-sale programs, while the remainder is purchased through contracts with steel suppliers that we negotiate. See "Risk Factors—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 to be on an arm's-length basis", below.

An increase or decrease in steel prices can affect our results. Although the practice of OEM price adjustments 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 resale programs, or in the product pricing that we negotiate with OEMs where we purchase steel directly from the 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, and although the cost of energy and raw materials has been subject to significant declines since early 2015, 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 at their convenience 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 venture, 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 2016, our consolidated earnings derived from our largest joint ventures were €51.4 million, representing 23.2% of our consolidated earnings 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 €13.4 million and €10.8 million of our consolidated earnings (see Note 18 of our consolidated financial statements as of and for the year ended December 31, 2016). For example, while as of December 31, 2016, we owned 70% of our joint venture with Mitsui, the shareholders' agreement governing that joint venture provides for certain reserved matters on which both, us and Mitsui must agree. In addition, while as of December 31, 2016, 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 must agree. There have been no changes in our ownership shareholding in these joint ventures since December 31, 2016.

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 reasonable 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 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 OEMs' 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. In turn, 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.

Risks related to our Financial Profile

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, 2016, we had €2,106.3 million of indebtedness, of which €1,681.1 million were under long-term loan agreements and €425.2 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 programmes. 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;
- 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.

An actual or impending inability by us or our subsidiaries to pay debts as they become due and payable could result in our insolvency.

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 Senior Facilities Agreement, the indenture governing the 2023 notes and the EIB Loan 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 "Material Contracts—Senior Facilities Agreement—Undertakings", "Material Contracts—Senior Facilities Agreement—Financial covenants", "Material Contracts—2023 Notes" and "Material Contracts—The European Investment Bank Loan".

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 indenture governing the 2023 notes or the EIB Loan unless we can obtain waivers or consents in respect of any breaches of these obligations thereunder which would permit the lenders to terminate their commitments to extend debt under, and accelerate the maturity of, the relevant facility. 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 indenture governing the 2023 notes or the EIB Loan, 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 and the Thai Baht. In the year ended December 31, 2016, €4,583.3 million of our revenues (which represented approximately 60.7% of our revenue for that period) on a consolidated basis, were generated in currencies other than the Euro.

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, 2016, we had a negative impact on our balance sheet of €35.5 million as a result of foreign exchange rate translations to our reporting currency, mainly due to the exchange rate fluctuation of the pound sterling, the Polish Zloty and the Chinese Yuan (each with a negative impact of €24.5 million, €24.4 million and €15.4 million, respectively).

A 5% fluctuation in the exchange rate of the Chinese Yuan, the Swedish Crown and the Polish Zloty would have a positive or negative impact on our profits of €2.0 million, €1.3 million and €1.1 million, respectively. For a sensitivity analysis of the impact of currency fluctuations in our profits, see “Operational and Financial Review and Prospects—Market risks—Foreign currency risks”.

Our operations require 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 make certain operational and maintenance related capital expenditures for 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 cash flow from our operations and access to capital. We intend to continue to fund our cash needs through cash flow from operations and to maintain our level of capital expenditure as a percentage of revenues in line with average 2013 to 2016 until 2018, to decline moderately thereafter as a percentage of revenues. 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 annual report.

As of December 31, 2016, 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) €575.4 million in credit lines of which €118.1 million were drawn as of December 31, 2016. In addition we have registered a commercial paper programme 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 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”.

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, including 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 in the jurisdictions where we are present. For example, as of December 31, 2016, we have contingent liabilities in an amount of €27.4 million 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 for 2016.

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 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 (i.e. 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 cannot be discarded 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 the 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, 2016, we had approximately €273.4 million in net deferred income tax assets. These deferred tax assets include net operating loss carry forward 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 legislation, 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 the 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 2016, we paid €9.7 million in insurance premia.

We have a significant amount of goodwill, which could result in a reduction in our net income and equity if impaired.

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, 2016, we had approximately €110.5 million of goodwill on our consolidated balance sheet, representing 1.72% 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 financial position and results of operations in the period of recognition.

Our hedging and other derivative arrangements may not effectively or sufficiently offset the negative impact of foreign exchange rate fluctuations.

As of December 31, 2016, we had no derivative financial instruments to hedge the exchange rate risks in place but we enter into hedging and other derivative arrangements from time to time. For a further discussion on foreign currency risk, see “Operating and financial review—Foreign currency risk”. 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.

Risks related to our Industry

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, delayed customs processing. In addition, we are dependent on a very limited number of suppliers for certain of our raw materials such as steel and any disruption in our ability to purchase such raw materials on a timely basis or at all could adversely affect our ability to deliver our products. Most of the steel we purchase, whether through re-sale or non-re-sale programs, is not supplied directly by steel producers but through steel service centers, such as Gonvarri (Acek's related party), which process the steel purchased from the mills. These steel service centers charge for their activities (e.g., cutting, blanking, slitting, material management, etc.) plus the "pass through" of the price paid for the raw materials they process. Our main steel supplier (in terms of steel service centers) is Gonvarri which represented on average 30% of our total steel purchases over the past three years. Other than Gonvarri, no other steel services company comprises a material percentage of the steel we purchase, as the sector is highly fragmented. In the year ended December 31, 2016, we purchased from Gonvarri a total of €842.9 million of steel, representing 33% of our steel purchases, and €57.7 million directly from ArcelorMittal (not including steel supplied to us through steel service centers), representing 2% of our steel purchases. It is estimated that, in 2017, consideration paid to our main steel suppliers will be similar to the 2016 level, with some variation in accordance to our volume of sales and steel price fluctuations.

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 cyclicalities 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 give rise to decrease in demand for automobiles generally, or in 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 or limitations to our business, 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 dispose of more capital to face the risks inherent to 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 aggravated by the concentrated nature of the OEM business globally.

We sell products directly to OEMs (“Tier 1 suppliers”). 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. Some of our competitors in the industry are Benteler, Constellium, Flex-N-Gate, Ftech, GF Fischer, Huizhong, Kirchhoff, Magna Cosma, Magnetto, Martinrea, Metalsa, Sungwoo HiTech, Tower, Unipress, Voestalpine, Yifeng and Yorozu in Body-in-White and Chassis, and Aisin Seiki, Brose, Multimatic and Stabilus in Mechanisms.

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 the above 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, 2016, we had 36,395 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, CO₂ 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 CO₂ 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 CO₂ emissions testing protocols as a result of the ongoing investigations by environmental authorities worldwide (including, *inter alia*, Australia, Brazil, Canada, China, France, Germany, India, the European Union and the United States) in relation to the potential manipulation of CO₂ emissions control systems which had been installed by certain OEMs for the purposes of manipulating laboratory CO₂ 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, 2016, we held over 960 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 US. 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 or 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.

Risks related to our Shareholding Structure

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 not be in the future considered by third parties to be 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. Steel service centers charge for their activities (e.g., cutting, blanking, slitting, material management, etc.) plus the pass-through of the price paid for the raw materials they process. The majority of such prices are determined by direct agreements between Gonvarri and the different OEMs through re-sale programs, 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 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. 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 “Related-Party Transactions”.

In addition, we also enter into a number of transactions with the ArcelorMittal Group, a shareholder of the Company until February 2016, who, as mentioned before, has also a relationship with the Acek Group through its 35% stake in Gonvarri. Most of these transactions are primarily related to the purchase of steel. Although under the re-sale programs we do not choose the steel maker, 46.8% of the steel that we use comes from the ArcelorMittal Group, 65% under “re-sale” programs, and 35% from non-resale programs. Our agreements with the ArcelorMittal Group are subject to customary market conditions and have a term of one year or less (generally, six months). Consideration paid to the ArcelorMittal Group pursuant to the transactions detailed above amounted to €57.7 million in the year ended December 31, 2016. It is estimated that, in 2017, this amount will be similar, with some variation depending on our volume of sales and the fluctuations of the price of the steel. In addition to the transactions for the purchase of steel, the ArcelorMittal Group collaborates with us in automotive research and development (related to new materials and the design of parts). Furthermore, one ArcelorMittal Group representative sits on our Board of Directors of as a proprietary Director pursuant to an agreement between Acek and the ArcelorMittal Group. Another director that sits on our Board as “other external director” is currently Chairman of ArcelorMittal España, although he has not any executive functions there. He has been appointed as Director in consideration of his experience and knowledge of the automotive sector and not due to any agreement with the ArcelorMittal Group.

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.

Risks related to the Political, Regulatory and Macroeconomic Environment

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, decreasing oil prices and strong currency fluctuations. For example, there have been recent political tensions between the U.S. and Mexico, which together accounted for 20.5% of our revenues in the year ended December 31, 2016, 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 14.2% of our revenues in the year ended December 31, 2016, 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 lower 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 EU as a whole (and particularly Spain) is an important market for our business which accounted for 55.42% of our revenues for the year ended December 31, 2016, and adverse

economic effects within the EU 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 stability of the euro or the European Union and the uncertainty derived from the refugee crisis has recently contributed to weak European economic performance. 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 EU ("Brexit") will trigger a process of negotiation which will determine the future terms of the U.K.'s relationship with the EU, and the results of the upcoming general elections in The Netherlands, France and Germany may undermine confidence in the overall stability of the EU and the eurozone. These and other potential developments, or market perceptions concerning these and related issues, could have adverse consequences for us with respect to our overall performance in the EU 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 17.5% of our revenues for the year ended December 31, 2016. 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 18.63% in December 2016 and gross domestic product contracted in 2012 and 2013 before gradually recovering between 2014 and 2016. If Spain recovered at a lower pace than in recent years or were to experience another significant downturn, our business, financial condition and results of operations could be adversely affected.

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 EU member states have made attempts to address the humanitarian crisis, a common approach by all EU 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.

Other Risks

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. Our failure to successfully launch material new business could have an adverse effect on our business operations, financial position and operational results.

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.

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 in significant redundancy costs as a result thereof. 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.

There are integration and consolidation risks associated with potential future acquisitions.

We have a history of making strategic acquisitions, and in the future we may consider and 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. 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 result in an internal rate of return to us of approximately 15%. However, there can be no assurances that any of our investments or acquisitions will achieve returns at our target levels or at all. 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.

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. 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.

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 are currently analyzing 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. See Note 5 to our consolidated financial statements as of and for the year ended December 31, 2016.

In addition, the IAS Board issued IFRS 15 ("Revenue from Contracts with Customers") in 2014. We expect IFRS 15 to have some impact on the amount and timing of recognition of our revenues, which could have an impact on our results of operation.

We are exposed to risks in relation to compliance with antitrust and 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, antitrust and 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, EU 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.

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. Almost half of the members of our Management Committee have been with us for more than 10 years while some of them have been with us for more than 15 years. 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 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.

OPERATING AND FINANCIAL REVIEW

You should read the following discussion together with our consolidated financial statements included elsewhere in this annual report. The financial data in this discussion of our results of operations and financial condition as of and for each of the years ended December 31, 2016, 2015 and 2014 has been derived from the audited consolidated financial statements of Gestamp Automoción and its subsidiaries as of and for each of the years ended December 31, 2016, 2015 and 2014 prepared in accordance with IFRS. We show the results of operations for the years ended December 31, 2015 and 2014 reclassified to include a break down of our results of operations by geographic segment. This reclassification does not appear in our audited financial statements for the years ended December 31, 2015 and 2014. Certain monetary amounts, percentages and other figures included in this annual report 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 offering memorandum 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 annual report are to Gestamp Automoción and its subsidiaries on a consolidated basis.

You should read the following discussion together with the sections entitled “Selected Consolidated Financial and Other Information”, “Risk Factors” and “Presentation of Financial and Other Information.”

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 annual report. Our actual results may differ materially from those contained in, or implied by, any forward-looking statements.

Overview

We are a leading Tier 1 supplier of Body-in-White and Chassis, Mechanisms, as well as Tooling and Other Products by revenue (source: Roland Berger Study and internal estimates based on Company’s information and public filings of competitors).

- *Body-in-White and Chassis:* Our Body-in-White product portfolio includes large component parts and assemblies, such as hoods, roofs, doors, fenders and other high quality “Class A” surfaces and assemblies, which are used to create the visible exterior skin of an automobile. This product portfolio also includes structural and other crash-relevant products, such as floors, pillars, door rings, bumpers, rails, wheelhouses, side impact and cross car beams, battery boxes, which together with the exterior skin component parts and assemblies form the essential upper and under body (platform) structures of an automobile.

Our Chassis product portfolio consists of systems, frames and related parts, such as front and rear cross members, longitudinal beams, cradles, front and rear control arms and knuckles and integrated links, which link the vehicle body and powertrain and carry the load of the vehicle. These structures are essential for the vehicle’s performance and safety, in particular affecting vehicle noise levels, vibrations, handling and behavior in the event of an impact.

- *Mechanisms (Edscha):* Our Mechanisms product portfolio consists of mechanical components such as hinges for doors, hoods and trunk lids, door checks, lift gates, as well as pedal systems and hand brakes. This product portfolio also includes powered systems that allow automobile doors and trunks to open and close electronically and by remote activation.

- *Tooling and Other Products:* We design, engineer, manufacture, service and sell dies and tools in support of our customers. We also design, manufacture and sell presses. We believe we are among the few Tier 1 suppliers that have significant, sophisticated in-house tooling and press manufacturing capabilities.

We believe that we are the leading supplier of metal components for Body-in-White products globally by revenue (source: Roland Berger Study and internal estimates based on Company’s information and public filings of competitors). In metal components for Chassis products, we believe that we are among the top three

globally by revenue. In Mechanisms products, we believe that we are the clear market leader globally by revenue (source: Roland Berger Study and internal estimates based on Company's information and public filings of competitors).

Current Trading and Recent Developments

Revenues in January and February 2017 have been in line with our budget and have been moderately higher than the comparable period in 2016. Nominations for project awards and resulting order intake as of February 2017 have been in line with our expectations.

This information is based solely on preliminary internal information used by management. We only perform end of period closing procedures and review processes with respect to quarterly periods and those procedures and review processes have not been completed for the information related to each of the months ended January 31, 2017 and February 28, 2017. In addition, we caution that (i) 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, 2017 or any future period and (ii) may not accurately reflect our financial performance as monthly management accounts are subject to significant volatility.

On November 24, 2016, our subsidiary Gestamp Metalbages S.A. acquired 60% of the share capital of ESSA Palau for a purchase price of €23.4 million. This acquisition was subject to customary antitrust conditions precedent which were met on January 17, 2017, following which ESSA Palau S.A., became a wholly-owned subsidiary of Gestamp Metalbages, S.A. ESSA Palau S.A. is located in Barcelona (Spain) and is engaged in the stamping and manufacturing of automobile components for passenger cars. There were no other significant costs associated with this acquisition.

As described in Note 22.d) of our consolidated financial statements as of and for the year ended December 31, 2016, on February 24, 2017, Mitsui irrevocably notified us that it would not exercise the put option (the "Put Option") that we had granted through an agreement entered on December 23, 2016, in relation to 10% of the shares in certain subsidiaries of the Group (see Note 18 of our consolidated financial statements as of and for the year ended December 31, 2016). Consequently, in the first quarter of 2017, the Put Option will be reversed in the Group consolidated financial statements with the cancellation of the balance registered in "Other current liabilities" for an amount of €76.9 million offset by an increase in "non-controlling interest" of €80.9 million and a decrease in "Retained earnings" of €4.0 million.

In addition, as part of our strategy to expand our international footprint, since December 31, 2016, we have started production at our second plant in Pune (India), have commenced the construction of a new plant in Matsusaka (Japan) and have acquired a small auto components supplier in Pitesti (Romania), which generated total revenue of €17 million in 2016, through our Turkish subsidiary Beyçelik Gestamp Kalip for a purchase price of less than €5 million.

Key factors affecting our results of operations

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

- ***Outsourcing in the automotive industry***

As OEMs are increasing their investment in engine related technology and electrification, autonomous driving and shared mobility, OEMs tend to invest less in other areas such as body and chassis development and production. This trend, together with global platform standardization among OEMs, has led to an increase in outsourcing, as OEMs entrust a select number of strategic supply partners with an increasingly higher content of vehicle production. In parallel, specialization has led to advances achieved by suppliers such as ourselves, in certain technologies and which OEMs find difficult to match in house in price and quality, thereby resulting in increased outsourcing. For example, hot stamping is an alternative technology we offer, enhancing safety and reducing vehicle weight, which OEMs are actively seeking to use in their vehicles and which they outsource to suppliers like ourselves. In addition, as OEMs grow outside of their home markets, OEMs are more inclined to turn to external suppliers such as ourselves with plants located in close proximity for content they have provided in house in their home markets. Any such increase in outsourcing benefits our business. For example, the Crafter project in Poland, where we are supplying components for up to 50 versions of a vehicle being sold across the globe, is an example of a large, fully outsourced project from the client that requires

significant skills and tooling capabilities and that involves 523 stamping die sets, 172 assembly packages and nine of our plants. Furthermore, we benefit from economies of scale that our OEM customers find more difficult to achieve in their domestic markets.

- **New project awards**

The growth of our business involves significant capital expenditure, primarily in order to build new manufacturing plants or increase capacity in existing ones. From 2014 to 2016, we invested €1.8bn in total capital expenditures, of which approximately €850 million was in growth projects. Of this growth capex, 52% was for greenfield projects, 31% was for major plant expansions and 17% was for new processes/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 programs or vehicle models are renewed, usually at the end of a vehicle cycle, “renewal” or “replacement” capital expenditure is required in order to adapt the 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 (i.e. full 4-year phasing period until full production is reached). 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. The EBITDA margin is normally above 15% once the ramp-up phase is completed. The ratio of revenue generated by a greenfield project in its first year of full production to capital expenditures made typically averages between 1.4x and 1.6x. During the last four years we have successfully executed 21 greenfield projects and plant expansions and we currently have 10 greenfield projects under construction.

By 2019, we expect 13 additional manufacturing facilities and 10 plant expansions to be fully operational (some of which are already in ramp-up phase). The table below sets out our 26 largest manufacturing facilities whose construction and/or expansion has either been recently completed or initiated, the budgeted amounts in relation to such facilities, the construction start date and expected construction end date of each facility, and the expected first year of full production for each facility.

Geography	Manufacturing Facility	Cash used in or expected to be used in property, plant and equipment (€ millions)⁽²⁾	Construction Start Date	Construction End Date	Expected Year of Full Production
Greenfield Projects					
Western Europe	West Midlands (UK) ⁽¹⁾	52.9	Q3 2016	Q3 2017	2019
Eastern Europe	Nitra (Slovakia).....	108.1	Q4 2016	Q1 2018	2020
	Wroclaw (Poland).....	39.8	Q1 2015	Q3 2016	2018
North America	Puebla II Phase 2 (Mexico) ⁽¹⁾	78.9	Q4 2014	Q1 2016	2018
	West Virginia Phase 2 (USA) ⁽¹⁾	57.4	Q3 2014	Q3 2016	2018
	Chattanooga II (USA).....	65.5	Q3 2015	Q3 2016	2018
	Chatanooga Chassis (USA).....	59.1	Q2 2015	Q2 2016	2019
	Chelsea Michigan (USA).....	77.4	Q4 2016	Q4 2017	2020
	San Luis Potosi (Mexico) ⁽¹⁾	131.0	Q3 2016	Q3 2017	2020
	Edscha San Luis Potosi (Mexico).....	17.2	Q1 2016	Q3 2017	2019
South America	Betim (Brazil) ⁽¹⁾	24.9	Q4 2015	Q2 2016	2018
Asia	Wuhan II (China) ⁽¹⁾	55.5	Q4 2016	Q4 2017	2019
	Shenyang (China) (Phase 2) ⁽¹⁾	32.4	Q2 2015	Q4 2015	2018
	Tianjin (China) ⁽¹⁾	51.8	Q4 2016	Q4 2017	2020
	Japan (Japan) ⁽¹⁾	52.7	Q1 2017	Q4 2017	2019
	Pune II (India) ⁽¹⁾	22.3	Q4 2015	Q3 2016	2018

Major plant expansions

Western Europe	Ludwigsfelde (Germany) ⁽¹⁾	10.0	Q1 2016	Q4 2016	2019
Eastern Europe	Llanelli (UK) ⁽¹⁾	18.2	Q4 2013	Q3 2016	2017
	Wrzesnia (Poland)	92.1	Q4 2014	Q4 2016	2018
	Louny Expansion (Czech Republic) ⁽¹⁾	52.6	Q3 2016	Q2 2017	2019
North America	Chattanooga Phase 2 ⁽¹⁾	58.9	Q3 2015	Q3 2016	2018
	South Carolina (USA)	128.0	Q3 2016	Q3 2017	2019
	Puebla I Expansion (Mexico) ⁽¹⁾	51.2	Q1 2016	Q1 2017	2018
	Toluca (Mexico)	26.2	Q4 2015	Q3 2016	2018
Asia	Chennai (India)	20.4	Q2 2016	Q2 2017	2018
	Kunshan Phase 2 (China) ⁽¹⁾	32.1	Q2 2013	Q1 2015	2017

(1) Hot stamping facility.

(2) Current budget includes cost incurred as of December 31, 2016 and expected future cost up to start of production. Our budget may change from time to time due to various factors, may not reflect the actual cost to be incurred and are therefore for indicative purposes only. See “Risk Factors—Risks related to our Business and the Industry in which we operate—Our ongoing operations may require increased capital expenditure at certain stages that would consume cash from our operations.”

As of December 31, 2016, these 26 new manufacturing facilities and major expansions had not yet generated a year of fully ramped-up revenue and EBITDA.

The most recently completed new manufacturing facilities, which have generated at least a year of fully ramped-up revenue and EBITDA are Kaluga Phase II, Puebla II Phase I, Dongguan, Shenyang, West Virginia Phase I, Chongqing and Chennai. The table below sets forth the construction start date and the construction end date of each of these manufacturing facilities.

<u>Manufacturing Facility(*)</u>	<u>Construction start date</u>	<u>Construction end date</u>	<u>Year of full production</u>
Kaluga Phase II (Russia)	May 2012	July 2014	2015
Puebla II Phase I (Mexico)	September 2013	May 2014	2015
Shenyang (China)	February 2012	July 2013	2015
Dongguan (China)	August 2012	July 2013	2015
West Virginia Phase I (USA)	May 2012	May 2013	2015
Chongqing (China)	July 2011	October 2012	2015
Chennai (India)	August 2011	August 2012	2015

The total cash used in property, plant and equipment for the manufacturing facilities above amounted to €344.9 million for the year ended December 31, 2015, while the total revenue, EBITDA and EBITDA margin for the same period amounted to €448.6 million, €75.5 million and 16.8%, respectively. In order to finance our investments we use a combination of our cash flow from operations and external financing sources and we intend to do the same in the future. For a discussion of the sources we use to finance our capital expenditures in property, plant and equipment, see “—Liquidity”.

Capital expenditures for the years ended December 31, 2014, 2015 and 2016 amounted to approximately €483.3 million, €622.4 million and €724.8 million, respectively, and has been mostly tied to investments in new plant capacities to accommodate increased outsourcing of vehicle content to us from our OEM customers. Capital expenditures include expenditure on property, plant and equipment, as well as expenditure on intangible assets. We currently expect our capital expenditure as a percentage of revenue to be in line with the 2013 to 2016 average through 2018, and to decline moderately thereafter as a percentage of revenues.

As part of our strategy to expand our international footprint, since December 31, 2016, we have started production at our second plant in Pune (India), have commenced the construction of a new plant in Matsusaka (Japan) and have acquired a small auto components supplier in Pitesti (Romania), which generated total revenue of €17 million in 2016, through our Turkish subsidiary Beyçelik Gestamp Kalip for a purchase price of less than €5 million.

Other than our investments in property, plant and equipment, we do not have additional significant investments. For a further discussion on our investment policy, see “—Alternative performance

measures—Growth capital expenditures, recurrent capital expenditures and intangible capital expenditures” and “—Capital expenditures”.

- ***Diversification***

Our strong geographic, customer and product diversification has had the effect in the past of reducing revenue volatility during periods of economic downturn. Our well diversified customer base, which includes, among others, Volkswagen, Daimler, Renault Nissan, Ford, BMW, PSA, General Motors, Fiat, Tata JLR, Geely-Volvo, Honda and Toyota, 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. For the year ended December 31, 2016, Volkswagen, Daimler and Renault Nissan represented 21.8%, 11.9% and 10.8% of our consolidated revenues (excluding tooling), respectively and our top 12 OEM customers together accounted for 87.4% of our consolidated revenues (excluding tooling).

- ***General economic conditions and global automotive production 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 such customers. Global vehicle production levels have grown moderately between 2012 and 2016, with substantial growth being registered in North America and Asia, which was partially offset by negative vehicle production growth in Mercosur and, to a lesser extent, Japan and Eastern Europe (source: IHS). The growth 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, demand for our products.

While growth in China is expected to slow down compared to previous years, we believe that China, India, the rest of 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; and while Russia has experienced weak economic performance, 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 2016 and 2020 (source: IHS). 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 1.1% and 5.2%, respectively (source: IHS). Vehicle production in Western Europe is expected to decline between 2016 and 2020 at an estimated CAGR of (0.7)%. Mercosur and Asia (excluding Greater China), the two regions which recorded declines between 2012 and 2016, are also expected to return to growth, with an estimated CAGR of 4.1% and 2.2%, respectively, between 2016 and 2020 (source: IHS).

- ***Seasonality***

Our business is seasonal. Our working capital requirements typically increase during the first three quarters of the year and reduce towards the end of the year though can be quite variable throughout the year. This is due to several factors. OEMs typically slow down vehicle production during certain portions of the year. For instance, our customers in Europe typically slow down vehicle production during the beginning of the second half of the year in July or August as well as towards the end of the year during the holiday season in December during which they also often conduct internal maintenance and adjustments to inventory. Furthermore, there are a fewer number of working days at the end of a year as opposed to the beginning of a year and this results in a reduction in vehicle production at the end of the year. Also, we typically agree final due amounts regarding orders 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 mitigate, to a certain extent, the impact of seasonality, due to the fact that seasonality factors are not fully correlated across our global production footprint.

- ***Foreign exchange transactions and translation***

We seek to limit our foreign exchange transaction risk by purchasing and manufacturing products in the same country where we sell them to our customer. However, financial results of operations in countries with operational currencies other than the Euro are translated into the Euro for inclusion in our consolidated financial statements. 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 our foreign operations are translated into Euros using the applicable period end rates of exchange. Results of operations are translated at 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 varies in direct proportion to our sales. Raw materials represent on average approximately 40% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. An increase or decrease in steel prices can affect our results. While steel prices affect our revenue and costs, historically, our profit has not been significantly affected by changes in steel prices. In 2016, 60% of our steel was purchased through "re-sale" programs with customers, whereby the OEM periodically negotiates 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 not purchased under "re-sale" programs, the OEMs adjust our selling prices based on the steel prices they themselves have negotiated with steel suppliers. Historically, the Group has negotiated and agreed its purchase contracts with steel suppliers under terms such that the impact (whether positive or negative) of the steel price fluctuation in these cases was minimal. Due to our strong relationships with OEMs and the large steel volumes we acquire in the marketplace, we expect to be able to continue to pass through cost increases or decreases in steel prices to our customers, thus minimizing the positive or negative effect on our margins. In addition, purchases of aluminum raw material have represented less than 1.5% of our sales over the last three years, and substantially all of these purchases have been via customer re-sale programs.

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, where we are on steel re-sale programs, or in the product pricing that we negotiate with OEMs 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 account 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 18.1% of our total 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 the shifts worked in our manufacturing facilities and we can take additional measures to adjust working hours according to the demand for our products. 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***

The actual revenues we derive from a project ultimately depend on the production volumes for associated vehicle models achieved by our OEM customers, which are relatively predictable in the medium-term. Furthermore, in our industry, once a project has been awarded to a supplier, it is rare for an OEM to switch to another supplier, given the significant operational, technical and logistical costs of switching, particularly during the life cycle of a specific vehicle model and, vehicle models typically have long, multi-year product life cycles. Therefore, once a project has been awarded to us and vehicle production volumes associated with such project are established, we have visibility on our medium-term revenues for such project within a relatively small range of sensitivity.

Segment Reporting

In accordance with IFRS 8, our segments are prepared on the basis of internal reports that are periodically reviewed by the Management Committee of the Company in order to assign the corresponding resources to each segment and evaluate their respective performance.

We are organized internally into operating segments, according to five geographical regions: Western Europe (comprising Spain, Germany, United Kingdom, France, Portugal, Sweden, Belgium and Luxembourg), Eastern Europe (comprising Russia, Poland, Hungary, Czech Republic, Slovakia and Turkey), Mercosur (comprising Brazil and Argentina), North America (comprising Mexico and the United States) and Asia (comprising China, India, South Korea, Japan and Thailand). Each segment takes into account the activity of the subsidiaries of the Company in each of the countries that comprise each of the segments.

The Management Committee of the Company manages the segments based on the following metrics: revenue and EBITDA. Financial income (expense), Income tax 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”)”.

Our current segmentation is different from the segmentation presented in our financial statements for the year ended December 31, 2015, in which we presented our results of operations on a consolidated basis, without any geographical segmentation.

In our discussion below, we analyze our results of operations both on a consolidated basis and by segment. For comparability purposes, we have reclassified our results for the years ended December 31, 2014 and December 31, 2015 to reflect the five geographical segments discussed above. This reclassification by segment does not appear in our audited annual accounts for 2014 or 2015.

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 as of and for the year ended December 31, 2016 included elsewhere in this annual report.

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.

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 despite the long time frames of tooling construction, revenue is only recognized upon finalization of construction of the tools just prior to start of production of the project. 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 6.11 to our consolidated financial statements for the year ended December 31, 2016 included elsewhere in this annual report.
- 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 taxes, surplus provision for other commitments, surplus provision for environmental matters, own work capitalized and net effect of certain business combinations and acquisitions during the year.

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 and tools for resale, discounts for prompt payment, purchase returns and similar transactions, volume discounts, changes to inventories, purchases of raw materials, consumption of other supplies, expenses on work performed by third parties, impairment and reversal of impairment of goods for resale 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 relate 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) relate to the impact of changes in the functional currency relative to the euro on foreign currency borrowings. When these are intragroup loans and they are considered permanent, these exchange gains (losses) are taken directly to equity under "Translation differences", net of the tax effect. When these borrowings are not intragroup loans or they are not considered permanent, these gains (losses) are recognized in the consolidated income statement.

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.

Other (principally 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 otherwise be clearly demonstrated (for example, by Gestamp being part of shareholders' arrangements that grant us veto rights on capital expenditures, approval of budget and annual accounts, or when the financing of that particular entity depends on financing received from the Group). 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 expense

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 in 2016 and in 2015 was 28%, while in 2014 it was 30%. The "differences in prevailing rates" in 2016, 2015 and 2014 reflect the differences between prevailing rates in certain operating markets and the theoretical applicable tax rate, mainly relating to operations taxed in the United States (35%), Brazil (34%) and Argentina (35%).

Also, in 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 our joint venture partners have a non-controlling interest. See Note 18 to our consolidated financial statements for the years ended December 31, 2016 included elsewhere in this annual report 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 than we do, 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 annual report. 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, 2016 (which are included elsewhere in this annual report), 2015 and 2014.

This annual report contains financial measures that are not defined or recognized under IFRS, including: revenue on a constant currency rate, EBITDA, EBITDA margin; growth capital expenditures; recurrent capital expenditures; net payments on investments; adjusted operating cash flow; cash flow conversion; order intake; 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 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.

The Company believes that the description of these APMs in this annual report follows and complies with the European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM) dated October 5, 2015.

Revenue at constant currency

The calculation of revenue at constant currency as presented in this annual report is based on our average exchange rates for the years 2016, 2015 and 2014. The table below sets forth such average exchange rates by country and region, as well as revenue and revenue at constant currency.

<u>Region</u>	<u>Country</u>	<u>Currency</u>	<u>Average exchange rates to euro for the years ended December 31,</u>			<u>Revenue for the years ended December 31,</u>			<u>Revenue at constant currency rate for the years ended December 31,</u>	
			<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>
<u>Western Europe</u>	Spain	Euro	1.000	1.000	1.000	1,320.9	1,269.9	1,087	1,320.9	1,269.9
	Germany	Euro	1.000	1.000	1.000	1,044.5	1,020.4	1,031	1,044.5	1,020.4
	United Kingdom	Sterling pound	0.819	0.727	0.806	670.8	685.9	583	756.1	618.2
	France	Euro	1.000	1.000	1.000	435.0	409.6	387	435.0	409.6
	Portugal	Euro	1.000	1.000	1.000	159.9	143.5	138	159.9	143.5
	Sweden	Swedish krona	9.467	9.357	9.103	73.0	78.0	72	73.8	80.2
<u>Eastern Europe</u>	Turkey	Turkish lira	3.344	3.024	2.905	272.0	241.5	216	300.9	251.4
	Russia	Russian ruble	74.143	68.019	51.097	107.6	117.7	150	117.3	156.7
	Czech Republic	Czech crown	27.034	27.285	27.535	167.7	129.9	116	166.1	128.7
	Poland	Polish zloty	4.363	4.184	4.186	256.3	111.8	118	267.2	111.8
	Hungary	Hungarian forint	311.460	309.970	308.710	50.6	50.4	50	50.8	50.6
	Slovakia	Euro	1.000	1.000	1.000	5.3	9.3	11	5.3	9.3
<u>Mercosur</u>	Brazil	Brazilian real	3.858	3.698	3.121	245.7	247.3	385	256.3	293.0
	Argentina	Argentinian peso	16.330	10.280	10.772	155.7	219.2	183	247.3	209.2
<u>North America</u>	United States	United States dollar	1.107	1.110	1.328	1,153.8	907.3	694	1,150.0	758.7
	Mexico	Mexican peso	20.659	17.620	17.667	392.3	416.0	294	460.	414.9
<u>Asia</u>	China	Chinese renminbi	7.349	6.981	8.187	719.6	690.1	521	757.6	588.4
	India	Indian rupee	74.365	71.219	81.063	168.2	157.8	122	175.6	138.6
	South Korea	South Korean won	1,284.274	1,256.697	1,398.113	137.8	118.5	87	140.9	106.6
	Japan	Japanese yen	120.340	134.370	140.420	7.3	6.0	6	6.5	5.7
	Thailand	Thailandese baht	39.046	38.030	43.132	5.0	4.2	3	5.1	3.7
TOTAL						<u>7,548.9</u>	<u>7,034.5</u>	<u>6,255.8</u>	<u>7,897.1</u>	<u>6,769.2</u>

To determine growth on a constant currency basis for a considered year, we re-calculate the Euro value of consolidated sales or EBITDA for each country by applying the average exchange rate of the prior year instead of the average exchange rate of the considered year and then compare the re-calculated Euro value to the reported value of the prior year.

We believe that revenue at constant currency is meaningful for investors because it provides information about our results adjusted to eliminate the impact of foreign exchange when translating our results

into Euros. However, constant currency measures have limitations, particularly as the currency effects that are eliminated may constitute a significant element in our revenue and expenses and could materially impact our performance. We do not evaluate our results and performance on a constant currency basis without also evaluating our financial information prepared at actual foreign exchange rates in accordance with IFRS. The measures presented on a constant currency basis should not be considered in isolation or as an alternative to the measures reported on our income statement or the notes thereto, and 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.

EBITDA and EBITDA margin

We calculate EBITDA as operating profit before amortization, impairment and depreciation. 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,		
	2014	2015	2016
	(€ millions, except percentages)		
Operating profit	337.5	400.2	462.6
<i>Adjusted for:</i>			
Depreciation, amortization and impairment losses	319.0	360.1	378.5
EBITDA	656.5	760.3	841.1
EBITDA margin	10.5%	10.8%	11.1%

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,		
	2014	2015	2016
	(€ millions)		
Growth capital expenditures	166.8	286.2	389.6
Recurrent capital expenditures	246.5	248.0	251.5
Intangible capital expenditures	70.0	88.3	83.6
Capital expenditures	483.3	622.4	724.8

Net payments on investments

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.

We believe that net payments on investments is meaningful for investors because it provides a view of the actual cash impact of our capital expenditure program during a given period.

The following table presents the calculation of this measure:

	Year ended December 31,		
	2014	2015	2016
	(€ millions)		
Payments on property, plant and equipment.....	382.0	528.0	587.1
Payments on intangible assets	70.0	88.3	84.6
Proceeds from property, plant and equipment	(12.5)	(20.2)	(6.4)
Proceeds from other intangible assets.....	(1.1)	(0.6)	(1.5)
Net payments on investments	438.4	595.5	663.7

Adjusted operating cash flow

Adjusted operating cash flow is defined as our EBITDA, less our recurrent capital expenditures less 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,		
	2014	2015	2016
	(€ millions)		
EBITDA	656.5	760.3	841.1
Intangible capital expenditures.....	(70.0)	(88.3)	(83.6)
Recurrent capital expenditures	(246.5)	(248.0)	(251.5)
Adjusted operating cash flow	340.0	424.0	506.0

Cash flow conversion

The ratio of cash flow conversion is calculated by dividing our adjusted operating cash flow by EBITDA.

We believe that cash flow conversion is meaningful for investors because it provides a view of the relationship between our EBITDA and our ability generate cash flow in a scenario in which we would aim to grow only in line with the vehicle production market.

The following table presents the calculation of this measure:

	Year ended December 31,		
	2014	2015	2016
	(€ millions, except percentages)		
Adjusted operating cash flow	340.0	424.0	506.0
EBITDA.....	656.5	760.3	841.1
Cash flow conversion.....	0.52	0.56	0.60

Order intake and book-to-bill ratio

Order intake is defined as sales of parts attributable to vehicle programs the company has been awarded by OEMs during the period indicated less any cancellations, based on management's best reasonable estimates in terms of volumes, selling prices and project lifespans. Order intake excludes intercompany, scrap and tooling sales. Book-to-bill is defined as order intake during a given year divided by revenue in a given year, where both order intake and revenue exclude intercompany, scrap and tooling sales.

We believe that order intake and book-to-bill ratio are meaningful for investors because they provide an indication to measure potential evolution of our business.

	Year ended December 31,		
	2014	2015	2016
	(€ millions, except ratios)		
Western Europe	2,053.0	4,448.5	3,472.7
Eastern Europe.....	1,349.5	2,129.3	1,719.4
Mercosur.....	289.5	320.3	1,025.9
North America	945.5	3,954.2	4,162.2
Asia.....	1,183.5	928.2	1,537.1
Order intake.....	5,821.0	11,780.6	11,917.4
Book-to-bill ratio.....	1.1x	1.9x	1.8x

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:

	As of December 31,		
	2014	2015	2016
	(€ millions)		
Interest bearing loans and borrowings	1,764.8	1,730.9	1,967.6
Financial leasing.....	28.6	35.2	33.6
Borrowings from associated companies	99.4	79.0	70.1
Other interest bearing loans.....	76.7	39.4	35.0
Total financial debt	1,969.5	1,884.5	2,106.3
Current financial assets	75.9	35.5	43.2
Cash and cash equivalents	484.0	356.0	430.5
Net financial debt.....	1,409.7	1,493.1	1,632.6

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,		
	2014	2015	2016
	(€ millions)		
Financial expenses.....	(138.6)	(121.9)	(98.8)
Financial income.....	9.6	13.3	5.3
Net financial expenses.....	(129.0)	(108.6)	(93.5)

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,		
	2014	2015	2016
	(€ millions, except ratios)		
EBITDA.....	656.5	760.3	841.1
Net financial debt.....	1,409.7	1,493.1	1,632.6
Net financial expenses.....	(129.0)	(108.6)	(93.5)
Ratio of net financial debt to EBITDA.....	2.1x	2.0x	1.9x
Ratio of EBITDA to net financial expenses.....	5.1x	7.0x	9.0x

Results of operations

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

Group results of operations

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

	Year ended December 31,		% Change
	2015	2016	
	(€ millions)		
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)	(160.6%)
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%
Financial income.....	13.3	5.3	(60.1%)
Financial expenses.....	(121.9)	(98.8)	(18.9%)
Exchange gains (losses).....	(24.7)	(12.4)	(49.8%)
Other	(14.2)	(8.6)	(39.4%)
Profit for the year 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%

Results of operations by segment

Revenue

Revenue increased by €514.4 million, or 7.3%, to €7,548.9 million in 2016 from €7,034.5 million in 2015. On a constant currency basis, our revenue increased by 12.3% in the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase in revenue is primarily attributable to a €222.7 million or 16.8% revenue increase in North America, a €198.8 million or 30.1% revenue increase in Eastern Europe, a €96.8 million or 2.7% increase in revenue in Western Europe and a €61.2 million or 6.3% revenue increase in Asia. These increases were partly offset by a €65.1 million or 14.0% decrease in revenue in South America associated with lower sales in Brazil.

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 (source: IHS), largely as a result of the start of production of major projects, 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, mainly in Eastern Europe and North America. 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 investment in prior years, also contributed to our above-market growth. While our revenue increased 7.3%, global light vehicle production increased by 5.7%.

Revenue by product category

The following table sets forth, by product category, our revenue for the years ended December 31, 2016 and 2015:

	Year ended December 31,		% Change
	2015	2016	
	(€ million)		
Revenue:			
Body-in-White and Chassis	5,813.0	6,067.4	4.4%
Mechanisms	832.1	902.4	8.4%
Tooling and Other Products	389.4	579.1	48.7%
Total	7,034.5	7,548.9	7.3%

Body-in-White and Chassis. Revenue increased by €254.4 million, or 4.4%, to €6,067.4 million in 2016 from €5,813.0 million in 2015. This increase was primarily attributable to increases of sales in North America of €110.0 million or 9.0%, Eastern Europe of €93.8 million or 18.4%; Western Europe of €91.4 million or 3.1%, as well as a €20.3 million or 2.7% increase in revenue in Asia. These increases were partly offset by a €61.1 million or 15.4% decrease in revenue in Mercosur.

Mechanisms. Revenue increased by €70.3 million, or 8.4%, to €902.4 million in 2016 from €832.1 million in 2015. This increase was primarily attributable to an increase of sales in Asia of €29.5 million or 16.2%, in Western Europe of €22.2 million or 4.9%, in North America of €8.6 million or 12.2%, in Eastern Europe of €6.3 million or 6.2% and in Mercosur of €3.7 million.

Tooling and Other Products. Revenue increased by €189.7 million, or 48.7%, to €579.1 million in 2016 from €389.4 million in 2015. This increase was primarily attributable to a €117.6 million increase in revenue in Eastern Europe largely due to the completion of the Crafter project in Poland and the tooling sales associated with that project; and to a €104.1 million increase in revenue in North America mainly attributable to tooling sales associated with projects in Chattanooga. These increases were partly offset by a decrease in revenues in Western Europe of €35.8 million and in Mercosur of €7.7 million.

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,		% Change
	2015	2016	
	(€ 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%

	Year ended December 31,		% Change
	2015	2016	
	(€ million)		
Revenue at constant currency:			
Western Europe	3,607.4	3,790.3	5.1%
Eastern Europe.....	660.7	907.6	37.4%
Mercosur.....	466.5	503.5	7.9%
North America	1,323.3	1,609.9	21.7%
Asia.....	976.6	1,085.7	11.2%
Total.....	7,034.5	7,897.1	12.3%

Western Europe. Revenue increased by €96.7 million, or 2.7%, to €3,704.1 million in 2016 from €3,607.4 million in 2015. Growth was driven mainly by market volume growth in Spain and Portugal, and France, with a decline in sales in the United Kingdom driven by adverse movements of rate of exchange of the Euro against the British Pound. On a constant currency basis, sales growth in Western Europe was 5.1%. Our constant currency growth in Western Europe of 5.1% outpaced global market production volume growth of 3.8% for the year ended December 31, 2016 (source: IHS), compared with the year ended December 31, 2015, as a result of new project ramp-ups and a favorable mix of underlying vehicle models for which our plants supply components. Revenue grew by €51.0 million or 4.0% in Spain, €25.4 million or 6.2% in France, €24.1 million or 2.4% in Germany and €16.4 million or 11.4% in Portugal. These increases were partly offset by a €15.1 million or 2.2% decline in the United Kingdom and a €5.1 million or 6.5% decline in Sweden.

Eastern Europe. Revenue increased by €198.8 million, or 30.1%, to €859.5 million in 2016 from €660.7 million in 2015 largely due to the sale of tooling in Poland related to the Crafter project in 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 with Fiat. Revenue grew €144.5 million or 129.2% in Poland, €37.8 million or 29.1% in Czech Republic, €30.6 million or 12.6% in Turkey. These increases were partly offset by a decrease of revenues of €10.1 million or 8.6% in Russia and €4.0 million in Slovakia primarily due to the impact of local currency devaluations. On a constant currency basis, revenue growth in Eastern Europe was 37.4%.

Mercosur. Revenue decreased by €65.2 million, or 14.0%, to €401.3 million in 2016 from €466.5 million in 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, which was 8.8% lower than in 2015. On a constant currency basis, revenue growth in Mercosur was 7.9%.

North America. Revenue increased by €222.8 million, or 16.8%, to €1,546.1 million in 2016 from €1,323.3 million in 2015 driven by an increase in revenue attributable to the United States of €246.5 million or 27.2% based on project ramp-ups, mainly in West Virginia, as well as significant sales of tooling, mostly related to projects in Chattanooga. In Mexico, higher tooling sales mostly offset a decline in parts sales driven by planned stoppages related to the major plant expansion and new program launch at Toluca. Revenue decreased by €23.7 million or 5.7% in Mexico. On a constant currency basis, revenue growth in North America was 21.7%.

Asia. Revenue increased by €61.3 million, or 6.3%, to €1,037.9 million in 2016 from €976.6 million in 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 Chinese Yuan. Revenue increased by €29.5 million or 4.3% in China, €19.3 million or 16.3% in South Korea and €10.4 million or 6.6% in India. On a constant currency basis, revenue growth in Asia was 11.2%.

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 2016 from €4,308.6 million in 2015. The increase in raw materials and other consumables in 2016 is mainly due to an increase of our production in North America, Eastern Europe, Western Europe and Asia and is consistent with the rate of growth of sales. As a percentage of revenue, our raw materials and other consumables decreased by 1.5 percentage points from 61.2% in 2015 to 59.7% in 2016 mainly as a result of our product mix.

Personnel Expenses. Personnel expenses increased by €108.9 million, or 8.6%, to €1,366.9 million in 2016 from €1,258.0 million in 2015, primarily due to an increase in the overall number of our employees. As a percentage of revenue, our personnel expenses increased by 0.2 percentage points from 17.9% in 2015 to 18.1% in 2016.

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

Other Operating Expenses. Other operating expenses increased by €80.8 million, or 9.2%, to €956.2 million in 2016 from €875.4 million in 2015. This increase was mainly 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 2015 to 12.7% in 2016.

Operating profit

Operating profit increased by €62.4 million, or 15.6%, to €462.6 million in 2016 from €400.2 million in 2015. This increase was primarily due to higher sales volume and lower percentage increases in operating expenses, mainly in raw materials and other consumables, as well as due to the positive impact of operating leverage.

EBITDA

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

EBITDA by geographic segment

The following table sets forth, by geography, our EBITDA for the years ended December 31, 2016 and 2015:

	Western Europe		Eastern Europe		Mercosur		North America		Asia		Total	
	Year ended December 31,											
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
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
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

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

Eastern Europe. EBITDA increased by €9.3 million, or 10.8%, to €95.6 million in 2016 from €86.3 million in 2015. This increase was primarily attributable to an increase in revenues in tooling in Poland related to the Crafter project 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, our EBITDA decreased by 2 percentage points from 13.1% in 2015 to 11.1% in 2016. This decrease in EBITDA margin was due to higher tooling sales in 2016 than in 2015 which generate lower EBITDA margin than revenue in other product categories, higher launch costs, as well as a continuation in the decline in vehicle volumes affecting our customers in Russia.

Mercosur. EBITDA decreased by €3.1 million, or 11.8%, to €23.2 million in 2016 from €26.3 million in 2015. This decrease was primarily attributable to a decline in sales both in Brazil and in 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 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 2015 to 5.8% in 2016.

North America. EBITDA increased by €23.0 million, or 15.9%, to €167.2 million in 2016 from €144.2 million in 2015. The increase in EBITDA 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 constant in 2016 compared to 2015.

Asia. EBITDA increased by €20.9 million, or 13.4%, to €177.1 million in 2016 from €156.2 million in 2015. The increase in EBITDA 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 2015 to 17.1% in 2016.

Net financial income (expenses)

Net financial expense decreased by €15.0 million, or 13.9%, to €93.5 million in 2016 from €108.5 million in 2015. This decrease was primarily due to lower average interest rates on our financial liabilities in 2016 compared to 2015, mainly due to the refinancing of the 2020 notes in the first half of 2016.

Exchange gains (losses)

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

Income tax

Income tax expense increased by €25.0 million to €88.9 million in 2016 from €63.9 million in 2015, which has resulted in an average tax rate of 25.5% in 2016, similar to the 25.3% average rate in 2015.

Profit attributable to non-controlling interests

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

Year ended December 31, 2015 compared to year ended December 31, 2014

Group results of operations

The table below sets out our results of operations for the year ended December 31, 2015, compared to the year ended December 31, 2014, on a consolidated basis.

	Year ended December 31,		% Change
	2014	2015	
	(€ millions)		
Consolidated Income Statement Data:			
Operating income	6,411.4	7,202.3	12.3%
<i>Revenue</i>	6,255.8	7,034.5	12.4%
<i>Other operating income</i>	126.6	156.9	23.9%
<i>Changes in inventories</i>	29.0	10.9	(62.4)%
Operating expenses	(6,073.9)	(6,802.1)	12.0%
<i>Raw materials and other consumables</i>	(3,885.8)	(4,308.6)	10.9%
<i>Personnel expenses</i>	(1,124.9)	(1,258.0)	11.8%
<i>Depreciation, amortization, and impairment losses</i>	(319.0)	(360.1)	12.9%
<i>Other operating expenses</i>	(744.2)	(875.4)	17.6%
Operating profit	337.5	400.2	18.6%
Finance income.....	9.6	13.3	38.5%
Finance expenses	(138.6)	(121.8)	(12.1)%
Exchange gains (losses).....	(7.6)	(24.7)	NM
Other.....	(10.2)	(14.2)	39.2%
Profit for the year from continuing operations	190.7	252.8	32.6%
Income tax expense	(60.3)	(63.9)	6.0%
Profit for the year	130.4	188.9	44.9%
(Loss) from discontinued operations	(1.6)	—	NM
(Loss) attributable to non-controlling interests.....	(3.1)	(27.4)	NM
Profit attributable to equity holders of the parent	125.7	161.5	28.5%

Results of operations by segment

Revenue

Against a backdrop of slow global economic growth, with continued low inflation and low-interest rate monetary policies, as well as significant decreases in raw material prices, growth in worldwide vehicle production during 2015 was 1.6%. In terms of vehicle production by region, a strong fourth quarter in China driven by tax incentives turned an almost flat rate of production growth into a full year of low to moderate Chinese vehicle production growth overall in 2015. Western Europe showed unusually strong growth in light vehicle production in 2015, with robust growth of almost 7%, followed by continued stable growth in North America. However, Mercosur and Russia suffered ongoing production volume declines in 2015.

In this context, our consolidated revenue increased by €778.7 million, or 12.4%, to €7,034.5 million in 2015 from €6,255.8 million in 2014. The increase in revenue is primarily attributable to a €335.3 million or 33.9% increase in revenue in North America, as well as a €308.9 million or 9.4% increase in revenue in Western Europe and a €236.8 million or 32.0% increase in Asia. These increases were partly offset by a €101.9 million or 17.9% decrease in revenue in Mercosur associated with lower sales in Brazil and a €0.4 million or 0.1% decrease in revenue in Eastern Europe associated primarily with lower sales in Russia. These lower sales in Mercosur are due to a 20% decrease in the volume of production in Brazil and Argentina. Although the increase of the volume of global production in countries in which our manufacturing plants operate amounted to 2.8% for the year ended December 31, 2015, compared with the year ended December 31, 2014, the increase of our revenues was higher as a result of the start in production of several new projects in the United States, Mexico, Spain and China, in which we have executed significant investments in previous years.

On a constant currency basis, our revenue increased by 8.2% in the year ended December 31, 2015, compared to the year ended December 31, 2014.

Revenue by product category

The following table sets forth, by product category, our revenue for the years ended December 31, 2015 and 2014:

	<u>Year ended</u> <u>December 31,</u>		<u>% Change</u>
	<u>2014</u>	<u>2015</u>	
	(€ million)		
Revenue:			
Body-in-White and Chassis	5,090.0	5,813.0	14.2%
Mechanisms	750.4	832.1	10.9%
Tooling and Other Products	415.4	389.4	(6.3)%
Total	<u>6,255.8</u>	<u>7,034.5</u>	12.4%

Body-in-White and Chassis. Revenue increased by €723.0 million, or 14.2%, to €5,813.0 million in 2015 from €5,090.0 million in 2014. This increase was primarily attributable to a €324.4 million or 36.0% increase in revenue in North America driven by the outsourcing of skin panels in Puebla, Mexico, as well as due to increased volume of products manufactured with our hot stamping technology in our factories in Mason and West Virginia in the U.S., as well as in Mexico. In addition, production volume grew during this period, particularly with regard to parts produced for German premium SUVs in our factories in Alabama and South Carolina in the U.S., but also with regard to parts manufactured for Chrysler in Toluca, Mexico. Consolidated growth was also attributable to a €292.9 million or 11.1% increase in revenue in Western Europe, driven both by higher outsourcing of hot stamped parts as well as by growth in production volumes, as well as a €196.6 million or 35.9% increase in revenue in Asia, driven by project ramp-ups at new plants, as well as increases in production volumes. These increases were partly offset by a €89.5 million or 18.4% decrease in revenue in Mercosur due to a 20% decrease in the volume of production in our facilities located in Mercosur. Revenue also declined, by €1.3 million or 0.2%, in Eastern Europe.

Mechanisms. Revenue increased by €81.7 million, or 10.9%, to €832.1 million in 2015 from €750.4 million in 2014. This increase was primarily due to an increase of sales in the U.S. (driven by the ramp-up at Edscha's new production plant in Michigan), as well as in Spain (reflecting higher volumes), China (driven by the ramp-up at the new plant in Kunshan, as well as by volume growth) and South Korea (driven by the ramp-up of Edscha's new Korean plant). This increase was partially offset by a decrease of sales in Brazil, driven by declines in production volumes in the Brazilian market, as well as adverse foreign exchange movements, and France, reflecting primarily the closing of an Edscha plant in Briey.

Tooling and Other Products. Revenue decreased by €26.0 million, or 6.3%, to €389.4 million in 2015 from €415.4 million in 2014. This decrease was primarily due to lower sales in the U.S., Germany, the United Kingdom, Brazil and South Korea, partially offset by an increase in Spain, Argentina and China.

Revenue by geographic segment

The following tables set forth, by geography, our revenue for the years ended December 31, 2015 and 2014 with and without constant currencies:

	Year ended December 31,		% Change
	2014	2015	
	(€ million)		
Revenue:			
Western Europe	3,298.5	3,607.4	9.4%
Eastern Europe.....	661.1	660.7	(0.1%)
Mercosur.....	568.4	466.5	(17.9%)
North America	988.0	1,323.3	33.9%
Asia.....	739.8	976.6	32.0%
Total	6,255.8	7,034.5	12.4%

	Year ended December 31,		% Change
	2014	2015	
	(€ million)		
Revenue at constant currency:			
Western Europe	3,298.5	3,541.8	7.4%
Eastern Europe.....	661.1	708.5	7.2%
Mercosur.....	568.4	502.2	(11.7%)
North America	988.0	1,173.6	18.8%
Asia.....	739.8	843.0	14.0%
Total	6,255.8	6,769.2	8.2%

Western Europe. Revenue increased by €308.9 million, or 9.4%, to €3,607.4 million in 2015 from €3,298.5 million in 2014 while overall growth in vehicle production in the countries where we have manufacturing facilities was 5.7%. The growth in our revenues over the same period in Western Europe was primarily attributable to (i) a €182.5 million or 16.8% increase in revenue in Spain as a result of a significant improvement in automotive production volumes in Spain during such period and project ramp-ups on new capacity in our facilities in Bizkaia and Valencia and higher vehicle production volumes on existing projects in our Navarra and Barcelona plants, (ii) a €103.3 million or 17.7% increase in revenue in the United Kingdom due to ramp-ups on new capacity in our facilities in Aycliffe and Llanelli and production growth experienced at our Fareham plant, (iii) a €22.5 million or 5.8% increase in revenue in France as a result of an improvement in automotive production volumes in France, (iv) a €5.7 million or 7.9% increase in revenue in Sweden and (v) a €5.3 million or 3.8% increase in revenues in Portugal. These revenue increases were partly offset by lower revenue in Germany, which decreased by €10.4 million or 1.0% due to a decline in tooling sales, while sale of automotive components remained stable. On a constant currency basis, revenue growth in Western Europe was 7.4%.

Eastern Europe. Revenue decreased by €0.4 million or 0.1% to €660.7 million in 2015 from €661.1 million in 2014. The decrease in revenue was primarily attributable to (i) a decrease by €32.2 million, or 21.5% in revenue in Russia due to a significant decrease of automotive production in Russia, negative currency effects as a result of the weakness of the Russian ruble and the exit of an existing client from the Russian market, (ii) a decrease of €6.2 million or 5.2% in revenue in Poland related to lower vehicle production volumes and (iii) a decrease of €1.9 million or 17.4% in revenue in Slovakia. These decreases were partly offset by (i) an increase in revenues of €25.6 million or 11.9% in Turkey as a result of a stronger Turkish automotive production market and despite work stoppages affecting all OEMs as a result of union-led labor disputes in late Spring, (ii) an increase in revenue by €13.8 million or 11.9% in the Czech Republic related to project ramp-ups at our facility in Louny and (iii) an increase in revenue by €0.5 million or 1.0% in Hungary. Currency devaluations in Russia and, to a lesser extent, Turkey negatively affected revenue growth for the year. On a constant currency basis, revenue growth in Eastern Europe was 7.2%.

Mercosur. Revenue decreased by €101.9 million, or 17.9%, to €466.5 million in 2015 from €568.4 million in 2014. The decrease in revenue was primarily attributable to a €137.7 million or 35.8% decrease in revenue in Brazil due to a lower volume of vehicle production in Brazil and the negative impact of exchange rate fluctuations affecting the Brazilian Real. This decrease was partly offset by a €35.8 million or 19.6% increase in revenue in Argentina compared to 2014, despite weakness in the overall Argentinian automotive

production market, due to the recovery in the volume of production of a particular vehicle for which we supply components. On a constant currency basis, revenue growth in Mercosur was negative 11.7%.

North America. Revenue increased by €335.3 million, or 33.9%, to €1,323.3 million in 2015 from €988.0 million in 2014. The increase in revenue is attributable to (i) an increase of €213.8 million or 30.8% in revenue in the United States as a result of project ramp-ups in new capacity in our hot stamping facilities in Michigan and West Virginia, as well as higher volumes of production of Body-in-White and Chassis for German premium SUVs at our South Carolina and Alabama plants, (ii) an increase of €121.6 million or 41.3% in revenue in Mexico mainly due to the start-up of outsourced skin panel production at our Puebla II facility and higher production volumes at our Toluca facility and (iii) the favorable impact of exchange rate fluctuations of the U.S. dollar against the Euro. On a constant currency basis, revenue growth in North America was 18.8%.

Asia. Revenue growth in Asia, also at constant exchange rates was strong, as growth in China was also supported by growth in India and South Korea. Revenue increased by €236.8 million, or 32.0%, to €976.6 million in 2015 from €739.8 million in 2014. The increase in revenue is primarily attributable to (i) an increase of €169.0 million or 32.4% in revenue in China due to ramp-ups on new capacity in our facilities, principally in Kunshan, Shenyang and Chongqing (ii) an increase of €35.8 million or 29.4% in revenue in India primarily due to the ongoing ramp-up of our facility in Chennai, as well as volume growth at our facility in Pune related to the growth of exports of vehicles for which we supply components and (iii) an increase of €31.3 million or 35.8% in revenue in South Korea due to the ramp-up of our new Mechanisms plant and overall increased production volumes. The exchange rate impact of local currencies in China, India and South Korea also contributed to revenue growth in 2015 in the region. On a constant currency basis, revenue growth in Asia was 14.0%.

Operating expenses

Raw materials and other consumables. Raw materials and other consumables increased by €422.8 million, or 10.9%, to €4,308.6 million in 2015 from €3,885.8 million in 2014. The increase in raw materials and other consumables expenses in 2015 is mainly due to a higher level of production volume in Western Europe, North America and Asia and is consistent with the rate of growth of revenues. As a percentage of revenue, our raw materials and other consumables remained stable, slightly decreasing by 0.9 percentage points from 62.1% in 2014 to 61.2% in 2015.

Personnel Expenses. Personnel expenses increased by €133.1 million, or 11.8%, to €1,258.0 million in 2015 from €1,124.9 million in 2014. This increase was primarily due to higher production volumes in Western Europe, North America and Asia partially offset by a decrease in Brazil and Russia due to lower production volumes. The increase in the volume of production has allowed us to allocate our personnel costs over more revenue, such that the percentage increase in 2015 in personnel expenses is lower than the corresponding increase in revenues. As a percentage of revenue, personnel expenses remained stable, slightly decreasing by 0.1 percentage points from 18.0% in 2014 to 17.9% in 2015.

Depreciation, amortization and impairment losses. Depreciation, amortization and impairment losses increased by €41.1 million, or 12.9%, to €360.1 million in 2015 from €319.0 million in 2014, largely as a result of depreciation of new investments carried out in recent years, particularly in Western Europe, the Americas and Asia, as well as depreciation in the Mechanisms business unit in general. As a percentage of revenue, depreciation, amortization and impairment losses remained stable in 5.0% in 2015 and 2014.

Other Operating Expenses. Other operating expenses increased by €131.2 million, or 17.6%, to €875.4 million in 2015 from €744.2 million in 2014. This increase was primarily due to a higher volume of our production in North America and in Argentina, as well as in Western Europe, Asia and Eastern Europe, which led to increased recruitment of temporary workers and higher maintenance costs. This increase was offset by a decrease in operating expenses in Russia and Brazil as a result of the decline in the volume of production in those countries. As a percentage of revenue, other operating expenses remained stable, slightly increasing by 0.5 percentage points from 11.9% in 2014 to 12.4% in 2015.

Operating profit

Operating profit increased by €62.7 million, or 18.6%, to €400.2 million in 2015 from €337.5 million in 2014. This increase was primarily due to the higher revenues and lower percentage increases in operating costs, as well as due to the positive impact of operating leverage.

EBITDA

EBITDA increased by €103.8 million, or 15.8%, to €760.3 million in 2015 from €656.5 million in 2014. As a percentage of revenue, our EBITDA increased by 0.3 percentage points from 10.5% in 2014 to 10.8% in 2015.

Growth in EBITDA in 2015 was supported by margin improvement due to higher margins achieved on new projects and operational leverage with higher production volumes. Despite declines in EBITDA in Mercosur and Eastern Europe, both in margin and in absolute terms, more favorable market environments in our other regions of operation, and the effect of the ramp-up in new projects, more than compensated the negative impacts primarily arising from reduced sales in Brazil and Russia.

EBITDA by geographic segment

The following table sets forth, by geography, our EBITDA for the years ended December 31, 2015 and 2014:

	Western Europe		Eastern Europe		Mercosur		North America		Asia		Total	
	Year ended December 31,											
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Operating profit.....	128.3	166.3	41.3	44.5	36.0	3.9	62.0	84.4	69.9	101.1	337.5	400.2
Adjusted for:						(€ millions)						
Depreciation, amortization and impairment losses	170.8	181.0	42.0	41.8	21.7	22.4	45.5	59.8	39.0	55.1	319.0	360.1
EBITDA	299.1	347.3	83.3	86.3	57.7	26.3	107.5	144.2	108.9	156.2	656.5	760.3

Western Europe. EBITDA increased by €48.2 million, or 16.1%, to €347.3 million in 2015 from €299.1 million in 2014 primarily as a result of the increase in our revenue, improved operating efficiencies and positive results from tooling. Improvements in operating efficiency took place mainly at plants in Spain, France and the United Kingdom. As a percentage of revenues, EBITDA in Western Europe increased by 0.5 percentage points from 9.1% in 2014 to 9.6% in 2015.

Eastern Europe. EBITDA grew by €3.0 million, or 3.6%, to €86.3 million in 2015 from €83.3 million in 2014, primarily due to operational improvements and positive results from tooling sales, which offset the higher costs related to the implementation of new projects, and costs in Turkey associated with generalized labor disputes that caused OEM work stoppages and resulting in increases in wages and labor expenses from the second half of 2015. Weakness of the Russian Ruble and also the Turkish Lira had a negative impact on EBITDA in Eastern Europe in 2015. As a percentage of revenues, our EBITDA in Eastern Europe increased by 0.5 percentage points from 12.6% in 2014 to 13.1% in 2015.

Mercosur. EBITDA decreased by €31.4 million, or 54.4%, to €26.3 million in 2015 from €57.7 million in 2014, primarily due to the continuation of a decline in revenues in Brazil due to a significant decrease in the volume of vehicle production. The impact of comparatively weaker local foreign exchange rates against the Euro also had a negative effect on our results translated into Euros. As a percentage revenue, our EBITDA in Mercosur decreased by 4.5 percentage points from 10.1% in 2014 to 5.6% in 2015.

North America. EBITDA increased by €36.7 million, or 34.1%, to €144.2 million in 2015 from €107.5 million in 2014, primarily due to the increase in our revenue in the United States and Mexico, despite high costs associated with new project launches. The exchange rate of the U.S. dollar against the Euro also had a positive impact on the translation of our results into Euros. As a percentage of revenue, our EBITDA in North America remained constant in 2015 compared to 2014.

Asia. EBITDA increased by €47.3 million, or 43.4%, to €156.2 million in 2015 from €108.9 million in 2014, primarily due to the increase in our revenue in China, India and South Korea associated with ramp-up projects and an increase in production volumes, which were higher than the corresponding increase in our operating expenses in the same region, as well as due to improvements in our margins, as ramped up projects with higher margins more than offset the effects of new projects under construction or in early stages of ramping

up. The strength in local currencies against the Euro also positively impacted the translation of our results into the Euro. EBITDA as a percentage of revenue in Asia increased by 1.3 percentage points from 14.7% in 2014 to 16.0% in 2015.

Net financial income (expenses)

Net financial expense decreased by €20.5 million, or 15.9%, to €108.5 million in 2015 from €129.0 million in 2014. This decrease was primarily due to a lower average interest rate on our financing operations in 2015 compared to 2014 as well as to lower gross debt. As a result of the amendment of the Senior Facilities Agreement in April 2014, our margin on the term loans under the Senior Facilities Agreement was reduced.

Exchange gains (losses)

Exchange losses increased by €17.1 million to €24.7 million in 2015 from €7.6 million in 2014. In 2015 the impact from adverse currency movements was primarily due to movements in Western Europe (United Kingdom), Eastern Europe (Turkey) and the Americas (Brazil and Mexico), whereas in 2014 adverse currency movements in Russia had the most significant impact.

Income tax

Income tax expense increased by €3.6 million, or 6.0%, to €63.9 million in 2015 from €60.3 million in 2014, which has resulted in a decrease in the average tax rate from 31.6% in 2014 to 25.3% in 2015, as a result of an existing tax credit in Spain.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by €24.3 million to €27.4 million in 2015 from €3.1 million in 2014. This increase in profit attributable to our non-controlling interests is attributable to the 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., Mexico and China.

Liquidity and capital resources

Historical cash flows analysis

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

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

	<u>Year ended December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(€ millions)		
Cash flows from operating activities:			
Profit for the year before taxes and after minority interest	187.6	225.4	310.3
(Loss) for the year from discontinued operations net of taxes	(1.6)	—	—
Adjustments to profit	420.9	542.1	489.7
<i>Depreciation and amortization of fixed assets and PP&E</i>	318.9	356.4	377.9
<i>Impairment of fixed assets and PP&E</i>	0.1	3.7	0.6
<i>Impairment</i>	(11.0)	5.6	(1.0)
<i>Change in provisions</i>	(9.9)	31.2	(12.2)
<i>Grants released to income</i>	(5.4)	(6.6)	(6.2)
<i>Profit (loss) attributable to non-controlling interests</i>	3.1	27.4	37.8
<i>Profit (loss) from disposal of fixed assets and PP&E</i>	1.4	(1.8)	(1.0)
<i>Profit from disposal of financial instruments</i>	—	13.8	—
<i>Financial income</i>	(9.6)	(13.3)	(5.3)
<i>Financial expenses</i>	138.6	121.8	98.8
<i>Share of profits from associates—equity method</i>	3.2	0.4	8.5
<i>Exchange rate differences</i>	(12.0)	4.9	(8.2)

<i>Other income and expenses</i>	3.5	(1.4)	—
Changes in working capital	151.8	9.7	24.6
<i>(Increase) in Inventories</i>	(38.8)	(19.9)	(42.7)
<i>(Increase)/Decrease in Trade and other receivables</i>	84.5	(141.6)	(168.8)
<i>(Increase) in other current assets</i>	(6.6)	(5.2)	(2.7)
<i>Increase in Trade and other payables</i>	120.2	171.1	243.2
<i>Increase/(Decrease) in other current liabilities</i>	(7.5)	5.3	(4.4)
Other cash-flows from operating activities	(193.2)	(177.2)	(172.0)
<i>Interest paid</i>	(139.8)	(113.1)	(98.1)
<i>Interest received</i>	7.2	8.7	6.3
<i>(Payments) of income tax</i>	(60.6)	(72.8)	(80.2)
Cash flows from operating activities	565.5	600.0	652.6
Cash flows from investing activities:			
Payments on investments	(548.4)	(626.6)	(738.4)
<i>Group companies and associates</i>	(28.8)	(2.0)	(7.6)
<i>Intangible assets</i>	(70.0)	(88.3)	(84.5)
<i>Property, plant and equipment</i>	(382.0)	(528.0)	(587.1)
<i>Other financial assets</i>	(67.6)	(8.3)	(59.2)
Proceeds from divestments	100.8	92.1	7.9
<i>Group companies and associates</i>	10.4	28.4	—
<i>Intangible assets</i>	1.1	0.6	1.5
<i>Property, plant and equipment</i>	12.5	20.2	6.4
<i>Other financial assets</i>	48.4	4.3	—
<i>Other assets</i>	28.4	38.6	—
Cash flows from investing activities	(447.6)	(534.5)	(730.5)
Cash flows from financing activities:			
Proceeds and payments on equity instruments	(6.5)	(28.0)	(8.2)
<i>Change in non-controlling interests</i>	(11.3)	(32.2)	(6.2)
<i>Grants, donations and legacies received</i>	5.0	5.8	197
<i>Other equity movements</i>	(0.2)	(1.6)	—
Proceeds and payments on financial liabilities	(130.9)	(120.9)	216.7
Issue:	131.7	162.7	1,226.9
<i>Bonds and other securities to trade</i>	—	—	497.9
<i>Interest-bearing loans and borrowings</i>	100.1	154.5	659.3
<i>Borrowings from Group companies and associates</i>	21.8	—	—
<i>Other borrowings</i>	9.8	8.2	69.7
Repayment of:	(262.6)	(283.6)	(1,010.2)
<i>Bonds and other securities to trade</i>	—	(20.4)	(807.9)
<i>Interest-bearing loans and borrowings</i>	(116.5)	(198.9)	(172.2)
<i>Borrowings from Group companies and associates</i>	(131.2)	(22.0)	(12.5)
<i>Other borrowings</i>	(14.9)	(42.3)	(17.6)
Payments on dividends and other equity instruments	(41.5)	(50.2)	(56.1)
<i>Dividends</i>	(41.5)	(50.2)	(56.1)
Cash flows from financing activities	(178.9)	(199.1)	152.2
Effect of changes in exchange rates	24.5	5.7	1.6
NET INCREASE/DECREASE OF CASH OR EQUIVALENTS	(36.5)	(127.9)	74.5

Cash flows from operating activities

Our net cash flows from operating activities were €652.6 million in 2016, primarily the result of (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 in working capital of €24.6 million; (iv) net cash payments of interest of €91.8 million; and (v) payments of income tax of €80.2 million. Our cash flow from operating activities was negatively impacted in 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 €600.0 million in 2015, primarily the result of (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 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.

Our net cash flows from operating activities were €565.5 million in 2014, primarily the result of (i) the profit for the year before taxes and after non-controlling interest of €187.6 million, as a result of increased activity; (ii) depreciation and amortization of €318.9 million; (iii) a reduction of needs in working capital of €151.8 million; (iv) net cash payments of interest of €132.6 million; and (v) payments of income tax of €60.6 million. Other factors positively impacting cash flows from operating activities in 2014 include additional collections on tooling projects of €60.6 million, as well as an increase in non-recourse factoring of €64.8 million.

Cash flows from (used in) investing activities

Our net cash flows used in investing activities were €730.5 million in 2016, primarily attributable to €587.1 million used in investments in new projects in the U.S., Mexico, Spain, Germany and Poland, mostly tied to growth projects and driven by our OEM customers, and €84.5 million used in investments in intangible assets, mainly in project developments.

Our net cash flows used in investing activities were €534.5 million in 2015, primarily attributable to €528.0 million used in investments in new projects in Spain, Poland, Mexico, China, United States, United Kingdom and Germany, mostly tied to growth projects and driven by our OEM customers increasingly outsourcing content to us.

Our net cash flows used in investing activities were €447.6 million in 2014, primarily attributable to €382.0 million used in investments in Spain, China, United States, United Kingdom, Germany and Mexico. In 2014, we slowed down our pace of investment in growth projects with the intent of consolidating our recent growth and maintaining stable levels of indebtedness.

Cash flows from financing activities

Our net cash flows from financing activities were €152.2 million in 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 loans and borrowings of €659.3 million.
- the payment of €48.4 million in dividends to our shareholders and €7.7 million to shareholders in our subsidiaries.

Our net cash flows used in financing activities were €199.1 million in 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 our Senior Secured Notes due 2020 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.

Our net cash flows used in financing activities were €178.9 million in 2014, primarily due to a reduction of debts as a result of:

- the net amortization of other interest bearing loans in the amount of €16.4 million (which include repayments of loans and borrowings of €116.5 million and proceeds from loans and borrowings of €100.1 million);
- the net amortization of borrowings from Acek, in the amount of €131.2 million. In August 2014, we repaid €122.5 million of debt to Acek, the amount of the financing that it had outstanding with the European Investment Bank and the Spanish Official Credit Institute (*Instituto de Crédito Oficial*), and simultaneously Acek repaid and cancelled this financing.
- the payment of €33.9 million in dividends to our shareholders and €7.6 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*.”

Our long-term indebtedness consists primarily of (i) €486 million from the 2023 notes and (ii) €833 million from the Senior Facilities Agreement and (iii) €160 million from a loan from the European Investment Bank.

In addition, we have an undrawn revolving credit facility in an amount of €280.0 million as part of our Senior Facilities, as well as €575.4 million in credit lines of which €118.1 million were drawn as of December 31, 2016. These unsecured credit lines are with our diverse banking pool and are renewed each year.

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.

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 to make payments due to us;
- a 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, including the notes, 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 €33.9 million in 2014 (plus €7.6 million to shareholders in our subsidiaries), €37.7 million in 2015 (plus €12.5 million to shareholders in our subsidiaries) and €48.4 million in 2016 (plus €7.7 million to shareholders in our subsidiaries). On March 3, 2017, the Company approved the distribution of a cash dividend in respect of the fiscal year 2016 in the amount of €66.4 million. In all cases, the dividends distributed amounted to 30% of the Group consolidated net income of the previous year. We expect to pay dividends in respect of the fiscal year ended December 31, 2017 during 2018.

Working capital

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

	As of December 31,		
	2014	2015	2016
	(€ millions)		
(Increase) in Inventories	(38.8)	(19.9)	(42.7)
(Increase)/Decrease in Trade and other receivables	84.5	(141.6)	(168.8)
(Increase) in Other current assets	(6.6)	(5.2)	(2.7)
Increase in Trade and other payables.....	120.2	171.1	243.2
(Decrease)/Increase in Other current liabilities	(7.5)	5.3	(4.4)
Total	151.8	9.7	24.6

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 22 to our consolidated financial statements for the years ended December 31, 2016 included elsewhere in this annual report.

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

Net working capital requirements decreased by €9.7 million in 2015 as compared to a decrease of €151.8 million in 2014. In 2015, working capital requirements decreased primarily as a result of the increase in trade and other payables by €171.1 million, with average days for payment to supplier increasing to 70 days in 2015 from 69 days in 2014, offset with the increase in trade and other receivables by €141.6 million, and this increase is 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 reduce 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,		
	2014	2015	2016
	(€ millions)		
Capital expenditures	483.3	622.4	724.8
Net payments on investments	438.4	595.5	663.7

Capital expenditures for the years ended December 31, 2014, 2015 and 2016 amounted to approximately €483.3 million, €622.4 million and €724.8 million, respectively, and have been mostly tied to investments in new plant capacities to accommodate increased outsourcing of content to us from our OEM customers. Capital expenditures include growth, recurrent 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. each of which amounted to €170.27 million, €149.15 and €70.21 million or 43.7%, 38.3% and 18.0% of our total growth capital expenditures in the year ended December 31, 2016, respectively.

We currently expect our capital expenditure as a percentage of revenue to be in line with the 2013 to 2016 average through 2018, and to decline moderately thereafter as a percentage of revenue.

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.

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, 2016 were as follows:

	Total	Less than		
		1 year	1-5 years	More than 5 years
	(€ millions)			
Contractual Obligations				
Interest bearing loans and borrowings	1,967.6	419.3	899.9	648.4
Financial leases	33.6	3.5	12.5	17.6
Borrowings from associated companies	70.1	2.4	47.0	20.7
Other financial debts	35.0	0.0	22.8	12.2
Total Financial Debt	2,106.3	425.2	982.2	698.9
Operating leases	485.5	85.9	241.6	158.0
Non interest bearing loans	10.4	0.0	8.9	1.5
Current non-trade liabilities	213.9	213.9	0.0	0.0
Total Contractual Obligations	2,816.1	725.0	1,232.7	858.4

Off-balance sheet arrangements

We generally do not utilize off-balance sheet arrangements.

No Significant Recent Change

Other than as described in this annual report, there has been no significant change in our capitalization and indebtedness since December 31, 2016, the end of the last financial period for which financial information is available and there is no significant new business operation or service that has been recently introduced or under development by us other than in the ordinary course of our business.

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, 2016, €4,583.3 million of our revenues (which represented approximately 60.7% of our revenue for that period), on a consolidated basis, were generated in currencies other than the Euro. 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, US 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, 2016 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	2016	
	Impact on Profit	
	(€ thousands)	
	5%	-5%
	Fluctuation	Fluctuation
Swedish krona	(1,311)	1,311
US dollar	80	(80)
Hungarian forint	(740)	740
Pound Sterling	631	(631)
Mexican peso	151	(151)
Brazilian reais	(470)	470
Chinese renminbi	1,961	(1,961)
Indian rupee	379	(379)
Turkish lira	357	(357)
Argentine peso	31	(31)
Russian ruble	6	(6)
Korean won	453	(453)
Polish zloty	1,096	(1,096)
Czech koruna	265	(265)

	Japanese yen	57	(57)
	Thailand Baht	18	(18)
Impact in absolute terms		2,964	(2,964)
Effect in relative terms		1.34%⁽¹⁾	(1.34%)⁽¹⁾

(1) Effect in relative terms is calculated by dividing impact in absolute terms by profit attributable to equity holders of parent company of €221.4 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 not have been materially different as of December 31, 2016 and would have been €0.1 million higher or lower both in the years ended December 31, 2014 and 2015.

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, BMW, PSA, General Motors, Fiat, Tata JLR, Geely-Volvo, Honda and Toyota represented our top 12 customers and together accounted for 87.4% of our consolidated revenues (excluding tooling) for the year ended December 31, 2016. 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.

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 occur automatically with regard to products whose raw material component is under re-sale programs (approximately 60% of the steel that we purchase) and otherwise occurs by virtue of the OEMs' adjusting our product prices in line with their own negotiations of steel input prices. 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. In 2016, our purchases of steel amounted to €2,553 million or 37.4% 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 revenues (source: Roland Berger Study and internal estimates based on Company's information and public filings of competitors). 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, long standing relationships with our OEM customers by offering them leading technologies through our extensive global footprint of 98 production facilities, with ten additional plants under construction as of March 1, 2017 and 12 R&D centers, with an additional one under construction, in 21 countries over four regions (Europe, North America, South America and Asia) as of March 1, 2017. 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 believe we are one of the two truly global suppliers to OEMs able to develop and manufacture Body in White and Chassis structures and complex assemblies, opening systems and Mechanisms, with the ability to meet the same high standards worldwide, either where the same vehicle model is produced in several regions, or where the same vehicle platform is used across different models globally based on our and our competitors' tooling capabilities, ability to capture outsourcing projects from OEMs and global footprint (source: internal estimates based on Company's information and public filings of competitors). Our expertise and core competence in developing and producing light weight components help our OEM customers reduce CO2 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, BMW, PSA, General Motors, Fiat, Tata JLR, Geely-Volvo, Honda and Toyota which represented our top 12 customers and together accounted for 87.4% of our consolidated revenues (excluding tooling) for the year ended December 31, 2016. In addition, our leading technologies have allowed us to rapidly grow our revenue with OEMs. We currently supply products to all top 12 OEM by volumes globally.

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 2016, the number of co-development programs with OEMs has increased from four to 31. 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. This trend impacts 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, strong 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 supplier market is generally less concentrated than the OEM market. Automotive suppliers are categorized into three different tiers. Tier 1 suppliers such as ourselves 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 referred to as Tier 3 suppliers, who provide decreasingly finished sub-assemblies, components and materials to Tier 2 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 OEMs as well as influencing product design by co-developing products with OEMs.

Our strengths

We operate in a growing market segment with favorable dynamics and benefit from a geographically diverse footprint spanning 21 countries, 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 71 hot stamping lines as of December 31, 2016 and 84 expected in 2017, (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 enable 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

Based on the Roland Berger Study and internal estimates based on Company’s information and public filings of competitors, we believe that we are (i) the leading supplier of metal components for Body-in-White products globally, (ii) among the top three globally in metal components for Chassis products and (iii) the clear market leader globally in Mechanisms.

We have strategic, long standing relationships established over many years of successful collaboration with each of the 12 largest OEMs worldwide. We manufacture for over 800 vehicle models across approximately 50 brands and over 15 OEM groups. The product categories that we design, develop, manufacture and sell currently represent the largest proportion of a vehicle’s value.

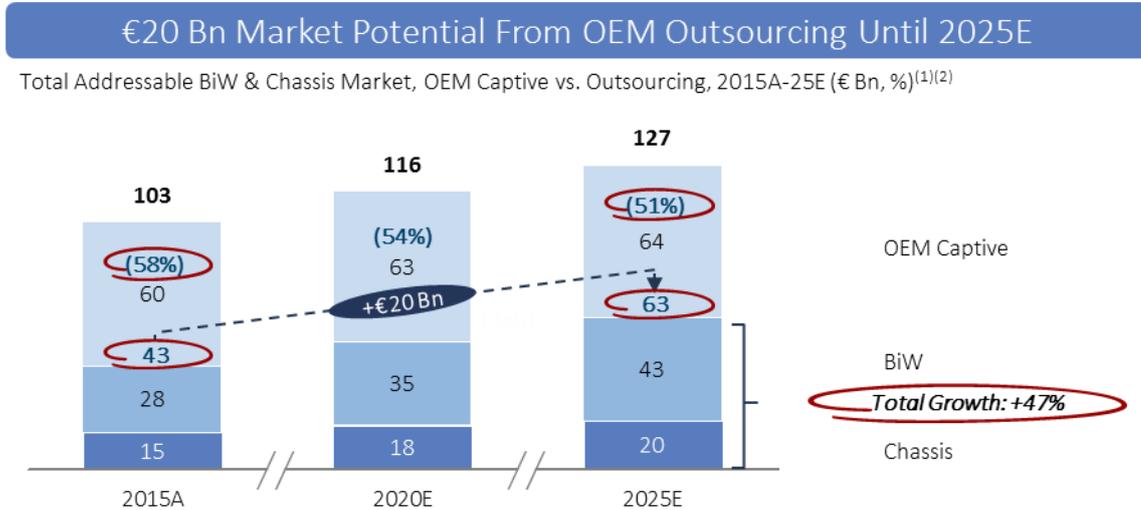
As one of the world’s largest suppliers of components and assemblies for light vehicles, we operate in a segment of the automotive industry that we believe requires participants to make significant investments, demonstrate high technical sophistication and possess a global footprint in order to remain 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, truly globally and on a consistent and high quality basis across product portfolios based on our and our competitors’ tooling capabilities, ability to capture outsourcing projects from OEMs and global footprint. 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 2.4% between 2015 and 2025 (source: Roland Berger Study). Gestamp has continuously outgrown global light vehicle production by 2x to 3x, with its revenue growing at an organic CAGR of 10.7% from 2008 to 2014. We believe we will be able to continue to grow at a faster pace than global light vehicle production, capitalizing on key trends in the automotive industry including:

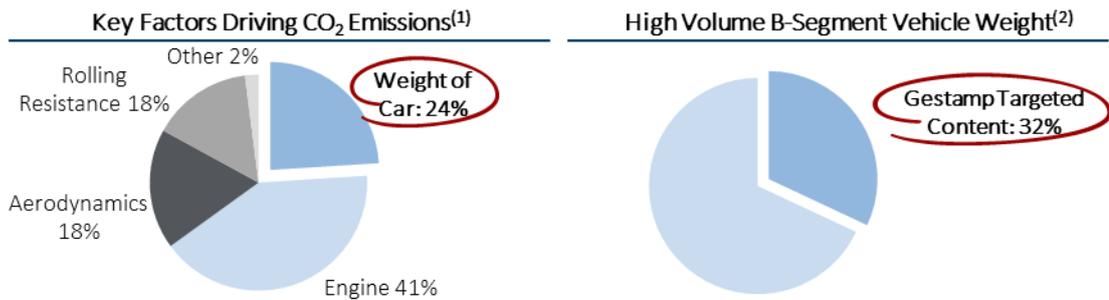
- *Outsourcing.* Our advanced technological capabilities, global manufacturing and managerial footprint, significant operational scale and track record of financial stability make us an ideal outsourcing partner for OEMs that are shifting their resources to focus on brand, engine and powertrain technology, platform design and new mobility solutions. For example, we produce substantially all of the pressed components for (1) Volkswagen for their “Caddy”, “Crafter”, “Polo” and “Rapid” models through our plants in Poland and Russia, (2) Daimler for their “V” class and “M” class models through our plants in Spain and the U.S., respectively, and (3) will produce substantially all of the pressed components for

JLR for their “Discovery” model through our plant in Slovakia. Our ability to support the development process of OEMs and act as an outsourcing partner to them globally is an important differentiator, especially on innovative product solutions, which we expect to become an important growth factor in the coming years. 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 in the chart below:



- Common platforms and global models.* As OEMs gradually move towards platform standardization, 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 we are in a better position to meet these 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 OEMs in turn leads to higher revenue visibility.
- Increasingly stringent global CO₂ emissions regulations.* We are a leader in developing light weight components through hot stamping, which help our customers meet their CO₂ emissions targets. For example, the body and structural components of a car, such as the Volkswagen Polo, comprise approximately 56% of a vehicle’s weight and are the main source of potential vehicle weight reduction. 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 Gestamp’s products on vehicle weight and in turn, CO₂ emissions.

Gestamp's Products Target 32% of B-Segment Vehicle Weight



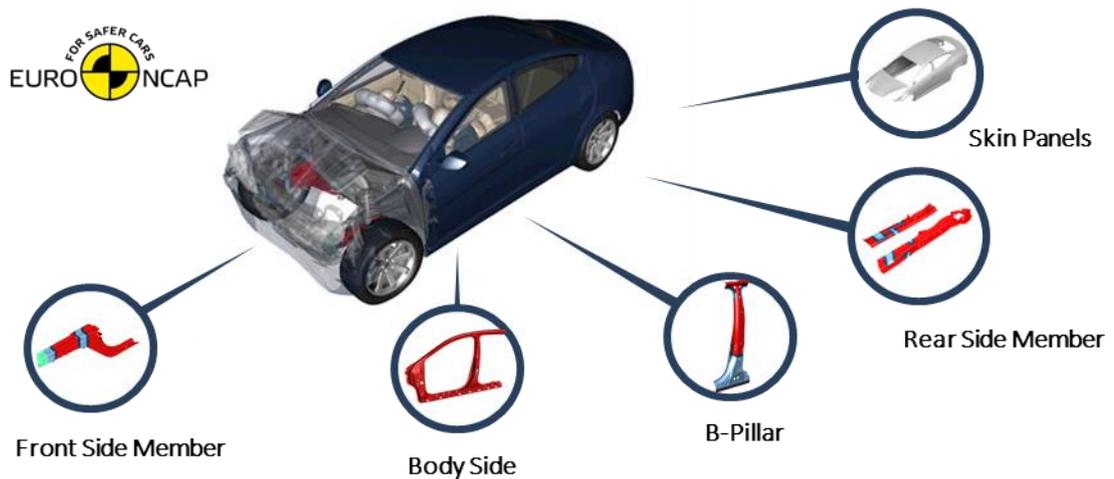
(1) Source: BMW

(2) Source: A2MAC21

- Increasing safety standards.* Our innovative, cost efficient products enable OEMs 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 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.

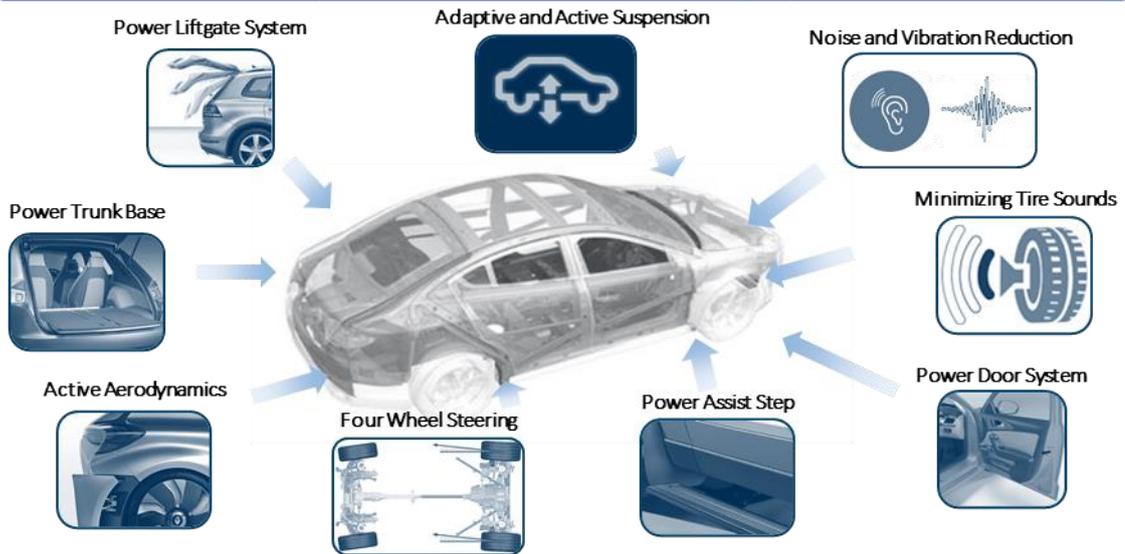
The exhibit below outlines our products which help OEMs to satisfy increasing safety requirements.

Gestamp's Products Help Satisfy Most Stringent 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 liftgate systems, components that reduce noise and vibration, power door systems, power assist steps or sound minimizing tires, which we believe we are optimally positioned to provide, as outlined in the diagram below.

Gestamp's Products Increase Driving Experience



- Increasing importance of EVs.* We believe that we will experience minimal disruptions from future trends such as EV or hybrid vehicles, autonomous driving and shared mobility models. Furthermore, we believe that EV 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.

From 2010 to 2015, we outperformed the automotive market by 4.1x, primarily due to our performance in Asia, NAFTA and Eastern Europe, where we outperformed the market by 24.1x, 21.7x and 18.6x, respectively.

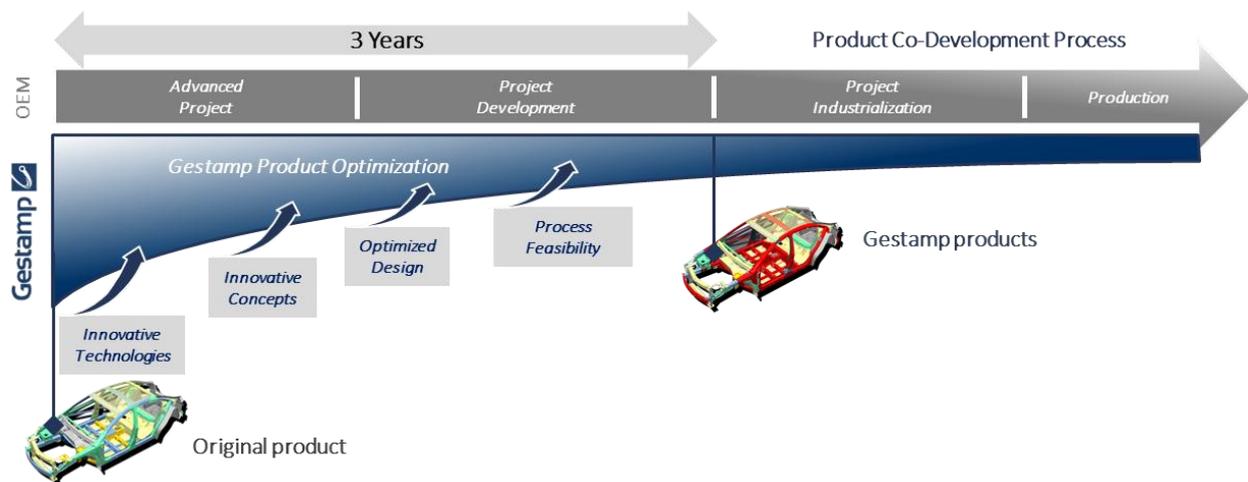
Recognized technological leadership and well-integrated R&D capabilities

We believe we are a trusted co-development partner to our OEM customers as a result of our long standing and strategic relationship with them and our co-development programs with OEM customers have increased from four in 2010 to 31 in 2016. As such, our innovative products and market-leading processes are developed through our R&D platform, which has a dedicated team of over 1,300 employees spread across 12 centers around the globe, with one additional center currently under construction. We are committed to continued investment in R&D. Between 2014 and 2017, we will have opened four new R&D centers in Germany (Bielefeld), China (Anting), Japan (Tokyo) and the U.S. (Detroit) and believe that the proximity of our R&D centers to our OEM customers is key to our leading market position.

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 11%.

Additionally, 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 expect to launch the first EV-Chassis production for a European OEM in 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, we developed with Honda on location in Japan, press hardening technology 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 eighth largest OEM by production volume in 2015. 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 is expected to launch 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.

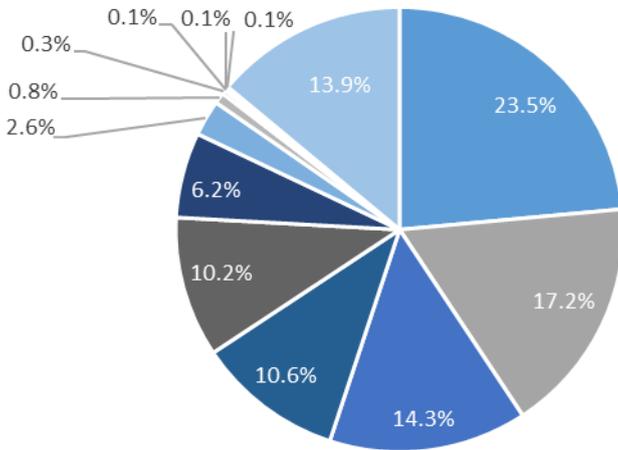
We believe that these competencies and capabilities along the entire value chain, together with a high standardization of process equipment and process development, give us a competitive advantage over many other suppliers. In fact, these competences have already contributed to our competitiveness, for example, first concept ideas developed 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 clients

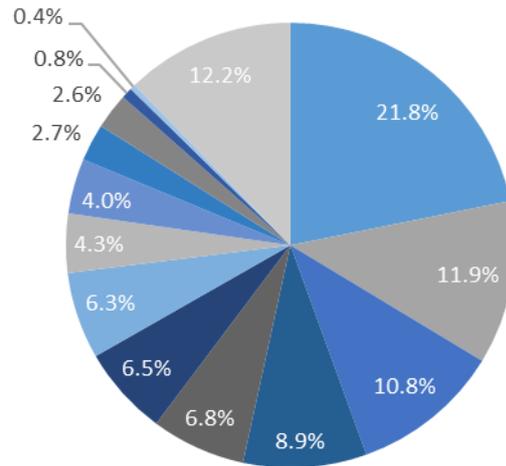
We have a large, diversified, global customer base, with long standing and trusted relationships established over many years of successful collaboration with each of the 12 largest OEMs worldwide and handle manufacturing for over 800 vehicle models across approximately 50 brands and over 15 OEM groups.

The chart below sets out the breakdown of our customer base in 2007 and 2016.

2007⁽¹⁾
(% of revenues)

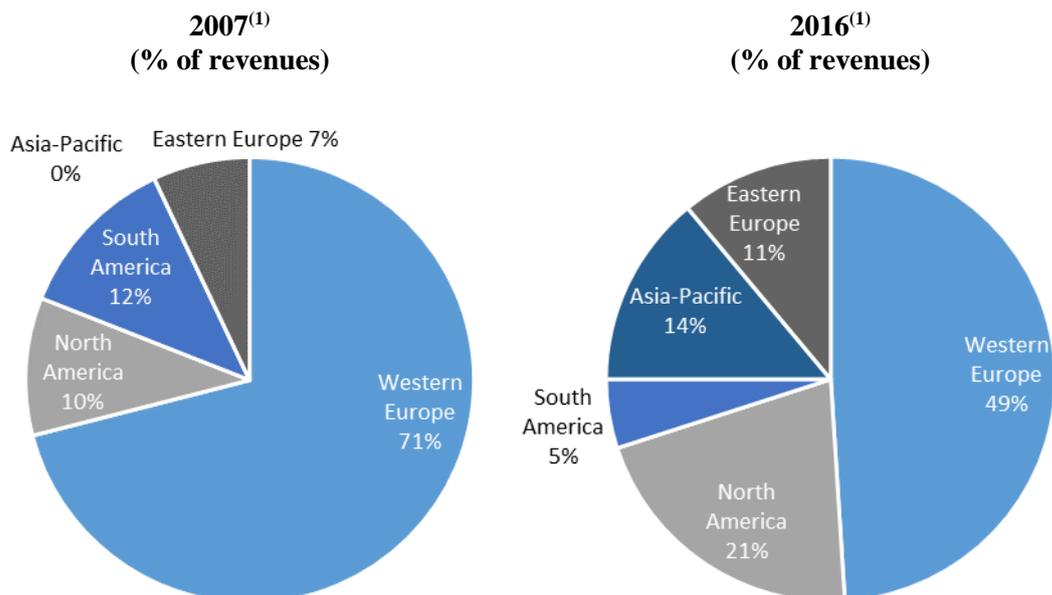


2016⁽¹⁾
(% of revenues)



(1) Based on consolidated revenues 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 South America 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 2016.



(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 21% and 14% for the year ended December 31, 2016, respectively. Furthermore, the U.S. is now our second largest market, after Spain. 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 recent 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 upside in building relationships with local Chinese OEMs who are increasingly seeking out technologically advanced body and structural solutions. While for the year ended December 31, 2016, Gestamp's revenues derived from Japanese OEMs amounted to only 7% of the total revenues of Gestamp, Japanese OEMs accounted for 29% of the global light vehicle production (source: IHS), creating a significant opportunity for Gestamp to grow.

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.

An increasingly growing global footprint

We have a geographically diversified global footprint with 98 production facilities in 21 countries across four regions (Europe, North America, South America and Asia) as at March 1, 2017, a significant increase from the 12 and 44 production facilities we had as of December 31, 1998 and 2007, respectively. In addition, as of March 1, 2017, we have 16 facilities in North America, including four under construction, 12 facilities in South America, including one under construction, 45 facilities in Western Europe, including one under construction, 18 facilities in Eastern Europe, including one under construction, and 17 facilities in Asia, including three under construction.

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 believe that we benefit from high revenue visibility due to the nature of our business, our long-term and strategic relationships with our OEM customers as well as our disciplined capital expenditure program. 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, particularly during the life cycle of a specific vehicle model. Thus, given that vehicle cycles last several years, nearly all of our annual revenues are derived from customer orders that continue into following years, which enhances our revenue visibility. Based on our order book, which represents sales (excluding intercompany, scrap and tooling sales) that 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 as of the end of 2016, more than 90% of our expected revenues in the period between December 31, 2016 and December 31, 2019 will be generated by orders already in hand. As a result, we expect that our revenue CAGR between 2016 and 2019 will be broadly in line with 2013 to 2016 revenue CAGR. In addition, we have a strong track record of winning replacement business, including nominations for content on subsequent cycles of car models for which we already manufacture components, which provides ongoing business for our existing plants.

Furthermore, our disciplined capital expenditure program has and, we believe, will continue to contribute to future 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, 2014, 2015 and 2016 amounted to €483.3 million, €622.4 and €724.8, of which approximately 35.0% qualified as recurrent capital expenditures in 2016.

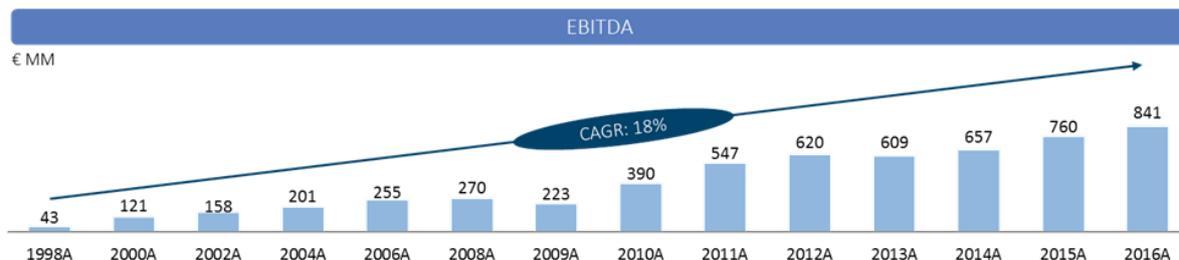
We have a principally variable and flexible cost base, with limited exposure to raw material price volatility and limited recurrent capital expenditures requirements once a project is ongoing. Raw materials represent on average approximately 40% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. An increase or decrease in steel prices can affect our results. While steel prices affect our revenue and costs, historically, our profit has not been significantly affected by changes in steel prices. In 2016, 60% of our steel was purchased through “re-sale” programs with customers, whereby the OEM periodically negotiates 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 not purchased under “re-sale” programs, the OEMs adjust our selling prices based on the steel prices they themselves have negotiated with steel suppliers. Historically, the Group has negotiated and agreed its 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. Due to our strong relationships with OEMs and the large steel volumes we acquire in the marketplace, we expect to be able to continue to pass through cost increases or decreases in steel prices to our customers, thus minimizing the positive or negative effect on our margins.

In addition to our limited exposure to raw material price volatility, we have a low operating leverage, with fixed costs accounting for less than 20% of our operating expenses (excluding depreciation, amortization and impairment losses) in the last three years. A significant part of our labor costs, which have represented between approximately 19% to 21% of our total operating expenses (excluding depreciation, amortization, and impairment losses) in the last three years, are semi-variable in nature and can be adjusted to meet business needs.

We have demonstrated consistently 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 have maintained a stable EBITDA margin in the high single digits from 2014 to 2016 despite steep declines in light vehicle production in the region over the same period. Furthermore, we have been able to maintain and improve conservative leverage ratios despite investing over €2 billion between 2013 and 2016 in tangible capital expenditures, largely for growth projects, a significant number of which have not yet reached full production capacity. We intend to target a leverage ratio of net debt to EBITDA of 2.0x in the medium term. For the years ended December 31, 2014, 2015 and 2016, our EBITDA was €656.5 million, €760.3 million and €841.1 million, representing a CAGR of 13.2%. We expect our EBITDA CAGR between 2016 and 2019 to be slightly above 2013 to 2016 EBITDA CAGR, accelerating in 2018 as a result of plants and projects that are expected to finalize full ramp-up, similar to what occurred in 2015. We believe that this phase out of ramp-up costs as well as the expected recovery of the auto production market in certain markets where we have a significant presence, coupled with our intention to focus on new plants and expansion projects with higher EBITDA margins will help drive the increase of our overall EBITDA margin.

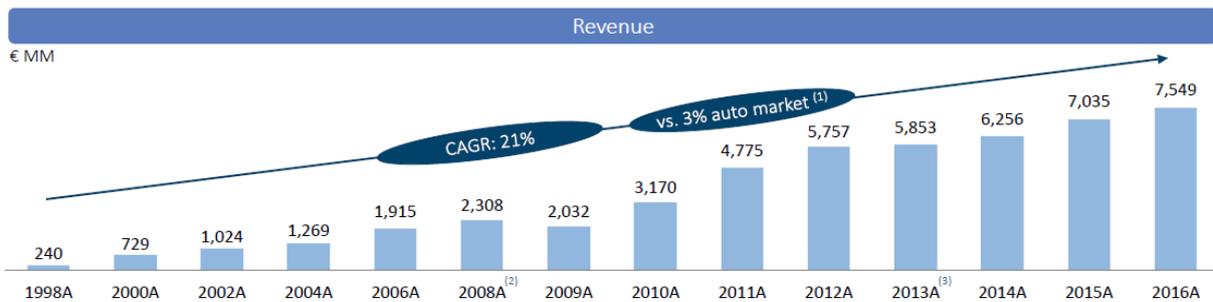
The chart below shows our EBITDA growth since our inception in 1998.



- (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 €7,549 million for the year ended December 31, 2016, representing a CAGR of 21%. From 2009 to 2015 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.



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 10 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 through 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 M&A strategy. Furthermore, our management team has guided us to continuous growth since inception with revenue and EBITDA growing by 257% and 206%, respectively, since 2007 while the overall automotive market has grown 32% over the same period (source: IHS). Our customer base has also expanded from including the seven largest OEMs in 2007 to the 12 largest OEMs in 2016. We have also experienced significant geographical diversification, largely due to access to Asian and North American markets. Sales in China represented 9.5% of total sales in 2016 as compared to 2007 when we had no presence in China and sales in North America represented 20.5% of total sales in 2016 as compared to 9.7% in 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, Risteel and Gestamp 2020), approximately 98.48% of our issued share capital and intends to maintain ownership of more than 50% of our issued share capital after the Offering, 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. 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 strategy

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 press hardening (also known as 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 (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 71 in 2016 (with 84 expected in 2017) and we also have 7 tool shops in Europe, 1 in America and 1 in Asia. For the years 2013 to 2015, we estimate that our revenue derived from hot stamping grew at a CAGR of over 20% and our consumption of raw materials in hot stamping grew at a CAGR of 17.4% between 2013 and 2016 from 294ktn to 476ktn.

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 liftgates in the market, which both enhance 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 customers such as Honda and Volvo. 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 2016, 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

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 intend to strengthen 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 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, with Honda's contribution to our North American revenues increasing to 12% in the year ended December 31, 2016 from 2% in the year ended December 31, 2014. 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 in 2016, will facilitate even greater access to Japanese OEMs. 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 (source: IHS). 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. We also intend 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 CO₂ 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. Our year-on-year revenue growth in North America was 20.2%, 33.9% and 16.8% for the years ended December 31, 2014, 2015 and 2016.
- *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%. We currently expect our capital expenditure as a percentage of revenue to be in line with the 2013 to 2016 average through 2018, and to decline moderately thereafter as a percentage of revenues.

- *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 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 the Company 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 South America.
- 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 Gestamp 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

Acek was incorporated under the name Corporación Gestamp, S.L. 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 is wholly owned by the Riberas Family who has been supportive of our vision, strategy and growth throughout our evolution. Our Chairman and Chief Executive Officer is a member of the Riberas Family. Acek operates in 30 countries and employs about 38,735 people worldwide. For the year ended December 31, 2015, Acek's revenue was €9,094 million and its EBITDA was €1,270 million.

On December 22, 1997, the Riberas Family founded our Company with the aim of becoming a leading supplier in the automotive sector. Soon after its incorporation, the Group 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, the Group continued its expansion in new markets in Asia (Korea, India and China) and Eastern Europe, and continued its growth in the Americas and Western Europe.

In 2009, we acquired LSP Automotive Systems LLC, a U.S. subsidiary of the German group Lápplle 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 we 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 purchased ArcelorMittal's 35% stake in Gestamp Automoción, owned since 1998, for a cash consideration of €875.0 million which was fully paid by June 30, 2016. 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 proprietary Director pursuant to an agreement between Acek and the ArcelorMittal Group. Another director that sits on our Board of Directors as "other external Director" is currently Chairman of ArcelorMittal España, although he does not have any executive functions there. He has been appointed as Director in consideration of his experience and knowledge of the automotive sector and not due to any agreement with the ArcelorMittal Group.

On December 20, 2016, Mitsui and Acek (together with some of its affiliates) signed an investment agreement, in relation to Mitsui's acquisition of a 12.525% of our share capital through Gestamp 2020, a special

purpose vehicle wholly-owned by Mitsui (25%) and Acek (75%), for a consideration of €416.0 million subject to different price adjustments on the basis of the group’s future financial results as further described under “Shareholder Agreements” below. The transaction was subject to the authorization of the antitrust authorities of India, Korea, Brazil, Mexico and Germany. The investment was completed and closed on December 23, 2016.

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 CO₂ 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

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 an automobile. 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.

<u>Product Category</u>	<u>Typical Products</u>
Exterior	<ul style="list-style-type: none"> • Bodyside • Panels • Roofs • Hoods • Fenders • Skin Bumpers
Structural/Crash relevant	<ul style="list-style-type: none"> • Floors • Rails • Dash cross members • A-Pillars • B-Pillars • C-Pillars • Door rings • Bumpers • Impact beams • Wheel houses • Cross car beams
Other	<ul style="list-style-type: none"> • Battery boxes



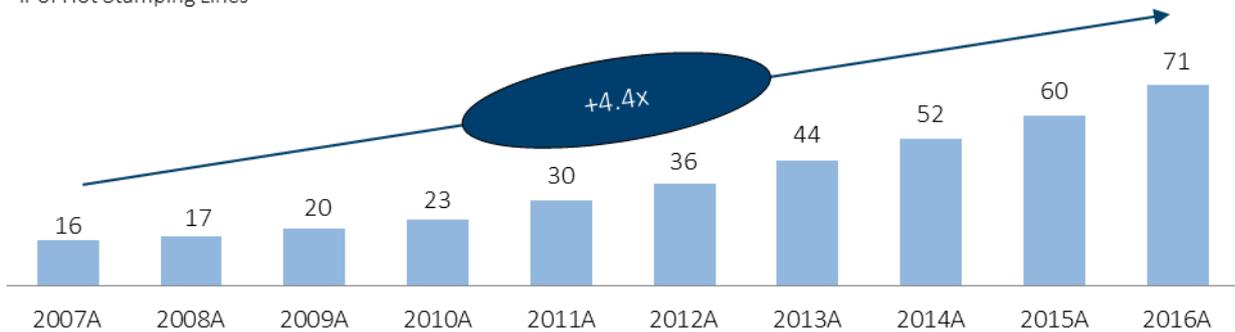
Our Body-in-White product lines consist of component parts, as well as the complex assemblies which are made up of multiple component parts and sub-assemblies joined together to form major portions of the vehicle’s body structure.

We have developed 71 hot stamping lines in 24 production facilities, 9 R&D centers and 9 tool shops and expect to reach 84 hot stamping lines during 2017. We believe we are the clear leader in Body-in-White worldwide based on IHS data of the volumes of the OEM platforms where we are present.

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

Gestamp's Hot Stamping Lines Quadrupled Since 2007

of Hot Stamping Lines



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 and are critical to the strength and safety of vehicles and also include a wide variety of stamped, formed and welded suspension components.

<u>Product Category</u>	<u>Typical Products</u>
Front / Rear subframes	<ul style="list-style-type: none"> • Cross members • Perimeter & Multilink frames • Rear axles
Links/Control arms	<ul style="list-style-type: none"> • Front / Rear control arms • Front / Rear knuckles • Trailing arms • Single / camber links • Spring links
Other	<ul style="list-style-type: none"> • Safety systems • Longitudinal beams • Cradles

Gestamp Chassis



As of December 31, 2016, 22 of our plants in 11 countries and 7 of our R&D centers produced or developed Chassis components. We intend to further diversify our Chassis footprint, focusing in particular on constructing new plants in North America and China, 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-frame and front lower control arm components; among the top 3 suppliers worldwide and among the top 2 suppliers in Europe of rear sub-frame components and among the top 3 suppliers worldwide and the leading supplier in Europe of rear suspension arms, based on the volumes of the OEM platforms we supply according to IHS data.

Mechanisms

Our Mechanisms or Edscha 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.

<u>Product Category</u>	<u>Typical Products</u>
-------------------------	-------------------------

- | | |
|-----------------|-------------------|
| Body components | • Door checks |
| Powered systems | • Hinge systems |
| Driver controls | • Powered systems |
| | • Parking brakes |
| | • Pedal boxes |



As of December 31, 2016, 18 of our plants and 8 of our R&D centers produced or developed Mechanisms and 5,600 employees worked in this business unit. In the year ended December 31, 2016, Mechanisms generated revenue of €902 million. 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, for example, with 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, where we utilize steel resale programs, or in the product pricing that we negotiate with customers 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 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 MAG welding (e.g. pulsed); 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 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. We have 9 cold and 6 hot stamping tooling facilities as well as a supplier development program in place to assure the quality of any outsourced tooling. Our customers recognize us as one of the few suppliers that have the internal capacities for developing and manufacturing tooling for hot stamping.

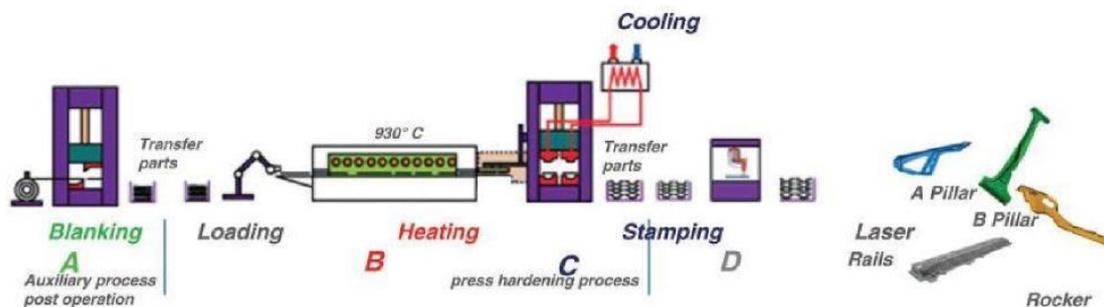
Forming

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.

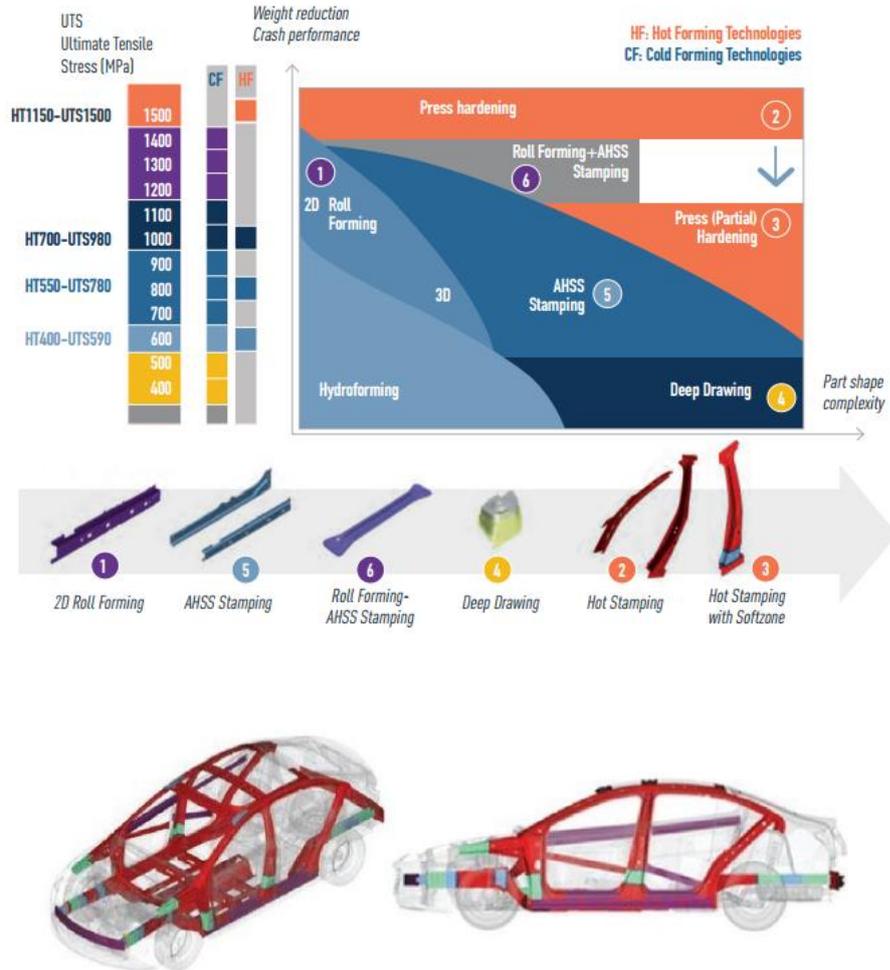
Set out below is a graphic description of the basic process of press hardening.



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 hardening parts and, our press hardening production lines cover the entire value chain from the manufacturing of our own dies to production lines (source: Roland Berger Study and internal estimates based on Company's information and public filings of competitors). The majority of the hot stamping lines we are investing on 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 OEMs 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.



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 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 cathodic 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 location and 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 just-in-time 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. 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 an enhanced ability to innovate across the value chain, which together have resulted in a differentiated and superior ability to address our customer needs. We are recognized by OEMs as one of the few suppliers with in-house tooling capabilities, which together with our expertise 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 CO2 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 CO2 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 hot 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 WIP.

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. Our innovative products and market leading processes are developed through our R&D platform, which has a dedicated team of over 1,300 employees, spread across 12 facilities around the globe and one under construction, and we are committed to continued investment in R&D. For example, between 2014 and 2017, we will 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 results 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 and which 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 2016, 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 OEMs.

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, 2016, 2015 and 2014 we had capitalized R&D expenses within intangible assets of €46.72 million, €57.90 million and €58.89 million, respectively, which accounted for 0.7%, 0.8% and 0.8% of our total revenues.

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), 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 with Honda on location in Japan, press hardening technology to reduce weight and increase safety in a cost-effective manner. This co-development work significantly enhanced our relationship with Honda, generating combined product patents that are jointly shared among Gestamp and Honda, the eighth largest OEM by production volume in 2015. 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 is expected to launch 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. We also won the steel award in the area of US 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 V90 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 V90 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 body side line (outlined in the exhibit below), the thermo-stabilized tool technology, the "snake design" rear rail 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 4 areas of performance: (i) stiffness, (ii) strength, (iii) durability and (iv) crash. Our R&D teams in Chassis are developing hybrid solutions involving steel pressings combined with other materials, and is 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 US, 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.

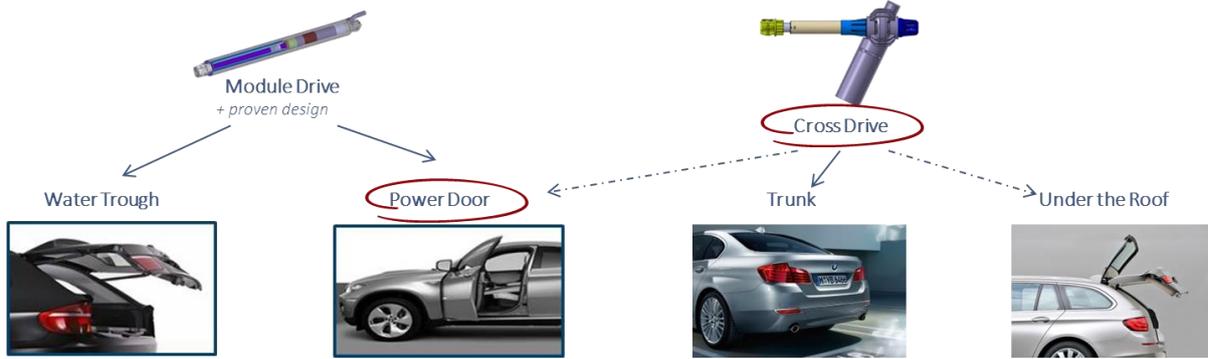
We are also working in the application of our Body-in-White hot stamping techniques to our Chassis components. For example, we have applied our press hardening to develop a single shell spring link and a single shell lower control arm resulting in a significant weight reduction and cost savings.

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

Mechanisms R&D

In Mechanisms, which are usually 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. For example, the development of the Cross-Drive has increased the performance of our power systems solutions and 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 OEMs’ needs. In the area of ultrahigh strength steel we have created a process using zinc coated boron steel that increases corrosion protection at 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. In the area of aluminum, we have 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, 2016, we held more than 960 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.

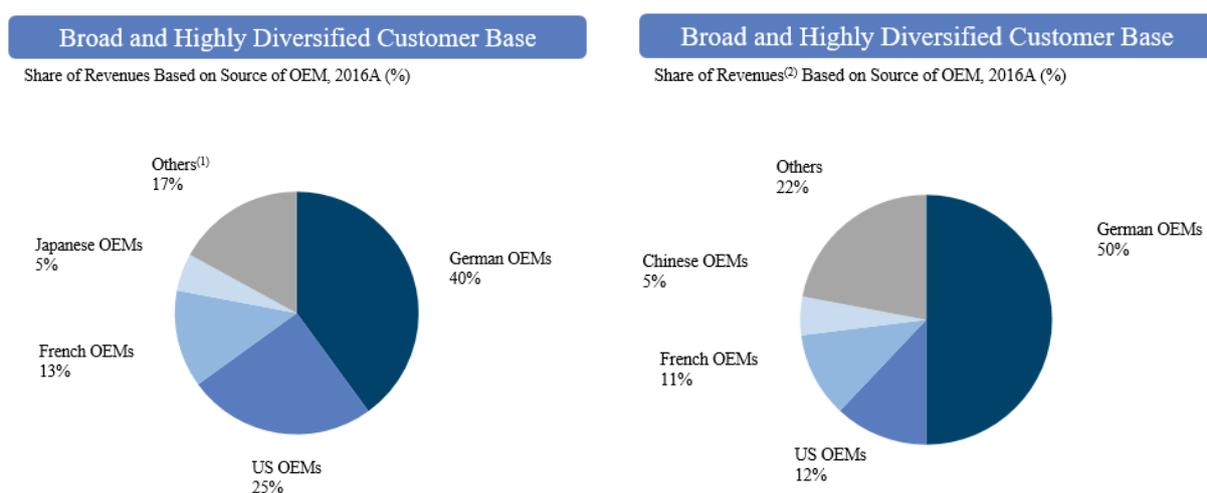
When we enter into development agreements, we preserve our pre-existing intellectual property rights and do not transfer them to our collaboration partners, customers, suppliers, competitors nor other third parties. We claim ownership on such intellectual property rights that might result during the 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 results during the course of such co-development relationship depending on the degree of participation of the relevant parties.

For a detailed description of the risks associated with intellectual property rights, see “—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, BMW, PSA, General Motors, Fiat, Tata JLR, Geely-Volvo, Honda and Toyota which represented our top 12 customers by revenues and together accounted for 87.4% of our consolidated revenues (excluding tooling) for the year ended December 31, 2016, and to rapidly grow our revenue with other OEMs. For the year ended December 31, 2016, Volkswagen, Daimler and Renault Nissan represented 21.8%, 11.9% and 10.8% of our consolidated revenues (excluding tooling), respectively. For further information about our client portfolio, see “—Our Strengths—Well-diversified portfolio of blue chip OEM clients”.

The charts below set out the share of revenues attributable to our Chassis and Mechanisms segment for the year ended December 31, 2016 split by OEM country of origin.



(1) Including domestic Chinese OEMs, amongst others

(2) Calculated over total revenues excluding consolidation adjustments (€943 million)

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 each part supplied through the relevant purchase order that they deliver to us, which is referred to and subject to the relevant OEM general terms and conditions, which have been agreed in advance. 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 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 is 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 40% of our sales over the past three years, with steel comprising over 90% of our raw material purchases. Approximately 78% of the steel we purchase is purchased through steel service centers, with the rest coming directly from the steel mills.

In 2016, 60% of our steel was purchased through “re-sale” programs with customers, whereby the OEM periodically negotiates with the steel maker the price of the steel that 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, the OEMs adjust our selling prices based on the steel prices they themselves have negotiated with steel suppliers. In this scenario, we negotiate and agree directly purchase agreements with such 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.

Of the steel that we use, 46.8% (1,38 million tons) comes from the producer ArcelorMittal Group, which is one of the main steel providers to the automotive sector. The remaining comes mainly from Thyssenkrupp, Posco, Ak Steel, Salzgitter and other, minor steel services companies within this highly fragmented sector. We purchase most of our steel from steel services companies rather than directly from the steel producer.

Our main steel supplier (in terms of steel service centers) is Gonvarri which represented on average 30% of our total steel purchases over the past three years. Other than Gonvarri, no other steel services company comprises a material percentage of the steel we purchase, as the sector is highly fragmented. In the year ended December 31, 2016, we purchased from Gonvarri a total of €842.9 million of steel, representing 33% of our steel purchases, and €57.7 million directly from ArcelorMittal (not including steel supplied to us through steel service centers), representing 2% of our steel purchases. It is estimated that, in 2017, consideration paid to our main steel suppliers will be similar to the 2016 level, with some variation in accordance to our volume of sales and steel price fluctuations.

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. The market positions and additional data stated below are based on information derived from the Roland Berger Study and internal estimates based on Company's 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 revenues 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 revenues. 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. We do not have a significant presence in Chassis in North America. 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 revenues by individual suppliers in Western and Eastern Europe combined and in Mercosur (source: Roland Berger Study and internal estimates based on Company's information and public filings of competitors). 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. In Mechanisms products, we believe that we are the clear market leader in terms volume sold in Western and Eastern Europe, and in Mercosur, with estimated regional market shares between 20% and 58% in 2016.

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
- 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

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 US, 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.

Each Holdco is required to fund its operations in any calendar year such that 20% of related capital costs are financed by debt and 80% are financed by retained earnings or capital contributions. 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 Rusia, S.L.): 74.98% of the share capital; Severstal (through Severstal Trade GesmbH): 25.02%. 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 Parçaları Sanayi Ve Ticaret Limited Şirketi (former ThyssenKrupp Otomotiv Parçaları 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 March 17, 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 Shanghai 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.

Other joint ventures

We are also part of other joint ventures with local partners which we do not deem to be material for the purposes of this annual report. Below is a list of our other joint ventures as of December 31, 2016:

- (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;
- (ii) the French Company MPO Group holds a 30% minority stake in our Romanian subsidiary MPO (recently acquired and pending to be renamed) and we own the remaining 70% 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 68.95% 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 50% indirect stake in our Chinese subsidiary Jui Li Edscha Hainan Ind, and we hold the remaining 50% 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 other 50%; and
- (ix) three different Basque public funds (Ekarpen Private Equity, S.A., Ezten FCR and Basque FCR) own in aggregate a 70% of our Mexican subsidiary GGM Puebla S.A. de C.V., and we hold the remaining 70%.

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 98 production facilities in 21 countries, including ten 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 10 additional plants under construction as of March 1, 2017. Our plants are strategically positioned to serve our global customer base locally and to create logistical cost efficiencies.

As of March 1, 2017, the Group was comprised of 158 subsidiaries worldwide for which the Company is the holding company. Notwithstanding the legal structure of the Group (ownership/shareholding of each subsidiary), Gestamp's operations are organized in eight operational divisions apart from the support of corporate services:

- *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, and (iii) the French Company MPO Group holds a 30% minority stake in subsidiary operating the Romanian plant., with Gestamp holding the remaining 70% stake.

- *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:* includes 10 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 (South America):* includes 10 plants 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.

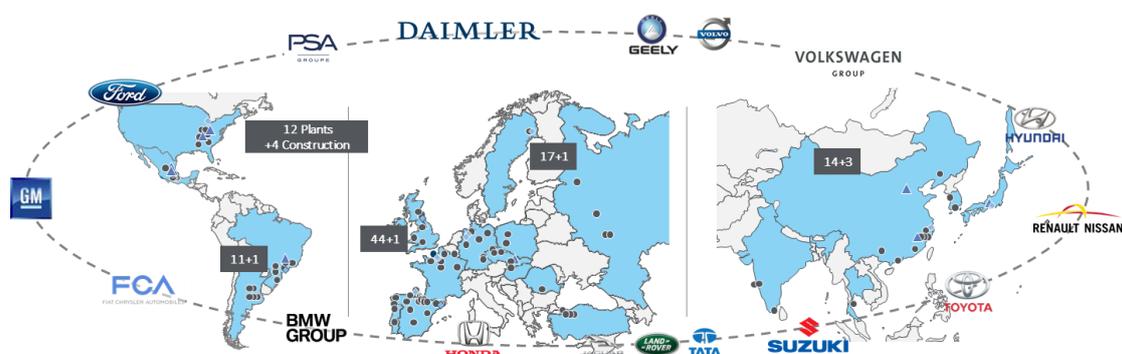
- *Asia Division:* includes 9 plants located in three different countries: China, Korea and India. All plants belong to Gestamp fully owned subsidiaries, except as follows: (i) the Spanish state-owned company "Compañía Española de Financiación al Desarrollo, Cofides, S.A." holds a 35% minority stake 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 68.95% 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):* 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:* includes 5 plants located in two different countries: Spain and Mexico. 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.

- *Research and Development Division (Autotech subsidiaries):* including 12 R&D centers (with one additional center under construction) 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 1, 2017:



The following table sets forth selected information regarding our top 20 production facilities by size. Our installed capacity is running at normal rates, with the exception of plants in Russia and Mercosur, where we have some spare capacity due to the market downturn. We expect that our current utilisation rate 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	UK	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 March 1, 2017:

Region	Production Facilities	R&D Centers
Western Europe	45 ⁽¹⁾	8
Eastern Europe	18 ⁽¹⁾	—
North America	16 ⁽²⁾	1
Mercosur	12 ⁽¹⁾	1
Asia	17 ⁽³⁾	3 ⁽¹⁾
TOTAL	108	13

- (1) Includes one under construction.
(2) Includes four under construction.
(3) Includes three under construction.

At December 31, 2015, certain items of our property, plant and equipment secured outstanding bank loans in the amount of €0.8 million. As of December 31, 2016, those bank loans have been repaid and there are no items of property, plant and equipment 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 years ended December 31, 2016, included elsewhere in this annual report.

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 93% of our facilities are ISO 14001:2014 or EMASII certified and the remaining 12% 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 97% 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 rates:

- EER: Energy Efficiency Rate.
- CO₂ER: CO₂ Emissions Rate.
- WPR: Waste Production Rate.
- WMR: Waste Management Rate.
- WCR: Water Consumption Rate.

Additionally, we actively work to reduce the impact of our operations on climate change. On the one hand, we make an effort to reduce GHG 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 CO₂ 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 recognised as an example of Spanish company in the Supply Chain program.

Despite the increase in the number of our facilities and the use of the hot stamping technology which is more energy intensive than other technologies, our EMS has allowed us to keep and even reduce, in relative terms, and despite our growth, the GHG emissions in the last three years:

	Year ended December 31,		
	2014	2015	2016
CO ₂ ER ⁽¹⁾	25	24	24

(1) Tones of CO₂ emissions per €100,000 of added value.

Health and Safety

We are committed to offer to our employees and any external workers working in our facilities a health and safety environment. We have implemented an ambitious Health and Safety policy and an integrated management system, the GHSI (Gestamp Health and Safety Indicator), which is already implemented in all our facilities.

The GHSI is calculated on the basis of 74 weighted factors divided into three categories:

- *Traditional Indicators:* Severity rate, Average Duration rate and Fatal Accidents.
- *Working conditions:* Working conditions, traffic routes, warehouse, fire protection, manufacturing machines, etc.
- *Health and Safety Management:* Assessments, health and safety rules and training, risk controls, preventive measures, etc.

The table below reflects the traditional indicators that are part of the GHSI (Severity rate, Average Duration rate 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.

	2014	2015	2016
Severity rate ⁽¹⁾	0.18	0.18	0.19
Average Duration rate ⁽²⁾	13.5	13.4	13.3
Fatal Accidents	2	1	1

(1) Severity rate: Number of lost labor days (Mon-Fri) / thousand hours worked.

(2) Average Duration rate: Number of lost labor days (Mon-Fri) / no. of accidents causing loss of time.

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

Despite our growth over the past years in terms of operations and number of employees, we believe that is very positive and accurate reflection of our efforts in the Health and Safety are to maintain, and even slightly improve, an adequate overall GHSI.

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. For example, as of December 31, 2016, we had contingent liabilities in an amount of €27.4 million associated with tax audits in Brazil that relate to tax payable on the historical sales of our products. We have not currently 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.

Other than the proceedings mentioned in the paragraph above, there are no governmental, legal or arbitration proceedings, whether initiated or pending or threatened, in which the Company is 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 management of our human resources, the standardization of processes, the adoption of new technologies, and the definition and

implementation of our corporate culture. Given the global nature of our business and operations, any measures that are implemented require an in depth analysis of the legal framework of each jurisdiction in which we operate.

As of December 31, 2016, we had 36,395 employees globally, of which 43.6%, 15.6%, 14.8%, 14.4% and 11.5% were based in Western Europe, Eastern Europe, Asia, North America and Mercosur, respectively. The Group had 36,395, 33,192 and 31,764 employees at the end of 2016, 2015 and 2014, 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, 2016.

In addition to our 36,395 employees employed directly by us, we had an additional 4,699 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 that makes a large number of our employees to develop a large part of their careers with us. While 48% of our employees are under 35, approximately 28% of our total workforce has worked in Gestamp for more than 10 years.

Our commitment to attract and retain highly skilled and qualified professionals 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 (i) 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 endeavour to internally develop the talent of our employees 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 our Corporate University (*Universidad Corporativa*) where we design all our training programs and initiatives, from global online tools, such as Gestamp Global Learning, to our three training centers, known as the Gestamp Technology Institutes, where our employees receive face-to-face training on our key processes and technologies. In 2016, we have provided more than 28,000 hours of training to more than 2,000 employees, an average of 29 annual training hours per employee.

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 encourage the mobility of our employees from efficiently managed facilities to support less productive facilities, and *vice versa*, and to spread the Group's best practices. We are committed to promoting the international careers of our employees as part of our growth strategy worldwide.

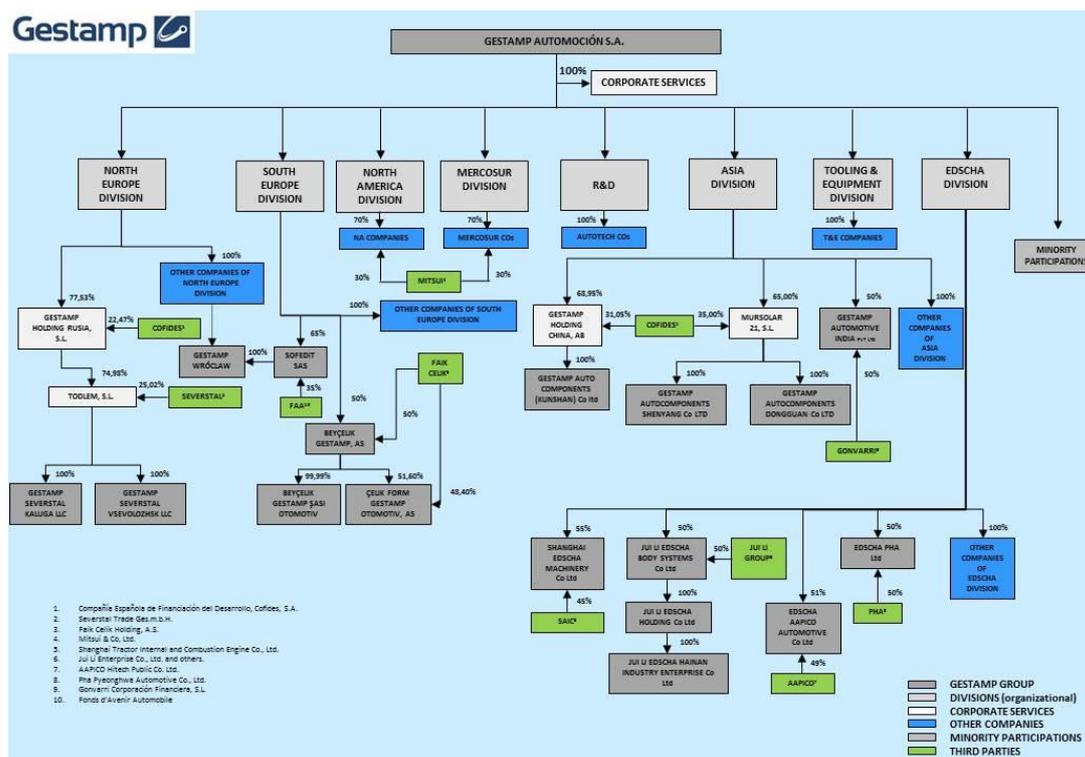
We manage the relations with our employees primarily on a plant level, with the "plant works council" being the forum for employee representation most favored by our employees. As a general rule, each plant has its own collective agreement that is aligned with the labor flexibility and wages moderation standards established in the industry. Local collective agreements provide the following advantages:

- collective agreements are adapted to the specific circumstances and needs of each plant (for example, different geographic areas within a country may have different average salary or cost of living allowances);
- collective agreements can be adapted to the economic performance and productivity of each plant; and
- workers identify themselves better with their own "plant works council" rather than with councils at a national level.

In addition to this model, we try to build open and trusting relations with union representatives at the regional level or national level.

Corporate Structure

The following diagram shows the corporate organization of the subsidiaries and participated companies of the Company as of March 1, 2017:



The following table shows our subsidiaries as of March 1, 2017:

Company	Address	Country	Gestamp Automoción, S.A.		Activity	Other significant shareholders		Segment
			Direct shareholding	Indirect Shareholding		Shareholding	Shareholder	
Gestamp Argentina, S.A.	Buenos Aires	Argentina		70.00%	Holding	30.00%	Mitsui	Mercosur
Gestamp Baires, S.A.	Buenos Aires	Argentina		70.00%	Operating company	30.00%	Mitsui	Mercosur
Gestamp Córdoba, S.A.	Buenos Aires	Argentina		70.00%	Operating company	30.00%	Mitsui	Mercosur
Edscha do Brasil Ltda.	Sorocaba	Brazil		100.00%	Operating company			Edscha
Gestamp Brasil Indústria de Autopeças, S/A	Paraná	Brazil		70.00%	Operating company	30.00%	Mitsui	Mercosur
Anhui Edscha Automotive Parts Co Ltda.	Hefei, Anhui	China		100.00%	Operating company			Edscha
Autotech Engineering (Shanghai) Co., LTD.	Shanghai	China		100.00%	R&D			R&D
Edscha Automotive Components (Kunshan) Co., Ltd.	Kunshan	China		100.00%	Operating company			Edscha
Edscha Automotive Technology (Shanghai) Co., Ltd.	Shanghai	China		100.00%	Operating company			Edscha
Gestamp Auto Components (Chongqing) Co., Ltd.	Chongqing	China		100.00%	Operating company			Edscha
Gestamp Auto Components (Dongguan), Co. Ltd.	Dongguan	China		65.00%	Operating company	35.00%	Cofides	Asia
Gestamp Auto Components (Kunshan) Co., Ltd.	Kunshan	China		68.94%	Operating company	31.06%	Cofides	Asia
Gestamp Auto Components (Shenyang), Co. Ltd.	Shenyang	China		65.00%	Operating company	35.00%	Cofides	Asia
Gestamp Auto Components (Tianjin), Co. Ltd.	Tianjin	China		100.00%	Operating company			Asia
Gestamp Auto Components (Wuhan), Co. Ltd.	Wuhan	China	100.00%		Operating company			Asia
Gestamp Metal Forming (Wuhan), Ltd	Wuhan	China		100.00%	Operating company			Asia
Jui Li Edscha Hainan Industry Enterprise Co., Ltd.	Haikou, Hainan	China		50.00%	Operating company	50.00%	Jui Li Enterpri	Edscha

Company	Address	Country	Gestamp Automoción, S.A.		Activity	Other significant shareholders		Segment
			Direct shareholding	Indirect Shareholding		Shareholding	Shareholder	
Kunshan Gestool Tooling Manufacturing Co., LTD.	Kunshan	China		30.00%	Operating company	70.00%	se, others Ekarpen, Ezten, Basque	Minority part.
Shanghai Edscha Machinery Co., Ltd.	Shanghai	China		55.00%	Operating company	45.00%	Shanghai Tractor	Edscha
Edscha Automotive Kamenice S.R.O.	Kamenice nad Lipou	Czech Republic		100.00%	Operating company			Edscha
Edscha Hradec S.R.O.	Jindrichuv Hradec	Czech Republic		100.00%	Operating company			Edscha
Gestamp Louny, S.R.O.	Praga	Czech Republic		100.00%	Operating company			North Europe
Edscha Briey S.A.S.	Briey Cedex	France		100.00%	Operating company			Edscha
Edscha Engineering France SAS	Ile de France	France		100.00%	Operating company			Edscha
Gestamp Noury, S.A.S.	Gretz-Armainvilliers	France		100.00%	Operating company			South Europe
Gestamp Prisma, S.A.S.	Usine de Messempré	France		100.00%	Operating company			North Europe
Gestamp Ronchamp, S.A.S	Champagney	France		100.00%	Operating company			South Europe
Societe Civile Immobilière de Tournan	Tournan	France		99.00%	Real State			South Europe
Sofedit, S.A.S	Le Theil sur Huisne	France		65.00%	Operating company	35.00%	FAA	South Europe
Autotech Engineering Deutschland GmbH	Bielefeld	Germany		100.00%	R&D			R&D
Edscha Automotive Hauzenberg GmbH	Hauzenberg	Germany		100.00%	Operating company			Edscha
Edscha Automotive Hengersberg GmbH	Hengersberg	Germany		100.00%	Operating company			Edscha
Edscha Engineering GmbH	Remscheid	Germany		100.00%	Operating company			Edscha
Edscha Hauzenberg Real Estate GmbH & Co. KG	Hauzenberg	Germany	5.10%	94.90%	Real Estate			Edscha
Edscha Hengersberg Real Estate GmbH & Co. KG	Hengersberg	Germany	5.10%	94.90%	Real Estate			Edscha
Edscha Holding GmbH	Remscheid	Germany		100.00%	Holding			Edscha
Edscha Kunststofftechnik GmbH	Remscheid	Germany		100.00%	Operating company			Edscha
Gestamp Dienstleistungs GmbH	Remscheid	Germany		100.00%	Services			Edscha
Gestamp Griwe Haynrode GmbH	Haynrode	Germany		100.00%	Operating company			North Europe
Gestamp Griwe Hot Stamping GmbH	Haynrode	Germany		100.00%	Operating company			North Europe
Gestamp Griwe Westerburg GmbH	Westerburg	Germany		100.00%	Operating company			North Europe
Gestamp Tooling Engineering Deutschland GmbH	Braunschweig	Germany		100.00%	Tooling			North Europe Tooling/Equipment
Gestamp Umformtechnik GmbH	Bielefeld	Germany		100.00%	Operating company			North Europe
GMF Holding GmbH	Bielefeld	Germany		100.00%	Holding			North Europe
Gestamp Hungária KFT	Mór	Hungary	100.00%		Operating company			North Europe
Gestamp Automotive Chennai Private Ltd.	Chennai	India		100.00%	Operating company			Asia
Gestamp Automotive India Private Ltd.	Pune	India		50.00%	Operating company	50.00%	Gonvarri	Asia
Gestamp Automotive Sanand Private Limited	Gujarat	India		100.00%	Dormant company			Asia
Gestamp Pune Automotive, Private Ltd.	Pune	India		100.00%	Operating company			Asia
Gestamp Services India Private, Ltd.	Pune	India		100.00%	Labour Services			Tooling/Equipment
Edscha Automotive Italia, S.R.L	Torino	Italia		100.00%	Operating company			Edscha
Gestamp Edscha Japan Co., Ltd.	Tokyo	Japan		100.00%	Operating company			Edscha
Gestamp Hot Stamping Japan Co., Ltd	Tokyo	Japan		100.00%	Operating company			Asia
Gestamp Funding Luxembourg, S.A.	Luxembourg	Luxembourg	100.00%		Finance company			Corporate Services
Ed. Scharwaechter Mechanism S.A.P.I. de C.V.	Mexico City	Mexico		100.00%	Operating company			Edscha
Ed. Scharwaechter Mechanism Servicios Laborales S.A.P.I. de C.V.	Mexico City	Mexico		100.00%	Labour services			Edscha
Gestamp Aguascalientes, S.A.de C.V.	Mexico City	Mexico		70.00%	Operating company	30.00%	Mitsui	NAFTA

Company	Address	Country	Gestamp Automoción, S.A.		Activity	Other significant shareholders		Segment
			Direct shareholding	Indirect Shareholding		Shareholding	Shareholder	
Gestamp Cartera de Mexico, S.A. de C.V.	Mexico City	Mexico		70.00%	Holding	30.00%	Mitsui	NAFTA
Gestamp Mexicana de Servicios Laborales, S.A. de C.V.	Mexico City	Mexico		70.00%	Labour services	30.00%	Mitsui	NAFTA
Gestamp Puebla II, S.A. de C.V.	Mexico City	Mexico		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp Puebla, S.A. de C.V.	Mexico City	Mexico		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp San Luis Potosí, S.A.P.I. de C.V.	Mexico City	Mexico		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp San Luis Potosí Servicios Laborales, S.A.P.I. de C.V.	Mexico City	Mexico		70.00%	Labour Services	30.00%	Mitsui	NAFTA
Gestamp Servicios Laborales de Toluca S.A. de C.V.	Mexico City	Mexico		70.00%	Labour services	30.00%	Mitsui	NAFTA
Gestamp Toluca S.A. de C.V.	Mexico City	Mexico		70.00%	Operating company	30.00%	Mitsui	NAFTA
GGM Puebla de Servicios Laborales, S.A. de C.V.	Mexico City	Mexico		30.00%	Labour services	70.00%	Ekarpen, Ezten, Basque	Minority part.
GGM Puebla, S.A. de C.V.	Puebla	Mexico		30.00%	Operating company	70.00%	Ekarpen, Ezten, Basque	Minority part.
Mexicana Servicios Laborales, S.A. de C.V.	Mexico City	Mexico		70.00%	Labour services	30.00%	Mitsui	NAFTA
Gestamp Polska, SP. Z.O.O.	Września	Poland		100.00%	Operating company			North Europe
Gestamp Wroclaw Sp.z.o.o.	Wroclaw	Poland		65.00%	Operating company	35.00%	FAA	North Europe
Gestamp Aveiro-Indústria de Acessórios de Automóveis, S.A.	Oliveira de Azeméis	Portugal		100.00%	Operating company			South Europe
Gestamp Cerqueira, Lda.	Vila Nova de Cerqueira	Portugal	39.37%	60.63%	Operating company			South Europe
Gestamp Vendas Novas Unipessoal Lda.	Vendas Novas	Portugal	100.00%		Operating company			South Europe
Edscha Togliatti, Llc.	Togliatti	Russia		100.00%	Operating company			Edscha
Gestamp Severstal Kaluga, Llc	Kaluga	Russia		58.13%	Operating company	41.87%	Cofides, Severstal	North Europe
Gestamp Severstal Vsevolozhsk Llc	Vsevolozhsk	Russia		58.13%	Operating company	41.87%	Cofides, Severstal	North Europe
Gestamp Togliatti, Llc.	Samarskaya	Russia		100.00%	Operating company			North Europe
Jui Li Edscha Holding Co., Ltd.	Apia	Samoa		50.00%	Holding	50.00%	Jui Li Enterprise, others	Edscha
Edscha Velky Meder S.R.O.	Velky Meder	Slovakia		100.00%	Operating company			Edscha
Gestamp Finance Slovakia S.R.O.	Velky Meder	Slovakia	25.00%	75.00%	Finance company			Corporate Services
Gestamp Nitra, S.R.O.	Bratislava	Slovakia	100.00%		Operating company			North Europe
Edscha PHA, Ltd.	Chungcheongnam-do, Seoul	South Korea		50.00%	Operating company	50.00%	PHA	Edscha
Gestamp Kartek Co, Ltd.	Gyeongsangnam-Do	South Korea		100.00%	Operating company			Asia
Adral, Matriceria y Puesta a Punto, S.L.	Bizkaia	Spain		100.00%	Tooling			Tooling/Equipment
Almussafes Mantenimiento de Troqueles, S.L.U.	Valencia	Spain		40.00%	Tooling	60.00%	GE Sabadell, Bonmor	Minority part.
Autotech Engineering AIE	Bizkaia	Spain	10.00%	90.00%	R&D			R&D
Bero Tools, S.L.	Bizkaia	Spain		100.00%	Holding			Tooling/Equipment
Diede Die Developments, S.L.	Bizkaia	Spain		100.00%	Tooling			Tooling/Equipment
Edscha Burgos, S.A.	Burgos	Spain		100.00%	Operating company			Edscha
Edscha Santander, S.A.	Burgos	Spain	5.01%	94.99%	Operating company			Edscha
Essa Palau, S.A.	Barcelona	Spain		100.00%	Operating company			Edscha
Esymo Metal S.L.	Linares	Spain		40.86%	Operating company	59.14%	MA Torre, J Lara, others	Minority part.

Company	Address	Country	Gestamp Automoción, S.A.		Activity	Other significant shareholders		Segment
			Direct shareholding	Indirect Shareholding		Shareholding	Shareholder	
Gestamp 2008, S.L.	Burgos	Spain		100.00%	Holding			Edscha
Gestamp 2017, S.L.U.	Madrid	Spain	100.00%		Dormant			Corporate Services
Gestamp Abrera, S.A.	Barcelona	Spain	5.01%	94.99%	Operating company			South Europe
Gestamp Aragón, S.A.	Barcelona	Spain	5.01%	94.99%	Operating company			South Europe
Gestamp Automoción, S.A.	Bizkaia	Spain	Parent Company		Holding			
Gestamp Bizkaia, S.A.	Bizkaia	Spain	85.30%	14.70%	Operating company			North Europe
Gestamp Esmar, S.A.	Barcelona	Spain	0.01%	99.99%	Operating company			South Europe
Gestamp Galvanizados, S.A.	Palencia	Spain	5.01%	94.99%	Operating company			South Europe
Gestamp Global Tooling, S.L.	Bizkaia	Spain	99.99%	0.01%	Operating company			Tooling/Equipment
Gestamp Holding Argentina, S.L.	Madrid	Spain	10.80%	59.20%	Holding	30.00%	Mitsui	Corporate Services
Gestamp Holding Mexico, S.L.	Madrid	Spain	0.01%	69.99%	Holding	30.00%	Mitsui	Corporate Services
Gestamp Holding Rusia, S.L.	Madrid	Spain	25.19%	52.34%	Holding	22.47%	Cofides	Corporate Services
Gestamp Ingeniería Europa Sur, S.L.	Barcelona	Spain		100.00%	Operating company			South Europe
Gestamp Levante, S.A.	Barcelona	Spain	88.49%	11.51%	Operating company			South Europe
Gestamp Linares, S.A.	Jaén	Spain	5.02%	94.98%	Operating company			South Europe
Gestamp Manufacturing Autochasis, S.L.	Barcelona	Spain	5.01%	94.99%	Operating company			South Europe
Gestamp Metalbages, S.A.	Barcelona	Spain	99.99%	0.01%	Operating company			South Europe
Gestamp Navarra, S.A.	Navarra	Spain	71.37%	28.63%	Operating company			South Europe
Gestamp North Europe Services, S.L.	Bizkaia	Spain	99.97%	0.03%	Consultory services			North Europe
Gestamp Palencia, S.A.	Palencia	Spain	99.99%	0.01%	Operating company			South Europe
Gestamp Servicios, S.A.	Madrid	Spain	99.99%	0.01%	Administrative service			Corporate Services
Gestamp Solblank Barcelona, S.A.	Barcelona	Spain	5.01%	94.99%	Operating company			South Europe
Gestamp Solblank Navarra, S.L.	Navarra	Spain		100.00%	Operating company			South Europe
Gestamp Tech, S.L.	Palencia	Spain	0.33%	99.67%	Dormant			Corporate Services
Gestamp Technology Institute, S.L.	Bizkaia	Spain	99.99%	0.01%	Training			Corporate Services
Gestamp Toledo, S.A.	Toledo	Spain	99.99%	0.01%	Operating company			South Europe
Gestamp Tool Hardening, S.L.	Bizkaia	Spain		100.00%	Tooling			Tooling/Equipment
Gestamp Tooling Services, AIE	Bizkaia	Spain		100.00%	Tooling			Tooling/Equipment
Gestamp Try Out Services, S.L.	Bizkaia	Spain		100.00%	Tooling			Tooling/Equipment
Gestamp Vigo, S.A.	Pontevedra	Spain	99.99%	0.01%	Operating company			South Europe
Gestión Global de Matricería, S.L.	Bizkaia	Spain	30.00%		Holding	70.00%	Ekarpen, Ezten, Basque	Minority part.
Global Láser Araba, S.L.	Álava	Spain	30.00%		Operating company	70.00%	Ekarpen, Basque	Minority part.
Industrias Tamer, S.A.	Barcelona	Spain		30.00%	Operating company	70.00%	P. Tío, SA, J Escrigas, J. Roca, Others	Minority part.
Ingeniería Global Metalbages, S.A.U.	Barcelona	Spain		100.00%	Administrative service			South Europe
Ingeniería y Construcción Matrices, S.A.U.	Bizkaia	Spain		30.00%	Operating company	70.00%	Ekarpen, Ezten, Basque	Minority part.
IxCxT, S.A.U.	Bizkaia	Spain		30.00%	Operating company	70.00%	Ekarpen, Ezten, Basque	Minority part.
Loire Sociedad Anónima Franco Española	Guipúzcoa	Spain	100.00%		Operating company			Equipment

Company	Address	Country	Gestamp Automoción, S.A.		Activity	Other significant shareholders		Segment
			Direct shareholding	Indirect Shareholding		Shareholding	Shareholder	
Matricería Deusto, S.L.	Bizkaia	Spain		100.00%	Tooling			Tooling/Equipment
Metalbages Aragón P21, S.L.U.	Barcelona	Spain		100.00%	Operating company			South Europe
Metalbages P51, S.L.U.	Barcelona	Spain		100.00%	Dormant			South Europe
Mursolar 21, S.L.	Madrid	Spain		65.00%	Holding	35.00%	Cofides	Corporate Services
Todlem, S.L.	Madrid	Spain		58.13%	Holding	41.87%	Cofides, Severstal	Corporate Services
Gestamp HardTech, AB	Lulea	Sweden		100.00%	Operating company			North Europe
Gestamp Holding China, AB	Lulea	Sweden		68.95%	Holding	31.05%	Cofides	Corporate Services
Gestamp Sweden, AB	Lulea	Sweden		100.00%	Holding			North Europe
Jui Li Edscha Body Systems Co., Ltd.	Kaohsiung	Taiwan		50.00%	Holding	49.94%	Jui Li Enterprise	Edscha
Edscha Aapico Automotive Co. Ltd	Pranakorn Sri Ayutthaya	Thailand		51.00%	Operating company	49.00%	AAPICO	Edscha
Beyçelik Gestamp Şasi Otomotiv Sanayi Limited Şirketi	Kocaeli	Turkey		50.00%	Operating company	50.00%	FAIK ÇELİK	South Europe
Beyçelik Gestamp Kalip Ve Oto Yan Sanayi Pazarlama Ve Ticaret Anonim Şirketi	Bursa	Turkey		50.00%	Operating company	50.00%	FAIK ÇELİK	South Europe
Çelik Form Gestamp Otomotiv Anonim Şirketi	Bursa	Turkey		25.80%	Operating company	74.20%	FAIK ÇELİK	South Europe
Automotive Chassis Products UK Limited	Newton Aycliffe, Durham	UK		100.00%	Holding			North Europe
Autotech Engineering R&D Uk limited	Durham	UK		100.00%	R&D			R&D
CP Projects Limited	Washington, Tyne and Wear	UK		100.00%	Dormant			Tooling/Equipment
Gestamp Tallent , Ltd	Newton Aycliffe, Durham	UK		100.00%	Operating company			North Europe
Gestamp Washington UK Limited	Washington, Tyne and Wear	UK		100.00%	Operating company			North Europe
Autotech Engineering R&D USA, Inc	Delaware	USA		100.00%	R&D			R&D
Edscha Automotive Michigan, Inc	Delaware	USA		100.00%	Operating company			Edscha
Gestamp Alabama, Llc.	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp Chattanooga II, Llc	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp Chattanooga, Llc	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp Mason, Llc.	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp North America, INC	Delaware	USA		70.00%	Administrative service	30.00%	Mitsui	NAFTA
Gestamp South Carolina, Llc	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp Washtenaw, Llc	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA
Gestamp West Virginia, Llc.	Delaware	USA		70.00%	Operating company	30.00%	Mitsui	NAFTA

MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors

On March 3, 2017 the extraordinary General Shareholders' Meeting of the Company amended the Company's Bylaws and approved a new restated text thereof and, on the same date, our Board of Directors approved the Board Regulations (*Reglamento del Consejo de Administración*) in anticipation to our intention to initiate a public offering of our Shares. Both of them will be effective from the day after the approval and registration of a potential prospectus with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). This section describes the composition, responsibilities and functioning of our Board of Directors, the content of our amended Bylaws as well as our Board of Directors' Regulation that would be effective upon a potential initial public offering of our Shares.

The Spanish Companies Act provides that the board of directors is responsible for the management, administration and representation of a 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.

Pursuant to Article 249 bis of the Spanish Companies Act, our Bylaws and our Board Regulations, the following matters must be approved by the Board of Directors and, subject to certain exceptions, may not be delegated to any Board of Directors' committee or to any of our attorneys or representatives:

- The supervision of the operation of committees and the actions of delegated bodies and any appointed executives.
- The definition of the Company's general policies and strategies.
- The authorization or waiver of the obligations for directors resulting from the duty of loyalty in accordance with Article 230 of the Spanish Companies Act.
- The organization and operation of the Board of Directors itself.
- The drafting of the annual accounts and their submission to the General Shareholders' Meeting.
- The drafting of any type of report required by law from the managing body provided that the transaction to which the report relates cannot be delegated.
- The appointment and removal of executive Directors (*consejeros ejecutivos*) of the Company, and stipulation of the contractual terms of their appointment.
- The appointment and removal of executives directly reporting to the Board of Directors or to any of its members, and the stipulation of the basic terms of their contracts, including the compensation.
- Any decision concerning the Directors' compensation, within the statutory framework, and as the case may be, the remuneration policy approved by the shareholders.
- The calling of General Shareholders' Meetings and preparation of the agenda and proposed resolutions.
- The policy concerning treasury shares.
- Any powers delegated by the General Shareholders' Meeting to the Board of Directors, save where expressly authorized by shareholders to delegate those powers further.

In addition, as a listed company, pursuant to article 529 ter of the Spanish Companies Act, our Bylaws and our Board Regulations, our Board of Directors will not be permitted to delegate the following specific matters:

- The approval of the strategic and business plan, the management goals and annual budgets, the investment and financing policies and the corporate social responsibility and dividend policies.

- The determination of the risk control and management policies, including tax risks, and oversight of the internal information and control systems.
- The definition of the corporate governance policy of the Company and of the Group; its organization and functioning and, in particular, the approval and amendment of its own rules.
- The approval of financial information which, due to being listed, the Company must periodically publish.
- The approval of investments or transactions of all kinds which due to their high value or specific characteristics are of particular tax risk or strategic nature, save where these are approved by shareholders.
- The approval of the creation or acquisition of interests in special purpose vehicles or entities domiciled in tax havens and any other similar transactions or operations which due to their complexity could make the Company and its Group less transparent.
- The approval, subject to a report from the Audit Committee, of transactions between the Company or companies in its Group with directors, in accordance with Articles 229 and 230 of the Spanish Companies Act, or with shareholders that, individually or jointly, hold a significant interest, including shareholders represented on our Board of Directors or the boards of other companies forming part of the same group or with persons related to them. The Directors personally subject to the conflict or who have been nominated by the shareholders subject to the conflict must recuse themselves from discussing and voting the relevant resolution. Only transactions that meet all of the following three conditions will be exempt from this requirement:
 - Transactions entered into pursuant to an agreement with standard conditions applied to a wide range of clients;
 - Transactions entered into for a price generally applied by the party acting as supplier; and
 - Transactions the value of which does not exceed 1% of the Company's annual turnover.
- The definition of the Company's tax strategy.

In cases of emergency, duly justified, decisions on the above matters in relation to article 529ter may be adopted by delegated bodies or persons. Such decisions must be ratified at the first board meeting held after the adoption of the relevant decision.

Composition and governance of the Board of Directors

As of the date of this annual report, our Board of Directors is comprised as follows:

Name	Position
Francisco José Riberas Mera	Chairman
Holding Gonvarri, S.L. (<i>represented by Juan María Riberas Mera</i>)	Director
Gestamp Bizkaia, S.A. (<i>represented by Francisco José Riberas Mera</i>).....	Managing Director
Risteel Corporation, B.V. (<i>represented by Francisco López Peña</i>)	Director
Autotech Engineering, A.I.E. (<i>represented by Juan María Riberas Mera</i>)	Director
Angel Gamboa Llona.....	Director
Geert Maurice Van Poelvoorde	Director
Noboru Katsu.....	Director
Tomofumi Osaki.....	Director
David Vázquez Pascual	Secretary non-member

The Bylaws provide for a Board of Directors consisting of between nine and 15 members. In accordance with the resolutions approved by the General Shareholder's Meeting on March 3, 2017, as from the earlier of (i) the day after the potential approval and registration of a prospectus with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) or (ii) April 18, 2017, our Board of Directors shall be comprised of 12 members, of which five shall be independent Directors, two shall be executive Directors, three shall be proprietary Directors and two shall be considered as "other external" Director

Pursuant to the Spanish Companies Act, a director is categorized as "independent" if he or she has been appointed based on his or her personal and professional conditions and is able to perform his or her duties without being impaired by his or her relationships with us, our significant shareholders or our senior management. The Spanish Companies Act sets out a series of objective criteria which may prevent a director from being categorized as "independent". Based on this criteria, two Directors do not fulfil the conditions to be categorized as "independent" Director and therefore, the Company has categorized them as "other external" Directors.

According to our Bylaws, our Directors are elected by the General Shareholders' Meeting to serve for a term of four years, and may be re-elected to serve for an unlimited number of terms. However, independent Directors who have served as such for more than twelve years shall not continue to be categorized as "independent". If a Director does not serve a full term, the Board of Directors may fill the vacancy by appointing a replacement Director to serve until the next General Shareholders' Meeting is held subject to subsequent approval at a General Shareholders' Meeting (*nombramiento por cooptación*). Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law. A Director may be removed from office by the shareholders at a General Shareholders' Meeting, even if such removal is not included on the agenda for such General Shareholders' Meeting.

According to our Board Regulations, that will become effective as from the earlier of (i) the day after the potential approval and registration of a prospectus with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) or (ii) April 18, 2017, our Directors must tender their resignation to the Board of Directors, which may accept such resignation, at its discretion, under the following circumstances: (i) dismissal from their positions or charges, in the case of executive Directors; (ii) when such Director's participation on the Board of Directors is contrary to applicable law or our Bylaws for reasons of ineligibility or incompatibility; (iii) in the case of proprietary Directors, where the Director had been appointed to represent a shareholder that transfers all of its Shares or part of its Shares and such transfer requires the removal of the Director by such transferring shareholder pursuant to Spanish corporate regulations; (iv) in the case of independent Directors, where it cannot be deemed as such according to Spanish law; (v) when it is resolved by a majority of two thirds of the Board of Directors if such Director's participation on the Board of Directors jeopardizes or prejudices the interest, credit or reputation of the Company or if the Director breaches his or her duties as decided by the Board of Directors pursuant to a report from the Nominations and Compensation Committee; or (vi) when the Director loses his or her honourability, suitability, solvency, competence, availability or commitment with his or her office.

The chairman of the Board of Directors is elected from among the members of the Board of Directors. One or more vice-chairmen, who act as chairman in the event of the chairman's absence or incapacity, may be elected among the members of the Board of Directors. Pursuant to Article 529 septies of the Spanish Companies Act and to the Board Regulations, if the chairman of the Board of Directors is an executive director, the Board of Directors shall appoint a coordinating director (*consejero coordinador*) among the independent Directors. In accordance with the above, it is expected that the new Board of Directors shall appoint Mr. Alberto Rodríguez-Fraile as coordinating director, as soon as possible after the approval and registration of this Prospectus with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). The coordinating director has the power to include new items on the meeting's agenda, to coordinate non-executive directors, to coordinate the plan for the succession of the chairman and to lead, if necessary, the regular evaluation of the chairman of the Board of Directors. The secretary and, where applicable, the vice-secretary of the Board of Directors, do not need to be directors. Moreover, the Board of Directors is entrusted with calling shareholders' meetings and implementing shareholders' resolutions. In the event of a deadlock, the chairman of the Board of Directors shall have a casting vote.

The chairman of the Board of Directors may call a meeting of the Board of Directors whenever he or she considers it necessary. The chairman of the Board of Directors is also required to call a meeting of the Board of Directors at the request of one-third of the members of the Board of Directors or, where applicable, at the

request of the vice-chairman or the coordinating director. According to our Board Regulations, our Board of Directors shall meet at least six times a year.

Our Bylaws provide that the majority (half plus one) of the members of the Board of Directors (attending in person or represented by proxy by another director) constitutes a quorum. Except as otherwise provided by law and in the Board Regulations, resolutions of the Board of Directors are approved by an absolute majority of the Directors attending or represented at a Board of Directors' meeting.

The following table sets forth, as of the date after a prospectus is potentially approved and registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), the name and title of each member of the Board of Directors and is followed by a summary of biographical information of each Director.

Name	Date of first appointment	Expiry date of appointment	Title	Shareholder represented	Category
Cesar Cernuda Rego	03/03/17	03/03/21	Member	-	Independent
Ana García Fau	03/03/17	03/03/21	Member	-	Independent
Noboru Katsu	12/23/16 ⁽¹⁾	03/03/21	Member	Acek, Desarrollo y Gestión Industrial, S.L. ⁽²⁾	Proprietary
Francisco López Peña	03/03/17	03/03/21	Member	-	Executive ⁽³⁾
Tomofumi Osaki	12/23/16 ⁽¹⁾	03/03/21	Member	Acek, Desarrollo y Gestión Industrial, S.L. ⁽²⁾	Proprietary
Francisco José Riberas Mera	06/30/12 ⁽¹⁾	03/03/21	Chairman	-	Executive ⁽⁴⁾
Juan María Riberas Mera	03/03/17	03/03/21	Vice-Chairman	Acek, Desarrollo y Gestión Industrial, S.L.	Proprietary
Alberto Rodríguez-Fraile Díaz	03/03/17	03/03/21	Member	-	Independent (Coordinating Director)
Javier Rodríguez Pellitero	03/03/17	03/03/21	Member	-	Independent
Pedro Sainz de Baranda Riva	03/03/17	03/03/21	Member	-	Independent
Gonzalo Urquijo Fernández de Aroz	03/03/17	03/03/21	Member	-	Other External ⁽⁵⁾
Geert Maurice Van Poelvoorde	06/29/15 ⁽¹⁾	03/03/21	Member	-	Other External ⁽⁶⁾

(1) These Directors were re-appointed by our General Shareholders' Meeting on March 3, 2017.

(2) The appointment of Mr. Tomofumi Osaki and Mr. Noboru Katsu was proposed by Mitsui & Co. Ltd. to Acek, Desarrollo y Gestión Industrial, S.L. in accordance with the provisions of Gestamp 2020 Shareholders' Agreement. See "Principal and Selling Shareholders—Shareholders' Agreements—Gestamp 2020 Shareholders' Agreement".

(3) Mr. Francisco López Peña is the Chief Financial Officer of the Company.

(4) Mr. Francisco José Riberas Mera is the Chief Executive Officer of the Company.

(5) Mr. Gonzalo Urquijo Fernández de Aroz has been appointed as Director in consideration of his experience and knowledge of the automotive sector and not due to any agreement with the ArcelorMittal Group. Mr. Urquijo does not represent ArcelorMittal nor any other company in the Board of Directors of the Company.

(6) Mr. Geert Maurice Van Poelvoorde has been appointed as Director of the Company in accordance with the undertaking assumed by Acek to the ArcelorMittal Group. Mr. Van Poelvoorde is currently also director of Holding Gonvarri, S.L., which, as mentioned above is a company in which Acek holds a 65% capital and ArcelorMittal holds the remaining 35%.

Francisco José Riberas Mera. President of Gestamp Automoción and its Chief Executive Officer. He holds a "Licenciatura en Derecho" (University Degree in Law) and "Licenciatura en Ciencias Económicas y Empresariales" (University Degree in Business), both from Comillas University—ICADE (Madrid). He is a founder and the Chief Executive Officer of Gestamp Automoción since 1997. Mr. Francisco José Riberas was a member of the board of Aceralia (now ArcelorMittal) from 1998 to 2001. Prior to the establishment of Gestamp, he held various management positions in Gonvarri Group since 1989. He is a shareholder and director in other companies belonging to Grupo Acek, including Gonvarri, Gestamp Renewables and Inmobiliaria Acek groups. He also holds a directorship position in CIE Automotive, S.A.

Juan María Riberas Mera. Proprietary Director and Vice-Chairman of Gestamp Automoción. He holds a "Licenciatura en Derecho" (University Degree in Law) and "Licenciatura en Ciencias Económicas y Empresariales" (University Degree in Business), both from Comillas University—ICADE (Madrid). He joined Gonvarri in 1992 and he is currently its Chairman and CEO. He promoted Gestamp Renewables where he has been Chairman and CEO since its incorporation in 2007. He is a shareholder and director in other companies

belonging to Grupo Acek, including the Gonvarri, Gestamp Renewables and Inmobiliaria Acek groups. He also holds a directorship position in CIE Automotive, S.A.

Francisco López Peña. Chief Financial Officer of Gestamp Automoción. “Ingeniero de Caminos, Canales y Puertos” (University Degree in Civil Engineering) at Universidad Politécnica de Barcelona, and Master in Business Administration (MBA) at IESE (Barcelona). He joined Gestamp in 1998 as Corporate Development Director and he is a member of the Board of Directors since 2009. Prior to joining Gestamp Automoción, he held various management positions in industrial mineral and textile sectors. He also holds a directorship position in CIE Automotive, S.A. as the person appointed by Acek to discharge its duties as a corporate director of CIE Automotive, S.A.

Noboru Katsu. Proprietary Director of Gestamp Automoción. He is Managing Officer, Chief Operating Officer of Iron & Steel Products at Mitsui and as of April 1, 2017, he will be General Manager of Iron & Steel Products at Mitsui. He joined Mitsui in 1981 and has held several positions within this company. Mr. Katsu graduated from the Faculty of Liberal Arts of the International Christian University (Tokyo) and holds an Executive Course (PMD) from Harvard University.

Tomofumi Osaki. Proprietary Director of Gestamp Automoción. He is General Manager of the Investment & Planning division of Iron & Steel Products at Mitsui and as of April 1, 2017, he will be Executive Managing Officer of Automotive Parts Business Division at Mitsui. He joined Mitsui in 1988 and has held several positions within this company. Mr. Osaki graduated from the Faculty of Economics of the Wakayama University.

César Cernuda Rego. Independent Director of Gestamp Automoción. Mr. Cernuda is President at Microsoft Latin America and Corporate Vice President at Microsoft Corporation. Before taking that position, he was Vice President of Microsoft Business Solutions International and member of the Microsoft International executive board. Mr. Cernuda was also general manager for Microsoft Business Solutions Europe, Middle East and Africa (EMEA) and held several positions at EMEA headquarters. Mr. Cernuda started his career in the banking industry, working on the launch of Banco 21 (currently known as Banco Gallego). He later joined Software AG, where he successfully developed a new business channel for the company’s products and services sales. He also ran the financial sector division for Spain and Portugal. He earned a Bachelor’s degree in Business Administration and Marketing from ESIC University in Spain, and completed a Management Development Program (PDD) from IESE Business School at the University of Navarra in Spain.

Ana García Fau. Independent Director of Gestamp Automoción. Mrs. García has worked over the last 20 years at McKinsey & Company, Goldman Sachs, Wolff Olins, Telefónica Group and hibü (formerly Yell Group). Throughout her professional career in Telefónica Group, she held several positions at TPI-Páginas Amarillas, such as CFO and Managing Director of Corporate Development. At the same time, she was member of the Board of Directors of Publiguías-Chile, TPI Peru, TPI Internacional, Telinver-Argentina and Adquira, among others. In Yell-hibü, she served as CEO for Spain and Latin America for 7 years, as a member of its International Executive Committee and as International Chief Strategy and Business Development Officer. She is member of the Board of Directors of Eutelsat Communications S.A. and Merlin Properties SOCIMI, S.A. Mrs. García holds a “Licenciatura en Derecho” (University Degree in Law) and “Licenciatura en Ciencias Empresariales” (University Degree in Business) from Comillas University—ICADE (Madrid) and an MBA in Business Administration from MIT Sloan School of Management (Cambridge, MA).

Alberto Rodríguez-Fraile Díaz. Independent Director of Gestamp Automoción and founder, co-owner and chairman of the board of directors of Asesores y Gestores Financieros, S.A. Mr. Rodríguez-Fraile initiated his career as financial assistant at Merrill Lynch. He holds a Business Administration degree with a major in Economy from University of Miami and a PADE Program from IESE. In addition, Mr. Rodríguez-Fraile holds the titles of Registered Options Principal, Financial and Operation Principal and Securities Principal from the Securities Exchange Commission and the National Association of Securities Dealers.

Javier Rodríguez Pellitero. Independent Director of Gestamp Automoción. Mr. Rodríguez is the General Secretary of the Spanish Banking Association (*Asociación Española de la Banca*). After initiating his career as lawyer at Uría Menéndez Abogados, Mr. Rodríguez joined the body of State’s Attorneys (*Abogados del Estado*) and occupied several offices both at the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and the Spanish Banking Association (*Asociación Española de la Banca*). He holds a “Licenciatura en Derecho” (University Degree in Law) and “Licenciatura en Ciencias Empresariales” (University Degree in Business), both from Comillas University—ICADE (Madrid).

Pedro Sainz de Baranda Riva. Independent Director of Gestamp Automoción. Mr. Sáinz de Baranda has developed a significant part of his career at the Otis Group (United Technologies Corporation) Elevator Company, where he has been, among other positions, President of Otis Elevator Company, and CEO and General Manager of Zardoya Otis, S.A. He holds a Mining Engineering degree from Universidad de Oviedo and obtained a PhD in Engineering from Rutgers, the State University of New Jersey, New Brunswick, NJ. He also holds an MBA in Business Administration from MIT Sloan School of Management (Cambridge, MA).

Gonzalo Urquijo Fernández de Araoz. Other external Director of Gestamp Automoción. Mr. Urquijo is currently the Executive Chairman of Abengoa. He began his career in the banking sector, first in Citigroup and then in Credit Agricole. In 1992 he joined Aristrain (now ArcelorMittal), a company within the steel industry, as financial director and in 2005 he was appointed member of its executive committee. He took part in the takeover launched by Mittal Steel in 2006. In 2010 he was appointed Chairman of ArcelorMittal España and in 2015 advisor to the Chairman of the whole Group. Mr. Urquijo holds an Economics degree from Yale University and an MBA from IE Business School (Madrid).

Geert Maurice Van Poelvoorde. Other external Director of Gestamp Automoción. Mr. Van Poelvoorde is the CEO of ArcelorMittal Europe Flat since 2014. He started his career in 1989 as a project engineer at the Sidmar Gent hot strip mill. In 2005, Mr. Van Poelvoorde returned to ArcelorMittal Gent to take up the position of chief operating officer primary. 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. Mr Van Poelvoorde graduated from the University of Gent, Belgium, with a degree in civil engineering and electronics.

The following table sets out all entities in which the members of the Board of Directors have been appointed as members of administrative, management or supervisory bodies, or in which they have held partnership positions at any time during the five-year period preceding the date of this annual report, indicating whether or not each person is still a member of any such bodies or holds any shares in any such entities.

Name	Entity	Sector	Title	In office
César Cernuda	Microsoft Latin America	Information Technology	President	Yes
	Microsoft Corporation	Information Technology	Corporation Vice President	Yes
	Plataforma Solidaria Asturias	NGO	Honorary Patron	Yes
Ana García Frau	Renovalia Energy	Renewable energy	Non-executive Director	Yes
	Technicolor	Media and entertainment	Non-executive Director	Yes
	Eutelsat Communications	Communications satellites	Non-executive Director	Yes
	Merlin Properties	Real Estate	Non-executive Director	Yes
	Hibu	Digital advertising	Chief Strategy and Business Development Officer, CEO of Spain and Latin America and member of the Executive Committee	No
Noboru Katsu	Mitsui Group.	Iron, Steel and Steel Services	Executive Managing Offer, Chief Operating Officer of Iron & Steel Products Business Unit of Mitsui & Co. Ltd.	Yes

Name	Entity	Sector	Title	In office
			Senior Vice President & Divisional Operating Officer of Iron & Steel Products Div., Europe, the Middle East and Africa Business Unit of Mitsui & Co. Europe Plc.	No
			Director of Mitsui & Co. Steel Ltd.	Yes
			Director of Euro-Mit Staal BV	No
	NuMit LLC	Steel Services	Director	Yes
	GEG (Holdings) Limited	Energy	Director	Yes
	Group Acek	Automotive and steel products	Director	Yes
	Mi-King s.r.o.	Steel products	Director	No
Francisco López Peña	Gestamp Group	Automotive	Director	Yes
	CIE Automotive	Auto parts	Proprietary Director and representative of Acek at the Corporate Social Responsibility Committee	Yes
Tomofumi Osaki	Mitsui Group	Iron, Steel and Steel Services	General Manager, Automotive Parts Business Div. Iron & Steel Products Business Unit of Mitsui & Co. Ltd.	Yes
			General Manager, Investment & Planning Div. Iron & Steel Products Business Unit of Mitsui & Co. Ltd.	No
			Director of MBK Global Metal Management	Yes
			Director of Bangkok Coil Center Co. Ltd.	No
	Steel Technologies LLC	Steel	Director	Yes
	Group Acek	Automotive and steel products	Director	Yes
	Siam Yamato Steel Company Limited	Steel products	Director	No
	Vina Kyohei Steel Limited	Steel	Director	No
	Mahindra Sanyo Special Steel Private Limited	Steel	Director	No
	MS Avant Limited	Steel	Director	No
Francisco José Riberas Mera	Group Acek	Steel products, renewable energies and real estate	Joint executive Director	Yes
	Gestamp Group	Automotive	Executive Chairman	Yes
	CIE Automotive	Auto parts	Proprietary Director and member of the Executive Committee and Nomination and Compensation Committee	Yes
	Sideacero group	Scrap	Director	Yes
	Asociación de la Empresa Familiar de Euskadi	Support to Basque enterprises	Treasurer	Yes

Name	Entity	Sector	Title	In office
	Fundación Endeavor España	Support to entrepreneurs	Representative of Gestamp Servicios, S.A. as Trustee	Yes
	Princesa de Asturias Foundation	NGO	Member of the Board of Trustees	Yes
Juan María Riberas Mera	Group Acek	Steel products, renewable energies and real estate	Joint executive Director	Yes
	Gonvarri Group	Steel products	Executive Chairman	Yes
	Gestamp Renewables	Renewable energy	Executive Chairman	Yes
	CIE Automotive	Auto parts	Proprietary Director	Yes
	Sideacero group	Scrap	Director	Yes
	Juan XXIII Foundation	NGO	Member of the Board of Trustees	Yes
Alberto Rodríguez-Fraile	Administración de Asesores y Gestores Financieros, S.A.	Financial services	Chairman of the Board of Directors	Yes
Javier Rodríguez Pellitero	Asociación Española de la Banca	Financial services	General Secretary	Yes
Pedro Sáinz de Baranda Riva	Mecalux	Warehousing	Independent Director	Yes
	Zardoya Otis	Elevators and other machinery	Proprietary Director	Yes
	Savera	Auto and elevator parts	Independent Advisory Director	Yes
	Banco Sabadell	Financial Services	Independent Advisory Director	Yes
	Otis Elevator Company	Elevators and other machinery	Executive Chairman	No
	Zardoya Otis	Elevators and other machinery	Chief Executive Officer	No
	University Carlos III	Non-profit organization	Social Counsel Member	Yes
Gonzalo Urquijo Fernández de Arazo	Abengoa	Renewable energy	Executive Chairman	Yes
	Aperam, S.A.	Steel products	Director	No
	ArcelorMittal	Steel products	Chairman	No
	ArcelorMittal España, S.A.	Steel products	Chairman	Yes
	Fertiberia	Chemical products	Independent Director	No
	Holding Gonvarri, S.L.	Steel products	Director	No
	Hesperia Foundation	NGO	President	Yes
	Princesa de Asturias Foundation	NGO	Member of the Board of Trustees	Yes
	Vocento	Media and entertainment	Independent Director	Yes
Geert Maurice Van Poelvoorde	ArcelorMittal	Steel products	Chief Executive Officer	Yes
	Europe Flat	Steel products	Director	Yes
	Holding Gonvarri, S.L.	Steel products	Director representing ArcelorMittal España, S.A.	Yes

As of the date of this annual report, the Executive Director, Mr. Francisco López Peña holds 690,600 Shares and has received loans from the Company in the amount of €3.0 million to fund such purchase. Such Shares were purchased and the loan by the Company was received by Mr. López Peña pursuant to the offer extended by Acek and the Company during 2016 to the senior managers and key employees of the Group to purchase Shares.

Board Committees

In compliance with the Spanish Companies Act and our Bylaws and our Board Regulations, 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 composition, responsibilities and rules of the Audit Committee are regulated by our Board Regulations.

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.

The chairman of the Audit Committee is appointed by the committee among its independent members for a maximum term of four years. The secretary of the Board of Directors will act as secretary of the Audit Committee.

The members of the Audit Committee are:

Name	Title	Category
Javier Rodríguez Pellitero	Chairman	Independent
Juan María Riberas Mera	Member	Proprietary
Ana García Fau	Member	Independent

The Audit Committee is responsible for, among others:

- reporting to the General Shareholders’ Meeting on any matters within the Audit Committee’s authority;
- supervising the efficiency of our internal controls, internal audit and risk control and management functions, and discussing with our external auditors any significant weaknesses in the internal control systems identified during the audit process;
- overseeing the process of drafting and filing of our regulated financial information;
- making proposals to the Board of Directors for submission to the General Shareholders’ Meeting regarding the appointment, re-election and substitution of the external auditors, the relevant terms and scope of work and preserving the independence of the auditors in the exercise of the audit works;
- liaising with our external auditors in order to receive information about any matters that might jeopardize such auditors’ independence and any other matters related to the audit process and to any other legal communications regarding the auditing and technical standards applied to auditing;
- prior to the completion of the auditors’ report on the annual accounts, issuing an annual report containing the Audit Committee’s opinion on the independence of the appointed external auditors and describing any other services rendered by the external auditors or their related entities to us or our related entities;
- proposing to the Board of Directors the risk control and management policy;
- reporting in advance to the Board of Directors on any matters envisaged in the legislation, Bylaws and the Board Regulations, and in particular, on the interim financial information to be disclosed periodically, on the incorporation or acquisition of equity interests in special purpose vehicles or companies incorporated in tax havens and on related party transactions; and
- monitor the compliance of the internal codes of conduct and the corporate governance rules.

The Audit Committee will meet as many times as necessary, and every time its chairman considers it convenient. In any case, the committee chairman will call a meeting of the Audit Committee whenever the Board of Directors or its chairman requests the preparation of a report or the adoption of a proposal, or whenever it is requested by at least two members of the Audit Committee.

The creation of the Audit Committee and the appointment of its members was approved by our Board of Directors on March 3, 2017 and will be effective from the day after the potential approval and registration of a prospectus with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

Nominations and Compensation Committee

The composition, responsibilities and rules of the Nominations and Compensation Committee are regulated by our Board Regulations.

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.

The chairman of the Nominations and Compensation Committee is appointed by the committee among its independent members. The secretary of the Board of Directors will act as secretary of the Nominations and Compensation Committee.

The members of the Nominations and Compensation Committee are:

Name	Title	Category
Alberto Rodríguez-Fraile Díaz	Chairman	Independent
Noboru Katsu	Member	Proprietary
Gonzalo Urquijo Fernández de Araoz	Member	Other External
Pedro Sainz de Baranda Riva	Member	Independent

The Nominations and Compensation Committee is responsible for, among others:

- evaluating the competence, knowledge and experience required within the Board of Directors and evaluating the time and resources required for Directors to carry out their tasks;
- setting representation objectives for the underrepresented gender in the Board of Directors, and setting the procedures to accomplish such objectives;
- issuing the proposals for the appointment, re-election or removal of independent Directors;
- reporting on proposals for the appointment, re-election or removal of other types of Directors;
- reporting on the appointment or removal of the senior management and on the basic terms of senior management agreements;
- examining and organizing, in the most appropriate way, the replacement of the chairman of the Board of Directors and of executive Directors and, if applicable, making proposals to the Board of Directors in order for such replacements to take place in an orderly and well-planned manner;
- making proposals to the Board of Directors on the compensation policies for Directors and senior management;
- overseeing compliance with the compensation policies; and
- reviewing periodically the compensation policies of the directors and the senior management, including the shares compensation schemes and their application, ensuring that they are proportionate among the Directors and senior management.

The Nominations and Compensation Committee will meet as many times as necessary and every time its chairman considers it convenient. In any case, the committee chairman will call a meeting of the Nominations and Compensation Committee whenever the Board of Directors or its chairman requests the preparation of a report or the adoption of a proposal, or whenever it is requested by at least two members of the Nominations and Compensation Committee.

The creation of the Nominations and Compensation Committee and the appointment of its initial members was approved by our Board of Directors on March 3, 2017 and will be effective from the day after the potential approval and registration of a prospectus with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

Conflicts of Interest

Pursuant to Article 22 of our Board Regulations we will face a conflict of interest in situations where our interests collide directly or indirectly with the personal interest of a Director. There is a personal interest of a Director in a matter when it affects him/her or a related party, and, for proprietary Directors, when it affects the shareholder or shareholders which appointed him/her or proposed his/her appointment or to persons directly or indirectly related to them.

Our Directors are required to avoid situations which could give rise to a conflict between their duties to us and their private or other interests. In particular, pursuant to Article 229 of the Spanish Companies Act, our directors (and related parties to directors) should abstain from:

- carrying out transactions with us, excluding ordinary transactions, of limited amount and undertaken in standard conditions applicable to all customers;
- using our name or its condition as director to unduly influence private transactions;
- making use of corporate assets, including confidential information, for private use;
- taking advantage of our business opportunities;
- obtaining advantages or compensations from third parties other than us in relation to the fulfilment of their obligations as directors, unless they are mere expressions of courtesy; and
- carrying out activities on their own or on behalf of third parties, which may compete with us or which could put the director in a permanent conflict with our interests.

Our Directors are required to report to the Board of Directors any circumstances that may give rise to a direct or indirect conflict of interest as soon as they become aware of such circumstances.

In any event, each member of the Board of Directors must refrain from attending and participating in deliberations and votes affecting matters including by way of proxy vote in which they (or a related party, as defined in applicable law) have a direct or indirect conflict of interest.

Additionally, Directors should abstain from engaging in commercial or professional transactions which may give rise to a conflict of interest, without having first informed and received approval from the Board of Directors, which shall request a report from the Audit Committee. Such authorization shall not be necessary for transactions entered into with us if all of the following conditions are met in respect of the relevant transactions: (a) the transaction is entered into pursuant to an agreement with standard conditions applied to a wide range of clients; (b) the transaction is entered into for a price generally applied by the party acting as supplier; and (c) the transaction does not exceed 1% of the Company's annual turnover. Such authorization shall be granted by the general shareholders' meeting when the relevant transaction consists in obtaining an advantage or compensation from a third party or exceeds from 10% of the Company's assets.

To the best of our knowledge, as of the date of this annual report, there are no actual or potential conflicts of interest amongst our Directors and senior management and none are engaged in self-dealing or personally engaged in any business that could be deemed as part of our operations..

In particular, Mr. Francisco José Riberas Mera and Mr. Juan María Riberas Mera have notified to the Board of Directors that they are shareholders and directors, directly or through other companies, of Acek and its subsidiaries. Acek is the parent company of a group of companies that perform, among others, the following industrial activities:

- steel center services (flat steel, aluminum, steel rods), for automotive makers (OEMs and suppliers like Gestamp) for road safety (barrier systems) for storage systems, and manufacturing of metal parts and structures for renewable energy plants (solar structures, wind towers, etc.);
- own and lease certain real estate assets; and
- promotion, development and building of wind farms and biomass renewable projects.

As of December 31, 2016 Acek held, directly or through subsidiaries, a shareholding of 24.82% of CIE Automotive, S.A., an independent Tier 2 automotive component manufacturer whose activities comprise, among others, the design, manufacturing and distribution of certain auto parts in relevant markets but in any case different to those where we operate.

In addition to the above, Mr. Geert Maurice Van Poelvoorde sits on the Board of Directors of Gestamp Automoción as a "other external director" representing ArcelorMittal. Mr. Van Poelvoorde is also a director of Holding Gonvarri S.L. (the parent company of the Gonvarri Group in which Acek holds 65% of its share capital and ArcelorMittal holds the remaining 35%), pursuant to an agreement between Acek and ArcelorMittal. Another Director that sits on our Board also as "other external director" is currently Chairman of ArcelorMittal España, although he does not have any executive functions there. He has been appointed as Director in consideration of his experience and knowledge of the automotive sector and not due to any agreement with the ArcelorMittal Group.

Finally, two representatives of Mitsui sit on our Board of Directors. Mitsui directly holds 600,693

shares of Gestamp 2020 representing 25% of its share capital and therefore, indirectly, 72,083,160 Shares of the Company, representing 12.53% of the share capital of the Company. Mitsui is a Japanese corporation with different business units some of them similar to certain of the activities of the Acek Group, including trading and processing of steel.

Market Abuse Internal Regulation

We have implemented a defined and transparent set of rules and regulations for corporate governance that is compliant with all applicable Spanish governance standards.

On March 3, 2017, our Board of Directors approved the internal securities markets code of conduct (*Reglamento Interno de Conducta en los Mercados de Valores*) (the “Market Abuse Internal Regulation”), effective from such date. The Market Abuse Internal Regulation regulates, among other things, our Directors’ and managers’ conduct with regard to the treatment, use and disclosure of inside information in a manner consistent with Commission Regulation (EC) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation). The Market Abuse Internal Regulation applies to, among other persons, all members of the Board of Directors, senior management and employees who have access to inside information and to our external advisors when they handle such inside information.

The Market Abuse Internal Regulation, among other things:

- establishes the restrictions on, and conditions for, the purchase or sale of our securities or other financial instruments by persons subject to the Market Abuse Internal Regulation, and by those who possess material non-public information;
- provides that persons subject to the Market Abuse Internal Regulation shall not engage in market manipulation with respect to our securities or other financial instruments;
- provides that we shall not engage in open market acquisitions with a view to manipulating the market price of our securities or our other financial instruments, or to favoring any particular shareholder;
- provides guidance on the actions relating to the acquisition of treasury shares; and
- sets forth the obligation for the Regulatory Compliance Unit to monitor the compliance with the Market Abuse Internal Regulation, for which purposes it will have powers which include, among others, the creation and update of a register of persons subject to the Market Abuse Internal Regulation and the request of information to such persons.

Ethics Code of Conduct

In December, 2011, we adopted an Ethics Code of Conduct to maintain a corporate culture that is ethical and in compliance with the law. The Ethics Code of Conduct is applied at all levels of our organization and affects all the employees within the Group, including any subsidiary in which we are a majority shareholder. The Code of Conduct is translated to the 16 languages used across the Group.

Our Ethics Code of Conduct is the mainstay of our commitment to integrity and a point of reference for any Gestamp Group employee who may have any doubt about what they are expected to do in a given situation. It contains a number of rules of conduct that are based on our Corporate Principles and on the ten principles of the United Nations’ Global Compact regarding human rights, labor and environmental standards and fight against corruption. Besides rules related to financial information like truthfulness and handling information, there are other rules based on the behavior of and with employees and regulate the relationships with third parts (suppliers, public administrations and communities).

During its implementation, all employees received the training necessary to understand and apply the Ethics Code of Conduct and a procedure to ensure the continuity of this process with new hires is already established. The main goal of the training is to ensure that the message received by each employee was the same regardless of professional category, country or culture.

The Ethics Committee is the internal body responsible to ensure compliance with the Ethics Code of Conduct and its correct interpretation. Its functions and composition, the communication channels and process for complaints and the internal investigation process to assess whether breaches of the Code take place were set in the Regulations of Ethics Committee in 2013. Among the objectives of these Regulations of Ethics Committee is to ensure that those filing such complaints in good faith are held harmless and, at the same time, to preserve the honor and the presumption of innocence of all employees with regard to malicious or unfounded communications.

The Compliance Office, who reports to the Ethic Committee and is responsible for receiving, guiding, following-up and reporting and documenting the communications (breaches, doubts and suggestions) received from the Reporting and Whistleblowing Channels.

There are different Reporting and Whistleblowing Channels available for Gestamp employees and third parties. They may contact are the Human Resources' representatives appointed at each of the plants, by e-mail directed to a generic email box at the compliance office or via telephone hotline managed by a specialized independent third party

Since 2014, audits to assess the actual level of implementation, the degree of awareness of the Ethics Code of Conduct among Gestamp Group employees, and the functioning and use of the established complaints channels are conducted by an independent external auditor. These audits serve to identify certain aspects that can be improved and to carry out action plans to solve those aspects and to improve the application and awareness of the Ethics Code of Conduct.

Corporate Governance

The Spanish Companies Act sets forth certain legal provisions related to corporate governance mandatorily applicable to Spanish listed companies. We believe that we comply with the requirements of the Spanish Companies Act.

Additionally, the Spanish Corporate Governance Code for Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*) approved by the CNMV in February 2015 (the "Corporate Governance Code") sets out certain recommendations on corporate governance to be considered ("comply or explain") by the companies listed in Spain. We believe that we substantially comply with the recommendations of the Corporate Governance Code.

Although some of our practices currently vary from the recommendations in certain aspects, we are committed to follow strict corporate governance policies and we intend to adapt our practices as appropriate to all the principles of good governance contained in the Corporate Governance Code, as soon as possible after Admission, in a consistent manner.

Our corporate practices currently vary from the recommendations in the following ways:

- Recommendation 4: As of the date of this annual report, we have a limited number of shareholders, and thus we have not discussed if a policy of communication and contacts with shareholders, proxy advisors and institutional investors is necessary.

However, once and if we decide to proceed with an initial public offering of our Shares and they are admitted to trading, we will consider as a priority the implementation of a policy of communication and contacts with shareholders, proxy advisors and institutional investors, under the principles of transparency and respect to these parties. The Board of Directors will, as the case may be, approve this policy within a reasonable timeframe, and the policy will be subsequently made available in our website together with information related to how the policy is put in practice.

- Recommendation 7: The Company currently does not, and does not foresee to, broadcast the general shareholders' meetings in our website.
- Recommendation 11: As of the date of this annual report, we do not, and do not foresee to, pay attendance bonus (*primas de asistencia*) to our shareholders. Consequently, we have not approved, and do not foresee to approve in the near future, an attendance bonus policy. Nevertheless, if we decide to start paying attendance bonus (*primas de asistencia*) to our shareholders, the Board of Directors will approve a general and stable attendance bonus policy beforehand.
- Recommendation 14: We have not approved a policy for selecting the members of the Board of Directors. The Board of Directors shall study the potential approval of such policy after Admission.
- Recommendation 26: The Board of Directors should meet with the necessary frequency to

properly perform its functions, at least six times a year, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items. This recurrence is established to allow certain flexibility to the members of the Board of Directors as some of them are foreigners and not resident in Spain.

- Recommendation 48: To date, the Board of Directors has not deemed appropriate to establish the Nominations and Compensation Committee as two separate committees, given that this recommendation is expressly addressed to large capitalization companies, and this is not expected to apply to us upon Admission.
- Recommendation 61: On the date of this Prospectus, none of the executive Directors' variable remuneration is linked to the award of Shares or financial instruments whose value is linked to the Share price. Nevertheless, both executive Directors' are currently shareholders, directly or indirectly, of the Company.

The Board of Directors will prepare annual corporate governance reports and such reports will be submitted to our shareholders for information purposes. The reports will be announced through the publication of a relevant fact (*hecho relevante*) and published in our webpage.

Pursuant to article 529 decies of the Spanish Companies Act, the proposal of appointment or re-election of members of the board of listed companies corresponds to the Nominations and Compensation Committee, in the case of independent directors, and to the board itself in other cases and such proposal of appointment or re-election must be preceded by a report by the Nominations and Compensation Committee.

As of the date of this annual report, neither the appointment of the current Directors was preceded by proposals and reports of the Nominations and Compensation Committee nor the category assigned to each Director confirmed by the Nominations and Compensation Committee, as this committee was not in place yet on the date of each of the appointments. However, once this committee is formed and as soon as practicable following Admission, it will issue the corresponding proposals and reports and confirm the classification of the Company's Directors in accordance with applicable law and the Board of Directors Regulations.

As set forth in the Board Regulations, the Nominations and Compensation Committee is required to periodically review our level of compliance and, where appropriate, of our subsidiaries, submitting its proposals and recommendations to the Board of Directors in order to improve such rules. Furthermore, pursuant to our Board Regulations, the Nominations and Compensation Committee is required to prepare a report on the annual corporate governance report prior to its approval by the Board of Directors. The first report will be prepared in respect of the year ended December 31, 2017.

In June 2010, the CNMV approved certain recommendations around the system of internal control over financial reporting for listed companies ("ICOFR" or "SCIIF", *Sistema de control interno sobre la información financiera*) that shall be reported in the Annual Report of Corporate Governance (*Informe Anual de Gobierno Corporativo*).

Without prejudice of the above, and in the event that we decide to proceed with an initial public offering of our Shares, Gestamp has already implemented certain internal controls over its financial reporting. Below is a brief description of the ICOFR policies that have been implemented.

Gestamp's ICOFR responsibilities are described in the Board Regulations and the Group's ICOFR policy (which defines ICOFR management responsibilities and guidelines). In accordance with these regulations, the Board of Directors is ultimately responsible for the implementation and maintenance of adequate and effective ICOFR policies while the Audit Committee is responsible of monitoring their effectiveness. In addition, the Group is in the process of setting up an independent Internal Audit department which will report to the Audit Committee and will assume the oversight of the ICOFR policies as delegated by the Audit Committee.

The human resources department defines and modifies the Group's organisational structure and assigns responsibilities (including those that are ICOFR-related). The human resources department is responsible for the preparation of high-level descriptions of the positions within the Group's organisational structure and detailed descriptions of the positions at the different production centers. The chairman is responsible for the definition of the lines of responsibility and authority.

Gestamp ensures that its personnel receives adequate training through annual training plans that are designed based on each department's requirements and formally approved by the director of human resources. The Group is currently in the process of implementing a project on training capabilities linked to the different functions of each department (including Internal Control, Audit and Finance) so that employees receive a training plan adapted to their position.

The Group has undertaken a risk assessment project to define a "general risk map" that shows the most significant risks the Group is subject to (operations, strategy, compliance, etc.). In addition, the Group has also performed an assessment of financial reporting risks by drawing up an ICOFR scope matrix. The Group ICOFR policy specifies who is responsible for updating the financial reporting risk assessment process.

The finance department is responsible for the preparation of the quarterly consolidated financial statements. This information is reviewed and approved by the Company's senior management. The information and scope of the companies that comprise the consolidated group is updated by the legal and consolidation departments based on quarterly information provided by the finance and tax committees.

All the Group companies use the same reporting template which allows the consolidation team to aggregate and review the information of the Group Companies and upload it to the Group's consolidation tool. The information for the disclosure included in the notes to the consolidated annual accounts is obtained from the reporting packages.

The definition and maintenance of accounting policies and the provision of answers regarding their application is also the responsibility of the consolidation team. The Group's accounting criteria and policies manual sets out the main policies applicable to the Group, the criteria for the recognition of financial information, examples and the consolidated chart of accounts. To ensure its dissemination, the manual is sent to the Group companies on a quarterly basis, together with the consolidation reporting template.

The Group, through its controlling department, has documented the main risks affecting the plants and the controls to mitigate these risks. For example, in relation to financial risks various controls ensure the reliability of the financial information. This information is currently loaded in a GRC tool through which the various plants report on the implementation of the controls.

The finance department establishes the assumptions and performs the calculations on which the relevant judgements, estimates and projections are based, relying, as appropriate, on information provided by independent specialists. These relevant judgements, estimates and projections are validated during the process for the approval of the consolidated annual accounts.

The Group's IT department has identified the most relevant IT applications through a map. These applications are managed centrally. There are policies and procedures for access management, tracking of changes, operational continuity and segregation of functions in respect of centralised management applications. IT managers hold a monthly application monitoring committee meeting to discuss identified issues and incidents.

When the Company outsources activities to third parties, the information provided by these third parties which may have an impact on the accounts is analysed and reviewed by the finance department before it is recorded in the accounts.

Management Committee and Senior Management

We have a management committee ("Management Committee") which is comprised of the members of our senior management team and our executive Directors, Francisco José Riberas Mera (Chief Executive Officer) and Francisco López Peña (Chief Financial Officer). From an organizational standpoint, the Management Committee is organized in accordance with the different geographic markets and operating segments where we operate.

Our management team has a substantial amount of expertise in the automotive industry, deemed crucial for the current success of our business. In fact, almost half of the members of our Management Committee have been with us for more than 10 years while some of them have been with us for more than 15 years. Our Management Committee is led by Francisco José Riberas Mera. The following table sets forth, as of the date of this annual report, the name and title of each member of the Management Committee 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	Member of Senior Management since
David Vázquez Pascual	General Counsel	2000
Jeff Wilson	General Manager of the North America Division and General Manager of the Asia Groups	2011
Maria Jose Armendariz Tellitu	General Manager of Chassis Division	2011
Unai Agirre Mandaluniz.....	General Manager of the North Europe Division	2005
Torsten Greiner	General Manager of Edscha Division	2011
Jon Barrenechea Izarzugaza	General Manager of the Technology, Tooling and Equipment Division	2013
Manuel de la Flor Riberas	Human Resources General Manager	2000
Fernando Macias Mendizabal.....	General Manager of South Europe Division	2012
Manuel López Grandela	General Manager of Mercosur Division	2011

David Vázquez Pascual (52). Mr. Vázquez Pascual joined Gestamp in 2000 as General Counsel. He holds a “Licenciatura en Derecho” (University Degree in Law) and a “Licenciatura en Ciencias Empresariales” (University Degree in Business), both from Comillas University—ICADE (Madrid), and a Master in Business Administration (MBA) from the Madrid Business School. Prior to Gestamp Automoción, he held different roles in banking in Madrid and New York. He became sub-director of the MBA in Madrid Business School in 1990, assuming the direction in 1992. He became Director of the Department of Economics and Business Sciences of the Universidad Nebrija (Madrid) in 1994.

Jeff Wilson (57). Mr. Wilson holds a Master in Business Administration and a Bachelor in Science degree. Prior to joining Gestamp Automoción, he held various management roles with international automotive companies including Oxford Automotive Corporation (President and Chief Operating Officer), Tower Automotive (NAFTA Group Business Group Director), Lear Corporation (Plant Operations Manager, Interior Systems Group) and O’Sullivan Corporation (Director of Automotive Operations, Gulfstream Division).

María José Armendariz Tellitu (45). Mrs. Armendariz holds a “Licenciatura en Administración de Empresas” (Bachelor Degree in Business Administration) from the University of Deusto (Bilbao). She joined Gestamp in 2000 and she was responsible for the establishment of the Group in Mexico for 5 years. Moreover, she was the Director of new Business Development for 3 years and, afterwards, the Sales Director of Asia Customers for an additional year. She was Manager of the Chassis Division until 2011, when she was appointed General Manager.

Unai Agirre Mandaluniz (48). Mr. Aguirre started his career in Gestamp Automoción in 1995. He joined the Company as the Assembly shop Director of Gestamp Bizkaia, and after 5 years in that position, he became the Industrial and Project Director of the same area for 4 years. Before moving into his current position, he held the office of Plant Director of Gestamp Bizkaia for a year. Nowadays, he is the General Manager of the North Europe Division. Prior to joining the Company, he worked for BATZ S.Coop as Industrial Director for 2 years. He holds a Bachelor Degree in Industrial Engineering (“Ingeniería Industrial”) from the Higher Tech School of Engineering of Bilbao and a Master Degree from the Chartered Institute of Marketing (CIM).

Torsten Greiner (51). Mr Greiner joined Gestamp in 2011 as General Manager of the Edscha Division. He holds a Mechanical Engineering Diploma from the University of Hannover and he has broad experience within the automotive field. Since 1994, he has worked for Robert Bosch Group, moving, after 7 years, to Robert Bosch Closure Systems as Production Manager. In 2005 he was appointed as Managing Director of Brose Schließsysteme GmbH, Wuppertal.

Jon Barrenechea Izarzugaza (50). Mr. Barrenechea has been the General Manager of the Technology, Tooling and Equipment Division of Gestamp for 8 years. He holds a “Licenciatura en Economicas y Ciencias Empresariales” (Bachelor Degree in Economics and Business Administration) from the University of Deusto (Bilbao) and a MBA from Bocconi University (Milan). Prior to joining Gestamp, he worked for Araluce as Finance Controlling Director for 4 years and as chief executive officer for 3 years. Moreover, he has been the CEO of Adral for 10 years.

Manuel de la Flor Riberas (50). Mr. De la Flor joined the Company in 1998 where he worked in the Legal area for 2 years. He holds a “Licenciatura en Derecho” (Bachelor Degree in Law) from the Universidad Complutense of Madrid and a Master’s Degree in Business Law from the Universidad Pompeu Fabra

(Barcelona). He has been Corporate Human Resources General Manager of the Company since 2000. Prior to joining Gestamp, he was a member of the legal department of Gonvarri for 7 years.

Fernando Macias Mendizabal (48). Mr. Macias is the General Manager of the South Europe Division and has held different positions within the Company in the last 22 years. He has been the Industrial Director of the small and medium stamping Division for 5 years, the General Manager of Gestamp Noury for 5 years, the General Manager of the South Europe plants of Edscha for 3 years and prior to his current position, he was the Manager of Southern Europe. He holds a Bachelor Degree in Industrial Engineering (“Ingeniería Industrial”) and a MBA from IESE, both from the University of Navarra.

Manuel López Grandela (63). Mr. López has been the General Manager of the Mercosur Division since 2011. Within the Company, he has been the Head of the Division of Mercosur for 12 years; and prior to Gestamp, he was the Commercial and Purchasing Director of Ferrosider (RB Group) for 24 years. He holds a Bachelor Degree in Industrial Organization from UADE (University of Business of Argentina) and a Master Degree in Business from the IAE (the Higher Studies Institute of Argentina).

All members of the senior management team designated the Company’s registered office as their professional address for purposes of this annual report.

The members of the senior management are exclusively members of the administrative, management or supervisory bodies of companies within the Gestamp Group. In addition, David Vazquez Pascual is also a member of administrative and supervisory bodies of Gestamp Energías Renovables and Gestamp 2020.

As of the date of this annual report, the senior managers mentioned above collectively hold 2,992,440 Shares and have collectively received loans from the Company in the amount of €13.0 million. Such Shares were purchased and the loans were received by the senior managers pursuant to the offer extended by Acek and the Company during 2016 to these senior managers and key employees of the Group to purchase Shares.

Compensation

Directors’ compensation

Our Bylaws establish that the office of Director shall be remunerated. Directors’ compensation as members of the Board of Directors and for their performance of the duty of supervision and collective decision-making inherent to such body, shall consist of a fixed annual remuneration.

The maximum annual aggregate compensation amount that we may annually pay to all of our Directors as remuneration for the items mentioned above shall be determined by the shareholders at the General Shareholders’ Meeting, and shall remain unchanged until and unless the shareholders decide otherwise. Nevertheless, the Board of Directors may reduce the amount in each relevant fiscal year if it deems appropriate.

The Board of Directors, upon a proposal from the Nominations and Compensation Committee, shall determine the exact amount to be paid within the limit approved by the shareholders and the distribution thereof among the Directors, taking into account the duties and responsibilities assigned to each Director, their participation in Board Committees within the Board of Directors and other objective circumstances which may be deemed relevant. In addition, the Board of Directors shall decide the frequency and method of payment of the relevant amounts, which may include insurance and social welfare benefits, as established from time to time.

The Director’s compensation policy shall be set within the compensation system provided for in the Bylaws, as detailed above and shall be approved by the General Shareholders’ Meeting at least every three years as a separate item on the agenda.

In accordance with the above, the General Shareholders’ Meeting, upon the proposal of the Board of Directors, approved on March 3, 2017 a remuneration policy that will be in force during 2017, 2018 and 2019 (the “Remuneration Policy”). The Remuneration Policy establishes that each Director will receive sufficient remuneration in order to remunerate the dedication, qualification and responsibility required for his office, but without compromising their independency. The Remuneration Policy of the executive Directors should be adequate to the circumstances existing at each point in time and be proportional to the performance of executive duties by the executive Directors.

The Remuneration Policy differentiates between the remuneration by reason of their office as Director and the remuneration for the performance of executive duties by the executive Directors. During 2016, 2015 and 2014, none of the members of the Board of Directors was remunerated. We estimate that the total remuneration payable to the members of the Board of Directors in 2017 will amount to approximately €885,000. This amount does not include any remuneration that for any concept is paid to executive Directors as compensation for their executive duties.

The Company estimates that the total base salary payable in 2017 to executive Directors for their performance of executive duties will amount to approximately €1.15 million.

Remuneration by reason of the office as Director

The maximum annual aggregate amount payable to all Directors by reason of their office as a Director shall not exceed €885,000 as approved by the General Shareholders' Meeting on March 3, 2017, in accordance with our Bylaws. This amount does not include the remuneration that, as base salary or variable remuneration, or in any other concept related to the executive Director's remuneration, corresponds to the executive Directors for the performance of executive duties. As established in the Remuneration Policy, such amount may be reduced by the Board of Directors in the applicable fiscal years if it deems convenient.

The Directors will receive, where appropriate in accordance with the above, the following fixed annual amounts in order to compensate the responsibility and time commitment required by such office:

- €75,000 for their participation in the Board of Directors in their standing as such (in case a Director is appointed or ceases during the fiscal year the compensation to be received will be *pro rata* the term of the office, and excluding executive Directors, whose remuneration will be as detailed below);
- €15,000 in addition for their participation in any of the Committees; and
- €15,000 in addition for their chairmanship of any of the Committees.

Remuneration for the performance of executive duties

Each executive Director has entered into an agreement with the Company providing for the different concepts by virtue of which he or she will receive remuneration in relation to the performance of executive duties, including, the eventual compensation to be received in case of early termination of its office and the amounts to be paid by the Company as insurance premia.

The executive Directors' remuneration package for the performance of executive duties at the Company approved by the General Shareholders' Meeting within the framework of the Remuneration Policy, is structured as follows:

- Fixed remuneration: the fixed remuneration takes into account the executive duties assigned to each relevant executive Director, the level of responsibility, the experience, the contribution to the office and the remuneration which is paid on the market by comparable companies.
- Annual variable remuneration: the purpose of the variable remuneration is to strengthen the commitment of the executive Directors to the Company by virtue of the achievement of objectives, measurable and based on financial and economic variables. The Board of Directors, upon a proposal of the Nominations and Compensation Committee, shall establish the variable remuneration to be paid to each relevant executive Director according to the fulfilment of objectives. From time to time, the Company may approve the implementation of multiannual variable remuneration for certain senior managers based on the fulfilment of strategic objectives.
- Other concepts: is comprised of benefits-in-kind or social benefits which includes, among others, the use of a company vehicle or a life insurance policy.

The agreements to be entered with the executive Directors will be of an indefinite term and will include (i) claw-back and "malus" clauses in case the amount paid has been calculated using inaccurate or fraudulent information and (ii) compensation in case of termination of the agreement, which shall not exceed twice the

total annual remuneration of the relevant Director and will not be paid until the Company confirms that the Director has fulfilled with the established performance criteria.

The remuneration packages for the executive Directors during 2017 which were approved on March 3, 2017 by the General Shareholders' Meeting and the Board of Directors (within the framework approved by the General Shareholders' Meeting), and included in the agreements with the relevant Directors also entered into as of such date, are the following:

- a fixed amount of €700,000 for the Chairman and €455,000 for the CFO;
- a variable amount of up to €300,000 for the Chairman and up to €195,000 for the CFO, which shall be determined annually in accordance with objectives of value creation. In addition, the CFO is beneficiary of the multiannual compensation scheme described below as "GIP" in a maximum amount of €3,000,000, during a reference period of five years of such GIP (i.e. from January 1, 2016 to December 31, 2020);
- remuneration in kind which includes the use of a company vehicle and life insurance policies; and
- a compensation for the termination of the agreement not higher than two years of total annual compensation provided that such termination is not caused by a breach of his duties by the Director.

Currently, the Directors do not receive any remuneration, benefits, compensation, etc. other than those detailed in this section.

Senior Management compensation

The Senior Management's annual compensation, fixed and variable, for year 2016 amounted to €4.54 million; and the estimated Senior Management's annual compensation, fixed and variable, for year 2017 amounts to €5.10 million, broken down as detailed in the table below. The Senior Management's annual compensation is not linked, neither on its fix or variable components, to the market price of the Shares.

	<u>2016</u>	<u>2017 (estimated)</u>
	(€ million)	
Total fixed salary ⁽¹⁾	3.32	3.5
Total variable salary	1.22	1.90
Total salary⁽²⁾	4.54	5.35

(1) Includes social benefits, amounting to at least 4%.

(2) In 2016, Mr. Francisco López Peña had an employment contract with the Company and thus his compensation was reported in the aggregate of the Senior Management remuneration. Pursuant to his appointment as executive Director of the Company, his remuneration has been excluded from the 2017 aggregate amount.

In addition to the above, one member of our Senior Management benefits from a deferred pension plan. As of December 31, 2016, the provision for such deferred pension plan amounted to €161,025 and we do not have an estimation for 2017. We have also implemented a long term management incentive plan, as detailed below, which include the Senior Management:

General Incentive Plan (GIP)

We have implemented an incentive plan linked to the creation of value of the Group ("General Incentive Plan" or "GIP"), offered to key employees, including all the Senior Management detailed in this annual report and Mr. Francisco López Peña, who afterwards was appointed as executive Director, as detailed above, invited to participate (each of them, a "Beneficiary").

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 the shareholders by offering remuneration in line with the market benchmarks.

The GIP consists of a cash bonus based on the creation of value of the Group and/or the creation of value

of certain facilities, regions or departments within the Group (as the case may be depending upon the position of the Beneficiary) during a reference period of five years (i.e. from January 1, 2016 to December 31, 2020).

The GIP was formally approved by our Board of Directors on April 1, 2016, and around 100 key employees and managers of our Group (including all the Senior Management and Mr. Francisco López Peña, who afterwards was appointed as executive Director) were invited and accepted to participate in the GIP. It will be calculated and paid within the first six months of 2021.

We have recorded a provision of €5.5 million as of December 31, 2016 on account of our liability under the GIP. The provision is based on the estimation of the probability of compliance with the strategic targets to which the accrual of the cash bonus is linked. For additional information, see Note 20 to our consolidated financial statements as of and for the year ended December 31, 2016 which are included elsewhere in this annual report.

Family relationships

Our Chairman and chief executive officer, Francisco José Riberas Mera, and Juan María Riberas Mera, our Vice-Chairman, are brothers. In addition, Manuel de la Flor Riberas, human resources General Manager is cousin of Francisco José Riberas Mera and Juan María Riberas Mera. There are no other family relationships and no “close relatives” (as this term is defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of September 15, 2004, on information to be disclosed by listed companies regarding related party transactions) amongst the Directors, the Directors and other members of the Company’s senior management or the members of the Company’s senior management.

No convictions and other negative statements

To the best of our knowledge, none of its Directors or members of its senior management have, in the five years preceding the date of this annual report: (i) been convicted in relation to fraudulent offences; (ii) acted as directors of entities affected by bankruptcy, receivership or liquidation; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer.

Agreements with Directors and Senior Management (including post-termination benefits)

Except as detailed in “—Remuneration for the performance of executive duties” above, whereby the executive Directors shall receive compensation for the termination of their employment agreement in an amount not higher than twice the total annual remuneration of the relevant Director, and provided that such termination is not caused by a breach of terms of the employment agreement by the relevant Director, neither the Directors nor the Senior Management of the Company will receive any additional post-termination payments other than any severance payments as required by law for unfair dismissals.

RELATED-PARTY TRANSACTIONS

We enter into transactions with certain related parties from time to time and in the ordinary course of our business.

For IFRS purposes, a “related party” is a person or entity that is related to the entity that is preparing its financial statements. We are required to report all related party transactions, as defined in IAS 24 “Related Party Disclosure”, in accordance with IFRS. For additional information on our related party transactions, see Note 31 to our consolidated financial statements for the years ended December 31, 2016, included elsewhere in this annual report.

This definition includes the Company’s subsidiaries and therefore intragroup transactions (i.e. transactions between the Company and its subsidiaries or between subsidiaries of the Company) are deemed as related party transactions. However, as these intragroup transactions are within the Gestamp Group, they are eliminated for consolidation purposes in accordance with IFRS and are not reflected our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 included elsewhere in this annual report.

Among categories of entities and individuals that fall within the definition of related parties provided for IFRS, we refer in this Prospectus to (i) any other Acek Group company outside the Gestamp Group, (ii) to the Company and its Directors or Senior Management, (iii) transactions with additional parties outside of the Acek Group, in which Acek may hold a minority stake or no shareholding and (iv) transactions with additional parties outside of the Acek Group, but which may hold a minority stake on any Acek Group company (for example, the ArcelorMittal Group).

Acek is a holding company fully controlled by the Riberas Family which, in addition to its participation in the Company, primarily engages in the following activities:

- through Holding Gonvarri, S.L. (in which Acek holds a 65.0% stake) and its subsidiaries (“Gonvarri Group”), which develops: (i) through the subgroup headed by Gonvarri Corporación Financiera, S.L., steel center services (flat steel, aluminum, steel rods) for automotive makers (OEMs and suppliers like us) road safety (barrier systems) and storage systems, and (ii) through the subgroup headed by GRI Renewable Industries, S.L., manufacturing of metal parts and structures for renewable energy plants (solar structures, wind towers, etc.);
- through Inmobiliaria Acek, S.L. (in which Acek holds a 67.0% stake) and its subsidiaries (“Inmobiliaria Acek”), owning and leasing certain real estate assets;
- through Air Executive, S.L. (“Air Executive”, fully owned by Acek), owns an airplane which is used by the different Acek companies including us; and
- through Gestamp Energías Renovables, S.L. (in which Acek holds a 75.1% stake) and its group, promoting, developing and building wind farms and biomass renewable projects.

During the period covered by our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and up to the date of this annual report, we have entered into transactions with such related parties as set out below.

Related party transactions with the Acek Group

Below is a summary of the related party transactions with companies belonging to the Acek Group:

Related party transactions with Acek

In January 2013, Acek sold to Gestamp Automoción the Gestamp trade mark for the automotive classes. The consideration for the sale was €31.0 million to be paid within 20 years by annual installments.

In addition, we receive, through Acek, services such as centralized purchase center of software licenses and insurance from third parties that are hired for us and other Acek Group companies as well as professional services related to accounting consolidation. In consideration for such services, we paid to Acek €3.3 million in the year ended December 31, 2016, and it is expected that amount to be paid during 2017 will be approximately €4 million due to our increase in sales and insured assets. The professional services agreements are subject to market conditions and the amount of consideration paid is determined by the incurred time valued at cost plus transfer pricing mark-up. These agreements have a 5-year initial term. Licenses and insurance services received from third parties through Acek acting as centralized purchase center are invoiced to the Gestamp Group in accordance to the relevant allocation criteria (i.e. number of licenses, insured values, etc.).

Related party transactions with Acek subsidiaries

Gonvarri Group: 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, in particular with Gonvarri Corporación Financiera, S.L. and its subsidiaries, which provide steel center services to certain Gestamp Group companies (blanking, slitting and coating of steel). Such agreements are subject to customary market conditions and have a term of one year or less. Consideration for these services include not only the service price but also the cost of steel blanks and coils (the majority of which is determined directly by OEMs). We paid a total consideration of €844.6 million in the year ended December 31, 2016 for such steel center services. It is estimated that, in 2017, the amount to be paid by the Gestamp Group to the Gonvarri Group for these services will be similar, subject to change in accordance to our volume of sales and steel price fluctuations.

Inmobiliaria Acek: We also enter into transactions in the ordinary course of business with Inmobiliaria Acek for the lease of real estate. In particular, we have leased the following properties from Inmobiliaria Acek: (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 €2.1 million. The term for such lease agreements are between one and five years. In addition, in 2014 we purchased two plants from Inmobiliaria Acek (both previously used by Gestamp Group companies through leases with Inmobiliaria Acek) for a total consideration of €25.0 million.

Air Executive: According to our business needs from time to time, we charter through Air Executive from different air navigation operators airplanes for business trips including an airplane owned by Air Executive. The total amount paid to Air Executive was €1.4 million in 2016.

Corporate services: Gestamp and its subsidiaries provide certain corporate and management support services to Acek and certain legal, tax and financial support services to Acek subsidiaries (Gestamp Energías Renovables, S.L.) outside the Gestamp Group. In 2016, Gestamp Group received €2.4 million for the provision of such services. It is estimated that, in 2017, the amount to be paid to the Gestamp Group by the Acek Group under these agreements will be a similar amount. The agreements under which such services are provided are subject to market conditions and the amount of consideration is determined by the incurred time valued at cost plus transfer a pricing mark-up. These agreements have a 5-year initial term.

Transactions with companies outside the Acek Group

We sell part of our scrap steel to Gescrap S.L. (in which Acek holds a 50% shareholding) and to Reimasa Scrap AIE (in which Acek holds a 40% shareholding). In 2016, we received €97.5 million in consideration for these sales. It is estimated that, in 2017, this amount will be similar, with some variation in accordance to our volume of sales and scrap price fluctuations.

We have also entered into a number of transactions with the ArcelorMittal Group, a shareholder of the Company until February 2016, who has a relationship with the Acek Group through its 35% capital stake in Gonvarri. Most of these transactions are primarily related to the purchase of steel. Although under the re-sale programs we do not choose the steel maker 46.8% (1,38 million tons) comes from the producer ArcelorMittal Group, 65% under “re-sale” programs, and 35% from non-resale programs. But this does not mean that we purchase the steel directly from producers but mainly from steel service centers. Our agreements with the ArcelorMittal Group are subject to customary market conditions and have a term of one year or less (generally, six months). Consideration paid to the ArcelorMittal Group pursuant to the transactions detailed above amounted to €57.7 million in the year ended December 31, 2016. It is estimated that, in 2017, this amount will be similar, with some variation depending on our volume of sales and the fluctuations of the price of the steel. In addition to the transactions for the purchase of steel, the ArcelorMittal Group collaborates with us in automotive research and development (related to new materials and the design of parts). Furthermore, one ArcelorMittal Group representative sits on the Board of Directors of Gestamp Automoción as “other external” Director pursuant to an agreement between Acek and the ArcelorMittal Group. Another Director that sits on our Board also as “other external director” is currently Chairman of ArcelorMittal España, although he has not any executive functions there. He has been appointed as Director in consideration of his experience and knowledge of the automotive sector and not due to any agreement with the ArcelorMittal Group.

Transactions with the members of our Board of Directors and Senior Management

In 2016, Acek received a total remuneration of €0.3 million as compensation for its role as director in certain of our group companies. After the Offering, the Company itself will assume such directorship role and will receive such compensation from the relevant companies of the Gestamp Group.

In relation with article 229 and 231 of the Spanish Companies Act, the Company’s directors have confirmed that they are not in a situation of direct or indirect conflict of interests with the Group apart from those that may be derived from the situations explained in this section.

Protocol of Treatment and Approval of Related Party Transactions

On March 3, 2017, Acek, Gonvarri and the Company entered into a Protocol of Treatment and Approval of Related Party Transactions (the “Gestamp Protocol”) to regulate the relationship between the Gestamp Group and its related parties, (in particular, Acek and the Gonvarri Group) which will enter into force upon Admission.

As detailed in this annual report, Acek is the controlling company of both the Company and Gonvarri, the latest being the holding company of a group of companies which, among others, includes Gonvarri that provides steel center services (blanking, slitting and coating of steel for industrial purposes). From the date of its incorporation, Gonvarri has been one of the Gestamp Group’s reference steel services centers. In addition, Acek and the companies within the Gestamp Group maintain commercial relationships which mainly consist of (i) rental of real estate and (ii) the provision of certain management support services by Acek to the companies within the Gestamp Group, and viceversa.

The Gestamp Protocol sets forth the general framework for the commercial relationships between the Gestamp Group, Acek and the Gonvarri Group and the regulation of the eventual 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 higher stake in the Company than Acek. 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%.

Restriction of activity

The activities reserved to Gestamp include the design, development, manufacturing and sale, as Tier 1 supplier to OEMs of (i) Body-in White, (ii) Chassis and (iii) Mechanisms (“Strategic Activities”). Certain additional and accessory activities developed by Gestamp (TWB, press construction), will not be included in the restriction of Strategic Activities detailed above.

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 the entities of the Gestamp Group develop with their principal shareholders or directors, or any third party related thereto and, in particular, with Acek or any company of the Gonvarri Group.

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 the Company to certain Acek’s affiliates.

General principles

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

Series of related-party transactions will require one approval. In addition, recurring transactions within the lines of business of the Company (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 1 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) include the rationale of the series of transactions and (vi) includes a reasonable term for the submission of information to the Audit Committee (which shall be at least on a quarterly basis).

Without prejudice of the above, if the Company considers more suitable for its interest terminate any of the legal or commercial related party transactions, it will notify such circumstance to Acek, that shall cooperate with the Company and its Group to achieve 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.

Future acquisition of companies

Acek or Gonvarri will notify and offer to Gestamp any business opportunity that they are aware of which principal object refers to the Strategic Activities of Gestamp.

In addition, if Acek and Gonvarri may acquire a Company or business with principal activity does not refer to the Strategic Activity of Gestamp but also includes, additionally activities related to such Strategic Activities of Gestamp, Acek and Gonvarri will offer Gestamp the acquisition of such business and activity included in the Strategic Activity of Gestamp.

If Gestamp exercises such acquisition right, the parties will negotiate the terms and conditions of such transfer, which could include the determination of the price by an independent expert in case of discrepancy.

Disclosure of information

The Company will inform the market about the transactions carried out between any company within the Gestamp Group and Acek, any company with the Gonvarri Group or any other related party.

Acek and Gonvarri undertake to provide the Company as soon as possible with the information necessary about their relationships with the companies within the Gestamp Group that Gestamp may need to punctually comply with its obligations (preparation of financial information, submission of information to CNMV, etc.).

MATERIAL CONTRACTS

The following is a summary of the main terms of all those contracts to which the Company and certain of its subsidiaries are a party and which are considered material for purposes of this annual report.

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 and as amended and restated on May 20, 2016 (the “Senior Facilities Agreement”), entered into between, among others, the Company as original borrower, various subsidiaries of the Company (including Gestamp Funding) as original guarantors, the existing and additional commitment lenders listed therein (a total of fifteen financial institutions, including Banco Santander, Deutsche Bank, Société Générale and the Co-Lead Managers), Deutsche Bank AG, London Branch as agent (“Agent”) and security agent (“Security Agent”). The guarantors under the Senior Facilities Agreement are those entities listed in Annex III of our consolidated financial statements for the year ended December 31, 2016.

The Senior Facilities Agreement was amended on May 8, 2013, May 20, 2014, December 10, 2014, April 17, 2015 and amended and restated on May 20, 2016. The amendments of the Senior Facilities Agreement are summarized below:

- the initial margin for Facility A and the Revolving Credit Facility (both as defined below) has been reduced three times and the margin ratchet also amended;
- the margin on Facility A and the Revolving Credit Facility (both as defined below) has been modified to range from 1.10% to 1.45%, depending on applicable leverage ratios;
- the termination date for Facility A and the Revolving Credit Facility (both as defined below) has been extended to May 31, 2021;
- the maintenance financial covenant ratio of Adjusted EBITDA to financial expenses has been reduced to 4.00:1;
- the maintenance financial covenant ratio of net financial indebtedness to adjusted EBITDA has been increased to 3.50:1;
- the commitment fee has been reduced to 35% of the applicable margin in respect of the Revolving Credit Facility (as defined below);
- a new undertaking has been added with regards to sanctions and anti-corruption law in line with applicable market standards; and
- an additional tranche of commitments has been made available as Facility A2 (as defined below).

Senior facilities

The Senior Facilities Agreement currently provides for committed facilities of €1,152,095,000 (the “Senior Facilities” and each a “Senior Facility”), split into:

- an amortizing euro term loan facility of €532,095,000 terminating on May 31, 2021 (“Facility A1”);
- an amortizing euro term loan facility of €340,000,000 terminating on May 31, 2021 (“Facility A2” and together with Facility A1, “Facility A”); and
- a multi-currency revolving credit facility of €280,000,000 terminating on May 31, 2021 (the “Revolving Credit Facility”).

Facility A2 was an additional commitment granted in May 2016 for the purpose of refinancing certain financial indebtedness of the Group, pay certain costs and expenses in connection with the issuance of the 2023 notes and general corporate purposes.

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 1.10% to 1.45%, depending on applicable leverage ratios. There is a margin adjustment mechanism in the Senior Facilities Agreement pursuant to which the margin applicable to the Facility A and the Revolving Credit Facility will be adjusted upwards or downwards based on the ratio of Net Financial Indebtedness to Adjusted EBITDA (both as defined in the Senior Facilities Agreement) in respect of any relevant testing period, as demonstrated in the compliance certificate required to be delivered with our annual audited and quarterly unaudited financial statements. 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, Gestamp Funding and certain of our subsidiaries (together with the Company and Gestamp Funding, 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% of the ordinary shares, and which for the last fiscal year has (a) earnings before interest, tax, depreciation and amortization (i) calculated on the same basis as EBITDA, representing 2.50% or more of 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 the consolidated net assets of the Group (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 South America or in Japan, China, South Korea, India or Taiwan.

Any of our subsidiaries that becomes a guarantor in respect of the 2023 notes is also required to accede to the Senior Facilities Agreement as a guarantor.

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 (if any) 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 indenture governing the 2023 notes, the Senior Facilities Agreement and the Intercreditor Agreement (any such indebtedness being “Additional Senior Financing”).

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;
- sell, lease, transfer or otherwise dispose 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. The Company considers that it is in compliance with these undertakings as of the date of this annual report.

Financial covenants

The Senior Facilities Agreement contains financial covenants that require the Group to ensure that:

- the ratio of Adjusted EBITDA to Financial Expenses (both as defined in the Senior Facilities Agreement) is not lower 4.00:1 on each testing date; and
- the ratio of Net Financial Indebtedness to Adjusted EBITDA (both as defined in the Senior Facilities Agreement) is not higher than 3.50:1 on each testing date.

The Company considers that it is in compliance with these undertakings as of the date of this annual report.

Maturity

Loans drawn under Facility A are required to be repaid in semi-annual instalments, starting from May 31, 2017 with the final repayment instalment due on May 31, 2021. 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 May 31, 2021.

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 utilization 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, recovery of insurance claim proceeds or a flotation (which does not cause a change of control of the Company).

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 Grupo Acek, Arcelor Mittal 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 and acceleration

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.

Examples of such events of default include, but are not limited to, non-payment by obligors, breach of financial covenants referred to above, misrepresentation, cross-default on the Group (subject to certain thresholds), insolvency, insolvency proceedings and creditors' process, unlawfulness and invalidity, non-compliance with the terms of the Intercreditor Agreement, cessation of business, change of ownership, audit qualification, repudiation and rescission of agreements, expropriation and litigation and material adverse change.

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-priority basis by a charge over the shares of certain subsidiaries of the Company but recoveries received upon enforcement of any collateral securing the notes will be distributed *pari passu* and applied pro rata in repayment of liabilities in respect of the 2023 notes, the Senior Facilities Agreement and certain other existing debt facilities.

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:

<u>Year</u>	<u>Percentage</u>
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 indenture governing the 2023 notes 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 indenture governing the 2023 notes, 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 indenture governing the 2023 notes 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 indenture governing the 2023 notes, 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 annual report.

Intercreditor Agreement

The Company, Gestamp Funding, the Subsidiary Guarantors, the lenders under the Senior Facilities Agreement and certain other parties entered into an intercreditor agreement dated May 10, 2013 (the "Intercreditor Agreement") to establish the relative rights of certain of the Group's creditors including creditors under the Senior Facilities Agreement, the indenture for the 2023 notes, the Bank of America loan (which has been fully repaid as of the date of this annual report,) 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 favor 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 favor 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.

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

The Intercreditor Agreement provides that the Transaction Security shall rank and secure the Senior Secured Debt as follows:

- (a) first, security created to secure the Bank of America loan (which has been fully repaid as of the date of this annual report);
- (b) second, security created to secure the Senior Facilities Agreement and the 2023 notes; and
- (c) thereafter, or *pari passu* with the notes (if applicable) security created pursuant to the Future Creditor Share Pledges and any security created pursuant to share pledges granted in favor of lenders of ancillary facilities entered into under the Senior Facilities Agreement after the date of the Initial Share Pledges (each such facility a “Subsequent Ancillary Facility”) in the order of priority in which they are entered into in respect of indebtedness under any Additional Senior Financing and Subsequent Ancillary Facility.

Notwithstanding the order of ranking set out above, the date of execution or order the Transaction Security documents are entered into, or the ranking under applicable law, it is agreed that the Transaction Security shall rank and secure the Senior Secured Debt *pari passu* without preference between the different categories of Senior Secured Debt.

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; (ii) the Agent or any creditor representative in its capacity as such (but not bilateral lenders) in respect of any Additional Senior Financing; and (iii) Deutsche Trustee Company Limited, as trustee (the “Trustee”);
- 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 on its own behalf and on behalf of the noteholders; (iii) each creditor in respect of the Designated Existing Indebtedness; and (iv) 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), the notes (in accordance with the Indenture), the Designated Existing Indebtedness (on a pro rata basis) 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. The Company 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, Trustee, 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”.

2016 MARF Commercial Paper Programme

On November 25, 2016 we registered a €150 million commercial paper programme (the “Programme”) 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 Programme 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 Programme, 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 annual report, we have executed the following Commercial Paper issuances under the Programme, all of which remain outstanding as of the date hereof:

<u>ISIN Code</u>	<u>Nominal amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
ES0505223000	€75,000,000	01/20/2017	04/20/2017	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% fixed 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, 2016 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. These companies are listed in Annex III of our consolidated financial statements for the year ended December 31, 2016. 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.

Joint Venture Agreements

See “Business—Joint Ventures”.

Shareholders’ Agreements

See “Business—Joint Ventures” , “Principal and Selling Shareholders—Shareholders’ Agreements—Riberas Family Agreement” and “Principal and Selling Shareholders—Shareholders’ Agreements—Gestamp 2020 Shareholders’ Agreement”.

GESTAMP AUTOMOCIÓN, S.A. AND SUBSIDIARIES

**Consolidated Financial Statements and
Consolidated Management Report for the year ended
December 31, 2016**



Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 37)

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of GESTAMP AUTOMOCIÓN, S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of GESTAMP AUTOMOCIÓN, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated balance sheet at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of GESTAMP AUTOMOCIÓN, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of GESTAMP AUTOMOCIÓN, S.A. and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

The accompanying 2016 consolidated management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2016 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of GESTAMP AUTOMOCIÓN, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed in the original in Spanish)

Ramón Masip López

March 07, 2017

CONTENTS		PAGE
NOTE		PAGE
	Consolidated Balance sheet	F-5
	Consolidated income statement	F-7
	Consolidated statement of comprehensive income	F-8
	Consolidated statement of changes in equity	F-9
	Consolidated statement of cash flows	F-10
	Notes to the consolidated financial statements	F-11
1	Activity and companies included in consolidated scope	F-11
2	Consolidation scope	F-11
	2. a Breakdown of consolidation scope	F-11
	2. b Changes in consolidation scope	F-12
3	Business combination	F-13
4	Basis of presentation	F-16
	4.1 True and fair view	F-16
	4.2 Comparison of information	F-16
	4.3 Basis of consolidation	F-16
	4.4 Going concern	F-19
	4.5 Alternative management indicators	F-19
5	Changes in accounting policies	F-20
6	Summary of significant accounting policies	F-25
	6.1 Foreign currency translations	F-25
	6.2 Property, plant and equipment	F-26
	6.3 Business combinations and goodwill	F-27
	6.4 Investment in associates and joint ventures	F-28
	6.5 Other intangible assets	F-29
	6.6 Financial assets	F-30
	6.7 Impairment of assets	F-31
	6.8 Assets and liabilities held for sale and discontinued operations	F-33
	6.9 Trade and other receivables	F-33
	6.10 Inventories	F-33
	6.11 Tools made to customer order	F-34
	6.12 Cash and cash equivalents	F-34
	6.13 Government grants	F-34
	6.14 Financial liabilities (trade and other payables and borrowings)	F-35
	6.15 Provisions and contingent liabilities	F-35
	6.16 Employee benefits	F-36
	6.17 Leases	F-37
	6.18 Revenue and expense recognition	F-37
	6.19 Income tax	F-38
	6.20 Derivative financial instruments and hedges	F-39
	6.21 Related parties	F-39
	6.22 Environmental issues	F-40
7	Significant accounting judgments, estimates, and assumptions	F-40
8	Changes in significant accounting policies and estimates and restatement of errors	F-43
9	Segment reporting	F-43
10	Intangible assets	F-46
11	Property, plant and equipment	F-50
12	Financial assets	F-54
13	Inventories	F-61
14	Trade and other receivables/ other current assets/ Cash and cash equivalents	F-62
15	Issued capital and share premium	F-64
16	Retained earnings	F-66
	16.1 Legal reserve of the Company	F-67
	16.2 Goodwill reserve	F-67
	16.3 Unrestricted reserves	F-67
	16.4 Availability of reserves at fully-consolidated companies	F-67
	16.5 Approval of the Financial Statements and proposal for the appropriation of profit	F-68
17	Translation differences	F-69
18	Non-controlling interest	F-70
19	Deferred income	F-73
20	Provisions and contingent liabilities	F-73
21	Pensions and other post-employment obligations	F-75
22	Non-trade liabilities	F-79
23	Deferred taxes	F-89
24	Trade and other payables	F-90
25	Operating revenue	F-91
26	Operating expenses	F-92
27	Financial income and financial expenses	F-94
28	Income tax	F-94
29	Earnings per share	F-98
30	Commitments	F-98
31	Related party transactions	F-99
	31.1 Balances and transactions with Related Parties	F-99
	31.2 Board of Directors' remuneration	F-104
	31.3 Senior managements' remuneration	F-104
32	Other disclosures	F-104
	32.1 Audit fees	F-104
	32.2 Environmental issues	F-104
33	Financial risk management	F-105
	33.1 Financial risk factors	F-105
	33.2 Hedge accounting	F-110
	33.3 Fair value of financial instruments	F-111
	33.4 Capital risk management	F-112
34	Information about postponement of payments to suppliers in commercial transactions	F-113
35	Subsequent events	F-114
36	Information about compliance with the Article 229 of Spanish Corporate Enterprises Act	F-115
37	Additional note for English translation	F-115
ANNEX I	Consolidation scope	F-116
ANNEX II	Indirect investments	F-123
ANNEX III	Guarantors	F-129

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2016 AND DECEMBER 31, 2015
(In thousands of euros)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets			
Intangible assets	10	392,964	359,384
Goodwill		110,504	109,946
Other intangible assets		282,460	249,438
Property, plant, and equipment	11	3,160,014	2,861,807
Land and buildings		983,285	958,215
Plant and other PP&E		1,608,351	1,524,984
PP&E under construction and prepayments		568,378	378,608
Financial assets	12	95,514	57,682
Investments in associates accounted for using the equity method		5,740	8,272
Loans and receivables		50,581	8,918
Derivatives in effective hedges		25,710	28,184
Other non-current financial assets		13,483	12,308
Deferred tax assets	23	273,439	270,777
Total non-current assets		3,921,931	3,549,650
Current assets			
Inventories	13	630,897	586,438
Raw materials and other consumables		308,335	277,870
Work in progress		141,149	158,676
Finished products and by-products		129,591	118,287
Prepayments to suppliers		51,822	31,605
Trade and other receivables	14	1,376,889	1,194,690
Trade receivables		1,169,925	992,938
Other receivables		20,819	25,058
Current income tax assets		35,306	32,906
Receivables from public authorities		150,839	143,788
Other current assets	14	26,240	23,533
Financial assets	12	43,228	35,455
Loans and receivables		11,036	1,638
Securities portfolio		338	2,535
Other current financial assets		31,854	31,282
Cash and cash equivalents	14	430,463	355,975
Total current assets		2,507,717	2,196,091
Total assets		6,429,648	5,745,741

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2016 AND DECEMBER 31, 2015
(In thousands of euros)

	Note	December 31, 2016	December 31, 2015
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to equity holders of the parent			
Issued capital	15	288,237	288,237
Share premium	15	61,591	61,591
Retained earnings	16	1,378,145	1,209,789
Translation differences	17	(203,300)	(167,809)
Equity attributable to equity holders of the parent		1,524,673	1,391,808
Equity attributable to non-controlling interest	18	347,330	406,585
Total equity		1,872,003	1,798,393
Liabilities			
Non-current liabilities			
Deferred income	19	25,945	30,720
Provisions	20-21	154,153	156,787
Non trade liabilities	22	1,779,451	1,674,148
Interest-bearing loans and borrowings		1,548,305	1,448,036
Derivative financial instruments		87,983	72,828
Other non-current financial liabilities		132,805	136,739
Other non-current liabilities		10,358	16,545
Deferred tax liabilities	23	238,454	225,544
Other non-current liabilities		599	619
Total non-current liabilities		2,198,602	2,087,818
Current liabilities			
Non trade liabilities	22	716,036	450,875
Interest-bearing loans and borrowings		419,294	282,900
Other current financial liabilities		5,922	16,854
Other non-trade liabilities		290,820	151,121
Trade and other payables	24	1,621,425	1,384,406
Trade accounts payable		1,356,144	1,137,378
Current tax liabilities		20,727	30,269
Other accounts payable		244,554	216,759
Provisions	20-21	18,072	16,318
Other current liabilities		3,510	7,931
Total current liabilities		2,359,043	1,859,530
Total liabilities		4,557,645	3,947,348
Total equity and liabilities		6,429,648	5,745,741

GESTAMP AUTOMOCIÓN, S.A. AND SUBSIDIARIES
**CONSOLIDATED INCOME STATEMENT
AT DECEMBER 31, 2016 AND DECEMBER 31, 2015
(In thousands of euros)**

	Note	December 31, 2016	December 31, 2015
CONTINUING OPERATIONS			
OPERATING INCOME	25	7,673,939	7,202,309
Revenue		7,548,938	7,034,512
Other operating income		131,571	156,871
Changes in inventories	13	(6,570)	10,926
OPERATING EXPENSE	26	(7,211,317)	(6,802,113)
Raw materials and other consumables		(4,509,742)	(4,308,597)
Personnel expenses		(1,366,884)	(1,258,010)
Depreciation, amortization, and impairment losses		(378,528)	(360,137)
Other operating expenses		(956,163)	(875,369)
OPERATING PROFIT		462,622	400,196
Financial income	27	5,275	13,309
Financial expenses	27	(98,758)	(121,850)
Exchange gains (losses)		(12,442)	(24,660)
Share of profits from associates - equity method	12	(8,539)	(364)
Impairment and gains (losses) on sale of financial instruments	27	(77)	(13,829)
PROFIT BEFORE TAXES FROM CONTINUING OPERATIONS		348,081	252,802
Income tax expense	28	(88,940)	(63,950)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		259,141	188,852
PROFIT FOR THE YEAR		259,141	188,852
Profit (loss) attributable to non-controlling interest	18	(37,787)	(27,372)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		221,354	161,480
Earnings per share			
-Basic	29	46.15	33.67
From continuing operations		46.15	33.67
-Diluted	29	46.15	33.67
From continuing operations		46.15	33.67

GESTAMP AUTOMOCIÓN, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AT DECEMBER 31, 2016 AND DECEMBER 31, 2015
(In thousands of euros)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
PROFIT FOR THE YEAR	259,141	188,852
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income not to be reclassified to income in next years:</i>		
Actuarial gains and losses	21.b) (5,415)	5,745
<i>Other comprehensive income to be reclassified to income in next years:</i>		
From cash flow hedges	22.b.1) (2,631)	4,728
Translation differences	<u>(34,811)</u>	<u>(34,411)</u>
Attributable to Parent Company	17 (35,491)	(28,069)
Attributable to non-controlling interest	18 680	(6,342)
TOTAL COMPREHENSIVE INCOME NET OF TAXES	<u>216,284</u>	<u>164,914</u>
Attributable to:		
- Parent Company	177,817	143,884
- Non-controlling interest	38,467	21,030
	<u>216,284</u>	<u>164,914</u>

GESTAMP AUTOMOCIÓN, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2016 AND DECEMBER 31, 2015
(In thousand of euros)

	Issued capital (Note 15)	Share premium (Note 15)	Retained earnings (Note 16)	Translation differences (Note 17)	Total capital and reserves	Non-controlling interest (Note 18)	Total equity
AT DECEMBER 31, 2014	288,237	61,591	1,087,326	(139,740)	1,297,414	418,825	1,716,239
Profit for 2015			161,480		161,480	27,372	188,852
Fair value adjustments reserve (hedge)			4,728		4,728		4,728
Variation in translation differences				(28,069)	(28,069)	(6,342)	(34,411)
Actuarial gains and losses			5,745		5,745		5,745
Total comprehensive income for 2015			171,953	(28,069)	143,884	21,030	164,914
Dividends distributed by the Parent Company			(37,711)		(37,711)		(37,711)
Dividends distributed by subsidiaries						(12,485)	(12,485)
Increase in shareholding in companies previously under control (adjustment for dividends paid to former shareholders of Anhui Edscha Automotive Parts Co. Ltda.)			(712)		(712)		(712)
Increase in shareholding in companies previously under control due to acquisition to non-controlling interest (Ekarpen Private Equity, S.A.)			(7,997)		(7,997)	(24,219)	(32,216)
Transfers from retained earnings to non-controlling interest due to non-proportional capital increase			(2,771)		(2,771)	2,771	
Other movements and adjustments from prior years			(299)		(299)	663	364
AT DECEMBER 31, 2015	288,237	61,591	1,209,789	(167,809)	1,391,808	406,585	1,798,393
Profit for 2016			221,354		221,354	37,787	259,141
Fair value adjustments reserve (hedge)			(2,631)		(2,631)		(2,631)
Variation in translation differences				(35,491)	(35,491)	680	(34,811)
Actuarial gains and losses			(5,415)		(5,415)		(5,415)
Total comprehensive income for 2016			213,308	(35,491)	177,817	38,467	216,284
Dividends distributed by the Parent Company			(48,444)		(48,444)		(48,444)
Dividends distributed by subsidiaries						(8,547)	(8,547)
Business combination Celik Form Otomotiv. S.L.						(2,748)	(2,748)
Disposal of companies (G Finance Luxemburgo, S.A.)						(51)	(51)
Proportional capital increase in companies previously under control (Edscha Aapico Aut. Co. Ltd.)						151	151
Acquisition of investment in Gestamp 2008, S.L. to non-controlling interest (Note 2.b)			(263)		(263)	(6,119)	(6,382)
Transfer of non-controlling interest due to changes in shareholding in Gestamp 2008, S.L. (Note 2.b)			(190)		(190)	190	
Put Option Recognition			4,047		4,047	(80,947)	(76,900)
Other movements and adjustments from prior years			(102)		(102)	349	247
AT DECEMBER 31, 2016	288,237	61,591	1,378,145	(203,300)	1,524,673	347,330	1,872,003

GESTAMP AUTOMOCIÓN, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
AT DECEMBER 31, 2016 AND DECEMBER 31, 2015
(In thousands of euros)

	Note	December 31, 2016	December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxes and after non-controlling interest		310,294	225,430
Adjustments to profit		489,708	542,083
Depreciation and amortization of intangible assets and PP&E	10-11	377,934	356,402
Impairment of intangible assets and PP&E	10-11	594	3,735
Impairment	13-14	(1,064)	5,570
Change in provisions	20	(12,248)	31,181
Grants released to income	19	(6,218)	(6,589)
Profit (loss) attributable to non-controlling interest	18	37,787	27,372
Profit from disposal of intangible assets and PP&E		(994)	(1,832)
Profit from disposal of financial instruments		77	13,829
Financial income	27	(5,275)	(13,309)
Financial expenses	27	98,758	121,850
Share of profits from associates - equity method	12	8,539	364
Exchange rate differences		(8,182)	4,881
Other income and expenses		-	(1,371)
Changes in working capital		24,581	9,685
(Increase)/Decrease in Inventories	13	(42,714)	(19,931)
(Increase)/Decrease in Trade and other receivables	14	(168,741)	(141,582)
(Increase)/Decrease in Other current assets	14	(2,707)	(5,190)
Increase/(Decrease) in Trade and other payables	24	243,164	174,097
Increase/(Decrease) in Other current liabilities		(4,421)	5,291
Other cash-flows from operating activities		(172,003)	(177,255)
Interest paid		(98,156)	(113,135)
Interest received		6,348	8,680
Proceeds (payments) of income tax		(80,195)	(72,800)
Cash flows from operating activities		652,580	599,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		(738,427)	(616,216)
Acquisition of companies and group investments		(7,611)	(2,548)
Incorporation of treasury from business combinations		225	2,653
Intangible assets	10-22	(84,558)	(88,303)
Property, plant and equipment	11-22	(587,095)	(528,018)
Net change of financial assets		(59,388)	-
Proceeds from divestments		7,893	81,637
Other intangible assets	10	1,474	574
Property, plant and equipment	11	6,419	20,165
Net change of financial assets		-	60,898
Grants, donations and legacies received	19	1,731	5,772
Cash flows from investing activities		(728,803)	(528,807)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds and payments on equity instruments		(8,253)	(33,839)
Change in non-controlling interest	18	(6,282)	(32,216)
Translation differences in equity		(1,971)	(911)
Other movements on equity		-	(712)
Proceeds and payments on financial liabilities		216,690	(120,799)
Issue		1,226,928	162,734
Bonds and other securities to trade		497,875	-
Interest-bearing loans and borrowings		659,357	154,492
Net change in credit facilities, discounted bills and factoring		53,828	-
Borrowings from related parties		5,092	-
Other borrowings		10,776	8,242
Repayment of		(1,010,238)	(283,533)
Bonds and other marketable securities		(807,875)	(20,371)
Interest-bearing loans and borrowings		(172,177)	(139,066)
Net change in credit facilities, discounted bills and factoring		-	(59,809)
Borrowings from related parties		(12,530)	(22,019)
Other borrowings		(17,656)	(42,268)
Payments on dividends and other equity instruments		(56,143)	(50,196)
Dividends	16-18	(56,143)	(50,196)
Cash flows from financing activities		152,294	(204,834)
Effect of changes in exchange rates		(1,583)	5,739
NET INCREASE/ DECREASE OF CASH OR CASH EQUIVALENTS		74,488	(127,959)

GESTAMP AUTOMOCIÓN, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2016

1. Activity and companies included in consolidation scope

GESTAMP AUTOMOCIÓN, S.A., (hereinafter, the “Parent Company”) was incorporated on December 22, 1997. Its registered address is currently in the Industrial Park of Lebario in Abadiano (Vizcaya).

Its corporate purpose is to provide advisory and financing services and a link with the automobile industry for all its subsidiaries.

On August 2, 2012 the Parent Company registered the change of its legal name, from limited company to corporation, in the Commercial Register of Vizcaya.

The Parent Company in turn belongs to a larger group, headed by its majority shareholder Acek, Desarrollo y Gestión Industrial, S.L., formerly named Corporación Gestamp, S.L. The legal name change was adopted in the Extraordinary and Universal General Shareholders’ Meeting on February 5, 2015, being executed in a public deed on the same day. The Parent Company carries out commercial and financial transactions with the companies of Acek, Desarrollo y Gestión Industrial Group under the terms and conditions established among the parties on an arm’s length basis. Intra-Group and related parties transfer prices are duly documented in a transfer price dossier as stipulated by the prevailing legislation.

The activities of the Parent Company and its subsidiaries (the “Group”) are focused on the design, development, and manufacturing of metal components for the automotive Industry via: stamping, tooling, assembly, welding, tailor welded blanks, die cutting and machinery. The Group also includes other companies dedicated to services such as research and development of new technologies.

Most of the Group’s business is conducted in the Western Europe segment; the North America segment constitutes the second most significant geographic market and the Asia segment the third one (Note 9).

Group sales are concentrated across a limited number of customers due to the nature of the automotive Industry.

2. Consolidation scope

2.a Breakdown of consolidation scope

The breakdown of companies included in the consolidation scope, as well as information on the consolidation method applied, location, activity, direct or indirect shareholdings and their auditors, is specified in Annex I.

The companies which hold the indirect investments corresponding to December 31, 2016 and December 31, 2015 are specified in Annex II.

No significant subsidiaries have been excluded from the consolidation scope.

The closing of the financial year for the companies included in the consolidation scope is December 31, with the exception of the subsidiaries Gestamp Services India Private, Ltd., Gestamp Automotive India Private, Ltd, Gestamp Automotive Chennai Private Ltd. and Gestamp Pune Automotive Private Ltd, whose fiscal years close on March 31. However, an interim closing as at December, 31 has been prepared for the purpose of including these companies in the Consolidated Financial Statements at December 31.

There are no significant restrictions in the capability of accessing to or using the assets or liquidate the liabilities from the subsidiaries included in the consolidation scope.

2.b Changes in consolidation scope

During 2016

In 2016 the company Çelik Form Gestamp Otomotive, A.S. was acquired and included in consolidation scope by full consolidation method (Note 3).

The following companies were created in 2016: Gestamp Washtenaw, LLC., Gestamp San Luis de Potosí, S.A.P.I. de C.V., Gestamp San Luis de Potosí Servicios Laborales, S.A.P.I. de C.V., Gestamp Auto Components (Tianjin) Co., LTD, Gestamp 2017 S.L., Autotech Engineering (Shanghai) Co. Ltd., Gestamp Hot Stamping Japan K.K. and Global Laser Araba S.L. All these companies were incorporated into the consolidation scope by the full consolidation method except the last one which was incorporated by the equity method.

On March 31, 2016 the subsidiary Edscha Holding GmbH acquired an additional 40% shareholding in subsidiary Gestamp 2008 S.L. from the shareholder Ade Capital Sodical SCR, S.A. for 6,382 thousand euros, thus increasing its shareholding in this company from 60% to 100%.

Since this transaction implied a change in shareholding but maintaining control, the difference between the adjustment to the non-controlling interest (6,119 thousand euros (Note 18) and the fair value of the consideration paid (6,382 thousand euros) was directly recognized in equity (263 thousand euros (Note 16)).

Since Gestamp 2008 S.L. had investments in several companies within its consolidation scope, the increase in shareholding in this company implied an increase in shareholding in their investees. This led to a transfer from Non-controlling interest to Retained earnings in the amount of 190 thousand euros (Note 18).

In 2016 100% shareholding in the company G. Finance Luxemburgo S.A. was sold and thus their subsidiary S.G.F. S.A, generating profit for 240 thousand euros.

Also the company Taval Internacional SGPS, Lda was dissolved.

During 2015

In 2015 the companies Gestamp Technology Institute S.L., Gestamp Tooling Engineering Deutschland GmbH, Gestamp Chattanooga II Llc., Autotech Engineering R&D USA, Inc., Gestamp Autocomponents Wuhan, Co. Ltd. and the companies belonging to Edscha Subgroup Edscha Scharwaechter Mechanism S.A.P.I. de C.V. and Edscha Scharwaechter Mechanism Servicios Laborales S.A.P.I. de C.V. were incorporated into the consolidation scope.

These companies were created in 2015 and incorporated into the consolidation scope by the full consolidation method.

On December 1, 2015 the company Gestamp Mor KFT was dissolved.

On November 4, 2015 the company GMF Wuhan Ltd, which belonged to Gestamp Metal Forming Subgroup, split off and consequently the company Gestamp Auto Components (Chongqing) Co Ltd. was created.

In 2015 an additional 50% shareholding in the company Gestamp Pune Automotive Private Limited was acquired (Note 3).

Due to the acquisition of the 30% shareholding in Anhui Edscha Automotive Parts Co Ltda in 2014 there was a price adjustment for 712 thousand euros in 2015 (Note 16).

On July 21, 2015 the Parent Company and the subsidiary Gestamp Bizkaia, S.A. acquired an additional 40% shareholding in subsidiary Gestamp Global Tooling S.L. from non-controlling partner Ekarpen Private Equity S.A. (Ekarpen) for 32,216 thousand euros.

Through this transaction the Group increased its shareholding in the said company from 60% to 100%. Since Group had already controlled the subsidiary, the profit from the transaction was directly registered in Equity, leading to a decrease in Reserves at fully-consolidated companies for 7,997 thousand euros (Note 16).

In addition, this transaction meant a decrease in non-controlling interest of 24,219 thousand euros (Note 18).

3. Business combination

During 2016

On January 29, 2016 the subsidiary Beyçelik Gestamp Kalip AS acquired 51.60% shareholding in Çelik Form Gestamp Otomotiv, AS for 9,050 thousand euros. Of this amount, 6,750 thousand euros was already disbursed at December 31, 2016 and the outstanding payment for 2,300 thousand euros has maturity in July 2017.

The company is located in Bursa (Turkey) and their purpose is stamping and manufacturing automobile components for passenger cars.

The initial goodwill amounted to 7,814 thousand euros. Nevertheless since Beyçelik Gestamp Kalip AS is a 50% investee with a non-controlling interest, such part of the said goodwill is attributable to the non-controlling interest, so the final goodwill is 3,907 thousand euros (Note 10).

Similarly, the non-controlling interest initially incorporated for the not acquired percentage in Çelik Form Gestamp Otomotiv AS amounted to 1,159 euros (credit) but after attribution mentioned above the final balance is 2,748 thousand euros (debit) (Note 18).

The fair value of the assets and liabilities from Çelik Form Gestamp Otomotiv, A.S. obtained from the inclusion balance sheet is as follows:

	Thousand euros
Intangible assets (Note 10)	57
Property, plant and equipment (Note 11)	
Land and buildings	40
Plant and other PP&E	2,392
Inventories	1,651
Trade receivables	4,731
Cash and cash equivalents	225
Other assets	24
	<hr/>
	9,120
	<hr/>
Other non current liabilities	174
Current provisions (Note 20)	125
Other current liabilities	2,782
Trade accounts payable	3,136
Other liabilities	508
	<hr/>
	6,724
	<hr/>
Net assets	2,395
Direct shareholding acquired	51.60%
Attributable net assets	1,236
Total consideration	9,050
Net effect business combination	7,814
Indirect shareholding	50.00%
Final net effect business combination	3,907

The revenue and the income attributable to the business combination from the incorporation date to December 31, 2016 amounted to 16,722 thousand euros and 540 thousand euros of profit respectively.

The headcount incorporated from this business was around 166.

There were no significant costs associated to this transaction.

During 2015

Gestamp Pune Automotive Private Limited (formerly Sungwoo Gestamp Hitech (Pune) Private Limited) located in Pune (India) was incorporated on August 7, 2008 by Sungwoo Hitech Company Ltd. On April 3, 2013 Sungwoo Hitech Company Ltd signed a Joint Venture agreement with subsidiary Gestamp Cerveira Ltda so each company owned 50% shareholding in Sungwoo Gestamp Hitech (Pune) Private Limited.

This investment was accounted for using the equity method until control was acquired in July 2015, and the carrying amount at the said date was 3,542 thousand euros. When assessing again the fair value of the investment before the business combination a loss was recognized amounting to 1,037 thousand euros.

The company purpose is manufacturing automobile components for passenger cars.

On July 22, 2015 the subsidiary Gestamp Automotive Chennai Private Limited acquired the remaining 50% shareholding in Gestamp Pune Automotive Private Limited and by so doing acquired control. The cost of this acquisition amounted to 98 thousand euros.

The fair value of the assets and liabilities from Gestamp Pune Automotive Private Limited obtained from the balance sheet at inclusion is as follows:

	<u>Thousands of euros</u>
Intangible assets (Note 10)	33
Property, plant and equipment (Note 11)	
Land and buildings	6,006
Plant and other PP&E	783
Deferred tax assets	
Inventories	40
Trade receivables	
Cash and cash equivalents	2,656
Other assets	1,597
	<u>11,115</u>
Other current liabilities	5
Trade accounts payable	51
Other liabilities	6,048
	<u>6,104</u>
Net assets	5,011
Carrying amount of 50% (first acquisition)	3,542
Cost of 50% of consideration (control takeover)	98
Net effect business combination	1,371

The consideration was fully paid in cash.

No goodwill arose from the acquisition and there were no significant contingent payments.

The net effect of the business combination amounted to 1,371 thousand euros and was registered under the heading "Other operating income" in the Consolidated Income Statement as of December 31, 2015 (Note 25.b).

Since the company was still dormant at December 31, 2015 there was no contribution to revenue. The income attributable to the business combination from the acquisition date to December 31, 2015 amounted to 912 thousand euros of profit. It included the net effect of the business combination for 2015 amounting to 1,371 thousand euros. The headcount incorporated from this business was around 19.

There were no significant costs associated to this transaction.

With regard to this business combination, the principal assessment criteria for calculating the fair value of the different accounting line items are as follows:

Intangible assets: measured at acquisition cost, which approximates to fair value.

Property, plant, and equipment: valuations were based on an independent third party report. Market valuations served as the underlying criteria for the determination of fair value of Land and buildings.

Inventories of finished products: measured according to production cost, which also approximates to replacement value.

Other assets and liabilities: measured at nominal value.

4. Basis of presentation

4.1 True and fair view

The Consolidated Financial Statements for the period ended December 31, 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and enacted in European Commission legislation in effect on December 31, 2016.

The Consolidated Financial Statements were prepared on the basis of the accounting records of each Group company as of December 31, 2016 and December 31, 2015. Each company prepares its Financial Statements in accordance with the accounting principles and standards in force in the country in which it operates; the required adjustments and reclassifications were made in consolidation in order to harmonize the policies and methods used and to adapt them to IFRS.

These Consolidated Financial Statements for year ended December 31, 2016 were authorized by the Board of Directors of Gestamp Automoción S.A. on March 3, 2017 for issue and submission to the Annual General Meeting where they are expected to be approved without modification.

The figures contained in these Consolidated Financial Statements are expressed in thousands of euros, unless otherwise indicated. Thus they are susceptible to rounding.

4.2 Comparison of information

The company Çelik Form Gestamp Otomotiv, A.S. was incorporated in January 2016 and control was taken through the subsidiary Beyçelik Gestamp Kalip, A.S. (Note 3).

On December 2016 the company G. Finance Luxemburgo S.A. was sold and the company S.G.F., S.A. was dissolved (Note 2.b).

In 2015 the business combination of Gestamp Pune Automotive Private Limited (Note 3) took place, as well as the acquisition of the remaining 40% shareholding in Gestamp Global Tooling, S.L. from non-controlling shareholder Ekarpem Private Equity S.A. (Ekarpem) (Note 2.b).

4.3 Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Parent Company and subsidiaries as per December 31, 2016.

The Group controls a subsidiary if and only if it has:

- Power over the subsidiary (rights that give the ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement in the subsidiary
- The ability to use its power over the subsidiary to affect the amount of the investor's returns

When the Group does not hold the majority of voting rights or similar rights of the subsidiary, the Group considers all relevant facts and circumstances to assess the existence of control. This includes:

- Contractual agreements with other investors holding voting rights of the subsidiary
- Rights arisen from other contractual agreements
- Potential voting rights of the Group
- Power over relevant activities of the subsidiary

When facts and circumstances indicate changes in one or more elements determining control over a subsidiary, the Group reassesses the existence of control over such subsidiary (Note 7).

Subsidiaries are fully consolidated from the acquisition date, when the Group obtains control, and continue to be consolidated until the date when such control ceases. If the Group loses or relinquishes control of a subsidiary, the Consolidated Financial Statements include that subsidiary's results for the portion of the year during which the Group held control.

The financial statement of the subsidiaries have the same closing date as the Parent Company, except for the companies mentioned in Note 2.a. The said companies have an additional closing for the financial year for their inclusion to the Consolidated Financial Statements, being elaborated with the same accounting policies in a uniform and coherent procedure.

The profit of a subsidiary is attributed to non-controlling interest even if it means registering a receivable balance.

Changes in shareholding percentage that do not mean loss of control are reflected as an equity transaction. When the Group lose control of a subsidiary:

- Derecognizes assets (including goodwill) and liabilities of such subsidiary.
- Derecognizes carrying amount of non-controlling interests.
- Derecognizes the translation differences registered in Equity.
- Recognizes the fair value of the amount received for the operation.
- Recognizes the fair value of any retained investment.
- Recognizes any excess or deficit in the Consolidated Income Statement.
- Reclassifies the shareholding of the Parent Company in the items previously registered in Other Comprehensive Income to profit or to retained earnings, as appropriate.

Subsidiaries

The full consolidation method is used for companies included in the consolidation scope and controlled by the Parent Company. The Parent Company controls a subsidiary if and only if the Parent Company has all the following:

- I. power over the subsidiary. The Parent Company has power when it has existing rig relevant activities;
- II. exposure, or rights, to variable returns from its involvement with the subsidiary; and
- III. the ability to use its power over the subsidiary to affect the amount of the Parent Company's returns.

Joint ventures

Interests in joint ventures are consolidated using the equity method until the date on which the Group ceases to have joint control over the venture.

A joint venture is an arrangement whereby the parties have joint control of the rights to the net assets of the joint venture. Joint control is the contractual agreement to share control and it exists

only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities. Those parties are called joint operators.

The joint operations where the Group acts as joint operator are consolidated under interest in assets, liabilities, income and expenses.

Associates

Investments in which the Group has significant influence but not control have been consolidated under the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the subsidiary but it does not imply control or joint control on those policies. Considerations to make in order to decide whether there is significant influence are similar to those made to decide whether there is control over a subsidiary.

For the purposes of the preparation of the accompanying Consolidated Financial Statements, significant influence is deemed to exist in investments in which the Group, directly or indirectly, holds over 20% of the voting power, and in certain instances where the Group's holding is less than 20%, but significant influence can be clearly demonstrated.

Translation of the Financial Statements of foreign operations

The assets and liabilities and income statements of foreign operations included in the consolidation scope whose functional currency is different from the presentation currency are translated to euro using the closing foreign exchange rates method as follows:

- The assets, rights, and liabilities of foreign operations are translated at the exchange rate prevailing at the Consolidated Balance Sheet date.
- Income and expenses are translated using the average exchange rate, so long as that average is a reasonable approximation of the cumulative effect of the actual exchange rates prevailing at the transactions dates.

The differences between the net book value of equity of the foreign companies converted using historical exchange rates and including the net result from the Profit and Loss Account reflecting the above mentioned treatment of income and expenses in foreign currencies, and the net book value of equity resulting from the conversion of goods, rights and liabilities using the exchange rate prevailing at the Consolidated Balance Sheet date, are registered as "Translation differences", with the corresponding negative or positive sign, in the Equity in the Consolidated Balance Sheet (Note 17).

Exchange gains and losses due to the impact of changes in the functional currency relative to the euro on foreign currency borrowings considered permanent are taken directly to equity under "Translation differences", net of tax effect. The net amount of translation differences in 2016 was 8.6 million euros of positive translation differences (16 million euros of negative translation differences in 2015).

The intercompany loans to subsidiaries whose repayment is not foreseen are considered permanent financing and thus they are considered equity.

At December 31, 2016 and December 31, 2015 neither the Parent Company nor the subsidiaries held equity units issued by the Parent Company.

The effect of changes in foreign exchange rates, when presenting the Statement of Cash Flows by indirect method, has been calculated considering an average for the year of Cash and cash equivalents and applying the change of foreign exchange rates at closing of each year.

Transactions between companies included in the consolidation scope

The following transactions and balances were eliminated in consolidation:

- Reciprocal receivables/payables and expenses/income relating to intra-Group transactions.
- Income from the purchase and sale of property, plant, and equipment and intangible assets as well as unrealized gains on inventories, if the amount is significant.
- Intra-Group dividends and the debit balance corresponding to interim dividends recognized at the company that paid them.

Non-controlling interest

The value of non-controlling interest in the equity and profit (loss) for the year of subsidiaries consolidated by the full consolidation method is recognized in “Equity attributable to non-controlling interest” in the Equity in the Consolidated Balance Sheet and in “Profit (loss) attributable to non-controlling interest” in the Consolidated Income Statement and Consolidated Comprehensive Income Statement, respectively.

4.4 Going concern

The Group’s management has drawn up these Consolidated Financial Statements on a going concern basis given its judgment that there are no uncertainties regarding its ability to continue as a going concern.

The Group has sufficient financing in place to fund its operations on an ongoing basis with 79% of its bank financing as of December 31, 2016 maturing over periods longer than twelve months (December 31, 2015: 84%).

At December 31, 2016 the Group had 1,168.1 million euros (2015: 920.6 million euros) (Note 33.1) of total available liquidity, comprised of 430.5 million euros in cash and cash equivalents (2015: 356 million euros) and 0.3 million euros in securities portfolio (2015: 2.5 million euros). In addition, the Group had undrawn credit facilities amounting to 457.3 million euros at December 31, 2016 (2015: 282.1 million euros) and 280.0 million euros in an undrawn Revolving Credit Facility.

4.5 Alternative management indicators

The Group uses a set of indicators in the decision making process since they allow a better analysis of their financial situation and they are widely used by investors, financial analysts and other interest groups. These indicators are not defined by IFRS and thus may not be comparable to similar indicators used by other companies.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

EBITDA represents the operating profit before depreciation, amortization and impairment losses.

EBITDA at December 31, 2016 and 2015 was as follows:

	2016	2015
Operating Profit	462,622	400,196
Depreciation and amortization	378,528	360,137
	841,150	760,333

EBIT (Earnings Before Interest and Taxes)

EBIT is the Operating Profit

Net Financial Debt

Net Financial Debt at December 31, 2016 and 2015 was as follows (Note 22):

	Thousands of euros	
	2016	2015
Interest-bearing loans and borrowings	1,967,599	1,730,936
Financial leasing	33,574	35,161
Borrowings from related parties	70,162	79,004
Other non-current financial liabilities	34,991	39,428
Current financial assets	(43,228)	(35,455)
Cash and cash equivalents	(430,463)	(355,975)
Net financial debt	1,632,635	1,493,099

CAPEX

CAPEX is calculated by adding the additions to Other intangible assets and to Property, plant and equipment.

CAPEX at December 31, 2016 and 2015 was as follows (Notes 10.b) and 11):

	2016	2015
Additions to Other intangible assets	83,581	88,303
Additions to Property, plant and equipment	641,185	534,125
	724,766	622,428

5. Changes in accounting standards

a) **Standards and interpretations approved by the European Union and applied for the first time during the period**

The Group applied for the first time in 2016 the IFRS 8 *Operating segments* and IAS 33 *Earnings per share*.

The accounting policies used in the preparation of these Consolidated Financial Statements are the same as the policies applied in the Consolidated Financial Statements as at 31 December 2015, except for the following amendments that have been applied for the first time during this year and may have had the potential to have some impact:

Annual IFRS Improvements - 2010-2012 Cycle

These improvements to IFRS include, among other improvements, the improvements to the IFRS 8 *Operating Segments*:

The amendments apply retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

These improvements have been taken into account in the disclosure of the Operating segments, as IFRS 8 has been applied for the first time in 2016.

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that when key managers are not employees of the entity but employees of other entity managing different Group entities, transactions with management entity (and not with key managers) are subject to the related party disclosures. In addition, the expenses incurred for management services must be disclosed. The Group has no transactions with entities that might be run by managers (Note 31).

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI (Other Comprehensive Income) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to Consolidate Income Statement

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income. These amendments do not have any impact on the Group.

b) Standards issued by IASB but not yet effective this period.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Consolidated Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Although the Group is currently analyzing their impact on Consolidated Financial Statements, based on the analysis made so far, Gestamp estimates that their initial application will not have a

significant impact in the Consolidated Financial Statements, except for the following policies, interpretations and disclosures:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9.

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Although early application is permitted the Group will not apply the standard earlier. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no major impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9, not expected to be significant.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Debt securities are expected to be measured at fair value through (Other Comprehensive Income) under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in Other Comprehensive Income, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortized cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. However the Group expects no significant impact on its equity, but it is performing a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

Although at the issuance date of these Consolidated Financial Statements the analysis has not been finalized, the Group's management preliminarily considers that it is foreseeable that its application will have some impact on the amount and the time of recognition of the revenues related to the products sold by the Group as a consequence of the following circumstances:

(a) Agreement's duration

Some of the contracts that the group carries out with its customers are long-term supply contracts, which implies taking into account the contract as a whole and making an allocation of the consideration for all performance obligations identified. This could lead to a different revenue amount recognized when compared to the revenue that is being recognized with the current standards.

(b) Performance obligations, allocation of the considerations received and revenue recognition

The majority of the client contracts contain several performance obligations (tooling services and delivery of pieces) that are being delivered to the customer over time and not necessarily all of them at the same time. This brings a greater likelihood of impact due to the need to separate sale prices and the moment of transfer of control of each item.

The standard requires recording the performance obligations over time or at a specific time depending on the transfer of control. The revenue recognition's method which is currently being used by the Group for the delivery of pieces that are non-tooling goods is focused on physical delivery which could differ from the revenue recognition method applied with IFRS 15 depending on the characteristics of each contract.

(c) Sales incentives and discounts

Additionally, the Group negotiates with its clients discounts or incentives that need to be analyzed from the perspective of the contract as a whole and it needs to be verified whether the results derived from the application of the criteria established in IFRS 15 do not lead to significantly different results than those applied at the moment.

(d) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's Consolidated Financial Statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 the Group developed and started testing internal controls, policies and procedures necessary to collect and disclose the required information.

Once the above analysis is completed, the method of transition to be applied will be decided.

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 was issued in January 2016 and it replaces 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*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessees will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The nature of the leasing agreements of the Group are detailed in Note 30.

It is expected that IFRS 16 will have an impact on the Consolidated Financial Statements of the Group, and the Group's management is analyzing the information related to these contracts in terms of amounts committed, planned renewals, those that are at the Group's discretion, concepts included in contracts that correspond to services rather than leases, etc.

The Group is also evaluating the different transition possibilities and practical solutions offered by the standard in its first application.

Amendments to IAS 7- Statement of Cash Flows: Disclosure Initiative

The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group is currently assessing the impact of this amendment, when it become effective.

6. Summary of significant accounting policies

6.1 Foreign currency transactions

Functional and presentation currency

Line items included in the financial statements of each entity are valued using the functional currency of the primary economic environment in which it operates.

The Consolidated Financial Statements are presented in thousands of euros, as the Euro is the Group's presentation currency and the functional currency of the Parent Company.

Transactions in foreign currency different to the functional currency of each company

Transactions in foreign currencies different to the functional currency of each company are translated to the Group's functional currency 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.

6.2 Property, plant and equipment

Property, plant, and equipment is carried at either acquisition, transition cost to IFRS (January 1, 2007), 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. Land is not depreciated and is presented net of any impairment charges.

Acquisition cost includes:

- Purchase Price.
- Discounts for prompt payment, which are deducted from the asset's carrying value.
- Directly attributable costs incurred to ready the asset for use.

Prior to the IFRS transition date (January 1, 2007), certain Group companies revalued certain items of property, plant, and equipment as permitted under applicable legislation (Royal Decree-Law 7/1996, Basque Regional Law 6/1996 and several international laws). The amount of these revaluations is considered part of the cost of the assets as provided for under IAS 1.

At the transition date to EU-IFRS (January 1, 2007), Property, plant and equipment was measured at fair value at the said date, based on the appraisals of an independent expert, which generated a revaluation of Group assets (Note 11).

The carrying value of Property, plant, and equipment acquired by means of a business combination is measured by its fair value at the moment of its incorporation into the Group (Note 6.3).

Specific spare parts: certain major parts of some items of Property, 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 Consolidated Income Statement in the year the asset is retired.

As permitted under revised IAS 23, borrowing costs directly attributable to the acquisition or development of a qualifying asset - 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. The amount of the said capitalized costs is not significant.

Annual depreciation is calculated using the straight-line method based on the estimated useful lives of the various assets.

The estimated useful lives of the various asset categories are:

	Years of estimated useful life	
	2016	2015
Buildings	17 to 35	17 to 50
Plant and machinery	3 to 20	3 to 15
Other plant, tools and furniture	2 to 10	2 to 10
Other PP&E items	4 to 10	4 to 10

The estimated assets' useful lives are reviewed at each financial year end, and adjusted prospectively if revised expectations differ significantly from previous estimates.

No significant residual values at the end of useful lives are expected.

When the net book value of an individual item from Property, plant and equipment is higher than their recoverable value, impairment is considered and the value of the item is decreased to the recoverable value.

6.3 Business combinations and goodwill

Business combinations

Business combinations are accounted for using the acquisition method. The acquisition cost is the sum of the total consideration transferred, measured at fair value at the acquisition date, and the amount of non-controlling interest of the acquired company, if any.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are registered under the heading "Other operating expenses" in the Consolidated Income Statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, including the separation of derivatives implicit in the main contracts of the acquired company.

Goodwill

Goodwill acquired in a business combination is initially measured, at the time of acquisition, at cost, that is, the excess of the total consideration paid for the business combination over the Parent Company's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquired business.

For companies whose functional currency is different from the presentation currency, the value of the goodwill recognized is updated using the rate of exchange prevailing at the Consolidated Balance Sheet date, recognizing in Translation differences the differences between beginning and ending balances, according to IAS 21, considered to be belonging to the acquired business assets.

If the Parent Company's interest in the net fair value of the identifiable acquired assets, assumed liabilities, and contingent liabilities exceeds the cost of the business combination, the Parent Company reconsiders the identification and measurement of the assets, liabilities, and contingent liabilities of the acquired company, as well as the measurement of the cost of the business

combination (even non-monetary) and recognizes any excess that continues to exist after this reconsideration in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units (Note 6.7) expected to benefit from the business combination's synergies, irrespective of any other Group assets or liabilities assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or groups of cash-generating units to which the goodwill relates. If the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, the Group recognizes an impairment loss (Note 6.7).

6.4 Investment in associates and joint ventures

The Group has several participations in joint ventures, businesses over which the Group exercises joint control, where contractual agreements exist establishing joint control over the economic activities of the said companies. The contracts require that the agreement between the parties with respect to the operating and financial decisions be unanimous.

The Group also has participations in associates, businesses over which the Group has significant influence.

Participations in associates and joint ventures are accounted for using the equity method.

According to this method, the investment in an associate or a joint venture is initially recorded at cost. From the acquisition date on, the carrying amount of the investment is adjusted to reflect the changes of the investor's share of the net assets of the associate and the joint venture. The goodwill related to the associate or jointly controlled entity is included in the carrying amount of the investment and it is not amortized and no related impairment test is performed.

The share of the Group in profits of operations of the associate or joint venture is reflected in the Consolidated Income Statement. When there has been a change recognized directly in equity by the associate or joint venture, the Group recognizes its share of this change, when applicable, in the Consolidated Statement of Changes in Equity. Non-realized gains or losses resulting from transactions between the Group and the associate or joint venture corresponding to the share of the Group in the associate or joint venture are eliminated.

The share of the Group in profits of the associate or joint venture is reflected directly in the Consolidated Income Statement and it represents profit after taxes and non-controlling interests existing in subsidiaries of the associate or joint venture.

The financial statements of the associate and the joint venture are prepared for the same period as the Group; the required adjustments and reclassifications have been made in consolidation in order to harmonize the policies and methods used by the Group.

After using the equity method, the Group decides if impairment losses on the investment in the associate or joint venture have to be recognized. At the closing date the Group considers if there

are evidences of impairment of the investment in the associate or joint venture. If so, the impairment is calculated as the difference between the recoverable amount and the carrying amount of the associate or joint venture, and the amount of such impairment is recognized in “Share of profits from associates- equity method” in the Consolidated Income Statement.

When the significant influence of the Group in the associate or joint venture ceases, the Group recognises the investment at its fair value. Any difference between the carrying amount of the associate or joint venture at the moment of loss of significant influence and the fair value of the investment plus the income for sale, is recognized in the Consolidated Income Statement.

6.5 Other intangible assets

Other intangible assets acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

An intangible asset is recognized only if it is probable that it will generate future benefits for the Group and that its cost can be reliably measured.

Research and development costs

Research costs are expensed as incurred.

Development expenditure is capitalized when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the resulting asset;
- its ability to use or sell the intangible asset;
- the economic and commercial profitability of the project is reasonably ensured;
- the availability of adequate technical and financial resources to complete and to use or sell the resulting asset; and
- its ability to measure reliably the expenditure during development.

Capitalized development costs are amortized over the period of expected future benefits, no more than 6 years.

At December 31, 2016 there were no intangible assets related to development costs capitalized more than one year prior and whose amortization was not started.

Concessions, patents, licenses, trademarks, et al.

These intangible assets are initially measured at acquisition cost. They are assessed as having a finite useful life and are accordingly carried at cost net of accumulated amortization. Amortization is calculated using the straight-line method, based on the estimated useful life, in all instances less than 5 years; except the GESTAMP brand which is considered an asset of indefinite useful life.

Software

Software is measured at acquisition cost.

Software acquired from third parties and capitalized is amortized over its useful life, which in no instance will exceed 5 years.

IT maintenance costs are expensed as incurred.

6.6 Financial assets

Financial assets are initially measured at fair value plus any directly attributable transaction costs, except financial assets at fair value with changes through profit and loss where transaction costs are registered in the Consolidated Income Statement.

The Group classifies its financial assets, current and non-current, into the following categories:

- Financial assets at fair value with changes through profit and loss (held for trading).
- Held-to-maturity investments.
- Loans and receivables.
- Available-for-sale financial assets.
- Investments in associates accounted for using the equity method.

Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition and reassesses this designation at each year end.

Financial assets at fair value with changes through profit and loss

These are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments, except those designated as hedging instruments in an effective hedge.

They are classified as non-current assets, except for those maturing in less than 12 months, and they are carried on the balance sheet at fair value. Changes in value of these assets are recognized in the Consolidated Income Statement as Financial income or expenses.

Fair value is the market price at the Consolidated Balance Sheet date.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

They are classified as non-current, except for those maturing in less than 12 months from the balance sheet date. They are carried at amortized cost using the effective interest method, less any impairment charges.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current, except for those maturing in more than 12 months from the balance sheet date.

They are carried at amortized cost using the effective interest method, less any impairment charges.

Available-for-sale financial assets

These are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. They are classified as non-current unless management plans to dispose of them within 12 months from the balance sheet date.

They are measured at fair value at the balance sheet date. Unrealized gains or losses are recognized in Retained earnings until the investment is retired or impaired, at which time the cumulative gain or loss recorded in equity is recognized in the Consolidated Income Statement.

Investments in associates accounted for using the equity method

Investments in associates or joint ventures, companies in which the Group has significant influence, are accounted for using the equity method (Note 6.4).

Derecognition of financial instruments

The Group retires a transferred financial asset from the Consolidated Balance Sheet when it has transferred its rights to receive cash flows from the asset or, retaining these rights, when the Group has assumed a contractual obligation to pay the cash flows to a third party, and the Group has transferred substantially all the risks and rewards of ownership of the asset.

If the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity does not retire the transferred asset from its balance sheet and recognizes a financial liability for the consideration received. This financial liability is subsequently measured at amortized cost. The transferred financial asset continues to be measured using the same criteria as prior to the transfer. In subsequent periods, the Group recognizes any income on the transferred asset and any expense incurred on the financial liability in the Consolidated Income Statement. Such income and expense are not offset.

6.7 Impairment of assets

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount as either the group of assets' or cash-generating unit's fair value less costs to sell, or its value in use, whichever is higher.

A relevant decrease in EBITDA compared to the previous year or a relevant decrease of EBITDA in the following years or any other qualitative factor that may affect the Cash-Generating Unit are considered indications of impairment. In the case of capitalized Research and Development Expenses, not obtaining the expected return is considered an indication of impairment.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets. The smallest identifiable group of assets designated are the operating plants or the individual companies.

When the carrying amount of a group of assets or CGU exceeds its recoverable amount, an impairment loss is recognized and its carrying amount is decreased to its recoverable amount.

Impairment losses with respect to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and, then, to proportionally reduce the carrying amount of the assets of the CGU unless, based on a review of the individual assets, it is considered that their fair value less costs to sell is higher than their carrying amount.

When assessing value in use, estimated future cash-flows are discounted at present value by using a pre-tax discount rate that reflects current market valuations of money and risks of the asset. For calculating the fair value of the asset less costs to sell, recent transactions are considered and if they cannot be identified, a proper valuation method is used. These calculations are based on several considerations, market prices and other available indicators of the fair value.

The calculation of impairment is based on detailed budgets and provisions individually prepared for each CGU to which the asset is allocated. Those budgets and provisions refer to a five-year period and for longer periods a long-term growth rate is calculated and used for estimating cash-flows after the fifth year.

The impairment losses from continued operations, including impairment of inventories, are registered in the Consolidated Income Statement in the expenses related to the function of the impaired asset.

For all assets except goodwill, an assessment is made every year to see if there is evidence that the impairment registered in previous years has been reduced or has disappeared. In such case, the Group estimates the recoverable value of the asset or the CGU.

A previously recognized impairment loss is reversed, with the reversal recognized in the income statement, if there has been a change in the assumptions used to determine the asset's recoverable amount. The restated recoverable amount of the asset cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

The following assets present specific characteristics when assessing their impairment:

Consolidation goodwill

At year end as well as when there is evidence that goodwill may be impaired, an impairment test of goodwill is carried out.

The impairment test for the goodwill assesses the recoverable value of each CGU allocated to it. If the recoverable value of the CGU is lower than its carrying amount, an impairment loss is registered.

Goodwill impairment losses cannot be reversed in future periods.

Intangible assets

The Group has implemented annual procedures to test intangible assets with indefinite useful life for impairment. This assessment is carried out for each of the CGUs or groups of CGUs, as well as when there is evidence that intangible assets may be impaired.

Impairment of financial assets

The reduction in the fair value of available-for-sale financial assets that has been recognized directly in equity when there is objective evidence of impairment must be recognized in the

Consolidated Income Statement for the year. The cumulative loss recognized in the Consolidated Income Statement is measured as the difference between the acquisition cost and current fair value.

Once an equity investment classified as available-for-sale has been impaired, any increase in value is registered in "Other comprehensive income" with no effect on the profit or loss for the year.

In the case of debt instruments classified as available-for-sale assets, if the fair value of an impaired debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Consolidated Income Statement, the impairment loss is reversed through the Consolidated Income Statement.

The recoverable amount of held-to-maturity investments and loans and receivables carried at amortized cost is calculated as the present value of the expected future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognized in the Consolidated Income Statement. Current investments are not discounted to present value.

Impairment losses on loans and receivables carried at amortized cost are reversed if the subsequent increase in the recoverable amount can be objectively related to an event occurring after the impairment loss was recognized.

6.8 Assets and liabilities held for sale and discontinued operations

Assets and liabilities included in a disposal group whose recovery is expected through sale and not through continued use are included in this category. These assets are valued at lower cost between carrying amount and fair value less costs for sale.

Discontinued operations are reflected in the Consolidated Income Statement separately from the revenue and expenses from continued operations. They are reflected in a line as profit after taxes from discontinued operations.

At December 31, 2016 and 2015 there were no assets and liabilities in this category and no profit from discontinued operations.

6.9 Trade and other receivables

Accounts receivable from customers are measured in the accompanying Consolidated Balance Sheet at nominal value.

Discounted bills pending maturity at year end are included in the accompanying consolidated balance sheets under "Trade receivables," with a balancing entry in "Interest-bearing loans and borrowings". The balances transferred to banks as Non-Recourse Factoring are not included in "Trade receivables" since all risks related to them, including bad and past-due debt risks, have been transferred to the bank (Note 14.a).

The Group recognizes impairment allowances on balances past-due over certain periods, or when other circumstances warrant their classification as impaired.

6.10 Inventories

Inventories are valued at the lower of acquisition or production cost and net realizable value.

Cost includes all expenses derived from the acquisition and transformation of inventories, including any other expenses incurred to bring them to their present condition and location.

Inventories have been valued using the average weighted cost method.

When inventories are deemed impaired, their initially recognized value is written down to net realizable value (selling price less estimated costs of completion and sale).

6.11 [Tools made to customer order](#)

A construction contract is a contract specifically negotiated with a customer for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract activity at the balance sheet date (Note 6.18).

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent that contract costs incurred are expected to be recoverable.

Based on its experience and Group estimates, with rare exceptions, management does not expect to incur losses, which have not been recognized on these Consolidated Financial Statements, on the definitive settlement of the tool manufacture contracts in progress at December 31, 2016.

In the exceptional cases where there are contract costs that may not be recovered, no revenue is recognized and all amounts of such costs are recognized as an expense immediately.

Customer advances received reflect billing milestones and not necessarily the stage of completion of the contract.

Tools-in-progress measured using the stage of completion method are recognized under "Trade receivables" net of customer advances with a balancing entry to "Revenue from tool sales".

6.12 [Cash and cash equivalents](#)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are subject to an insignificant risk of changes in value. An investment is considered a cash equivalent when it has a maturity of three months or less from the date of acquisition or establishment.

6.13 [Government grants](#)

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an asset, it is recognized as "Deferred Income" in the Consolidated Balance Sheet and released to income over the expected useful life of the related asset.

When the grant relates to expense items, it is recognized directly in the Consolidated Income Statement as income.

6.14 Financial liabilities (trade and other payables and borrowings)

Financial liabilities are initially recognized at fair value less attributable to transaction costs except financial liabilities at fair value through profit and loss. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, measured as the difference between their cost and redemption value, using the effective interest rate method.

Liabilities maturing in less than 12 months from the Consolidated Balance Sheet date are classified as current, while those with longer maturity periods are classified as non-current.

A financial liability is retired when the obligation under the liability is discharged, cancelled or expires.

When non-controlling interests have an option to sell their shares or investments to the Group, it is assessed whether there is present access to the ownership of the shares by the Group due to the conditions inherent to the option. The Group has no non-controlling interests with option to sell their shares where the Group has present access to the ownership of the shares.

When the conditions of the sale option of the non-controlling interest do not give the Group present access to economic profit from the shares or investments, a partial recognition of non-controlling interest is registered. At first stage a financial liability is registered and reclassified to non-controlling interest. Any excess in the fair value of the liability related to the option with respect to the percentage corresponding to non-controlling interest is directly registered in equity attributable to the Parent Company. No amount is registered in the consolidated income statement related to the subsequent accounting of the financial liability. Until the option is exercised, the same accounting will be carried out at each closing and the financial liability will be cancelled against the amount paid to non-controlling interest. If the option was not exercised, the financial liability would be cancelled against non-controlling interest and the corresponding equity attributable to the Parent Company in the same way as initially registered (Note 22.d).

6.15 Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Consolidated Balance Sheet date and adjusted to reflect the current best estimate of the liability.

Headcount restructuring provisions are stated at the amount of expenses expected to arise from the restructuring and any other expenses not associated with the entity's day-to-day business.

Headcount restructuring provisions are only recognized when there is a formal plan identifying the affected business, the main locations affected, and the employees to receive redundancy payments, the outlays to be incurred, when it will be implemented, and when the entity has raised a valid expectation that it will carry out the restructuring and those affected have been informed.

The provisions are determined by discounting expected future cash outlays using the pre-tax market rate and, where appropriate, the risks specific to the liability. This method is only applied

if the effects are significant. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

Contingent liabilities are potential obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Group, as well as present obligations arising from past events, the amount of which cannot be reliably estimated or whose settlement may not require an outflow of resources. These contingent liabilities are only subject to disclosure and are not accounted for.

6.16 Employee benefits

The Group has assumed pension commitments for some companies located in Germany and France.

The group classifies its pension commitments depending on their nature in defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the company pays fixed contributions into a separate entity (insurance company or pension plan), and will have no legal or constructive obligation to pay further contributions if the separate company does not carry out its assumed commitments. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans

The Group carries out predetermined contributions into a separate entity (insurance company or pension plan), and will have no legal or implicit obligation to pay further contributions if the separate company does not have enough assets to attend employee benefits related to their services rendered in current and previous years.

The contributions made to defined contribution plans are recognized in profit and loss according to the accrual principle.

The amount registered in the Consolidated Income Statement at December 31, 2016 was 6.1 million euros (December 31, 2015: 4.8 million euros).

Defined benefit plans

For defined benefit plans, the cost of providing these benefits is determined separately for each plan using the projected unit credit method. The actuarial gains and losses are recognized in OCI (Other Comprehensive Income) when incurred. In subsequent years, these actuarial gains and losses are registered as equity, and are not reclassified in profit and loss.

The amounts to be recognized in profit and loss are:

- Current service cost.
- Any past service cost and gains or losses upon payment.
- Net interest on the net defined benefit liability (asset), which is determined by applying the discount rate to the net defined benefit liability (asset).

The past service costs will be recognized as expenses at the earlier of the following dates (i) in the period when the plan is amended or curtailment occurs (ii) when the Group recognizes related restructuring costs or benefits of termination.

The net defined benefit liability (asset) is the deficit or surplus, detailed below, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present

value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The deficit or surplus is:

- The present value of the defined benefit obligation.
- Less the fair value of plan assets with which obligations are directly cancelled.

Plan assets comprise assets held by a long-term employee benefit fund, and qualifying insurance policies. These assets are not available to the reporting entity's own creditors and cannot be returned to the reporting entity. Fair value is based on market price and in case of stock market values, it corresponds to published prices.

Indemnities

Indemnities to pay to employees dismissed through no fault of their own are calculated based on years of service. Any expenses incurred for indemnities are charged to the Consolidated Income Statement as soon as they are known.

6.17 Leases

Leases in which all the risks and benefits associated with ownership of the asset are substantially transferred are classified as finance leases.

Assets acquired under financial lease arrangements are recognized, based on their nature, at the lower of the fair value of the leased item and the present value of the minimum lease payments at the outset of the lease term. A financial liability is recognized for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. Leased assets are depreciated, impaired, and retired using the same criteria applied to assets of a similar nature.

Leases where the lessor substantially retains all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the Consolidated Income Statement on a straight line basis over the lease term.

6.18 Revenue and expense recognition

Revenue and expenses are 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For those contracts according to stage of completion and when profit cannot be reliably estimated, revenue is recognized only to the extent where costs are recoverable and costs are recognized as expenses of the year when occurred.

Revenue includes:

- Sale of goods: Revenue from the sale of goods is recognized when the following conditions have been met:
 - the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - the Group retains 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 the Group.
 - the costs incurred or to be incurred in respect of the transaction can be reliably measured.

- Manufacture of tools and machinery for third party sale and rendering of services: the Group uses the stage of completion method for sales of tools and machinery since they buyer can specify the most important structural elements in the design of tools before construction starts, as well as the most relevant structural changes (Note 6.11).

- 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.

Expenses are recognized when there is a decrease in the value of an asset or an increase in the value of a liability that can be measured reliably, and they are recognized during the period in which they are incurred.

6.19 Income tax

The income tax recognized in the Consolidated Income Statement includes current and deferred income tax.

Income tax expense is recognized in the Consolidated Income Statement except for current income tax relating to line items in shareholders' equity, which is recognized in equity and not in the income statement.

Current tax

Current tax expense is the amount of income taxes payable in respect of the taxable profit for the year and is calculated based on net profit for the year before deducting tax expense (accounting profit), increased or decreased, as appropriate, by permanent and temporary differences between accounting and taxable profit as provided for in prevailing tax legislation.

Tax credits

The carry forward of unused tax credits and tax losses is recognized as a reduction in tax expense in the year in which they are applied or offset, unless there is reasonable doubt as to their realization, in which case they are not capitalized and are considered as a decrease in income tax expense in the year in which they are applied or offset.

Temporary differences

Deferred tax liabilities: a deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither the accounting nor the fiscal result.

Deferred tax assets: a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting nor the fiscal result.

6.20 Derivative financial instruments and hedges

The Parent Company has arranged cash flow (interest rate) 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 the Parent Company and on a portion of expected future borrowings.

These financial derivatives hedging cash flow are initially recognized in the Consolidated Balance Sheet at acquisition cost and, subsequently, they are marked to market.

Any gains or losses arising from changes in the market value of derivatives in respect of the ineffective portion of an effective hedge are taken directly to the Consolidated Income Statement, while gains or losses on the effective portion are recognized in "Effective hedges" within "Retained earnings" with respect to cash flow hedges. The cumulative gain or loss recognized in equity is taken to the Consolidated Income Statement when the hedged item affects profit or loss or in the year of disposal of the item.

Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

In addition, the Group had a debt instrument (US dollar bonds) at December 31, 2015 and until June 17, 2016 to cover the exposure to exchange rate risk of the investments in subsidiaries whose functional currency is US dollar (Note 22.b.2).

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges.

The ineffective portion of the bonds' exchange differences are recognized in the Consolidated Income Statement and the effective portion in Translation differences (Consolidated Equity).

After cancellation of the debt instrument issued and considered hedge of net investment, the balance considered translation differences will stay in this heading until derecognition of the investment of the foreign operation. At the moment, the accumulated loss or gain in this heading is transferred to the Consolidated Income Statement.

6.21 Related parties

The Group considers as Related Parties: direct and indirect shareholders, companies over which they have significant influence or joint control, companies accounted for under the equity method and their officers.

Companies not belonging to the Group but belonging to the major shareholder of the Parent Company, with control or significant influence, are also considered related parties.

6.22 Environmental issues

Expenses relating to decontamination and restoration work in polluted areas, as well as the elimination of waste and other expenses incurred to comply with the environmental protection legislation, are registered in the year they are incurred, unless they correspond to the acquisition cost of assets to be used over an extended period. In this case, they are recognized in the corresponding heading under "Property, plant, and equipment" and are depreciated using the same criteria described in Note 6.2 above.

Estimable amounts of contingent liabilities for environmental issues, if any, would be provisioned as a liability in the Consolidated Balance Sheet.

7. Significant accounting judgments, estimates, and assumptions

The preparation of the accompanying Consolidated Financial Statements under IFRS requires management to make judgments, estimates, and assumptions that affect the Consolidated Balance Sheet and Income Statement.

The estimates that have a significant impact are as follows:

Impairment of non-financial assets

There is impairment when the carrying amount of an asset or a cash-generating unit (CGU) is higher than its recoverable value, which is the higher of its recoverable value less costs of sale and its value in use.

For CGUs with a goodwill or an asset with indefinite useful life assigned, an impairment test is carried out every year by calculating the recoverable value through the value in use. The calculation is based on the discounting of cash flows. Cash flows are obtained from the most conservative budget for the next five years and they do not include uncommitted restructuring activities or the significant future investments which will increase the output of the asset related to the cash-generating unit under analysis. The recoverable amount is very sensitive to the discount rate used for discounting cash flows, to the expected future inflows and to the growth rate used for extrapolating them.

The key assumptions used for calculating the recoverable amount of the cash-generating units as well as the sensitivity analysis are further detailed in Note 6.7 and Note 10.

For calculating the value at perpetuity for the method of discounting cash-flows, a normalized year with all reasonable and recurrent in the future hypotheses is used.

For the remaining CGUs with no goodwill assigned but including significant non-current assets, an impairment test is carried out only when there is evidence of impairment according to indicators detailed in Note 6.7.

Revenue recognition and the stage of completion

The Group estimates the stage of completion of certain services to customers such as die design and tooling. The stage of completion is determined by the incurred costs with respect to the total expected costs, including certain assumptions regarding the total costs according to historic experience.

Pension benefits

The cost of the defined benefit plans and other post-employment benefits and the present value of the pension obligations are determined according to actuarial valuations. The actuarial valuations imply assumptions that may differ from the real future events. They include the discount rate, future salary increases, mortality rates and future pension increases. Since the valuation is complex and for the long-term, the calculation of the obligation for defined benefit plans is very sensitive to changes in those assumptions. All assumptions are revised at every closing date.

The most changing parameter is the discount rate. To calculate the proper discount rate the Management uses the interest rate of 10-year bonds and extrapolates them over the underlying curve corresponding to the expected maturity of the obligation for defined benefit plans. In addition, the quality of the underlying bonds is reviewed. Those bonds with excessive credit spreads are excluded from the analysis as they are not considered to be of a high credit rating.

Mortality rate is based in public mortality tables from the specific country. These tables use to change only in intervals according to demographic changes. Future salary increases and future pension increases are based on future expected inflation rates for each country.

Further details on assumptions considered and a sensitivity analysis are included in Note 21.

Taxes

Deferred tax assets are recognized for negative tax bases and other unused tax incentives to the extent that it is probable that taxable profit will be available against which they can be utilized. The deferred tax asset to be registered depends on important judgments by Management according to a reasonable period and the future tax profits.

The Group does not register deferred tax assets in the following cases: negative tax bases to be offset from subsidiaries with loss history, which cannot be used to offset future tax profits from other group companies and when there are no taxable temporary differences. Note 23 and Note 28 include further details on taxes and tax credits not accounted by the Group.

Revision of useful lives

Useful life of tangible fixed assets is determined according to the expected use of the asset as well as the past experience of use and duration of similar assets. In the 2016 review, the Group analyzed the current use of certain property, plant and equipment. This review was based on the analysis of an independent third party. The total cost of items whose useful life was reviewed was 2,205 million euros.

Had this revision not been carried out, the impact in the Consolidated Income Statement in 2016 would have been higher depreciation expenses in the amount of 12.5 million euros.

Useful life of intangible assets without finite useful life (including capitalized development expenses) is calculated according to internal analysis where useful life is no longer than 6 years and recovery is linear according to the pattern of consumption representing the production of operating plants.

Fair value of financial instruments

When fair value of financial assets and liabilities cannot be obtained from quoted prices in active markets it is calculated by valuation techniques which include the model of discounting cash flows.

The required data are obtained from observable markets when possible and when not, some value judgments are made in order to establish reasonable values. Judgments refer to liquidity risk, credit risk and volatility. Changes in assumptions related to these factors may affect the reasonable value of financial instruments reported. Please see Note 12 and Note 22.b.1.

Assessment of gain of control in subsidiaries

According to IFRS 10, currently in force, the Group Management assess the existence of control of significant companies with 50% shareholding, like Beyçelik Gestamp Kalip, A.S. and Gestamp Automotive India Private Ltd.

Regarding Beyçelik Gestamp Kalip, A.S., non-controlling interests are third parties external to Gestamp Automoción Group and over whom the shareholders of the Parent Company have no control.

Regarding Gestamp Automotive India Private Ltd. non-controlling interests corresponding to the remaining 50% shareholding are Group related parties since it is to a company controlled by shareholders of the Parent Company.

Although board members are elected according to shareholding percentage, it is considered there is control over this company according to the following circumstances related to the most important activities:

1. Car manufacturers require from their suppliers the capability to reach and maintain quality standards across a wide geographic presence in order to negotiate global supply.
2. Accordingly, the most important activities for a supplier in this sector are the following:
 - a. Continuous investment in technological research and development to satisfy customer requirements.
 - b. Global negotiation for approval and homologation of every component comprising a product, as well as management of prices.
 - c. All activities aimed to achieve excellent quality of components.

All these activities are carried out by the Group given that the other shareholder does not possess those capacities.

3. In this sense, the subsidiary technologically depends on the Group. Research and Development activities are fully carried out by the Group and the technology is provided to the subsidiary according to the agreement signed with the shareholders. Accordingly,

Beyçelik Gestamp Kalip A.S. has right to use but no intellectual property. The technology of hot stamping currently used by the subsidiary is exclusive property of the Group.

4. In order to prove this excellence, an OEM supplier needs to be accredited as a Tier 1 supplier (high quality supplier) by the car manufacturer. The subsidiary could not obtain this certification if they did not belong to the Group.

Regarding Gestamp Automotive India Private Ltd, the Group designated 4 board members of this company out of a total of 6 members, so the Group is capable of carrying out the relevant activities.

8. Changes in significant accounting policies and estimates and restatement of errors

Changes in accounting estimates:

The effect of a change in an accounting estimate is recognized in the same Consolidated Income Statement heading in which the associated income or expense was recognized under the former estimate.

Changes in significant accounting policies and restatement of errors:

Changes in accounting policies and restatement of errors are recognized to the extent they are significant: the cumulative effect of the change at the beginning of the period is recognized by restating "Retained earnings" while the period-specific effect of the change is recognized in Consolidated Profit and Loss for the year. In these instances, the prior year's balances are also restated to maintain comparability of information.

9. Segment reporting

According to IFRS 8 "Operating segments", segment information below is based on internal reports regularly reviewed by the board of directors of the Group in order to allocate resources to each segment and assess their performance.

Operating segments identified by the board of directors of the Group are based on a geographical approach. The segments and countries included are as follows:

- ✓ Western Europe
 - Spain
 - Germany
 - United Kingdom
 - France
 - Portugal
 - Sweden
 - Belgium
 - Luxembourg

- ✓ Eastern Europe
 - Russia
 - Poland
 - Hungary
 - Czech Republic
 - Slovakia

- Turkey
- ✓ Mercosur
 - Brazil
 - Argentina
- ✓ North America
 - USA
 - Mexico
- ✓ Asia
 - China
 - South Korea
 - India
 - Thailand
 - Japan

Each segment includes the activity of Group companies located in countries belonging to the segment.

The Board of Directors of the Group manages the operating segments corresponding to continuing activities basically according to the evolution of the main financial indicators from each segment such as revenue and EBITDA (Earnings before interest, taxes, depreciation and amortization). Financial income and expenses, income tax and the allocation of profit to non-controlling interests are analyzed together at Group level since they are centrally managed.

Inside certain segments there are some countries meeting the definition of a significant segment; however they are presented in the aggregate since the products and services generating ordinary income as well as productive processes are similar and additionally they show similar long-term financial performance and they belong to the same economic environment.

Segment information for 2016 and 2015 is as follows:

ITEM	Thousands of euros					
	2016					
	WESTERN EUROPE	EASTERN EUROPE	MERCOSUR	NORTH AMERICA	ASIA	TOTAL
NON-CURRENT ASSETS						
Goodwill	74,345	22,835	10,422	2,890	12	110,504
Other intangible assets	211,566	9,084	5,266	23,408	33,136	282,460
Property, plant and equipment	1,206,745	450,511	272,388	729,639	500,731	3,160,014
Total non-current assets	1,492,656	482,430	288,076	755,937	533,879	3,552,978
WORKING CAPITAL						
Inventories	243,881	83,395	63,870	126,637	113,114	630,897
Trade and other receivables	631,866	169,093	54,882	230,882	290,166	1,376,889
Other current assets	3,362	5,740	3,487	12,897	754	26,240
Trade and other payables	(856,615)	(180,663)	(64,640)	(254,684)	(264,823)	(1,621,425)
Provisions	(9,380)	(3,300)	(1,560)	(129)	(3,703)	(18,072)
Other current liabilities	682	(600)	-	(3,580)	(12)	(3,510)
Other current debt	(152,340)	(10,409)	(16,537)	(84,416)	(27,118)	(290,820)
Total working capital	(138,544)	63,256	39,502	27,607	108,378	100,199

ITEM	Thousands of euros					
	2016					
	WESTERN EUROPE	EASTERN EUROPE	MERCOSUR	NORTH AMERICA	ASIA	TOTAL
Revenue	3,704,113	859,490	401,365	1,546,104	1,037,866	7,548,938
EBITDA	378,044	95,614	23,198	167,183	177,111	841,150

Thousands of euros						
2015						
ITEM	WESTERN EUROPE	EASTERN EUROPE	MERCOSUR	NORTH AMERICA	ASIA	TOTAL
NON-CURRENT ASSETS						
Goodwill	76,019	22,716	8,309	2,890	12	109,946
Other intangible assets	188,000	6,828	3,038	21,489	30,083	249,438
Property, plant and equipment	1,200,687	383,957	203,792	577,802	495,569	2,861,807
Total non-current assets	1,464,706	413,501	215,139	602,181	525,664	3,221,191
WORKING CAPITAL						
Inventories	261,063	68,772	49,832	104,932	101,839	586,438
Trade and other receivables	581,050	114,580	61,724	157,490	279,846	1,194,690
Other current assets	10,328	2,708	944	8,732	821	23,533
Trade and other payables	(780,077)	(119,339)	(39,850)	(197,382)	(247,758)	(1,384,406)
Provisions	(9,862)	(3,042)	(1,053)	(169)	(2,192)	(16,318)
Other current liabilities	(7,412)	(222)	-	(297)	-	(7,931)
Other current debt	(55,663)	(18,529)	(6,509)	(38,355)	(32,065)	(151,121)
Total working capital	(573)	44,928	65,088	34,951	100,491	244,885

Thousands of euros						
2015						
ITEM	WESTERN EUROPE	EASTERN EUROPE	MERCOSUR	NORTH AMERICA	ASIA	TOTAL
Revenue	3,607,362	660,664	466,503	1,323,355	976,628	7,034,512
EBITDA	347,339	86,338	26,289	144,194	156,173	760,333

Recurrent operating activities between subsidiaries of different segments are not significant.

The heading “EBITDA” from each segment includes the costs of Group corporate services according to:

- a) The criteria for distribution of management costs as per global agreements signed by Group companies.
- b) The agreements for rendering specific services signed by certain Group companies.

The additions of Other intangible assets (Note 10.b) by segments are as follows:

Thousands of euros		
Segment	2016	2015
Western Europe	60,870	68,789
Eastern Europe	4,053	1,956
Mercosur	1,828	636
North America	7,818	12,389
Asia	9,012	4,533
Total	83,581	88,303

The additions of Property, plant and equipment (Note 11) by segments are as follows:

Thousands of euros		
Segment	2016	2015
Western Europe	188,840	197,199
Eastern Europe	94,571	106,133
Mercosur	54,969	22,305
North America	227,493	129,606
Asia	75,312	78,882
Total	641,185	534,125

The three groups of customers representing the highest contributino to sales accounted for 44.5% of revenue in 2016 (2015: 45.2%) and each of them represented more than 10% of revenue in 2016 (2015: 10%).

10. Intangible assets

a) Goodwill

The change in goodwill in 2016 and 2015 is as follows:

Segment	Thousands of euros				At December 31, 2016
	At December 31, 2015	Additions	Decreases	Currency translation differences	
Western Europe					
Gestamp HardTech AB	41,624			(1,673)	39,951
Gestamp Metalbages S.A.	15,622				15,622
Gestamp Aveiro, S.A.	7,395				7,395
Gestamp Levante, S.A.	6,944				6,944
Griwe Subgroup	6,466				6,466
Adral, matricería y pta a punto S.L.	857				857
Eastern Europe					
Beyçelik Gestamp Kalip, A.S.	22,620			(3,264)	19,356
Gestamp Severstal Vsevolozhsk, Llc	96			21	117
Çelik Form Gestamp Otomotive, A.S.	-	3,907		(545)	3,362
Mercosur					
Gestamp Brasil Industria de Autopeças, S.A.	8,309			2,113	10,422
Asia					
Gestamp Services India Private, Ltd.	13			(1)	12
Total	109,946	3,907	-	(3,349)	110,504

Additions in 2016 corresponded to the acquisition of Çelik Form Gestamp Otomotive, A.S. which was included in the consolidation scope by the full consolidation method (Note 3).

Segment	Thousands of euros				At December 31, 2015
	At December 31, 2014	Additions	Decreases	Currency translation differences	
Western Europe					
Gestamp HardTech AB	40,527			1,097	41,624
Gestamp Metalbages S.A.	15,622				15,622
Gestamp Aveiro, S.A.	7,395				7,395
Gestamp Levante, S.A.	6,944				6,944
Griwe Subgroup	6,466				6,466
Adral, matricería y pta a punto S.L.	857				857
Eastern Europe					
Beyçelik Gestamp Kalip, A.S.	25,347			(2,727)	22,620
Gestamp Severstal Vsevolozhsk, Llc	104			(8)	96
Mercosur					
Gestamp Brasil Industria de Autopeças, S.A.	11,110			(2,801)	8,309
Asia					
Gestamp Services India Private, Ltd.	12			1	13
Total	114,384	-	-	(4,438)	109,946

Currency translation differences in 2016 and 2015 corresponded to the adjustments to the goodwill of companies whose functional currency is different from the Euro, translated at the exchange rate prevailing at the Consolidated Balance Sheet date, according to IAS 21 (Note 6.3).

Impairment test of Goodwill

The Group has implemented annual procedures to test goodwill for impairment. This assessment is carried out for each of the CGUs or groups of CGUs to which goodwill has been allocated.

A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or group of assets.

The CGU recoverable value at December 31, 2016 was determined by choosing the higher value between the fair value less necessary costs to sale the CGU or the calculation of value in use, using cash flow projections covering a five-year period and based on the future business evolution.

The cash flows beyond the five-year period have been extrapolated using a growth rate of 1% for 2016 and 2015, except for the CGU Gestamp Brasil Industria de Autopeças S.A. where the growth rate used in 2015 was 2%. These hypotheses can be considered cautious compared with the rest of the long term average growth rates of the automotive sector.

The pre-tax discount rate for cash flow projections for the CGUs is calculated in base on the Weighted Average Cost of Capital (WACC) and it is based on the weighted average cost of equity and cost of debt according to the financial structure set for the Group.

The pre-tax discount rates for the CGUs with the most significant goodwill in 2016 and 2015 are as follows:

Segment	CGU	Pre-tax discount rate	
		2016	2015
Western Europe	Gestamp HardTech, AB	9.35%	10.65%
Western Europe	Gestamp Metalbages, S.A.	9.99%	10.58%
Eastern Europe	Beyçelik Gestamp Kalip, A.S.	17.74%	18.00%

The recoverable value is higher than the net value for all the CGUs, so the Group can recover the value of all goodwill recognized at December 31, 2016 and 2015.

Economic projections realized in previous years were not significantly different from the actual figures.

Sensitivity analysis to changes in key assumptions

The Parent Company's management subjects its goodwill valuations to a sensitivity analysis, varying key inputs such as the discount and terminal growth rates used, to ensure that potential changes in these estimates do not reduce recoverable amounts to below carrying amounts, when value in use is the reference value.

- ✓ Although a 100 basis point increase in the discount rate used would reduce value in use, in no case would this be reduced to below the carrying amount of the analyzed assets.
- ✓ Assuming a rate of perpetual growth of 0.5% would similarly result in a decline in value in use, albeit in no instance to below the carrying amount of the analyzed assets.
- ✓ Assuming a 150 basis point decrease in EBITDA /sales ratio used for extrapolating cash-flow to perpetuity would reduce value in use but in no case would mean impairment of the carrying amount of the analyzed assets.

b) Other intangible assets

The breakdown and change in the various items comprising “Other intangible assets” are shown below:

Cost	Thousands of euros						At December 31, 2016
	At December 31, 2015	Changes in consolidation scope	Additions	Disposals	Currency translation differences	Other movements	
R&D expenses	240,898		58,887	(1,096)	5	(219)	298,475
Concessions	18,434		3,972	(707)	(620)	123	21,202
Patents, licenses & trademark	39,102		1,491	(205)	(115)	(7)	40,266
Goodwill	1,900				89	(316)	1,673
Transfer fees	114				2	(116)	-
Software	127,475	390	11,815	(1,699)	772	4,626	143,379
Prepayments	13,248		7,416	(217)	(8)	(2,918)	17,521
Total cost	441,171	390	83,581	(3,924)	125	1,173	522,516
Amortization and impairment							
R&D expenses	(103,622)		(33,920)	818	88	(217)	(136,853)
Concessions	(1,720)		(424)	47	57	(352)	(2,392)
Patents, licenses & trademark	(3,983)		(510)	15	44	360	(4,074)
Transfer fees	(294)		(274)		(12)	13	(567)
Software	(80,406)	(333)	(14,571)	1,670	(540)	(167)	(94,347)
Total accumulated amortization	(190,025)	(333)	(49,699)	2,550	(363)	(363)	(238,233)
Impairment of Intangible assets	(1,708)		(564)	2	(7)	454	(1,823)
Net carrying amount	249,438	57	33,318	(1,372)	(245)	1,264	282,460

Changes in consolidation scope corresponded to the incorporation of Çelik Form Gestamp Otomotiv, A.S. (Note 3).

Additions to R&D expenses corresponded mainly to development and design costs of portfolio projects, as well as the application of new technologies and the introduction of new materials related to the business.

Additions to Concessions corresponded to the right to use land.

Additions to Software mainly corresponded to software licenses renewal and to costs of SAP development and implementation.

Additions to Prepayments corresponded to costs from SAP implementation.

The most significant additions by segment is shown in Note 9.

Main disposals corresponded to Software regarding items fully amortized and to development projects whose feasibility is not reasonably assured.

The net balance of Other movements mainly reflected adjustments from previous years, as well as reclassifications between intangible assets and PP&E.

Cost	Thousands of euros						
	At December 31, 2014	Changes in consolidation scope	Additions	Disposals	Currency translation differences	Other movements	At December 31, 2015
R&D expenses	180,104		57,904	(910)	1,722	2,078	240,898
Concessions	17,323				1,106	5	18,434
Patents, licenses & trademark	36,451		2,854	(73)	58	(188)	39,102
Goodwill	1,898			(4)	303	(297)	1,900
Transfer fees	119					(5)	114
Software	105,283	103	14,244	(397)	(255)	8,497	127,475
Prepayments	8,926		13,301	(174)	(270)	(8,535)	13,248
Total cost	350,104	103	88,303	(1,558)	2,664	1,555	441,171
Amortization and impairment							
R&D expenses	(76,648)		(26,558)	787	(903)	(300)	(103,622)
Concessions	(1,214)		(344)		(72)	(90)	(1,720)
Patents, licenses & trademark	(3,709)		(456)	73	(43)	152	(3,983)
Transfer fees	(32)		(265)		3		(294)
Software	(69,978)	(70)	(11,217)	(8)	108	759	(80,406)
Total accumulated amortization	(151,581)	(70)	(38,840)	852	(907)	521	(190,025)
Impairment of Intangible assets	(1,316)		(802)	132	(19)	297	(1,708)
Net carrying amount	197,207	33	48,661	(574)	1,738	2,373	249,438

Changes in consolidation scope in 2015 corresponded to the incorporation of the company Gestamp Pune Automotive Pvt Ltd (Note 3).

Additions to R&D expenses corresponded mainly to development and design costs of portfolio projects, as well as the application of new technologies and the introduction of new materials related to the business.

Additions to Software mainly corresponded to software licenses renewal and to costs of SAP development and implementation.

The most significant additions by segment is shown in Note 9.

The net balance of Other movements mainly reflected adjustments from previous years, as well as reclassifications between intangible assets and PP&E.

Development expenses corresponding to projects not fulfilling requirements to be capitalized were registered in the heading Other operating expenses from the Income Statement and they amounted to 470 thousand euros at December 31, 2016 (December 31, 2015: 1,361 thousand euros).

Impairment test of assets with indefinite useful life

Assets with indefinite useful life are yearly tested by the royalty relief method to identify impairment. It is concluded that their recoverable value is far higher than their net carrying amount.

11. Property, plant and equipment

The breakdown and change in various items comprising “Property, plant and equipment” are shown below:

Cost	Thousands of euros						At December 31, 2016
	At December 31, 2015	Changes in consolidation scope	Additions	Disposals	Currency translation differences	Other movements	
Land and buildings	1,323,618	203	11,737	(910)	8,437	48,401	1,391,486
Plant and other PP&E	4,347,927	6,770	117,113	(140,332)	(32,735)	243,085	4,541,828
PP&E under construction and prepayme	378,608		512,335	(718)	(11,205)	(310,642)	568,378
Total cost	6,050,153	6,973	641,185	(141,960)	(35,503)	(19,156)	6,501,692
Depreciation and impairment							
Land and buildings	(365,011)	(163)	(34,899)	552	(3,580)	(4,866)	(407,967)
Plant and other PP&E	(2,811,335)	(4,378)	(293,673)	130,115	26,908	24,492	(2,927,871)
Accumulated depreciation	(3,176,346)	(4,541)	(328,572)	130,667	23,328	19,626	(3,335,838)
Impairment of PP&E	(12,000)		(30)	5,767	850	(427)	(5,840)
Net book value	2,861,807	2,432	312,583	(5,526)	(11,325)	43	3,160,014

Changes in consolidation scope corresponded to the incorporation of the company Çelik Form Gestamp Otomotiv, A.S. (Note 3).

Cost value of the property, plant and equipment additions at December 31, 2016 corresponded, mainly, to investments in plants and production lines aimed to increase the productive capacity of the Group as well as to capital expenditure to maintain existing activities. They corresponded mainly to companies located in USA, Mexico, Spain, Germany and Poland. Additions by segment are shown in Note 9.

The net value of Disposals of plant and other PP&E corresponded mainly to the disposal of fully amortized items out of use, as well as to the sale of items to third parties.

The net value of Other movements mainly reflected reclassifications between PP&E and intangible assets as well as differences relating to prior years.

Cost	Thousands of euros						At December 31, 2015
	At December 31, 2014	Changes in consolidation scope	Additions	Disposals	Currency translation differences	Other movements	
Land and buildings	1,299,634	7,023	10,974	(5,602)	(5,711)	17,300	1,323,618
Plant and other PP&E	4,046,953	1,839	148,413	(75,438)	2,616	223,544	4,347,927
PP&E under construction and prepayments	250,803		374,738	(2,421)	(848)	(243,664)	378,608
Total cost	5,597,390	8,862	534,125	(83,461)	(3,943)	(2,820)	6,050,153
Depreciation and impairment							
Land and buildings	(337,374)	(1,017)	(32,393)	3,262	1,320	1,191	(365,011)
Plant and other PP&E	(2,589,468)	(1,056)	(285,110)	61,866	3,547	(1,114)	(2,811,335)
Accumulated depreciation	(2,926,842)	(2,073)	(317,503)	65,128	4,867	77	(3,176,346)
Impairment of PP&E	(8,759)		(2,933)		(309)	1	(12,000)
Net book value	2,661,789	6,789	213,689	(18,333)	615	(2,742)	2,861,807

Changes in consolidation scope in 2015 corresponded to the incorporation of the company Gestamp Pune Automotive Pvt Ltd (Note 3).

Cost value of the property, plant and equipment additions at December 31, 2015 mainly corresponded to investments in plants and production lines aimed to increase the productive capacity of the Group as well as to capital expenditure to maintain existing activities. They corresponded mainly to companies located in Poland, Spain, Mexico, China and USA. Additions by segment are shown in Note 9.

The net value of Disposals of plant and other PP&E corresponded, mainly, to the dismantlement of production lines and disposal of fully amortized items out of use, as well as to the sale of items to third parties.

The net value of Other movements mainly reflected reclassifications between PP&E and intangible assets as well as differences relating to prior years.

The asset revaluation effect that was carried out at 2007 as a result of the IFRSs transition is as follows:

	Thousands of euros	
	2016	2015
Initial cost	266,567	266,567
Fair value	509,428	509,428
Revaluation	242,861	242,861
Accumulated depreciation	(40,739)	(36,634)
Deferred tax liabilities	(51,115)	(52,204)
Total	151,007	154,023
Non-controlling interest	(25,121)	(25,363)
Reserves (Note 16.4.d))	(128,659)	(131,738)
Result for the year	2,773	3,078
Total	(151,007)	(154,023)

The breakdown of PP&E located outside Spain, by country, is as follows:

Segment / Country	Thousands of euros	
	Net carrying amount	Net carrying amount
	2016	2015
Western Europe		
Germany	270,703	252,372
France	93,215	90,534
Portugal	48,080	38,297
Sweden	27,671	32,264
United Kingdom	181,632	216,373
Eastern Europe		
Poland	156,481	107,204
Russia	106,465	93,364
Hungary	35,821	30,248
Czech Republic	75,883	71,362
Turkey	70,247	78,115
Slovakia	5,613	3,664
Mercosur		
Argentina	30,443	35,191
Brazil	241,946	168,602
North America		
USA	513,897	409,737
Mexico	215,742	168,063
Asia		
China	361,964	370,625
India	92,907	79,405
South Korea	45,260	45,138
Japan	361	96
Thailand	239	305
Total	2,574,570	2,290,959

The breakdown of assets acquired under finance lease agreements at December 31, 2016 and December 31, 2015 are as follows:

December 31, 2016						
Segment	Asset cost (thousands of euros)	Lease term	Installments paid	Thousands of euros		Purchase option value
				Present value of lease obligations		
				Short term	Long term	
Western Europe						
Software	34	4 years	34	-	-	-
Other fixtures	297	5 years	222	64	10	-
Eastern Europe						
Machinery	244	5 years	283	15	-	-
Machinery	12,978	4.75 years	14,397	267	-	1
Machinery	1,104	5 years	955	241	42	-
Machinery	597	5 years	485	120	120	-
Machinery	646	5 years	273	128	287	-
Machinery	2,969	7 years	815	412	1,870	-
Machinery	1,952	7 years	550	265	1,238	-
Machinery	285	7 years	78	38	185	1
Machinery	1,081	7 years	293	146	701	1
Machinery	473	7 years	123	63	313	-
Machinery	598	7 years	131	79	416	-
Machinery	711	7 years	86	79	469	1
Machinery	616	7 years	74	68	406	1
Machinery	755	7 years	62	86	524	-
Machinery	706	7 years	42	77	497	1
Machinery	1,415	7 years	101	101	1,416	-
Machinery	629	5 years	470	128	47	-
North America						
Machinery (November 2012)	14,263	20 years	2,569	661	12,911	-
Machinery (December 2012)	9,508	20 years	1,641	440	8,644	-
				3,478	30,096	

December 31, 2015						
Segment	Asset cost (thousands of euros)	Lease term	Installments paid	Thousands of euros		Purchase option value
				Present value of lease obligations		
				Short term	Long term	
Western Europe						
Software	34	4 years	23	9	2	-
Other fixtures	297	5 years	181	61	75	-
Eastern Europe						
Machinery	244	5 years	224	56	15	-
Machinery	12,990	4.75 years	11,186	3,127	267	1
Machinery	1,105	5 years	705	228	283	-
Machinery	598	5 years	241	120	240	-
Machinery	647	5 years	130	122	415	-
Machinery	2,971	7 years	352	776	2,196	-
Machinery	1,954	7 years	238	449	1,505	-
Machinery	285	7 years	32	37	223	1
Machinery	1,082	7 years	117	141	848	1
Machinery	474	7 years	45	61	377	-
Machinery	598	7 years	33	76	496	-
North America						
Machinery (November 2012)	13,414	20 years	1,427	618	13,135	-
Machinery (December 2012)	8,943	20 years	882	411	8,792	-
				6,292	28,869	

The amounts contained in the table above are affected by the application of different exchange rates in the conversion process of the financial statements at the exchange rate prevailing at the date of the transaction for companies whose functional currency is different from the presentation currency.

Impairment test of Property, Plant and Equipment

Impairment tests by calculating recoverable value were carried out for CGU's where there were signs of impairment according to indicators mentioned in Note 6.7.

Assets tested represented 12% of total Property, Plant and Equipment of the Group.

The CGU's recoverable value at December 31, 2016 was determined by choosing the higher of the fair value less necessary costs to sell the CGU, and the calculation of value in use, using cash flow projections covering a five-year period and based on the future business evolution.

Pre-tax discount rates for the CGUs with signs of impairment in 2016 and 2015 were the following:

Segment	2016	
	WACC rate before taxes	Rate of perpetual growth
Western Europe	9.36% - 9.99%	1.00%
Eastern Europe	11.21% - 16.65%	1.00%
Asia	9.78%	1.00%
North America	10.50%	1.00%
Mercosur	20.9%-23.65%	1.00%

Segment	2015	
	WACC rate before taxes	Rate of perpetual growth
Western Europe	9.60%-10.27%	1,00%
Eastern Europe	9.56% - 19.25%	1,00%
Asia	11.70%	1,00%
North America	10.65%	1,00%
Mercosur	22.17%	1,00%

The recoverable value was higher than the net value for all the CGUs, so the Group can recover the value of the consolidated assets of each CGU at December 31, 2016 and 2015.

Economic projections realized in previous years were not significantly different from the actual figures.

Sensitivity analysis to changes in key assumptions

The Parent Company's management subjects its goodwill valuations to a sensitivity analysis, varying key inputs such as the discount and terminal growth rates used, to ensure that potential changes in these estimates do not reduce recoverable amounts to below carrying amounts, when value in use in the reference value.

- ✓ Although a 100 basis point increase in the discount rate used would reduce value in use, in no case would this be reduced to below the carrying amount of the analyzed assets.
- ✓ Assuming a rate of perpetual growth of 0.5% would similarly result in a decline in value in use, albeit in no instance to below the carrying amount of the analyzed assets.

- ✓ Assuming a 150 basis point decrease in Ebitda/sales ratio used for extrapolating cash-flow to perpetuity would reduce value in use but in no case would mean impairment of the carrying amount of the analyzed assets.

Pledged property, plant and equipment to secure bank loans, in rem guarantees and others

At December 31, 2015 there were items of property, plant, and equipment to secure bank loans received in the outstanding amount of 808 thousand euros. The net carrying amount of these assets at December 31, 2015 was 6,914 thousand euros.

At December 31, 2016 those bank loans were repaid so there were no items to secure those loans anymore (Note 22.a.1)).

12. Financial assets

The breakdown of the Group's financial assets at December 31, 2016 and December 31, 2015 by category and maturity, expressed in thousands of euros, is as follows:

	Thousands of euros									
	Investments accounted for using the equity method		Loans and receivables		Derivative financial instruments		Securities portfolio		Other financial assets	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non-current financial assets	5,740	8,272	50,581	8,918	25,710	28,184	-	-	13,483	12,308
Investments accounted for using the equity method	5,740	8,272								
Held-to-maturity investments									957	914
Loans and receivables			50,581	8,918					12,526	11,394
Derivative financial instruments (Note 22.b.1)					25,710	28,184				
Current financial assets	-	-	11,036	1,638	-	-	338	2,535	31,854	31,282
Held-to-maturity investments							338	2,535		
Loans and receivables			11,036	1,638					31,854	31,282
Total financial assets	5,740	8,272	61,617	10,556	25,710	28,184	338	2,535	45,337	43,590

a) Non-current financial assets

The movements of non-current financial assets in 2016 and 2015 are as follows:

	Thousands of euros			
	Investments accounted for using the equity method	Loans and receivables	Derivative financial instruments	Other financial assets
Balance at December 31, 2014	9,455	43,556	5,863	17,911
Changes in consolidation scope		(3,542)		
Additions	2,450	2,938		5,340
Disposals		(24,682)		(10,975)
Changes in valuations of financial derivatives			22,321	
Transfers		(10,719)		64
Other movements		8		388
Share of profit	(364)			
Translation differences	273	(2,183)		(420)
Balance at December 31, 2015	8,272	8,918	28,184	12,308
Changes in consolidation scope	750			
Additions		57,228		3,463
Disposals		(276)		(2,205)
Changes in valuations of financial derivatives			(2,474)	
Transfers		(17,031)		541
Other movements		10		215
Share of profit	(3,230)			
Translation differences	(52)	1,732		(839)
Balance at December 31, 2016	5,740	50,581	25,710	13,483

a.1) Investments accounted for using the equity method

Changes in consolidation scope in 2016 corresponded to the incorporation of Global Laser Araba S.L. by equity method (Note 2.b).

Changes in consolidation scope in 2015 corresponded to the subsidiary Gestamp Pune Automotive Pvt Ltd which changed from equity method to full consolidation method since control was acquired (Note 3).

Additions in 2015 corresponded to the capital increase in the company Gestión Global de Matricería, S.L. for 9,000 thousand euros and subscribed by the Parent Company for 2,450 thousand euros. Since the capital increase was not proportionally subscribed, the shareholding decreased from 35% to 30%.

“Share of profit” in 2016 and 2015 amounting to 3,230 thousand euros and 364 thousand euros of loss respectively, represented the Group’s share of the profit recorded by each company.

In addition, the heading “Share of profits from associates - equity method” in the Consolidated Income Statement included the provision for registered risks related to the investment in ESSA Palau S.A. for 5,309 thousand euros (Note 20).

No dividends were received from companies accounted for using the equity method in 2016 and 2015.

The summarized financial information of the Group’s investment in these companies at December 31, 2016 and December 31, 2015 is as follows:

Summarised balance sheet:

	2016				
	Essa Palau, S.A.	Global Laser Araba	Jui Li Edscha Body Systems and subsidiaries	GGM and subsidiaries	Industrias Tamer, S.A.
Total non-current assets	36,137	2,827	793	53,364	1,471
Total current assets	14,184	3,160	7,545	21,183	3,726
Total non-current liabilities	(21,633)	-	(69)	(25,860)	(360)
Total current liabilities	(54,090)	(4,507)	(2,825)	(41,287)	(3,657)
	-	-	-	-	-
Equity	25,402	(1,480)	(4,721)	(6,978)	(1,180)
Translation differences	-	-	(723)	(422)	-
Shareholding	40%	30%	50%	30%	30%
Carrying amount of the investment	-	444	2,722	2,220	354

	2015			
	Essa Palau, S.A.	Jui Li Edscha Body Systems and subsidiaries	GGM and subsidiaries	Industrias Tamer, S.A.
Total non-current assets	41,994	881	48,266	1,114
Total current assets	26,796	7,003	7,142	1,994
Total non-current liabilities	(23,552)	(32)	(17,963)	(309)
Total current liabilities	(59,300)	(2,464)	(19,763)	(1,889)
Equity	14,062	(4,190)	(17,486)	(910)
Translation differences	-	(1,198)	(196)	-
Shareholding	40%	50%	30%	30%
Carrying amount of the investment	-	2,694	5,305	273

Summarised income statement:

	2016				
	Essa Palau, S.A.	Global Laser Araba	Jui Li Edscha Body Systems and subsidiaries	GGM and subsidiaries	Industrias Tamer, S.A.
Operating income	80,879	23	11,395	25,261	2,862
Operating expense	(89,140)	(896)	(10,542)	(25,815)	(2,571)
OPERATING PROFIT/LOSS	(8,261)	(873)	853	(554)	291
Financial profit	(1,817)	(143)	9	(789)	(24)
Exchange gain (losses)	-	-	(75)	(1,597)	-
Impairment and other	(13)	-	-	-	-
PROFIT/LOSS BEFORE TAXES	(10,091)	(1,016)	787	(2,940)	267
Income tax expense	-	-	(257)	-	-
Adjustments from previous years	10,091	-	-	(7,960)	-
Profit for the year from discontinued operations net of taxes	-	-	-	-	-
PROFIT/LOSS FOR THE YEAR	-	(1,016)	530	(10,900)	267
Shareholding	40%	30%	50%	30%	30%
Participation of the Group in profit	-	(305)	265	(3,270)	80

	2015				
	Essa Palau, S.A.	Jui Li Edscha Body Systems and subsidiaries	GGM and subsidiaries	Industrias Tamer, S.A.	Sungwoo Gestamp Hitech Pune Private Ltd.
Operating income	71,634	9,717	4,175	2,751	3
Operating expense	(76,853)	(9,081)	(4,042)	(2,650)	(12)
OPERATING PROFIT/LOSS	(5,219)	636	133	101	(9)
Financial profit	(1,355)	24	826	(39)	20
Exchange gain (losses)	-	(29)	1,500	-	(87)
Impairment and other	(18)	-	-	-	-
PROFIT/LOSS BEFORE TAXES	(6,592)	631	2,459	62	(76)
Income tax expense	-	(150)	-	-	-
Adjustments from previous years	3,294	-	111	-	-
Profit for the year from discontinued operations net of taxes	-	-	-	-	-
PROFIT/LOSS FOR THE YEAR	(3,298)	481	2,570	62	(76)
Shareholding	40%	50%	30%	30%	100%
Participation of the Group in profit	(1,319)	241	771	19	(76)

a.2) Non-current loans and receivables

Additions in 2016 mainly corresponded to:

- Increase in debit balances of public authorities with Gestamp Brasil Industria de Autopeças S.A. for 9,963 thousand euros.
- Loan granted by the subsidiary Gestamp Finance Slovakia S.R.O. to Gestión Global de Matricería S.L. amounting to 8,400 thousand euros. This loan earns a 2.756% interest rate and initial maturity was March 2023. At December 31, 2016 this loan was transferred to short term and final maturity is June 2017.
- Loans to Group employees amounting to 37,110 thousand euros for the acquisition of shares in the Parent Company from Acek Desarrollo y Gestión Industrial S.L. (Note 15.a)). A pledge on the shares was generated as a guarantee for the loans. The interest rate of the loans is the legal interest rate prevailing every calendar year and the duration is six years from the date of signature.

The fair value of the shares sold by Acek Desarrollo y Gestión Industrial S.L. to employees was based on the operation between significant shareholders in the first quarter of 2016 and the Group Management considered it was out of scope of IFRS 2.

Transfers in 2016 mainly corresponded to the transfer to the heading Public authorities of debit balances of Brazilian public authorities with Gestamp Brasil Industria de Autopeças, S.A. amounting to 8,161 thousand euros and to the loan granted by the subsidiary Gestamp Finance Slovakia S.R.O. to Gestión Global de Matricería S.L. amounting to 8,400 thousand euros.

Disposals in 2015 mainly corresponded to the repayment of the loan granted to Gestión Global de Matricería, S.L. amounting to 24,628 thousand euros. Bank financing was obtained and so the loan was pre-paid.

Transfers in 2015 corresponded to the transfer to the heading Public authorities of debit balances of Argentine and Brazilian public authorities with companies Gestamp Baires, S.A. and Gestamp Brasil Industria de Autopeças, S.A. as well as to the transfer from long-term to short-term of the loans granted to Esmo Metal, S.L. and to ESSA Palau S.A. (heading b.1)).

a.3) Derivative financial instruments

Change in valuation of financial instruments at December 31, 2016 and 2015 corresponded to the change in the present value of implicit derivatives mainly due to the decrease in notional hedged as well as to the evolution of the exchange rates applicable to sales and purchase prices in certain customer and supplier contracts (Note 22.b.1)).

a.4) Other non-current financial assets

Additions in 2016 mainly corresponded to deposits as guarantee for operating leases amounting to 3,088 thousand euros.

Additions in 2015 mainly included deposits as guarantee of labor insurances amounting to 880 thousand euros and deposits as guarantee for operating leases amounting to 3,567 thousand euros.

Disposals in 2016 mainly corresponded to:

- ✓ The refund of deposits as guarantee for operating leases amounting to 1,629 thousand euros and the refund of legal deposits amounting to 213 thousand euros.

- ✓ The cancellation of the investment of Gestamp Manufacturing Autochasis in Beyçelik Craiova S.R.L. amounting to 100 thousand euros. This disposal implied a loss of 72 thousand euros (Note 27.c)).

Disposals in 2015 mainly corresponded to:

- ✓ The refund of deposits as guarantee for operating leases amounting to 3,045 thousand euros and the refund of legal deposits amounting to 524 thousand euros.
- ✓ The cancellation of the investment of Gestamp Servicios S.A. in Genesis International Llc amounting to 2,200 thousand euros.
- ✓ The reduction amounting to 4,500 thousand euros from the regularization of the sale price of Araluce S.A. agreed in a previous year, since production objectives were not achieved as indicated in the sale agreement. This regularization was registered in the heading Impairment and gains (losses) on sale of financial instruments from the Consolidated Income Statement (Note 27.c)).

b) Current financial assets

The movements of current financial assets in 2016 and 2015 are as follows:

	Thousands of euros		
	Loans and receivables	Securities portfolio	Other financial assets
Balance at December 31, 2014	18,319	-	57,558
Changes in consolidation scope			225
Additions	2,247	2,535	21,373
Disposals	(16,361)		(46,022)
Transfers	5,385		(58)
Other movements	(9,324)		(2,022)
Translation differences	1,372		228
Balance at December 31, 2015	1,638	2,535	31,282
Changes in consolidation scope			-
Additions	6,245	104	12,608
Disposals	(5,572)	(2,300)	(3,817)
Transfers	8,720		(7,976)
Other movements			79
Translation differences	5	(1)	(322)
Balance at December 31, 2016	11,036	338	31,854

b.1) Current loans and receivables

Additions in 2016 mainly corresponded to a new credit line granted by Gestamp Metalbages S.A. to ESSA Palau S.A. for 5,619 thousand euros. The loan earns an interest referenced to 3-month Euribor plus a 3% spread.

Disposals in 2016 mainly corresponded to partial repayment of the credit line granted by Gestamp Metalbages S.A. to ESSA Palau S.A. for 3,550 thousand euros.

Transfers in 2016 mainly corresponded to the reclassification from long term of the loan granted by Gestamp Finance Slovakia S.R.O. to Gestión Global de Matricería S.L. for 8,400 thousand euros (heading a.2).

Additions in 2015 mainly corresponded to a loan granted to ESSA Palau S.A. by Gestamp Metalbages S.A. amounting to 2,000 thousand euros. The loan earns an interest referenced to 3-month Euribor plus a 3% spread.

Disposals in 2015 mainly corresponded to the repayment of the loan granted to Genesis Internacional S.A. by Gestamp Servicios, S.A. amounting to 14,262 thousand euros.

Transfers in 2015 mainly corresponded to the transfer from long-term to short-term of the loans granted to Esymo Metal S.L. and to ESSA Palau, S.A. for 4,320 thousand euros.

Other movements in 2015 amounting to 9,324 thousand euros included the full impairment of the loans granted to ESSA Palau S.A. by Gestamp Metalbages S.A. (5,000 thousand euros) and by Gestamp Solblank Barcelona S.A. (4,000 thousand euros of principal and 324 thousand euros of interest). This impairment was registered in the heading Impairment and gains (losses) on sale of financial instruments from the Consolidated Income Statement (Note 27.c)).

b.2) Current securities portfolio

Current securities portfolio in 2016 and 2015 mainly corresponded to short term deposits from the company Gestamp Pune Automotive Pvt Ltd with maturity in the same year and average profitability between 4.5% and 6%.

b.3) Other current financial investments

Additions in 2016 mainly corresponded to bank deposits from the companies Gestamp Automotive Chennai Private Ltd and Gestamp Automotive India Private Ltd amounting to 11,468 thousand euros.

Disposals in 2016 mainly corresponded to the cancellation of bank deposits from the company Gestamp Baires S.A. amounting to 1,583 thousand euros.

Transfers in 2016 mainly corresponded to:

- ✓ Reclassification of financial assets from the companies Gestamp Brasil Industria de Autopeças S.A. and Gestamp Automotive India Private Ltd amounting to 12,796 thousand euros and 4,054 thousand euros respectively. The maturity of those assets came to be less than three months so they were reclassified to the heading Cash and cash equivalents.
- ✓ Reclassification of financial assets from the company Gestamp Baires S.A. amounting to 9,372 thousand euros from the heading Cash and cash equivalents. The maturity of those assets came to be more than three months.

Additions in 2015 mainly included bank deposits from the companies Gestamp Automotive India Private, Ltd. and Gestamp Brasil Industria de Autopeças, S.A. amounting to 13,517 thousand euros and 5,013 thousand euros respectively.

Disposals in 2015 mainly included the cancellation of bank deposits from the company Gestamp Automotive India Private Ltd amounting to 43,991 thousand euros. It was related to the repayment of loans granted by Gonvarri Corporación Financiera S.L. and Gestamp Polska SP ZOO.

13. Inventories

The breakdown of inventories at December 31, 2016 and December 31, 2015 is as follows:

	Thousands of euros	
	2016	2015
Commercial inventories	11,235	10,865
Raw materials	170,560	163,480
Parts and subassemblies	65,121	56,731
Spare parts	74,157	58,572
Packaging materials	5,035	3,020
Total cost of raw materials and other consumables	326,108	292,668
Work in progress	145,508	166,448
Finished products	137,923	126,239
Byproducts, waste, and recovered materials	518	554
Prepayments to suppliers	51,822	31,605
Total cost of inventories	661,879	617,514
Impairment of raw materials	(10,044)	(7,331)
Impairment of other consumables	(7,729)	(7,467)
Impairment of work in progress	(4,359)	(7,772)
Impairment of finished products	(8,850)	(8,506)
Total impairment	(30,982)	(31,076)
Total inventories	630,897	586,438

The breakdowns of purchases used in production and changes in inventories are as follows:

	Thousands of euros						
	Change in inventories					consolidation scope	2016
	2015	Impairment	Reversal of impairment	Changes in inventories	Total		
Raw materials and other consumables	292,668			32,136	32,136	1,304	326,108
Impairment of raw materials and other consumables	(14,798)	(5,054)	2,079		(2,975)		(17,773)
Consumption (Note 26.a)	277,870	(5,054)	2,079	32,136	29,161	1,304	308,335

	Thousands of euros						
	Change in inventories					consolidation scope	2016
	2015	Impairment	Reversal of impairment	Changes in inventories	Total		
Work in progress	166,448			(20,940)	(20,940)		145,508
Finished products and byproducts	126,793			11,301	11,301	347	138,441
Impairment of finished products and work in progress	(16,278)	(6,027)	9,096		3,069		(13,209)
Changes in inventories (see Income Statement)	276,963	(6,027)	9,096	(9,639)	(6,570)	347	270,740

Changes in consolidation scope corresponded to the incorporation of Çelik Form Gestamp Otomotiv, A.S. in 2016 (Note 3).

The inventories were not encumbered at December 31, 2016 and December 31, 2015.

14. Trade and other receivables/ Other current assets/ Cash and cash equivalents

a) Trade receivables

	Thousands of euros	
	2016	2015
Trade receivables	843,048	750,592
Trade bills receivable	16,514	37,457
Accounts receivable by stage of completion, tools	279,677	192,024
Accounts receivable by stage of completion, machinery	2,976	-
Doubtful debts	770	1,837
Impairment losses	(4,736)	(5,706)
Trade receivables from related parties (Note 31.1)	31,676	16,734
Total	1,169,925	992,938

As indicated in Note 1, Group sales, as well as trade receivable balances, are concentrated across a limited number of customers due to the nature of the automotive industry. In general, trade receivable balances have high credit quality.

Accounts receivable by stage of completion correspond to the income recognized pending invoicing. There are no prepayments exceeding the stage of completion by customer. The amount of customer prepayments for tools under construction registered in the heading Accounts receivable by stage of completion, tools was 713 million euros at December 31, 2016 (December 31, 2015: 447 million euros).

The movement of the impairment provision at December 31, 2016 consisted of an increase of 4,080 thousand euros (December 31, 2015: reversal of 127 thousand euros) (Note 26.c)) as well as written-off balances and translation differences.

The age analysis of due accounts receivable related to the sale of parts at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Less than 3 months	14,661	5,361
Between 3 and 6 months	6,093	3,228
Between 6 and 9 months	2,164	5,079
Between 9 and 12 months	730	1,407
More than 12 months	4,825	5,014
Total outstanding past due receivables	28,473	20,090
Impairment provision	(4,736)	(5,706)
Total	23,737	14,384

The past due accounts receivable not provisioned are related to customers with no history of default.

The receivables balances not yet due transferred by the Group as non-recourse factoring to Spanish, German, British, Brazilian, Polish and Argentine banks, that were eliminated in the Consolidated Financial Statements amounted to 300,755 thousand euros and to 224,039 thousand euros at December 31, 2016 and December 31, 2015 respectively.

The expense of transferring non-due receivables balances at December 31, 2016 according to non-recourse factoring contracts amounted to 5,350 thousand euros (December 31, 2015: 2,822 thousand euros).

b) Other receivables

	Thousands of euros	
	2016	2015
Debtors	18,796	23,089
Remuneration advances	1,937	1,862
Short-term loans to employees	86	107
Total	20,819	25,058

c) Current income tax assets

This line item amounted to 35,306 thousand euros at December 31, 2016 (December 31, 2015: 32,906 thousand euros) and reflected the receivables balances related to corporate tax refunds of the Parent Company and group companies.

d) Public authorities

	Thousands of euros	
	2016	2015
Sundry receivables from Public Authorities	150,431	143,588
VAT refund	106,865	107,202
Receivable grants	1,015	3,887
Corporate tax refund (a)	34,571	28,073
Other	7,980	4,426
Receivables from Social Security	408	200
Total	150,839	143,788

(a) The 2016 and 2015 balances reflected receivables from corporate income tax declarations from prior years.

e) Other current assets

This line item, which at December 31, 2016 amounted to 26,240 thousand euros (December 31, 2015: 23,533 thousand euros), mainly reflected insurance premiums, maintenance and repair contracts, rentals and software licenses paid for during the year but for which the expense will accrue the following year, as well as expenses for commercial agreements.

f) Cash and cash equivalents

	Thousands of euros	
	2016	2015
Cash	403,789	296,482
Cash equivalents	26,674	59,493
Total	430,463	355,975

Cash equivalents corresponded to surplus cash investments maturing in less than three months.

The breakdown by currencies and interest rates at December 31, 2016 and December 31, 2015 is the following:

Company	2016		
	Thousands of euros	Source currency	Interest rate range
Gestamp Severstal Vsevolozhsk Llc	1,855	Russian rubles	8.20%
Gestamp Brasil Industria de Autopeças S.A.	24,819	Brazilian reais	100%-101% CDI
Total	26,674		

Company	2015		
	Thousands of euros	Source currency	Interest rate range
Gestamp Automoción S.A.	47,500	Euros	0.30%
Gestamp Baires S.A.	11,159	Argentine pesos	15-22.67%
Gestamp Metal Forming (Wuhan) Ltd.	834	Renmimbi yuan	2.55%-3%
Total	59,493		

The amounts included in this heading of the attached Consolidated Balance Sheet are not encumbered.

15. Issued capital and share premium

The “Issued capital” and “Share premium” at December 31, 2016 and December 31, 2015 are as follows:

ITEM	December 31, 2016	December 31, 2015
No. of shares	4,795,953	4,795,953
Par value	60.10	60.10
	Thousands of euros	
Issued capital:		
Issued capital (par value)	288,237	288,237
	288,237	288,237
Share premium	61,591	61,591
Total issued capital + share premium	349,828	349,828

a) Share capital

At December 31, 2016 and December 31, 2015 the Parent Company’s share capital was represented by 4,795,953 registered shares indivisible and accumulable with a par value of 60.10 euros each, fully subscribed and paid in, and all carrying the same rights and obligations.

The shareholder structure at December 31, 2016 and December 31, 2015 is as follows:

Shareholders	shareholding	
	December 31, 2016	December 31, 2015
Acek Desarrollo y Gestión Industrial, S.L.	37.62%	54.25%
ArcelorMittal Spain Holding, S.L.		24.18%
ArcelorMittal Basque Holding, S.L.		10.82%
Risteel Corporation, B.V.	10.75%	10.75%
Gestamp 2020, S.L.	50.10%	
Employees	1.53%	

On February 1, 2016 ArcelorMittal Spain Holding S.L. and ArcelorMittal Aceralia Basque Holding S.L. formalized a private contract to sale their full shareholding in the Parent Company to Acek Desarrollo y Gestión Industrial S.L. for 875 million euros.

This transaction meant that Acek Desarrollo y Gestión Industrial S.L. increased its shareholding in the Parent Company from 54.25% in 2015 to 89.25% in 2016.

On September 20, 2016 Acek Desarrollo y Gestión Industrial S.L. signed an investment agreement by which 50.10% shares in Gestamp Automoción S.A. were sold to Gestamp 2020 S.L. and Mitsui & Co. Ltd. acquired a 25% shareholding in Gestamp 2020 S.L. and thus indirectly a 12.525% shareholding in Gestamp Automoción S.A. On December 23, 2016, once the competition review was completed, the agreement was executed.

In addition, in 2016 Acek Desarrollo y Gestión Industrial S.L. sold shares representing a 1.53% stake in Gestamp Automoción S.A. to employees.

There are no bylaw restrictions on the transfer of the registered shares and they are not listed.

b) Share premium

The share premium of the Parent Company amounted to 61,591 thousand euros at December 31, 2016 and December 31, 2015.

The amended Spanish Corporate Enterprises Act expressly permits the use of paid-in surplus capital to increase share capital balance, corresponding to an unrestricted reserve.

16. Retained earnings

The changes in “Retained earnings” in 2016 and 2015 were as follows:

	Legal reserve	Goodwill reserves	Unrestricted reserves	Reserves at fully consolidated entities	Reserves at associates	Profit for the year	Effective hedges	Total
AT DECEMBER 31, 2014	45,251	3,313	234,573	721,523	(6,183)	125,702	(36,853)	1,087,326
Profit for 2015						161,480		161,480
Fair value adjustments reserve (hedge)							4,728	4,728
Actuarial gains and losses				5,745				5,745
Appropriation of 2014 profits			31,765	97,101	(3,164)	(125,702)		
Dividends distributed by the Parent Company			(37,711)					(37,711)
Dividends distributed by subsidiaries			2,147	(2,147)				
Transfer from reserves under equity method to reserves under full consolidation method because of sale of companies (Gestamp Pune Aut. Pvt. Ltd.)				(5,839)	5,839			
Interest from participative loans			(10,516)	10,516				
Increase in shareholding in companies previously under control (adjustment for dividends paid to former shareholders of Anhui Edscha Automotive Parts Co. Ltda.)				(712)				(712)
Increase in shareholding in companies previously under control due to acquisition to non-controlling interest (Ekarpen Private Equity, S.A.)				(7,997)				(7,997)
Transfers from retained earnings to non-controlling interest due to non-proportional capital increase				(2,771)				(2,771)
Other movements and adjustments from prior years		571	(571)	(299)				(299)
AT DECEMBER 31, 2015	45,251	3,884	219,687	815,120	(3,508)	161,480	(32,125)	1,209,789
Profit for 2016						221,354		221,354
Fair value adjustments reserve (hedge)							(2,631)	(2,631)
Actuarial gains and losses				(5,415)				(5,415)
Appropriation of 2015 profits	878	571	7,480	152,915	(364)	(161,480)		
Dividends distributed by the Parent Company			(48,444)					(48,444)
Interest from participative loans			8,956	(8,956)				
Acquisition of investment in Gestamp 2008, S.L. to non-controlling interest (Note 2.b)				(263)				(263)
Transfer of non-controlling interest due to changes in shareholding in Gestamp 2008, S.L. (Note 2.b)				(190)				(190)
Put Option Recognition		2	(2)	4,047				4,047
Other movements and adjustments from prior years				(178)	76			(102)
AT DECEMBER 31, 2016	46,129	4,457	187,677	957,080	(3,796)	221,354	(34,756)	1,378,145

16.1 Legal reserve of the Parent Company

The Legal Reserve of the Parent Company amounted to 46,129 thousand euros at December 31, 2016 (December 31, 2015: 45,251 thousand euros).

The Parent Company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve is equivalent to at least 20% of issued capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available.

16.2 Goodwill reserve

The Parent Company is required to set aside a non-distributable reserve equal to the amount of goodwill on its balance sheet which was eliminated in the consolidation process and amounted to 7,610 thousand euros at December 31, 2016 (December 31, 2015: 11,415 thousand euros). The amount of profit designated for this purpose must represent at least 5% of goodwill. If no profits are available or profits should prove to be insufficient, freely distributable reserves must be used for this purpose. The amount of the goodwill reserve amounted to 4,455 thousand euros at December 31, 2016 (December 31, 2015: 3,884 thousand euros). The amount provisioned in 2016 and 2015 was 571 thousand euros.

16.3 Unrestricted reserves

At December 31, 2016 the Parent Company's unrestricted reserves amounting to 187,677 thousand euros, corresponded to those derived from the individual financial statements of the Parent Company amounting to 224,798 thousand euros (December 31, 2015: 261,452 thousand euros) less the adjustments generated in the consolidation process in the amount of 37,121 thousand euros that mainly corresponded to:

- Elimination of the difference between the carrying amount of investments in subsidiaries Gestamp Brasil Industria de Autopeças, S.A., Gestamp Global Tooling, S.L. and Matricerías Deusto, S.A. and the consolidated value of these companies amounting to 63,656 thousand euros.
- The remaining balance mainly corresponded to: elimination of the margins from intercompany purchase-sale transactions of financial participations; reversal of the goodwills which arose in the merger processes between Group companies; reversal of portfolio provisions and capitalization of differences derived from changes in exchange rates of functional currencies compared to Euro in Group financing considered permanent (Note 4.3).

16.4 Availability of reserves at fully consolidated companies

Reserves held by companies consolidated under the full consolidation method are subject to a number of restrictions as to their availability depending on whether they are legal reserves, revaluation reserves, or other special reserves.

The restrictions regarding the reserves mentioned above are the following:

a) Revaluation reserve. Regional Law 6/1996

In accordance with prevailing regional legislation, this reserve can be used to offset losses, increase share capital or be transferred to non-distributable reserves.

The balance at December 31, 2016 and December 31, 2015 amounted to 4,884 thousand euros.

b) Reserve for productive investments. Regional Law 3/1996, of June 26

In accordance with prevailing regional legislation, this special reserve may only be applied to offset losses or increase share capital in 5 years since it is materialized in fixed assets.

The balance of this reserve at December 31, 2016 and December 31, 2015 was 26,398 thousand euros.

c) Legal reserves at subsidiaries

By virtue of prevailing legislation in the countries where these companies are located, legal reserves must reach a certain percentage of share capital, so that each year a percentage of profit is applied to offset losses or increase share capital.

The balance of these reserves at December 31, 2016 and December 31, 2015 was 75,986 thousand euros and 69,139 thousand euros respectively.

d) Reserve from NIIF first application (January 1, 2007)

As a result of valuation of Property, plant, and equipment at fair value, the land and buildings of certain subsidiaries have been valued at their appraised values, and an increase in reserves has been registered in the amount of the difference between the said assets' fair values and the net carrying amounts registered by each company.

The after-tax increase in reserves deriving from these revaluations amounted to 129 million euros at December 31, 2016 and 132 million euros at December 31, 2015 (Note 11). This increase of reserves is not distributable.

e) Restrictions related to capitalized development expenses

Under prevailing legislation, dividend payments cannot result in an unrestricted reserve balance that is lower than the net carrying amount of development expenses as per the individual financial statements of the Group's Spanish companies prepared under prevailing Spanish GAAP.

16.5 Approval of the Financial Statements and proposal for the allocation of profit

The individual 2016 Financial Statements of the Group companies will be presented for approval at their respective Annual General Meetings of shareholders within the deadlines established by the prevailing legislation. The Directors of the Parent Company believe that no significant changes will be made to the 2016 Consolidated Financial Statements as a result of this process. The Gestamp Automoción Group's 2016 Consolidated Financial Statements will be authorized by the Board of Directors of the Parent Company on March 3, 2017 for issue and submission to the Annual General Meeting where they are expected to be approved without modification.

The Parent Company's Board of Directors will submit the following allocation of profit proposal for the year ended December 31, 2016 for approval at the Annual General Meeting:

	<u>Thousands of euros</u>
Basis of allocation	
As per income statement	9,802
Allocation to:	
Losses to offset	622
Legal reserve	980
Unrestricted reserve	8,200

Restrictions on the distribution of dividends

The Parent Company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of issued capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders.

Once the legal requirements have been met, dividends may only be distributed against profit for the year or against unrestricted reserves if the book value of equity is not lower than, or as a result of the dividend payment would not dip below, issued share capital. For this purpose, profit recognized directly in shareholders' equity cannot be directly or indirectly distributed. If prior years' losses have reduced the Parent Company's book value of equity to below the amount of its issued share capital, profit must be allocated to offset these losses.

In addition to these legal restrictions there are contractual restrictions detailed in Note 22.

17. Translation differences

The breakdown of translation differences by country is as follows:

Segment / Country	Thousands of euros		
	2016	2015	Difference
Western Europe			
Germany	440	678	(238)
Spain	12,909	5,309	7,600
France	(1)	-	(1)
Luxembourg	(1)	732	(733)
United Kingdom	(5,542)	18,991	(24,533)
Sweden	(3,756)	(1,916)	(1,840)
Eastern Europe			
Hungary	(2,011)	2,961	(4,972)
Poland	(34,413)	(10,057)	(24,356)
Czech Republic	(4,938)	(4,744)	(194)
Russia	(49,571)	(60,076)	10,505
Turkey	(31,296)	(24,488)	(6,808)
Mercosur			
Argentina	(75,834)	(70,405)	(5,429)
Brazil	11,381	(15,795)	27,176
North America			
USA	(1,254)	(20,114)	18,860
Mexico	(46,679)	(30,015)	(16,664)
Asia			
China	19,151	34,524	(15,373)
South Korea	4,363	3,864	499
India	3,489	2,308	1,181
Japan	186	422	(236)
Thailand	77	12	65
Total	(203,300)	(167,809)	(35,491)

Changes in Translation differences in 2016 amounting to 35,491 thousand euros (2015: 28,069 thousand euros) mainly corresponded to: Eastern Europe regarding the fluctuation of Polish zloty, Asia regarding the fluctuation of Chinese renminbi, Mercosur regarding the fluctuation of Brazilian reais and Western Europe regarding the fluctuation of pound Sterling.

18. Non-controlling interest

The changes in “Equity attributable to non-controlling interest” by company in 2016 and 2015 were as follows:

Company	Thousands of euros									
	At December 31, 2015	Changes in consolidation scope	Capital increase	Translation differences	Distribution of dividends	Increase in shareholding in companies previously under control	Put Option Recognition	Other movements	Profit (loss)	At December 31, 2016
G Finance Luxemburgo, S.A.	51	(51)								
Gestamp Holding Rusia, S.L./Todlem, S.L./ Gestamp Seversta Vsevolozhsk Uic./Gestamp Severstal Kaluga, LLC	11,848			3,702				(427)	6,102	21,225
Gestamp Auto Components (Kunshan) Co., Ltd./Gestamp Holding China, AB	33,821			(1,215)				1,687	2,678	36,971
Gestamp 2008, S.L.	6,119					(6,119)				-
Edscha Brey S.A.S.	(11,053)					11,053				-
Edscha Santander, S.L.	13,466					(13,466)				-
Edscha Burgos, S.A.	(1,334)					1,334				-
Edscha do Brasil Ltda.	(1,079)			(190)		1,269				-
Shanghai Edscha Machinery Co., Ltd.	12,603			(475)	(2,169)				1,207	11,166
Edscha Pha, Ltd.	2,773			43				253	1,631	4,700
Edscha Apilco Automotive Co. Ltd	825		151	42	(168)			80	253	1,183
Gestamp Global Tooling, S.L.	11								(11)	-
Sofedit, SAS	21,722							(857)	9,380	30,245
Gestamp Wroclaw, sp. z.o.o.	(478)			2					(4,368)	(4,844)
Gestamp Brasil Industria Autopeças, S.A.	35,242			6,162			(13,752)	495	(643)	27,504
Gestamp Holding Argentina, S.L. and Argentine companies	6,155			(2,199)			(942)	(197)	(933)	1,884
Gestamp Holding México, S.L. and Mexican companies	96,135			(5,564)			(29,454)	(60)	4,069	58,907
Gestamp North America, INC and North American companies	105,911			3,683				(1)	804	73,598
Mursolar 21, S.L./Gestamp A. Shenyang, Co. Ltd./Gestamp A. Dongguan, Co. Ltd.	37,526			(580)				(1,189)	3,357	39,114
Beycelik Gestamp Kalip, A.S. / Çelik Form Otomotive, A.S.	28,214	(2,748)		(3,153)				106	6,946	29,365
Gestamp Automotive India Private Ltd.	16,933			351					6,552	23,836
Beycelik Gestamp Sasi, L.S.	(8,826)			71					763	(7,524)
Total	406,585	(2,799)	151	680	(8,547)	(5,929)	(80,947)	349	37,787	347,330

The most significant movements in “Non-controlling interest” at December 31, 2016 corresponded to:

- Incorporation of the company Çelik Form Gestamp Otomotive, A.S. and exit from consolidation scope of the company G. Finance Luxemburgo, S.A. (Note 2.b).
- Increase in shareholding in Gestamp 2008 S.L. Since there was already prior control in this company, there was a direct decrease in non-controlling interest of 6,119 thousand euros and an indirect increase due to the investments of this company in other group companies of 190 thousand euros (Note 2.b).
- On December 23, 2016 the Parent Company granted a Put Option to Mitsui & Co. Ltd. in relation to 10% of shares in subsidiaries companies (Note 22.d).
- “Other movements” in 2016 corresponded to profit (loss) adjustments attributable to non-controlling interests in 2015.

Company	Thousands of euros							
	At December 31, 2014	Translation differences	Distribution of dividends	Transfer Reserves under full consolidation method due to capital increase	Increase in shareholding in companies previously under control	Other movements	Profit (loss)	At December 31, 2015
G Finance Luxemburgo, S.A.	51							51
Gestamp Holding Rusia, S.L./Todlem, S.L./ Gestamp Seversta Vsevolozhsk Uic./Gestamp Severstal Kaluga, LLC	21,222	(955)				565	(8,984)	11,848
Gestamp Auto Components (Kunshan) Co., Ltd./Gestamp Holding China, AB	26,021	1,684				684	5,432	33,821
Edscha subgroup	17,882	921	(2,799)	2,771		327	3,218	22,320
Matricerías Deusto S.L.	3,387				(4,849)	1,462		-
Adral Matricería y Pta. a punto, S.L.	6,333				(6,025)	(308)		-
Gestamp Tooling Services, AIE	(302)				306	(4)		-
Gestamp Global Tooling, S.L.	9,784				(10,925)	(366)	1,518	11
Gestamp Tool Hardening, S.L.	2,917				(2,430)	(487)		-
Bero Tools, S.L.	(6)				6			-
Die Diede Development, S.L.	(308)					308		-
Gestamp Metal Forming Subgroup	17,822	30					3,392	21,244
Gestamp Try Out Services, S.L.	743					(610)	(133)	-
Gestamp Brasil Industria Autopeças, S.A.	51,054	(9,440)					(6,372)	35,242
Gestamp Holding Argentina, S.L. and Argentine companies	12,426	(5,781)					(490)	6,155
Gestamp Holding México, S.L. and Mexican companies	93,031	(2,224)	(6,243)			7	11,564	96,135
Gestamp North America, INC and North American companies	87,257	10,342					8,312	105,911
Mursolar 21, S.L./Gestamp A. Shenyang, Co. Ltd./Gestamp A. Dongguan, Co. Ltd.	36,803	405				(915)	1,233	37,526
Beycelik Gestamp Kalip, A.S.	29,787	(1,996)	(3,443)			(169)	4,035	28,214
Gestamp Automotive India Private Ltd.	10,190	559					6,184	16,933
Beycelik Gestamp Sasi, L.S.	(7,269)	113					(1,670)	(8,826)
Total	418,825	(6,342)	(12,485)	2,771	(24,219)	663	27,372	406,585

The most significant movements in “Non-controlling interest” at December 31, 2015 corresponded to:

- Acquisition from non-controlling shareholders (EKARPEN Private Equity S.A.) of 40% shareholding in Gestamp Global Tooling S.L and indirectly also in their subsidiaries. Thus, 100% shareholding in this company was reached, over which there was prior control (Note 2.b).
- “Other movements” in 2015 corresponded to profit (loss) adjustments attributable to non-controlling interests in 2014.

The most significant non-controlling interest mentioned in this Note has protecting rights mainly related to significant decisions on divestments of fixed assets, company restructuring, granting of guarantees, distribution of dividends and changes in statutes. These protecting rights do not significantly restrict the Group capacity to access to or to use their assets as well as to liquidate their liabilities.

Financial information about subsidiaries that have significant non-controlling interests is provided below. The summarized financial information of these subsidiaries, based on their individual financial statements adapted to Group criteria and before intercompany eliminations and consolidation adjustments, is as follows:

Summarised income statement at December 31, 2016 and December 31, 2015:

Item	2016								
	Subconsolid. USA (*)	Subconsolid. Argentina (*)	Subconsolid. Mexico (*)	Subconsolid. Brazil (*)	Beyçelik, A.S.	Gestamp Holding China Subgroup	Mursolar Subgroup	Todlem Subgroup	Total
Operating income	1,086,896	156,838	407,146	220,570	250,847	206,359	-	94,996	2,423,652
Operating expense	(1,066,058)	(152,321)	(362,370)	(219,608)	(229,829)	(191,546)	(396)	(84,510)	(2,306,638)
OPERATING PROFIT	20,838	4,517	44,776	962	21,018	14,813	(396)	10,486	117,014
Financial profit	(9,194)	(3,247)	857	(17,745)	(2,406)	(246)	2,624	(7,506)	(36,863)
Exchange gain (losses)	631	(2,234)	(24,507)	14,394	(6,988)	(1,760)	(16)	16,391	(4,089)
Impairment and other	-	-	(40)	(170)	-	-	-	-	(210)
PROFIT BEFORE TAXES	12,275	(964)	21,086	(2,559)	11,624	12,807	2,212	19,371	75,852
Income tax expense	(8,283)	(737)	(7,706)	1,892	(802)	(4,171)	-	(4,832)	(24,639)
Non-controlling interest	-	158	-	-	-	-	-	-	158
PROFIT ATTRIBUTABLE TO PARENT COMPANY	3,992	(1,543)	13,380	(667)	10,822	8,636	2,212	14,539	51,371

Item	2015								
	Subconsolid. USA (*)	Subconsolid. Argentina (*)	Subconsolid. Mexico (*)	Subconsolid. Brazil (*)	Beyçelik, A.S.	Gestamp Holding China Subgroup	Mursolar Subgroup	Todlem Subgroup	Total
Operating income	855,225	218,287	414,763	218,004	244,629	208,370	-	116,005	2,275,283
Operating expense	(818,075)	(213,582)	(362,029)	(212,771)	(225,669)	(185,275)	(171)	(103,839)	(2,121,411)
OPERATING PROFIT	37,150	4,705	52,734	5,233	18,960	23,095	(171)	12,166	153,872
Financial profit	(4,532)	(1,748)	1,517	(16,432)	(2,287)	(987)	3,058	(7,871)	(29,282)
Exchange gain (losses)	2,230	(4,669)	(1,185)	(20,714)	(5,785)	(1,510)	731	(16,288)	(47,190)
PROFIT BEFORE TAXES	34,848	(1,712)	53,066	(31,913)	10,888	20,598	3,618	(11,993)	77,400
Income tax expense	(4,951)	(1,895)	(15,668)	10,603	(934)	(3,090)	-	443	(15,492)
Non-controlling interest	-	81	-	-	-	-	-	-	81
PROFIT ATTRIBUTABLE TO PARENT COMPANY	29,897	(3,526)	37,398	(21,310)	9,954	17,508	3,618	(11,550)	61,989

(*) These figures correspond to Subconsolidated Financial Statements

Summarised balance sheet at December 31, 2016 and December 31, 2015:

2016									
Item	Subconsolid. USA (*)	Subconsolid. Argentina (*)	Subconsolid. Mexico (*)	Subconsolid. Brazil (*)	Beyçelik, A.S.	Gestamp Holding China Subgroup	Mursolar Subgroup	Todlem Subgroup	Total
Total non-current assets	530,028	40,610	239,320	263,902	74,381	79,383	144,066	98,740	1,470,430
Total current assets	431,960	88,209	256,075	101,982	100,108	142,737	3,324	55,676	1,180,071
Total non-current liabilities	(195,531)	(6,204)	(19,124)	(98,260)	(30,585)	(5)	(12,042)	(79,160)	(440,911)
Total current liabilities	(382,077)	(99,395)	(246,450)	(147,992)	(86,262)	(102,924)	(14,254)	(20,399)	(1,099,753)
Equity	(321,634)	(83,255)	(288,593)	(113,620)	(79,039)	(106,152)	(121,094)	(92,656)	(1,206,043)
Translation differences	(62,746)	60,035	58,772	(6,012)	21,397	(13,039)	-	37,799	96,206
	30%	30%	30%	30%	50%	31%	35%	42%	-
Equity attributable to non-controlling interest	(115,314)	(6,966)	(68,946)	(35,890)	(28,821)	(37,009)	(42,383)	(22,969)	(358,298)
Consolidation adjustments	4,917	4,140	(19,415)	(5,366)	(544)	38	3,269	1,744	(11,217)
Put Option Recognition	(36,799)	(942)	(29,454)	(13,752)	-	-	-	-	(80,947)
Non-controlling interest	(73,598)	(1,884)	(58,907)	(27,504)	(29,365)	(36,971)	(39,114)	(21,225)	(288,568)
Other not significant non-controlling interest	-	-	-	-	-	-	-	-	(58,762)
Total Non-controlling interest									(347,330)

2015									
Item	Subconsolid. USA (*)	Subconsolid. Argentina (*)	Subconsolid. Mexico (*)	Subconsolid. Brazil (*)	Beyçelik, A.S.	Gestamp Holding China Subgroup	Mursolar Subgroup	Todlem Subgroup	Total
Total non-current assets	441,226	47,049	192,058	189,840	73,556	81,965	78,061	87,438	1,191,193
Total current assets	279,197	96,631	233,204	78,763	94,921	157,294	70,453	49,018	1,059,481
Total non-current liabilities	(197,037)	(7,498)	(17,654)	(32,233)	(18,887)	(38,459)	(23,068)	(79,448)	(414,284)
Total current liabilities	(155,274)	(103,888)	(151,910)	(136,124)	(97,471)	(91,760)	(5,420)	(24,965)	(766,812)
Equity	(317,644)	(85,495)	(292,530)	(114,287)	(68,007)	(92,084)	(120,026)	(78,684)	(1,168,757)
Translation differences	(50,468)	53,201	36,832	14,041	15,888	(16,956)	-	46,641	99,179
	30%	30%	30%	30%	50%	31.05%	35.00%	41.87%	-
Equity attributable to non-controlling interest	(110,434)	(9,688)	(76,709)	(30,074)	(26,060)	(33,857)	(42,009)	(13,416)	(342,247)
Consolidation adjustments	4,523	3,533	(19,426)	(5,168)	(2,154)	36	4,483	1,568	(12,605)
Non-controlling interest	(105,911)	(6,155)	(96,135)	(35,242)	(28,214)	(33,821)	(37,526)	(11,848)	(354,852)
Other not significant non-controlling interest	-	-	-	-	-	-	-	-	(51,733)
Total Non-controlling interest									(406,585)

(*) These figures correspond to Subconsolidated Financial Statements

Summarized cash flow at December 31, 2016 and December 31, 2015:

2016								
Item	Subconsolid. USA (*)	Subconsolid. Argentina (*)	Subconsolid. Mexico (*)	Subconsolid. Brazil (*)	Beyçelik, A.S.	Gestamp Holding China Subgroup	Mursolar Subgroup	Todlem Subgroup
Operating activities	57,421	7,350	25,749	28,204	26,842	32,393	(53)	31,901
Investing activities	(97,726)	(3,718)	(74,582)	(43,030)	(17,337)	(20,805)	(66,005)	(1,398)
Financing activities	126,474	(8,356)	52,435	26,844	(5,352)	(24,334)	(820)	(1,431)
Net increase (decrease) of cash or cash equivalents	86,169	(4,724)	3,602	12,018	4,153	(12,746)	(66,878)	29,072

2015								
Item	Subconsolid. USA (*)	Subconsolid. Argentina (*)	Subconsolid. Mexico (*)	Subconsolid. Brazil (*)	Beyçelik, A.S.	Gestamp Holding China Subgroup	Mursolar Subgroup	Todlem Subgroup
Operating activities	63,406	24,471	13,432	13,851	24,729	52,938	(587)	19,297
Investing activities	(75,547)	(2,769)	(22,092)	(24,811)	(15,584)	(16,164)	30,638	(3,696)
Financing activities	(1,383)	(266)	17,224	(33,117)	(10,323)	1,549	23,390	(11,907)
Effect of changes in exchange rates	10,051	(10,822)	(5,352)	(988)	-	-	-	-
Net increase (decrease) of cash or cash equivalents	(3,473)	10,614	3,212	(45,065)	(1,178)	38,323	53,441	3,695

(*) These figures correspond to Subconsolidated Financial Statements

19. Deferred income

Deferred income included grants relating to assets obtained by Group subsidiaries pending release to the Consolidated Income Statement.

The movements of this heading at December 31, 2016 and December 31, 2015 is as follows:

	Thousands of euros
Balance at December 31, 2014	31,280
Additions	5,663
Released income (Note 25.b))	(6,589)
Translation differences	257
Other movements	109
Balance at December 31, 2015	30,720
Additions	2,264
Disposals	(529)
Released income (Note 25.b))	(6,218)
Translation differences	(905)
Other movements	613
Balance at December 31, 2016	25,945

The additions recognized corresponded to grants received from public authorities for investments in plant and equipment and job creation.

The Group companies are able to meet all the requirements attaching to these grants to qualify as non-reimbursable grants.

Grants released to income next year are expected to be similar to this year.

20. Provisions and contingent liabilities

The breakdown of provisions by concept in 2016 and 2015 is as follows:

	Non-current		Current		Total	
	2016	2015	2016	2015	2016	2015
Provision for employee compensation (Note 21)	91,642	74,840	1,904	4,228	93,546	79,068
Provision for taxes	7,252	6,898	-	-	7,252	6,898
Other provisions	55,259	75,049	16,168	12,090	71,427	87,139
	154,153	156,787	18,072	16,318	172,225	173,105

The changes in Provisions during 2016 and 2015 are as follows:

	Provision for employee compensation	Provision for taxes	Other provisions
December 31, 2014	86,531	6,447	57,339
Increase in allowance	11,675	1,834	60,268
Decrease	(19,548)	(692)	(30,472)
Translation differences	(30)	(691)	(1,927)
Other	440	-	1,931
December 31, 2015	79,068	6,898	87,139
Changes in consolidation scope	-	-	125
Increase in allowance	20,568	1,074	20,712
Decrease	(2,396)	(905)	(38,291)
Translation differences	(169)	781	(93)
Other	(3,525)	(596)	1,835
December 31, 2016	93,546	7,252	71,427

Provision for employee compensation

According to commitments undertaken, the Group has legal, contractual and implicit obligations with staff of certain subsidiaries whose amount or maturity is uncertain.

The provision for long term defined benefit plans is quantified considering the eventual affected assets according to the registration and valuation standards.

Increases in 2016 and 2015 mainly corresponded to:

- Provisions for employee compensation regarding seniority awards and other benefits for staying in the company.
- Provisions based on actuarial calculations detailed in Note 21.
- Provisions for employee compensation regarding a long-term incentive plan for 5,555 thousand euros. This plan is aimed to certain employees considered as key by the Group management and the amount depends on the compliance with certain consolidated parameters in 2019 and 2020 established in the Group Strategic Plan elaborated in 2016. It will be paid in cash. The provision is based on the estimation of the compliance with those consolidated parameters which are linked to the fulfillment of the Group strategic plan. Such incentive plan is not related to the process for admission of the Group to official listing in the Madrid Stock Exchange.

Decreases in 2016 and 2015 mainly corresponded to reversal of long term employee compensation provisions.

Provision for taxes

The Group basically registers the estimated amount of tax debts related to tax assessments currently appealed and others whose amount or payment date is uncertain.

Decreases in 2016 and 2015 mainly corresponded to the application of provisions relating to tax assessments.

Provision for other responsibilities

This line item primarily reflects provisions recognized by certain Group companies to cover specific risks arising from their day-to-day businesses and provisions for personnel restructuring and onerous contracts.

There was an increase in 2016 of 5,309 thousand euros for reestablishing the financial position of the company ESSA Palau S.A., included in the consolidation scope by the equity method (Note 12.a)).

Decreases in 2016 corresponded to the reversal of provisions for onerous contracts from Gestamp Vendas Novas Lda., a company belonging to the Western Europe segment. Decreases in 2015 corresponded to Gestamp Vendas Novas Ltd, Edscha Burgos and Edscha Briey, all companies belonging to the Western Europe segment. The reversals were registered in the heading "Other operating expenses" for 2,090 thousand euros in 2016 (Note 26.c) and in the heading "Other operating income" for 18,540 thousand in 2015 (Note 25.b).

In 2016 there was a reversal of 26,850 thousand euros of a provision from 2015 for risks from commercial activity related to operating expenses after analysis and evidence indicated a decrease in risks. The provision for 50,000 thousand euros was registered in consumables and operating expenses.

This line item also includes provisions for risks related to personnel restructuring, commercial disputes and claims from suppliers.

Decreases in 2015 included the reversal of the provision for personnel restructuring in Edscha Briey SAS amounting to 5,077 thousand euros, whereof 4,227 thousand euros corresponded to application and 850 thousand euros corresponded to provision surplus.

The Group Directors consider that provisions registered in the Consolidated Balance Sheet duly cover the risks for litigations, arbitration and other contingencies and no additional related liabilities are expected.

At December 31, 2016 and 2015 there were no significant contingent liabilities.

21. Pensions and other post-employment obligations

The breakdown of the provision for employee benefits is as follows:

Item	Non-current		Current		Total	
	2016	2015	2016	2015	2016	2015
Employee benefits a)	14,114	6,108	1,904	4,228	16,018	10,336
Post-employment benefits						
Defined benefit plans b)	77,528	68,732	-	-	77,528	68,732
Total (Note 20)	91,642	74,840	1,904	4,228	93,546	79,068

a) Employee benefits

This line item includes provisions by some Group companies for seniority awards and other benefits for staying in the company (anniversary, retirement, awards, etc.).

b) Defined benefit plans

The Group has a number of defined benefit plans. The main defined benefit plans are located in Germany and France. Among these pension plans, some are partially funded by investment funds and some are not funded at all by investment funds.

The risks of the different defined benefit plans are those associated with pensions not funded by an external fund. Other risks of the defined benefit plans common to partially funded plans as well as to unfunded plans are those related to demographic issues, such as mortality and longevity of employees, and those related to financial issues such as pension increase rate depending on inflation.

Assets and liabilities corresponding to the said plans at December 31, 2016 and December 31, 2015, by countries, are the following:

Item	Thousand of euros		
	Germany	France	Total
Present value of the defined benefit obligation	74,551	9,648	84,199
Fair value of plan assets and reimbursement rights	(4,516)	(2,155)	(6,671)
Value of defined benefit obligation at December 31, 2016	70,035	7,493	77,528

Item	Thousand of euros		
	Germany	France	Total
Present value of the defined benefit obligation	66,573	8,846	75,419
Fair value of plan assets and reimbursement rights	(4,482)	(2,205)	(6,687)
Value of defined benefit obligation at December 31, 2015	62,091	6,641	68,732

The changes in present value of plan liabilities are the following:

	Thousand of euros		
	Germany	France	Total
Present value of the defined benefit obligation at December 31, 2014	67,303	7,937	75,240
Current service cost year 2015	3,077	549	3,626
Interest income or expense	(105)	(619)	(724)
Interest income or expense	5,043	169	5,212
Pension cost charged to profit and loss at 2015	8,015	99	8,114
Payments from the plan except any settlements	(2,319)	(156)	(2,475)
Payments from plan settlements	(350)		(350)
Actuarial gains and losses arising from changes in financial assumptions	(5,724)	(128)	(5,852)
Actuarial gains and losses attributable to non-controlling interests	-	46	46
Remeasurements of the net defined benefit liability	(5,724)	(82)	(5,806) (*)
Other effects	(352)	1,048	696
Present value of the defined benefit obligation at December 31, 2015	66,573	8,846	75,419
Current service cost year 2016	2,929	552	3,481
Gains and losses arising from settlements		44	44
Interest income or expense	1,420	175	1,595
Pension cost charged to profit and loss at 2016	4,349	771	5,120
Payments from the plan except any settlements	(1,392)	(173)	(1,565)
Payments from plan settlements			
Actuarial gains and losses arising from changes in demographic assumptions	-	(66)	(66)
Actuarial gains and losses arising from changes in financial assumptions	5,021	655	5,676
Actuarial gains and losses attributable to non-controlling interests	-	(229)	(229)
Remeasurements of the net defined benefit liability	5,021	360	5,381 (**)
Other effects		(156)	(156)
Present value of the defined benefit obligation at December 31, 2016	74,551	9,648	84,199

The changes in fair value of plan assets are the following:

	Thousand of euros		
	Germany	France	Total
Fair value of plan assets and reimbursement rights at December 31, 2014	4,410	2,373	6,783
Interest income or expense	79	42	121
Pension cost charged to profit and loss at 2015	79	42	121
Payments from the plan except any settlements	-	(156)	(156)
Return on plans assets, excluding amounts included in interest	-	(68)	(68)
Actuarial gains and losses arising from changes in demographic assumptions	(7)	-	(7)
Actuarial gains and losses attributable to non-controlling interests	-	14	14
Remeasurements of the net defined benefit liability	(7)	(54)	(61) (*)
Contributions to the plan by the employer	-	-	-
Fair value of plan assets and reimbursement rights at December 31, 2015	4,482	2,205	6,687
Interest income or expense	97	10	107
Pension cost charged to profit and loss at 2016	97	10	107
Payments from the plan except any settlements	-	(89)	(89)
Return on plans assets, excluding amounts included in interest	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(63)	29	(34)
Actuarial gains and losses attributable to non-controlling interests	-	-	-
Remeasurements of the net defined benefit liability	(63)	29	(34) (**)
Fair value of plan assets and reimbursement rights at December 31, 2016	4,516	2,155	6,671

(*) The balance registered as actuarial gains and losses in the Consolidated Statement of Changes in Equity at December 31, 2015 amounted to 5,745 thousand euros (5,806 thousand euros corresponded to the change in value of the defined benefit liability minus 61 thousand euros corresponded to the change in value of the plan assets).

(**) The balance registered as actuarial gains and losses in the Consolidated Statement of Changes in Equity at December 31, 2016 amounted to 5,415 thousand euros (5,381 thousand euros corresponded to the change in value of the defined benefit liability and 34 thousand euros correspond to the change in value of the plan assets).

The breakdown of the expense recognized in the Consolidated Income Statement regarding these plans is as follows:

Item	Thousand of euros					
	Germany		France		Total	
	2016	2015	2016	2015	2016	2015
Current service cost	2,929	3,077	552	549	3,481	3,626
Past service cost	-	-	-	-	-	-
Gains and losses arising from settlements	-	(105)	44	(619)	44	(724)
Net interest on the net defined benefit liability (asset)	1,323	4,964	165	127	1,488	5,091
Total expense recognised in profit or loss	4,252	7,936	761	57	5,013	7,993

The main categories of plan assets and their fair value are the following:

Item	Thousand of euros			
	Germany		France	
	2016	2015	2016	2015
Investments quoted in active markets				
Mixed investment funds in Europe	4,516	4,482		
Not quoted investments				
Investment funds in insurances			2,155	2,205
	4,516	4,482	2,155	2,205

The main hypotheses used for determining the defined benefit obligation are the following:

Item	Germany		France	
	2016	2015	2016	2015
Discount rate	1.6% - 2.3%	2.0% - 2.3%	1.81%-1.9%	1,8%-1,9%
Expected rate of return on any plan assets	0% - 1.6%	0% - 2.2%	1.90%	1.90%
Future salary increases rate	2.0%-2.5%	2.50%	1,5%-2,5%	2.50%
Future pension increases rate	1.5% - 2%	1.5% - 2%	-	-
Inflation rate	2.00%	2.00%	1%-1.4%	1%-1,5%
Mortality table	RT 2005 G	RT 2005 G	INSEE F 08-10	INSEE F 08-10
Rates of employee turnover, disability and early retirement	Aon Hewitt Standard tables, RT 2005 G, 0.5%	Aon Hewitt Standard tables, RT 2005 G, 0.5%	3.00%	3.00%
Proportion of plan members with dependants who will be eligible for benefits	100.00%	100.00%	-	-
Percentage of taxes payable by the plan on contributions relating to service before the reporting date or on benefits resulting from that service	2.00%	0% -2%	-	0.00%
Retirement age	-	-	62-65 years	62-65 years

The sensitivity analysis of the value of post-retirement benefits obligations for the main hypotheses at December 31, 2016 and December 31, 2015 are as follows:

Assumptions	Sensitivity	2016			
		Germany		France	
		Increase	Decrease	Increase	Decrease
Discount rate					
Increase	0.25%				301
Decrease	0.25%			317	
Increase	0.5%		12,469		
Decrease	0.5%	14,971			
Future pension increases rate					
Increase	0.5%	11,660			
Decrease	0.5%		10,105		
Future salary increases rate					
Increase	0.5%	85		641	
Decrease	0.5%		76		583
Mortality rate					
Increase	1 year	1,389			

Assumptions	Sensitivity	2015			
		Germany		France	
		Increase	Decrease	Increase	Decrease
Discount rate					
Increase	0.25%				301
Decrease	0.25%			317	
Increase	0.5%		4,291		
Decrease	0.5%	3,862			
Future pension increases rate					
Increase	0.5%	1,804			
Decrease	0.5%		1,714		
Future salary increases rate					
Increase	0.5%			641	
Decrease	0.5%				583
Mortality rate					
Increase	1 year	1,245			

The expected future payments related to pension benefit at December 31, 2016 and December 31, 2015 are the following:

	Thousand of euros					
	2016			2015		
	Germany	France	Total	Germany	France	Total
Within the next 12 months	3,254	108	3,362	3,091	87	3,178
Between 2 and 5 years	11,167	1,882	13,049	10,943	1,239	12,182
Beyond 5 years	15,904	23,447	39,351	15,059	23,768	38,827
Total	30,325	25,437	55,762	29,093	25,094	54,187

22. Non-trade liabilities

The breakdown of non-trade liabilities at December 31, 2016 and December 31, 2015 classified by concepts is as follows:

Item	Non current		Current	
	2016	2015	2016	2015
a) Interest-bearing loans and borrowings	a.1) 1,548,305	1,448,036	a.2) 419,294	282,900
b) Derivative financial instruments	b.1) 87,983	72,828	-	-
c) Other financial liabilities	<u>132,805</u>	<u>136,739</u>	<u>5,922</u>	<u>16,854</u>
Financial leasing	c.1) 30,096	28,869	c.1) 3,478	6,292
Borrowings from related parties	c.2) 67,718	68,442	c.2) 2,444	10,562
Other liabilities	c.3) 34,991	39,428	c.3) -	-
d) Other non-trade liabilities	d) 10,358	16,545	290,820	151,121
Total	1,779,451	1,674,148	716,036	450,875

a) Interest-bearing loans and borrowings

a.1) Non-current interest-bearing loans and borrowings

The breakdown by segment and maturity date of non-current interest-bearing loans and borrowings is as follows:

Description	Thousands of euros						Total
	2016					2015	
	2018	2019	2020	2021	Beyond	Total	
In Euros	92,106	154,506	246,983	388,525	646,352	1,528,472	1,114,056
Western Europe	80,417	149,412	246,983	388,525	646,352	1,511,689	1,106,528
Eastern Europe	11,689	5,094				16,783	7,528
In foreign currency	7,844	4,773	3,044	2,094	2,078	19,833	333,980
Brazilian reais							
Mercosur	3,498	3,491	3,037	2,094	2,078	14,198	14,616
Indian rupees							
Asia							7,539
Remimbi Yuan							
Asia	2,726					2,726	2,820
Czech Crowns							
Eastern Europe	1,255	1,255				2,510	3,765
Korean wons							
Asia	365	27	7			399	870
US Dollars							
Western Europe							304,370
Total	99,950	159,279	250,027	390,619	648,430	1,548,305	1,448,036

The breakdown of maturity dates for the balances at December 31, 2015 is as follows:

Thousands of euros					
2015					
2017	2018	2019	2020	Beyond	Total
141,583	94,951	163,023	1,043,287	5,192	1,448,036

The guarantees granted are personal guarantees of the borrower.

At December 31, 2016 the loans granted to the Griwe Subgroup (belonging to the Western Europe segment) were repaid. These loans were additionally secured by the property, plant, and equipment financed by these loans (Note 11) and whose outstanding amount at December 31, 2015 was 808 thousand euros.

There are also real guarantees mentioned in the description of individual financial arrangements included in this Note.

The nominal interest rate on the loans at December 31, 2016 was as follows:

	<u>Interest rate</u>
• Loans denominated in euros	1.00% - 1.45%
• Loans denominated in Brazilian reais*	4.50% - 8.50%
• Loans denominated in Korean won	3.60%
• Loans denominated in US dollar	1.45% - 2.10%

* The lower level of the range corresponded to loans received by BNDES with a subsidized interest rate.

The nominal interest rate on the loans at December 31, 2015 was as follows:

	<u>Interest rate</u>
• Loans denominated in euros	1.45% - 1.55%
• Loans denominated in Indian rupees	10.30% - 12.30%
• Loans denominated in Brazilian reais*	4.50% - 16.21%
• Loans denominated in Korean won	3.60% - 4.00%

* The lower level of the range corresponded to loans received by BNDES with a subsidized interest rate.

The loans in the schedule above where certain Group companies are guarantors or which are subject to covenants are the following:

- I) 2012 Bank of America Loan and 2013 Syndicated Loan (modified in 2016)

On May 20, 2016 the Parent Company signed an agreement modifying the syndicated loan from April 2013. There were modifications to the amount granted (increase of 340 million euros, tranche A2) and to the interest margins.

After the required analysis, this operation was considered refinancing of the syndicated loan since there was no substantial modification of the debt.

The most relevant information regarding interest-bearing loans and borrowings subject to covenants at December 31, 2016 and December 31, 2015 is as follows:

Entity	Initial date	Modification agreement date	Amount granted	Maturity date	Financial obligations	Restrictions
Bank of America Securities Limited	March 21, 2012		60 million euros	March 21, 2017	<p>“Net debt/EBITDA” below 3.50x</p> <p>“EBITDA/Financial expense” above 4.00x</p>	N/A
Group of banks	April 19, 2013	May 20, 2016	<p>Tranche A1: 532 million euros</p> <p>Tranche A2: 340 million euros</p> <p>Revolving Credit Facility: 280 million euros</p>	<p>Tranche A1: May 31, 2021</p> <p>Tranche A2: May 31, 2021</p> <p>Revolving Credit Facilities: May 31, 2021</p>	<p>“Net debt/EBITDA” below or equal 3.50x</p> <p>“EBITDA/Financial expense” above 4.00x</p>	<p>Limitation for the dividends distribution:</p> <p>- Dividends can be no more than 30% of the consolidated benefit</p>

The Bank of America loan as well as the syndicated loan were granted to the Parent Company. The outstanding amount to Bank of America was registered as short-term in the amount of 60,000 thousand euros and the outstanding amount of the syndicated loan was registered as long-term in the amount of 832,851 thousand euros and as short-term in the amount of 39,244 thousand euros.

The Revolving Credit Facility granted amounting to 280,000 thousand euros was undrawn at December 31, 2016 and December 31, 2015.

At December 31, 2016 and December 31, 2015 the Parent 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 the mentioned loans. These companies are specified in Annex III.

II) May 2013 and May 2016 Bonds

On May 2013, the Group completed an issuance of bonds through its subsidiary Gestamp Funding Luxembourg, S.A., a company belonging to the Western Europe segment. This issuance was carried out in two tranches, one amounting to 500 million euros at an interest rate of 5.875%, and the other amounting to 350 million dollars with a 5.625% interest rate.

The initial maturity date of the bonds was May 31, 2020 and interest was payable every six months (November and May).

On September and October 2015 the Group acquired part of the issued bonds for 16,702 thousand dollars and 5,500 thousand euros.

On May 11, 2016 there was a new issuance of bonds through the subsidiary Gestamp Funding Luxembourg, S.A. for 500 million euros at an interest rate of 3.5%. This was used to fully cancel the May 2013 bond and accrued interest.

After the required analysis, this transaction was considered to be a bond refinancing since there was no substantial change in the debt.

The tranche A2 of the new syndicated loan for 340 million euros granted on May 20 (heading I) was used on June 17, 2016 to fully cancel the US dollar bonds issued in May 2013 and accrued interest.

After the required analysis, this re-financing was considered new debt and therefore unamortized capitalized expenses in relation to the US dollar bonds amounting to 9.8 million euros were registered as expense in the financial result of the Consolidated Income Statement.

The maturity date of the new bonds is May 15, 2023 and interest is payable every six months (November and May).

The carrying value of the May 2016 bonds at December 31, 2016 was 486 million euros. The carrying value of the May 2013 bonds at December 31, 2015 at the exchange rate of the said date was 793 million euros (489 million euros and 304 million euros corresponding to the euro and dollar bonds respectively).

Certain Group companies, which together represent a significant portion of total consolidated assets, revenue and EBITDA, act as joint guarantors of the bonds. These companies are specified in Annex III.

III) European Investment Bank

On June 15, 2016 the Parent Company signed a financing agreement with the European Investment Bank for 160 million euros.

The loan term is seven years with maturity on June 22, 2023. The Parent Company must comply with certain financial obligations related to Consolidated Financial Statements over the life of the loan. The mentioned obligations are the following:

- “EBITDA / Financial expense” above 4.00x
- “Net Financial Debt / EBITDA” below 3.50x

There is also a limitation on dividends distribution such that dividends each year can be no more than 50% of the consolidated net income.

At December 31, 2016 and December 31, 2015 the Parent 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. These companies are specified in Annex III.

a.2) Current interest-bearing loans and borrowings

The breakdown by segment of current interest-bearing loans and borrowings is as follows:

Description	Thousands of euros										(a)+(b)+(c)+(d)	
	Credit facilities				Loans (b)		Accrued interest (c)		Discounted bills (d)		TOTALS	TOTALS
	Drawn down (a)		Limit		2016	2015	2016	2015	2016	2015	2016	2015
In Euros	109,629	43,148	528,800	316,800	246,478	161,304	7,987	5,006	88	89	364,182	209,547
Western Europe	109,629	43,148	528,800	316,800	229,557	133,390	7,701	4,465	88	89	346,975	181,092
Eastern Europe					15,067	24,526	273	501			15,340	25,027
Asia					1,854	3,388	13	40			1,867	3,428
In foreign currency	8,484	21,134	46,600	29,569	46,313	50,487	315	1,732	-	-	55,112	73,353
US dollars												
Western Europe								1,534			-	1,534
North America					19,017						19,017	-
Turkish lira												
Eastern Europe	772		5,199		6,747	7,885	282	80			7,801	7,965
Argentine pesos												
Mercosur						922					-	922
Brazilian reais												
Mercosur					4,119	8,570	12	11			4,131	8,581
Indian rupees												
Asia	4,850	18,596	33,763	23,294	212	3,471		60			5,062	22,127
Remimbi Yuan												
Asia	2,862	2,538	6,064	6,275	14,485	23,740	20	45			17,367	26,323
Czech Crowns												
Eastern Europe					1,255	3,755					1,255	3,755
Korean wons												
Asia			1,574		478	2,144	1	2			479	2,146
Total	118,113	64,282	575,400	346,369	292,791	211,791	8,302	6,738	88	89	419,294	282,900

In all, the Group had approximately 577 million euros in with-recourse and non-recourse factoring and available discounting facilities at December 31, 2016 (December 31, 2015: 431 million euros).

Interest on the credit facilities was basically indexed to a floating rate of Euribor plus a spread between 0.50% and 0.75% in 2016 and a spread between 0.65% and 1.75% in 2015.

b) Derivative financial instruments

b.1) Interest rate derivatives and exchange rate derivatives

The fair value of interest rate and derivatives held for trading hedges contracted by the Group are recognized in the following headings of the Consolidated Balance Sheet:

Description	Thousands of euros	
	2016	2015
Financial assets - derivatives (Note 12.a.3))	25,710	28,184
Others	25,710	28,184
Financial liabilities - derivatives	87,983	72,828
Derivatives held for trading	13,123	25
Cash flow hedges	49,150	44,619
Others	25,710	28,184

The interest rate swaps arranged by the Group in place at December 31, 2016 and December 31, 2015 were the following:

		Thousands of euros			
		2016		2015	
Contract	Item	Asset	Liability	Asset	Liability
1	Derivatives held for trading	-	4,277	-	-
2	Derivatives held for trading	-	5,484	-	-
5	Derivatives held for trading	-	3,362	-	-
6	Derivatives held for trading	-	-	-	25
Total derivatives held for trading		-	13,123	-	25
1	Cash flow	-	10,494	-	9,263
2	Cash flow	-	20,889	-	16,242
3	Cash flow	-	6,796	-	8,073
4	Cash flow	-	3,432	-	4,524
5	Cash flow	-	7,539	-	6,517
Total cash flow hedges		-	49,150	-	44,619

At December 31, 2016 the Group arranged a strategy to hedge interest rate risk on notionals of the Group's estimated bank debt for the period from 2017 to 2021 via several interest rate swaps with the following notional amounts at December 31 of each year in thousand euros:

Year	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5
2017	140,000	320,000	77,835	110,000	110,000
2018	140,000	320,000	77,835	110,000	110,000
2019	140,000	320,000	77,835		110,000
2020	140,000	320,000	77,835		110,000

The interest rate swaps arranged by the Group in place at December 31, 2016 have the following terms:

Contract	Effective date	Maturity date	Floating rate (to be received)	Fixed rate (to be paid)
Contract 1	July 1, 2015	January 4, 2021	3-month Euribor	0.25% (2015), 0.45% (2016), 1.20% (2017), 1.40% (2018), 1.98% (2019) and 2.15% (2020)
Contract 2	July 14, 2015	January 4, 2021	1-month Euribor	0.25% (2015-2016-2017), 1.40% (2018), 1.98% (2019) and 2.15% (2020)
Contract 3	January 2, 2015	January 4, 2021	3-month Euribor	1.24% (2015), 1.48% (2016), 1.66% (2017), 1.99% (2018) and 2.09% beyond
Contract 4	April 2, 2014	January 2, 2019	3-month Euribor	1.26%
Contract 5	July 1, 2015	January 4, 2021	3-month Euribor	0.15% (2015), 0.40% (2016), 1.00% (2017), 1.25% (2018), 1.80% (2019) and 2.05% (2020)
Contract 6	August 6, 2012	June 30, 2016	Closed	-

The hedging arrangements outlined above qualify as effective hedges under IFRS hedge accounting criteria. Accordingly, changes in the fair value of the swaps are recognized in equity while the interest accrued is recognized in the Consolidated Income Statement.

The cash flows underlying the hedges are expected to affect profit or loss in the following years:

2016	
Thousands of euros	
2017	(8,680)
2018	(12,766)
2019	(13,800)
2020	(13,904)
Total	(49,150)

2015	
Thousands of euros	
2016	(6,076)
2017	(6,964)
2018	(10,306)
2019	(10,131)
2020	(9,385)
2021	(1,966)
2022	(725)
2023	(32)
2024	452
2025	489
Total	(44,644)

At December 31, 2016 the Group transferred from Equity to the Consolidated Income Statement the amount of approximately 5,927 thousand euros (expense) as a result of liquidations carried out in 2016 corresponding to cash flow (interest rate) hedges. In 2015, expense recognized on the same basis amounted to 9,633 thousand euros.

In 2016 the Group recognized expense amounting to 13,099 thousand euros in the Consolidated Income Statement relating to changes in value of derivatives held for trading and expense amounting to 877 thousand euros relating to hedges inefficiency. In 2015 the income recognized relating to changes in value of derivatives held for trading amounted to 1,162 thousand euros and also income relating to hedges inefficiency for 3,500 thousand euros was recognised.

The effect of financial instruments in retained earnings in 2016 and 2015 is as follows:

	Thousands of euros
2014 Fair value adjustment	(36,853)
Variation in fair value adjustment	4,728
Variation in deferred tax from financial instruments (Note 28)	12,493
Variation in derivative financial instruments (assets)	22,321
Variation in derivative financial instruments (liabilities)	(26,586)
Effect in profit due to hedge inefficiency	(3,500)
2015 Fair value adjustment	(32,125)
Variation in fair value adjustment	(2,631)
Variation in deferred tax from financial instruments (Note 28)	1,023
Variation in derivative financial instruments (liabilities)	(4,531)
Effect in profit due to hedge inefficiency	877
2016 Fair value adjustment	(34,756)

“Others” includes the present value of implicit derivatives of exchange rates applicable to sales and purchases prices in certain customer and suppliers contracts (Note 12.a.3)).

b.2) Net investment hedges

At December 31, 2015 the heading “Interest-bearing loans and borrowings” included the bond issued by the subsidiary Gestamp Funding Luxembourg, S.A. amounting to 333 million US dollars (initial issue for 350 million US dollars of which 17 million were repurchased in 2015 (Note 22.a.1.II)) classified as hedge in net investment in subsidiaries located in the United States. On June 17, 2016 this bond was purchased and fully cancelled (Note 22.a.1.II).

This bond covered the Group exposure to the exchange rate risk of these investments. The gains and losses arising in the conversion of the debt are included in consolidated equity under the heading

Translation differences to compensate the possible gains and losses due to the conversion of the net investment in the subsidiaries.

Since this bond is considered a hedge instrument, the result generated in the conversion of the debt is included in consolidated equity and net of tax effect under the heading Translation differences. The result amounted to 11,760 thousand euros in profit in 2016 (8,467 thousand euros net of taxes) and 30,585 thousand euros in losses in 2015 (22,021 thousand euros net of taxes).

Cumulative translation differences through June 17, 2016 (date of the cancellation of the US dollar bonds) led to a loss of 46,813 thousand euros (33,706 thousand euros net of taxes).

The net investment in these subsidiaries includes the investment in the equity of the subsidiaries and the loans in US dollars granted to said subsidiaries by Group companies whose functional currency is Euro.

Although the bond in US dollar was issued by Gestamp Funding Luxembourg, S.A on May, 2013, the hedging relationship was not established for accountancy purposes until January 1, 2014. At June 17, 2016 and December 31, 2015 there was no hedge inefficiency.

c) Other liabilities

c.1) Financial leasing

The finance lease commitments recognized under this heading correspond to the present value of the payment commitments on the finance leases outlined in Note 11. The payment schedule for these lease payments and the corresponding finance expenses are as follows:

2016							
Thousands of euros							
Present value of lease obligations							
Segment	Short term			Long term		Future finance expenses	Finance lease installments
	Less than one year	Between one and five years	More than five years	Total	Total		
North America	1,101	4,778	16,777	21,555		6,453	29,109
Eastern Europe	2,313	7,701	830	8,531		1,562	12,406
Western Europe	64	10		10		3	77
Total	3,478	12,489	17,607	30,096		8,018	41,592

2015							
Thousands of euros							
Present value of lease obligations							
Segment	Short term			Long term		Future finance expenses	Finance lease installments
	Less than one year	Between one and five years	More than five years	Total	Total		
North America	1,029	4,476	17,451	21,927		6,983	29,939
Eastern Europe	5,192	5,457	1,408	6,865		1,054	13,111
Western Europe	71	77		77		9	157
Total	6,292	10,010	18,859	28,869		8,046	43,207

c.2) Borrowings with related parties

This heading in the Consolidated Balance Sheet includes the following items with related parties:

Description	Long term		Short term	
	2016	2015	2016	2015
Loans (Note 31.1)	42,420	42,167	-	7,438
Fixed assets suppliers (Note 31.1)	25,298	26,275	-	-
Interest (Note 31.1)	-	-	2,413	3,124
Current accounts (Note 31.1)			31	-
Total	67,718	68,442	2,444	10,562

At December 31, 2016 and December 31, 2015 the balance of long term fixed assets suppliers with Acek, Desarrollo y Gestión Industrial, S.L. corresponded to the purchase of the GESTAMP brand.

The breakdown of expected maturities for borrowings with related parties is as follows (Note 31.1):

Description	Thousands of euros					Total 2016	Total 2015
	2018	2019	2020	2021	Beyond		
Loans	20,771	21,649	-	-	-	42,420	42,167
North America	20,771					20,771	20,104
Eastern Europe		21,649				21,649	22,063
Fixed assets suppliers	1,042	1,110	1,183	1,260	20,703	25,298	26,275
Western Europe	1,042	1,110	1,183	1,260	20,703	25,298	26,275

The breakdown of maturity dates for the balances at December 31, 2015 is as follows:

Description	Thousands of euros					Total
	2017	2018	2019	2020	Beyond	
	977	21,146	23,173	1,183	21,963	68,442

Interest rates of loans granted by related parties are at market value.

c.3) Other liabilities

Other non-current liabilities

The breakdown of the amounts included under this heading, by segment, nature, and maturity, at December 31, 2016 and December 31, 2015 is as follows:

Description	Thousands of euros					Total 2016	Total 2015
	2018	2019	2020	2021	Beyond		
Loans from Ministry of Science and Technology	6,316	5,920	5,559	5,007	12,189	34,991	39,428
Western Europe	6,316	5,920	5,559	5,007	12,189	34,991	39,428

The breakdown of maturity dates for the balances at December 31, 2015 is as follows:

Thousands of euros					
2015					
2017	2018	2019	2020	Beyond	Total
6,245	5,915	6,124	5,499	15,645	39,428

d) Other non-trade liabilities

The breakdown of the amounts included under this heading by maturity and segment at December 31, 2016 is as follows:

Description	Thousands of euros					Total 2016	Total 2015
	2018	2019	2020	2021	Beyond		
Guarantees received		6			386	392	401
Western Europe		6			384	390	391
Mercosur					2	2	2
Asia						-	8
Fixed assets suppliers	198	70	82	96	64	510	831
Western Europe	138					138	276
Mercosur	60	70	82	96	64	372	555
Other creditors	5,659	1,124	728	861	1,084	9,456	15,313
Western Europe	2,989	1,118	728	861	1,084	6,780	14,861
Eastern Europe	2,303					2,303	-
Mercosur	367	6				373	452
Total	5,857	1,200	810	957	1,534	10,358	16,545

The breakdown of maturity dates for the balances at December 31, 2015 is as follows:

Thousands of euros					
2015					
2017	2018	2019	2020	Beyond	Total
9,097	3,799	462	610	2,577	16,545

Other current liabilities

The amounts included under this heading by nature are as follows:

Item	Thousands of euros	
	2016	2015
Fixed assets suppliers	182,953	127,698
Fixed assets suppliers, Associated companies (Note 3:	1,050	923
Dividends (Note 31.1)	848	-
Short term debts	29,156	22,240
Put Option Recognition	76,900	-
Short term interests payable	16	242
Deposits and guarantees	140	148
Other	(243)	(130)
Total	290,820	151,121

On December 23, 2016 the Parent Company granted a Put Option to Mitsui & Co. Ltd. for 10% of the shares in certain subsidiaries. The Put Option was valued according to the calculation method established in the contract, based on a multiplier of EBITDA generated in 2016 by the subsidiaries included in the put option. This option will be exercisable within 45 days after the notification to

Mitsui & Co. Ltd. of the intention to start a process for admission to official listing in the Madrid Stock Exchange.

On February 24th, 2017 Mitsui & Co. Ltd notified irrevocably that they will not exercise the Put Option (Note18).

23. Deferred Taxes

The changes in deferred tax assets and liabilities were as follows:

Deferred tax assets	Thousands of euros							
	Tax credits	Reversal of start-up expenses	Fair value of property and buildings	Non-deductible provisions	Accelerated depreciation	Unrealized, non-deductible exchange gains (losses)	Other	Total
At December 31, 2014	164,319	161	17,184	30,180	3,677	4,962	27,857	248,340
Inclusion in scope								-
Increases	10,569			29,757	742	1,794	34,362	77,224
Decreases	(28,668)	(78)		(9,292)	(67)	(2,766)	(4,881)	(45,752)
Translation differences	2,936	(4)		(3,722)	(123)	(526)	(1,038)	(2,477)
Other	1,121		(17,184)	1,352	1,209	885	6,059	(6,558)
At December 31, 2015	150,277	79	-	48,275	5,438	4,349	62,359	270,777
Inclusion in scope								-
Increases	19,248			7,081	1,565	1,566	19,689	49,149
Decreases	(38,691)	(72)		(12,743)	(123)	(6,061)	(15,842)	(73,532)
Translation differences	2,836	(6)		677	(228)	623	(2,332)	1,570
Other	22,150			(9,320)	558	6,917	5,170	25,475
At December 31, 2016	155,820	1	-	33,970	7,210	7,394	69,044	273,439

The balance Other regarding Tax credits mainly corresponded to the recognition of tax credits due to negative tax bases and incentives from previous years.

Increases in Other amounting to 34,362 thousand euros in 2015 and 19,689 thousand euros in 2016 mainly corresponded to the tax effect of hedges from the Parent Company as well as to non-deductible expenses from invoices to be received by Gestamp Polska SP. z.o.o.

Decreases in Other amounting to 15,842 thousand euros in 2016 mainly corresponded to the reversal of non-deductible expenses from invoices to be received by Gestamp Polska SP. z.o.o. of previous years.

The breakdown of deferred taxes by segment is as follows:

Segment	Thousands of euros	
	2016	2015
WESTERN EUROPE	164,584	158,090
EASTERN EUROPE	18,792	16,405
MERCOSUR	28,983	29,385
NORTH AMERICA	48,824	56,366
ASIA	12,256	10,531
TOTAL	273,439	270,777

Deferred tax liabilities	Thousands of euros							
	Portfolio provisions - individual companies	Tax deduction - goodwill individual companies	Capitalization of expenses	Allocation to goodwill	Revaluation of land and buildings	Depreciation/ amortization	Other	Total
At December 31, 2014	803	8,231	44,233	30,341	68,423	72,029	11,035	235,095
Inclusion in scope								-
Increases		852	10,364	3,003	1,643	11,644	2,725	30,231
Decreases	(1,203)		(4,790)	(3,645)	(1,666)	(3,106)	(885)	(15,295)
Translation differences			(86)	(858)		4,797	(797)	3,056
Other movements	(471)	(953)	(269)		(17,661)	(8,760)	571	(27,543)
At December 31, 2015	(871)	8,130	49,452	28,841	50,739	76,604	12,649	225,544
Inclusion in scope								-
Increases		716	11,625		286	1,437	20,433	34,497
Decreases		(633)	(5,755)	(3,645)	(1,576)	(4,677)		(16,286)
Translation differences			(634)	446	142	1,909	(902)	961
Other movements		133	(103)	(4,325)	1,246	(3,195)	(18)	(6,262)
At December 31, 2016	(871)	8,346	54,585	21,317	50,837	72,078	32,162	238,454

The net balance of Other movements in 2015 amounted to 20,985 thousand euros in liabilities and mainly included adjustments from prior years as well as tax credits from Gestamp North America, INC regarding recognition of tax losses from previous years as a consequence of local regulations approved this year.

Translation differences generated in 2016 and 2015 amounting to 609 thousand euros and 5,533 thousand euros respectively mainly corresponded to the application of different exchange rates each year (Note 28).

Increases in Other in 2016 amounting to 20,433 thousand euros mainly corresponded to the tax effect of the retrocession in consolidation process of the hedges registered as inefficient by the Parent Company and considered efficient at Group level.

24. Trade and other payables

a) Trade payables

	Thousands of euros	
	2016	2015
Trade accounts payable	978,617	812,718
Trade bills payable	147,166	133,890
Suppliers from related parties (Note 31.1)	226,348	188,405
Trade creditors, related parties (Note 31.1)	4,013	2,365
Total	1,356,144	1,137,378

b) Other payables

	Thousands of euros	
	2016	2015
VAT payable	60,682	50,589
Tax withholdings payable	12,910	13,616
Other items payable to the tax authorities	18,101	11,617
Payable to social security	28,124	26,857
Other payables	14,918	16,966
Outstanding remuneration	109,819	97,114
Total	244,554	216,759

25. Operating revenue

a) Revenue

The breakdown of revenue by category in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Parts, prototypes, and components	6,767,411	6,408,731
Tools	579,167	389,373
Byproducts and containers	194,163	219,136
Services rendered	8,197	17,272
Total	7,548,938	7,034,512

The geographical breakdown of revenue was as follows:

	Thousands of euros	
	2016	2015
Western Europe	3,704,114	3,607,362
Spain	1,320,922	1,269,940
Germany	1,044,527	1,020,375
United Kingdom	670,805	685,919
France	434,989	409,625
Portugal	159,911	143,487
Sweden	72,960	78,016
Eastern Europe	859,489	660,664
Turkey	272,037	241,493
Czech Republic	167,687	129,875
Russia	107,623	117,723
Poland	256,290	111,810
Hungary	50,584	50,434
Slovakia	5,268	9,329
Mercosur	401,365	466,503
Brazil	245,709	247,295
Argentina	155,656	219,208
North America	1,546,104	1,323,355
USA	1,153,802	907,346
Mexico	392,302	416,009
Asia	1,037,866	976,628
China	719,602	690,110
India	168,187	157,791
South Korea	137,844	118,541
Japan	7,259	5,956
Thailand	4,974	4,230
	7,548,938	7,034,512

b) Other operating income

	Thousands of euros	
	2016	2015
Other operating income	23,221	24,926
Grants related to income	3,494	2,073
Grants related to assets released to income for the year (Note 19)	6,218	6,589
Surplus provision for environmental matters and other commitments	4,261	4,454
Surplus provision for restructuring	-	5,147
Own work capitalized	93,383	91,757
Other	994	21,925
Change in provisions (Note 20)	-	18,540
Adjustments from prior years	-	(4,595)
Other	994	7,980
Total	131,571	156,871

Other operating income in 2016 and 2015 mainly included third party billing for transactions different from the main activity of the companies. In 2015 it also included the income from the business combination of Gestamp Pune Automotive Private Limited amounting to 1.371 thousand euros (Note 2.b).

The heading Other at December 31, 2016 included profits from tangible assets amounting to 994 thousand euros (December 31, 2015: 1,832 thousand euros). At December 31, 2015 this heading also included other income and expenses mainly related to commercial agreements, litigations and state financial aids amounting to 6,148 thousand euros. The balance of the said income and expenses at December 31, 2016 was a debit balance and it was registered in the heading Other operating expenses (Note 26.c)).

26. Operating expenses

a) Raw materials and other consumables

	Thousands of euros	
	2016	2015
Purchases of goods and tools for resale	860,423	679,004
Discounts for prompt payment	(1,769)	(2,164)
Purchase returns and similar transactions	(663)	(5,269)
Volume discounts	(8,240)	(7,946)
Change in inventories (**)	(32,136)	(22,322)
Purchases of raw materials	2,666,535	2,764,168
Consumption of other supplies	668,011	644,581
Work performed by third parties	354,606	255,855
Impairment of goods for resale and raw materials (**)	5,054	4,067
Reversal of impairment of goods for resale and raw materials (**)	(2,079)	(1,377)
Total	4,509,742	4,308,597

**The total of these line items amounts to a net consumption of raw materials amounting to 29,161 thousand euros (Note 13).

b) Personnel expenses

The breakdown of “Personnel expenses” in the Consolidated Income Statement is as follows:

	Thousands of euros	
	2016	2015
Salaries	1,043,824	971,251
Social security	225,570	206,969
Other benefits expenses	97,490	79,790
Total	1,366,884	1,258,010

Other benefit expenses included the contributions to defined contribution plans amounting to 6.1 million euros in 2016 (2015: 4.8 million euros) (Note 6.16).

The breakdown of average headcount by professional level in 2016 and 2015 is as follows:

Professional level	2016	2015
Directors/ Managers	831	714
Clerical, financial and IT department	1,624	1,878
Quality control department	2,173	1,804
Logistics department	2,889	2,644
Supply department	872	864
Technical department	3,509	2,828
Production foreman	1,469	1,320
Production workers	18,301	16,764
Other	4,550	4,089
Total	36,218	32,905

The breakdown of headcount by professional level at year end at December 31, 2016 and December 31, 2015 is as follows:

Professional level	2016		2015	
	Males	Females	Males	Females
Directors/ Managers	755	120	666	94
Clerical, financial and IT department	876	795	1,382	881
Quality control department	1,760	407	1,557	249
Logistics department	2,501	370	2,274	319
Supply department	708	159	713	155
Technical department	3,499	288	2,874	232
Production foreman	1,385	67	1,261	57
Production workers	17,906	1,609	16,427	1,334
Other	2,625	565	2,268	449
Total	32,015	4,380	29,422	3,770

c) Other operating expenses

	Thousands of euros	
	2016	2015
Maintenance and upkeep	576,494	530,423
Other external services	334,783	310,387
Taxes and levies	34,302	30,761
Impairment of accounts receivable (Note 14.a))	4,080	(127)
Other	6,504	3,925
Provision for risks and expenses	5,217	3,925
Increase/ Application of provisions (Note 20)	(2,090)	-
Adjustments prior years	5,567	-
Other	(2,190)	-
Total	956,163	875,369

The heading Other at December 31, 2016 included other income and expenses mainly related to commercial agreements and litigations amounting to 2,190 thousand euros. The balance of the said income and expenses at December 31, 2015 was a credit balance and it was registered in the heading Other operating income (Note 25.b)).

27. Financial income and financial expenses

a) Financial income

	Thousands of euros	
	2016	2015
From equity investments, Group Companies	-	5
From equity investments	1	4
From current loans to third parties	3	27
Other financial income	4,839	12,913
From current loans to related parties (Note 31.1)	432	360
Total	5,275	13,309

b) Financial expenses

	Thousands of euros	
	2016	2015
On bank borrowings	78,701	97,547
On trade bills with credit institutions	3,444	1,807
Other financial expenses	10,635	14,584
On update provisions	45	15
On borrowings from related parties (Note 31.1)	5,933	7,897
Total	98,758	121,850

c) Impairment and gains (losses) on sale of financial instruments

	Thousands of euros	
	2016	2015
Short term loans impairment loss (Note 12.b.1))	-	9,324
Loss from investment securities in associated companies (Note 12.a.4))	72	4,500
Others	5	5
Total	77	13,829

28. Income tax

The Parent Company and its subsidiaries file their income tax returns separately except:

- From January 1, 2014 on, the Parent Company chooses to apply the special fiscal consolidation regime, regulated under Basque Regional Law 11/2015. The subsidiaries included in this fiscal group are Gestamp Bizkaia, S.A; Bero Tools, S.L.; Gestamp North Europe Services, S.L., Loire S.A.F.E., Gestamp Global Tooling S.L., Matricerías Deusto S.L., Adral Matricería y Puesta a Punto S.L., Gestamp Tool Hardening S.L., Gestamp Try Out Services S.L., Gestamp Technology Institute S.L. and Diede Die Development S.L.
- The subsidiaries Gestamp North America, Inc., Gestamp Alabama, Llc., Gestamp Mason, Llc., Gestamp Chattanooga, Llc., Gestamp Chattanooga II Llc., Gestamp South Carolina, Llc., Gestamp West Virginia, Llc. and Gestamp Washtenaw Llc. file a tax return according to fiscal transparency system.

- The subsidiaries Gestamp 2008, S.L., Edscha Santander, S.L. and Edscha Burgos, S.L. file a consolidated tax return.
- The subsidiaries Griwe Innovative Umforttechnik, GmbH. Griwe Werkzeug Produktions GmbH and Griwe System Produktions GmbH file a tax return according to a profit and loss transfer agreement.
- The subsidiaries Edscha Holding, GmbH, Edscha Automotive Hengersberg, GmbH, Edscha Automotive Hauzenberg, GmbH, Edscha Engineering, GmbH, Edscha Kunststofftechnik GmbH, Edscha Hengersberg Real State GmbH and Edscha Hauzenberg Real State GmbH file a tax return according to a profit and loss transfer agreement.
- The subsidiaries GMF Holding, GmbH and Gestamp Umformtechnik, GmbH file a tax return according to a profit and loss transfer agreement.
- The subsidiaries Gestamp Sweden, AB and Gestamp HardTech AB file a tax return according to a profit and loss transfer agreement.

The detail of income taxes in 2016 and 2015, in thousands of euros, is as follows:

	Thousands of euros	
	2016	2015
Current tax expense	78,900	87,824
Deferred tax	10,080	(23,458)
Other income tax adjustments	(40)	(416)
Total	88,940	63,950

The reconciliation between the deferred tax expense in 2016 (income in 2015) and the net variation of deferred tax assets and liabilities is as follows:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	2016	2015	2016	2015
Balance (Note 23)	273,439	270,777	238,454	225,544
Variation current year	2,662	22,437	12,910	(9,551)
Net variation (Increase / decrease in net deferred asset)	(10,248)	31,988		
Translation differences (Note 23)	(609)	5,533		
Tax effect of hedges registered in Equity (Note 22.b.1))	(1,023)	(12,493)		
Other variations	1,800	(1,570)		
Increase / decrease in net deferred asset against profit for the year	(10,080)	23,458		
Income /expense for deferred tax current year	10,080	(23,458)		

Tax expense was calculated based on accounting profit before taxes, as shown below:

	Thousands of euros	
	2016	2015
Accounting profit (before taxes)	348,081	252,802
Theoretical tax expense	97,463	70,785
Differences in prevailing rates	(4,792)	(1,792)
Permanent differences	4,649	(215)
Deductions and tax credits previously not recognized	(27,579)	(10,124)
Statute-barred tax credits	13,474	21,602
Adjustments to income tax of prior years	5,765	(15,889)
Adjustments to tax rate	(40)	(417)
Tax expense (tax income)	88,940	63,950

The theoretical tax rate applied was 28% in 2016 and 2015.

“Differences in prevailing rates” in 2016 and 2015 reflected the differences between prevailing rates in certain operating markets and the theoretical applicable rate, mainly relating to operations taxed in the United States (35%), Brazil (34%), and Argentina (35%).

The Permanent differences in 2016 and 2015 reflected mainly inflation adjustments, exemption of income from brand billing, nondeductible differences in exchange rates, nondeductible expenses, and those differences permanent differences generated in the consolidation process.

The balances converted to euros of tax bases pending to be offset and unused tax incentives in other currencies, calculated at the exchange rates prevailing on that date, at December 31, 2016 and 2015 are the following:

	Millions of euros					
	2016			2015		
	With tax credit registered	Without tax credit registered	Total	With tax credit registered	Without tax credit registered	Total
Negative tax bases pending to be offset	309	605	914	286	586	872
<i>Tax credit</i>	97	159	256	84	163	247
Unused tax incentives	59	101	160	66	79	145
<i>Tax credit</i>	59	101	160	66	79	145
Total Tax credit registered (Note 23)	156			150		

At year end 2016 and 2015, the Group had capitalized unused negative bases and tax incentives that it expects to be able to utilize in future periods based on earnings projections and the deadlines and limits for their utilization.

The analysis on recoverability of tax credits is based on estimated future profits for each company. Such recoverability ultimately depends on the capacity of each company to generate taxable profits along the period where deferred tax assets are deductible.

The analysis on recoverability is elaborated according to the life-time of tax credits with a maximum of 10 years and to the current application conditions for such tax credits, especially the limits of application for negative tax bases.

The unused tax losses and unused tax incentives at December 31, 2016 and 2015 whose corresponding tax credit has been registered have the following breakdown by prescription date:

2016		
Millions of euros		
Range of maturity	Negative Tax Bases	Tax incentives
2017-2022	59	1
2023-2028	62	31
2029-2035	46	26
Without limit	142	1
Total	309	59

2015		
Millions of euros		
Range of maturity	Negative Tax Bases	Tax incentives
2016-2021	40	1
2022-2027	75	4
2028-2034	120	61
Without limit	51	-
Total	286	66

The unused tax losses and unused tax incentives at December 31, 2016 and 2015 whose corresponding tax credit has not been registered have the following breakdown by prescription date:

2016		
Millions of euros		
Range of maturity	Negative Tax Bases	Tax incentives
2017-2022	107	7
2023-2028	71	63
2029-2035	40	30
Without limit	387	1
Total	605	101

2015		
Millions of euros		
Range of maturity	Negative Tax Bases	Tax incentives
2016-2021	188	5
2022-2027	14	6
2028-2034	116	63
Without limit	268	5
Total	586	79

The majority of Group companies are open to inspection of all taxes to which they are liable and for the full statute of limitations period (4 years from filing date for all Spanish companies except for those with registered offices in the Basque Country for which the period is three years, and five years, as a rule, for companies based abroad), or since the date of incorporation, if more recent.

Management of the Parent Company and its subsidiaries calculated income tax for 2016 and the years open for inspection according to the legislation prevailing in each year. Given that the prevailing tax regulations related to the above mentioned matters are subject to varying interpretations, certain tax liabilities and contingencies may exist for 2016 and previous years that cannot be objectively quantified. However, the Group's directors and their legal and tax advisors consider that any potential tax liability which might arise would not significantly affect the accompanying Consolidated Financial Statements.

29. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are also calculated by adjusting the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares outstanding by all the dilutive effects inherent to potential ordinary shares.

Basic and diluted earnings per share for 2016 and 2015 are as follows:

	2016	2015
Profit attributable to equity holders of the parent company (Thousands of euros)	221,354	161,480
Loss from discontinued activities attributable to equity holders of the parent company (Thousand of euros)	-	-
Weighted average number of ordinary shares outstanding (Thousands of shares)	4,796	4,796
Basic earnings per share from continuing operations (Euros per share)	46.15	33.67
Basic earnings per share from discontinued operations (Euros per share)	-	-

30. Commitments

The Group is lessee of buildings, warehouses, machinery and vehicles. The lease expenses charged to the December 31, 2016 Consolidated Income Statement amounted to 99,643 thousand euros (December 31, 2015: 88,038 thousand euros) and the breakdown by segment is as follows:

	Thousands of euros	
	2016	2015
Western Europe	59,421	50,620
Eastern Europe	10,147	7,718
Mercosur	2,998	3,122
North America	18,920	18,805
Asia	8,157	7,773
Total	99,643	88,038

Total future minimum payments for non cancellable operating leases at December 31, 2016 and December 31, 2015 by segment are as follows:

	Thousands of euros		
	Less than 1 year	Between 1 and 5 years	More than 5 years
Western Europe	44,902	94,705	79,231
Eastern Europe	2,714	11,661	2,040
Mercosur	2,521	1,156	-
North America	29,130	128,217	72,422
Asia	6,605	5,906	4,311
Total 2016	85,872	241,645	158,004

	Thousands of euros		
	Less than 1 year	Between 1 and 5 years	More than 5 years
Total 2015	65,329	189,021	133,410

The increase in future minimum payments from 2015 to 2016 corresponded mainly to the signing of new agreements (mainly related to machinery) in companies belonging to the North America segment, and to the renegotiation of already existing agreements.

The commitments acquired by Group companies relating to the acquisition of fixed assets amounted to 895 million euros at December 31, 2016. Of those, 12% referred to orders from 2014, 20% from 2015 and 68% from 2016. It is likely that these percentages will be maintained in the future with regard to invoicing and payments of these commitments, such that execution will be from 2017 to 2019.

These commitments mainly refer to projects from new plants for manufacturing parts already nominated by customers to our Group.

The Group has no guarantees granted to third parties. The guarantees received from financial entities by the Group and presented to third parties at December 31, 2016 amounted to 305 million euros (December 31, 2015: 201 million euros).

31. [Related party transactions](#)

31.1 Balances and transactions with Related Parties

At December 31, 2016 and December 31, 2015 the amounts payable to and receivable from Related Parties and transactions carried out with Related Parties were as follows:

	Thousands of euros	
	2016	2015
Balances receivable /payable	(259,477)	(252,435)
Revenue		
Sales of goods	165,665	155,059
Services rendered	5,377	5,407
Financial income	432	360
Expenses		
Purchases	986,803	922,718
Services received	11,046	11,595
Financial expenses	5,933	7,897
Impairment loss	-	9,324

The consideration of related parties in the following schedules correspond to subsidiaries and associates of Acek Desarrollo y Gestión Industrial S.L. Group where the Parent Company has not direct or indirect investment.

There are no acquisition commitments with related parties no related to the usual productive activity of the Group.

The breakdown of receivables from and payables to Related Parties at December 31, 2016 is as follows:

Company	Thousands of euros	Company	Thousands of euros
Shareholders		Associates	
Acek, Desarrollo y Gestión Industrial, S.L	(31)	Esymo Metal, S.L.	1
Total payable Current account (Note 22.c.2)	(31)	Gestion Global de Matriceria, S.L	2
Shareholders		Total interest receivable	
Mitsui & Co., Ltd	(20,771)		3
JSC Karelsky Okatysh	(21,649)	Associates	
Total non-current loans (Note 22.c.2)	(42,420)	Esymo Metal, S.L.	800
Associates		Total Non-current Loans	
Esymo Metal, S.L.	320		800
Essa Palau, S.A.	1,745	Shareholders	
Gestion Global de Matriceria, S.L	8,400	Acek, Desarrollo y Gestión Industrial, S.L	(101)
Total Current Loans	10,465	Related parties	
Shareholders		Agricola La Vegailla, S.A.	(18)
Mitsui & Co., Ltd	(842)	Gescrap Navarra, S.L.	(2)
Other shareholders	(6)	Gescrap Polska SPZOO	(16)
Total Dividends payable (Note 22.d)	(848)	Gescrap France S.A.R.L.	2
Shareholders		Gonvarri Argentina S.A.	(7,903)
Acek, Desarrollo y Gestión Industrial, S.L	406	Gonvarri Galicia, SA	(31,988)
Related parties		Gonvarri Corporación Financiera, S.L.	(62)
Gescrap Centro, S.L	1,571	Gonvarri I. Centro Servicios, S.L.	(53,865)
Gescrap France S.A.R.L.	91	Gonvarri Polska, SP, ZOO.	(23,714)
Gescrap Navarra, S.L.	86	Gonvarri Ptos. Siderúrgicos, SA	(11,700)
Gescrap Polska SPZOO	258	Arcelormittal Gonvarri Brasil Ptos. Siderúrgicos, S.A	(2,341)
Gescrap, S.L.	803	Gonvauto Asturias S.L.	(1,608)
Gescrap Hungria KFT	306	Gonvauto Navarra, SA	(3,072)
Gescrap Autometal Mexico S.A. de C.V.	96	Gonvauto Puebla S.A. de C.V.	(16,946)
Gescrap Czech S.R.O.	42	Gonvauto Thuringen, GMBH	(7,590)
Gescrap Autometal Comercio de Sucatas S.A.	1,141	Gonvauto, SA	(30,220)
GES Recycling Ltd.	5	Gonvauto South Carolina LLC	(1,160)
Gescrap GmbH	1,454	Severstal Gonvarri Kaluga, LLC	(135)
Gescrap Noroeste, S.L.U.	26	Ind. Ferrodistribuidora, S.L.	(504)
Gescrap Kaluga Llc.	257	Láser Automotive Barcelona S.L.	(629)
GES Recycling USA Llc.	852	Gonvarri Czech S.R.O.	(771)
Gonvarri Galicia, SA	1,225	Steel & Alloy Ltd	(12,143)
Gonvarri I. Centro Servicios, S.L.	264	Láser Automotive GmbH	(205)
Gonvarri MS Corporate S.L.	46	Inmobiliaria Acek,S.L.	(359)
Gonvauto Navarra, SA	432	Arcelor Group	(1,991)
Gonvauto Puebla S.A. de C.V.	3	Associates	
Gonvauto Thuringen, GMBH	3,147	Essa Palau, S.A.	(8,365)
Gonvauto, SA	3,199	Esymo Metal, S.L.	(2,306)
Gonvarri Corporación Financiera, S.L.	(369)	GGM Puebla, S.A. de C.V.	(4,385)
Gonvarri Polska, SP, ZOO.	5	Gestion Global de Matriceria, S.L	(444)
Steel & Alloy Ltd	362	Ingeniería y Construcción Matrices, S.A.	(1,413)
Ind. Ferrodistribuidora, S.L.	56	IxCxT, S.A.	(394)
Gestamp Energías Renovables S.L.	501	Total Suppliers from related parties (Note 24.a)	(226,348)
Associates		Related parties	
Gestamp Tooling Manufacturing Kunshan Co Ltd	8,166	Severstal Gonvarri Kaluga, LLC	(4,002)
Essa Palau, S.A.	1,647	Associates	
Esymo Metal, S.L.	26	Gestion Global de Matriceria, S.L	(11)
GGM Puebla, S.A. de C.V.	2,736	Total Trade creditors, related parties (Note 24.a)	(4,013)
Gestion Global de Matriceria, S.L	77	Shareholders	
Ingeniería y Construcción Matrices, S.A.	2,540	Acek, Desarrollo y Gestión Industrial, S.L	(25,298)
IxCxT, S.A.	135	Total non-current Fixed assets suppliers (Note 22.c.2)	(25,298)
Jui Li Edscha Body System Co Ltd	3	Shareholders	
Jui Li Edscha Hainan Co Ltd	81	Acek, Desarrollo y Gestión Industrial, S.L	(978)
Total Trade receivables from related parties (Note 14.a)	31,676	Associates	
Shareholders		GGM Puebla, S.A de C.V	(72)
Acek, Desarrollo y Gestión Industrial, S.L	(1,292)	Total Other current suppliers (Note 22.d)	(1,050)
JSC Karelsky Okatysh	(1,085)		
Related parties			
Gonvarri I. Centro Servicios, S.L.	(36)		
Total interest payable (Note 22.c.2)	(2,413)		
		Total balances receivable / payable	(259,477)

The breakdown of receivables from and payables to Related Parties at December 31, 2015 were as follows:

Company	Thousands of euros	Company	Thousands of euros
Shareholders		Shareholders	
Acek, Desarrollo y Gestión Industrial, S.L.	26	Acek, Desarrollo y Gestión Industrial, S.L	(1,337)
Total receivable Current account	26	JSC Karelsky Okatysh	(1,169)
Shareholders		Related parties	
Mitsui & Co., Ltd	(20,104)	Gonvarri I. Centro Servicios, S.L.	(36)
JSC Karelsky Okatysh	(22,063)	Gonvarri Corporación Financiera, S.L.	(582)
Total non-current loans (Note 22.c.2)	(42,167)	Total interest payable (Note 22.c.2)	(3,124)
Related parties		Associates	
Gonvarri Corporación Financiera, S.L.	(7,438)	Esymo Metal, S.L.	1,120
Total current loans (Note 22.c.2)	(7,438)	Total Non-current Loans	1,120
Associates		Shareholders	
Esymo Metal, S.L.	320	Acek, Desarrollo y Gestión Industrial, S.L	(2,582)
Total Current Loans	320	Arcelor Group	(2,527)
Associates		Related parties	
Esymo Metal, S.L.	1	Agrícola La Vegailla, S.A.	(18)
Gestion Global de Matriceria, S.L	61	Gescrap Navarra, S.L.	(2)
Total interest receivable	62	Gescrap Polska SP. Z O.O.	(3)
Shareholders		Shareholders	
Acek, Desarrollo y Gestión Industrial, S.L	7	Gonvarri Argentina S.A.	(6,974)
Related parties		Related parties	
Gescrap Centro, S.L	516	Gonvarri Galicia, S.A.	(23,753)
Gescrap France S.A.R.L.	1,010	Gonvarri Corporación Financiera, S.L.	41
Gescrap Navarra, S.L.	234	Gonvarri I. Centro Servicios, S.L.	(42,666)
Gescrap Polska SP.Z O.O.	345	Gonvarri Polska, SP. Z O.O.	(9,486)
Gescrap, S.L.	3,501	Gonvarri Ptos. Siderúrgicos, S.A.	(10,673)
Gescrap Hungría KFT	176	Gonvauto Asturias S.L.	(2,236)
Gescrap Autometal Mexico S.A. de C.V.	606	Gonvauto Navarra, S.A.	(4,976)
Gescrap Czech S.R.O.	22	Gonvauto Puebla S.A. de C.V.	(18,680)
Gescrap Autometal Comercio de Sucatas S.A.	351	Gonvauto Thuringen, GmbH	(5,507)
GES Recycling Ltd.	285	Gonvauto, S.A.	(22,812)
Gonvarri Galicia, S.A.	148	Gonvauto South Carolina LLC	(673)
Gonvarri I. Centro Servicios, S.L.	112	Severstal Gonvarri Kaluga, LLC	(517)
Gonvarri MS Corporate S.L.	46	Hierros y Aplanaciones, S.A.	(70)
Gonvauto Navarra, S.A.	694	Ind. Ferrodistribuidora, S.L.	70
Gonvauto Puebla S.A. de C.V.	389	Láser Automotive Barcelona S.L.	(805)
Gonvauto Thuringen, GmbH	1,092	Gonvarri Czech S.R.O.	(621)
Gonvauto, S.A.	480	Steel & Alloy Ltd.	(15,092)
Gonvarri Corporación Financiera, S.L.	169	Inmobiliaria Acek,S.L.	(208)
Gonvarri Polska SP. Z O.O.	4	Air Executive S.L.	(107)
Ind. Ferrodistribuidora, S.L.	281	Associates	
Severstal Gonvarri Kaluga, LLC	8	Esymo Metal, S.L.	(1,766)
Steel & Alloy Ltd.	29	Jui Li Edscha Body System Co. Ltd.	(8)
Gonvarri Czech S.R.O.	37	Ingeniería y Construcción Matrices, S.A.	(898)
Gestamp Energías Renovables S.L.	426	Essa Palau, S.A.	(13,777)
Inmobiliaria Acek,S.L.	8	GGM Puebla, S.A. de C.V.	(796)
Recuperaciones Medioambientales Subgroup	6	Gestion Global de Matriceria, S.L	(283)
Associates		Total Suppliers from related parties (Note 24.a)	(188,405)
Esymo Metal, S.L.	9	Related parties	
Essa Palau, S.A.	1,440	Severstal Gonvarri Kaluga, LLC	(2,342)
GGM Puebla, S.A. de C.V.	1,373	Associates	
Ingeniería y Construcción Matrices, S.A.	1,919	Gestion Global de Matriceria, S.L	(23)
Gestion Global de Matriceria, S.L	740	Total Trade creditors, related parties (Note 24.a)	(2,365)
IxCXT, S.A.	3	Shareholders	
Jui Li Edscha Body System Co. Ltd.	6	Acek, Desarrollo y Gestión Industrial, S.L	(26,275)
Jui Li Edscha Hainan Co. Ltd.	262	Total non-current Fixed assets suppliers (Note 22.c.2)	(26,275)
Total Trade receivables from related parties (Note 14.a)	16,734	Shareholders	
		Acek, Desarrollo y Gestión Industrial, S.L	(918)
		Related parties	
		Gonvarri Galicia, S.A.	(3)
		Associates	
		Esymo Metal, S.L.	(2)
		Total Other current suppliers (Note 22.d)	(923)
		Total balances receivable / payable	
		(252,435)	

The breakdown of transactions carried out with Related Parties during 2016 was as follows:

Company	Thousands of euros	Company	Thousands of euros
Related parties		Related parties	
Gescrap Autometal Comercio de Sucata S.A.	(7,625)	Arcelormittal Gonvarri Brasil Ptos. Siderúrgicos, S.A	19,296
Gescrap S.L.	(29,419)	Gonvauto Asturias S.L.	10,234
Gescrap Centro, S.L	(2,522)	Gonvarri Argentina S.A.	45,414
Gescrap France S.A.R.L.	(12,412)	Gonvarri Galicia, SA	75,030
Gescrap Navarra, S.L.	(3,987)	Gonvarri I. Centro Servicios, S.L.	198,962
Gescrap Polska SPZOO	(6,947)	Gonvarri Polska, SP, ZOO.	78,044
Gescrap Czech S.R.O.	(482)	Gonvarri Ptos. Siderúrgicos, SA	32,505
Gescrap Hungría KFT	(1,372)	Gonvauto Navarra, SA	11,348
GES Recycling Ltd.	(1,291)	Gonvauto Puebla S.A. de C.V.	64,761
Gescrap GmbH	(6,701)	Gonvauto Thuringen, GMBH	81,689
Gescrap Noroeste S.L.U.	(2,411)	Gonvauto, SA	88,158
Gescrap Kaluga Llc.	(2,234)	Hierros y Aplanaciones S.A.	(55)
Gescrap Autometal México, S.A. de C.V.	(11,621)	Ind. Ferrodistribuidora, S.L.	1,824
GES Recycling USA Llc.	(8,486)	Severstal Gonvarri Kaluga, LLC	46,888
Gonvarri Galicia, SA	(6,194)	Steel & Alloy Ltd.	74,521
Gonvarri I. Centro Servicios, S.L.	(1,385)	Gonvauto South Carolina Llc.	8,485
Gonvauto Navarra, SA	(3,079)	Laser Automotive Barcelona S.L.	2,414
Gonvauto Puebla S.A. de C.V.	(356)	Gonvarri Czech S.R.O.	2,524
Gonvauto, SA	(36,678)	Laser Automotive Thuringen GmbH	815
Gonvauto Thuringen, GMBH	(9,729)	Gonvarri Corporación Financiera, S.L.	82
Severstal Gonvarri Kaluga, LLC	(84)	Arcelor Group	57,675
Ind. Ferrodistribuidora, S.L.	(46)	Associates	
Associates		Esymo Metal, S.L.	3,358
Ingeniería y Construcción Matrices, S.A.	(830)	Jui Li Edscha Body Systems Co. Ltd.	7
Jui Li Edscha Hainan Co. Ltd.	(70)	Ingeniería y Construcción Matrices, S.A.	7,831
Essa Palau, S.A.	(6,455)	IxCxT, S.A	580
GGM Puebla, S.A de C.V	(2,599)	GGM Puebla, S.A de C.V	12,374
Gestión Global de Matricería, S.L.	(650)	Essa Palau, S.A.	62,039
Total Sales	(165,665)	Total Purchases	986,803
Shareholders		Shareholders	
Acek, Desarrollo y Gestión Industrial, S.L	(1,976)	Acek, Desarrollo y Gestión Industrial, S.L	3,341
Related parties		Related parties	
Gonvarri Polska, SP, ZOO.	(4)	Air Executive, S.L.	1,417
Gonvarri Ptos. Siderúrgicos, SA	(1)	Agrícola La Vaguilla, S.A.	161
Gonvauto Thuringen, GMBH	(75)	Gescrap S.L.	202
Gonvarri Corporación Financiera, S.L.	(5)	Gescrap Navarra, S.L.	13
Inmobiliaria Acek, S.L	(12)	Gescrap Polska SPZOO	39
Gestamp Energías Renovables S.L.	(414)	Gonvarri I. Centro Servicios, S.L.	80
Gescrap S.L.	(1)	Gonvarri Polska, SP, ZOO.	10
Gescrap Autometal México, S.A. de C.V.	(41)	Gonvarri Ptos. Siderúrgicos, SA	305
Gescrap Autometal México Servicios, S.A. de C.V.	(3)	Gonvauto Puebla S.A. de C.V.	114
Gescrap France S.A.R.L.	(37)	Gonvauto, SA	11
Gescrap Polska SPZOO	(65)	Gonvarri Corporación Financiera, S.L.	2
Associates		Laser Automotive Barcelona S.L.	5
Gestamp Tooling Manufacturing Kunshan Co Ltd	(126)	Ind. Ferrodistribuidora, S.L.	2
Esymo Metal, S.L.	(126)	Gonvauto Asturias S.L.	(1)
Ingeniería y Construcción Matrices, S.A.	(745)	Gonvauto South Carolina Llc.	(6)
IxCxT, S.A	(242)	Gonvarri Galicia, SA	90
Jui Li Edscha Body Systems Co. Ltd.	(1)	Gonvarri Czech S.R.O.	13
Jui Li Edscha Hainan Co. Ltd.	(10)	Inmobiliaria Acek, S.L	2,095
Essa Palau, S.A.	(303)	Associates	
GGM Puebla, S.A de C.V	(1,170)	Esymo Metal, S.L.	397
Gestión Global de Matricería, S.L.	(20)	Ingeniería y Construcción Matrices, S.A.	184
Total Services rendered	(5,377)	IxCxT, S.A	83
Shareholders		Essa Palau, S.A.	(142)
Acek, Desarrollo y Gestión Industrial, S.L	(11)	Gestión Global de Matricería, S.L.	2,443
Associates		GGM Puebla, S.A de C.V	188
Essa Palau, S.A.	(302)	Total Services received	11,046
Esymo Metal, S.L.	(17)	Shareholders	
Gestión Global de Matricería, S.L.	(102)	Acek, Desarrollo y Gestión Industrial, S.L	1,851
Total Financial income (Note 27.a)	(432)	Mitsui &Co., Ltd	933
		JSC Karelsky Okatysh	2,138
		Related parties	
		Gonvarri Corporación Financiera, S.L.	77
		Gonvarri Galicia, SA	247
		Gonvarri I. Centro Servicios, S.L.	64
		Gonvarri Ptos. Siderúrgicos, SA	83
		Gonvauto Navarra, SA	10
		Gonvauto, SA	188
		Gonvauto Puebla S.A. de C.V.	342
		Total Financial expenses (Note 27.b)	5,933

The breakdown of transactions carried out with Related Parties during 2015 was as follows:

Company	Thousands of euros	Company	Thousands of euros
Related parties		Shareholders	
Gescrap Autometal Comercio de Sucata S.A.	(7,088)	Arcelor Group	82,617
Gescrap Autometal México, S.A. de C.V.	(16,621)	Related parties	
Gescrap S.L.	(27,082)	Arcelormittal Gonvarri Brasil Ptos. Siderúrgicos, S.A	9,937
Gescrap Centro, S.L	(2,976)	Gonvauto Asturias S.L.	6,935
Gescrap France S.A.R.L.	(15,474)	Gonvarri Argentina S.A.	56,446
Gescrap Navarra, S.L.	(4,391)	Gonvarri Galicia, S.A.	60,484
Gescrap Polska SP.Z O.O.	(5,412)	Gonvarri I. Centro Servicios, S.L.	184,532
Gescrap Czech S.R.O.	(430)	Gonvarri Polska, SP. Z O.O.	67,152
Gescrap Hungría KFT	(1,609)	Gonvarri Ptos. Siderúrgicos, S.A.	31,687
GES Recycling Ltd.	(4,199)	Gonvauto Navarra, S.A.	20,520
Gescrap GmbH	(8,276)	Gonvauto Puebla S.A. de C.V.	68,892
Gonvarri Galicia, S.A.	(5,900)	Gonvauto Thuringen, GmbH	77,437
Gonvarri I. Centro Servicios, S.L.	(1,994)	Gonvauto, S.A.	86,325
Gonvauto Navarra, S.A.	(9,377)	Ind. Ferrodistribuidora, S.L.	201
Gonvauto Puebla S.A. de C.V.	(296)	Severstal Gonvarri Kaluga, LLC	42,676
Gonvauto, S.A.	(34,670)	Steel & Alloy Ltd	41,513
Ind. Ferrodistribuidora, S.L.	(301)	Gonvauto South Carolina LLC	6,355
Gonvauto South Carolina LLC	(3)	Laser Automotive Barcelona S.L.	812
Gonvauto Thuringen, GmbH	(30)	Gonvarri Czech S.R.O.	592
Severstal Gonvarri Kaluga, LLC	(26)	Gonvarri Aluminium GmbH	66
Associates		Associates	
Ingeniería y Construcción Matrices, S.A.	(391)	Esymo Metal, S.L.	3,439
Jui Li Edscha Hainan Co. Ltd.	(173)	Jui Li Edscha Body Systems Co. Ltd.	53
Essa Palau, S.A.	(7,280)	Ingeniería y Construcción Matrices, S.A.	8,354
GGM Puebla, S.A de C.V	(102)	GGM Puebla, S.A de C.V	4,976
Gestión Global de Matricería, S.L.	(958)	Essa Palau, S.A.	60,717
Total Sales	(155,059)	Total Purchases	922,718
Shareholders		Shareholders	
Acek, Desarrollo y Gestión Industrial, S.L	(16)	Acek, Desarrollo y Gestión Industrial, S.L	3,593
Related parties		Related parties	
Gonvarri Polska, SP. Z O.O.	(22)	Agrícola La Vegailla, S.A	140
Gonvarri Ptos. Siderúrgicos, S.A.	(1)	Air Executive, S.L.	587
Gonvarri Czech S.R.O.	(30)	Gescrap S.L.	194
Gonvarri Corporación Financiera, S.L.	(400)	Gescrap Navarra, S.L.	10
Gonvarri I. Centro Servicios, S.L.	(21)	Gescrap Polska SP. Z O.O.	32
Gonvarri Aluminium GmbH	(1)	Gonvarri I. Centro Servicios, S.L.	124
Gonvauto Thuringen, GmbH	(13)	Gonvarri Polska, SP. Z O.O.	(1)
Inmobiliaria Acek, S.L	(10)	Gonvarri Ptos. Siderúrgicos, S.A.	237
Gestamp Energías Renovables S.L.	(588)	Gonvauto Puebla S.A. de C.V.	737
Gescrap Autometal México, S.A. de C.V.	(3)	Gonvauto, S.A.	23
Recuperaciones Mediambientales Subgroup	(99)	Ind. Ferrodistribuidora, S.L.	4
Associates		Associates	
Esymo Metal, S.L.	(112)	Gonvauto Navarra, S.A.	(1)
Ingeniería y Construcción Matrices, S.A.	(1,794)	Gonvarri Argentina S.A.	11
IxCxT, S.A	(8)	Gonvauto South Carolina LLC	(92)
Jui Li Edscha Body Systems Co. Ltd.	(12)	Inmobiliaria Acek, S.L	2,017
Jui Li Edscha Hainan Co. Ltd.	(6)	Associates	
Essa Palau, S.A.	(581)	Esymo Metal, S.L.	1,350
GGM Puebla, S.A de C.V	(1,291)	Ingeniería y Construcción Matrices, S.A.	176
Gestión Global de Matricería, S.L.	(399)	Essa Palau, S.A.	(122)
Total Services rendered	(5,407)	Gestión Global de Matricería, S.L.	2,418
Shareholders		GGM Puebla, S.A de C.V	158
Acek, Desarrollo y Gestión Industrial, S.L	(9)	Total Services received	11,595
Associates		Shareholders	
Essa Palau, S.A.	(197)	Acek, Desarrollo y Gestión Industrial, S.L	2,344
Esymo Metal, S.L.	(29)	Mitsui & Co	809
Gestion Global de Matriceria, S.L	(125)	JSC Karelsky Okatysh	2,280
Total Financial income (Note 27.a)	(360)	Related parties	
		Gonvarri Corporación Financiera, S.L.	1,320
		Gonvarri Galicia, S.A.	100
		Gonvarri I. Centro Servicios, S.L.	72
		Gonvarri Ptos. Siderúrgicos, S.A.	81
		Gonvauto Navarra, S.A.	18
		Gonvauto, S.A.	231
		Gonvauto Puebla S.A. de C.V.	642
		Total Financial expenses (Note 27.b)	7,897
		Associates	
		Essa Palau, S.A.	9,324
		Total Short term loans impairment loss	9,324

31.2 Board of Directors' remuneration

In 2016 Acek, Desarrollo y Gestión Industrial, S.L. received total remuneration of 345 thousand euros as compensation for membership of the Board of Directors of certain Group companies (2015: 345 thousand euros).

The remuneration and life insurance premiums accrued during 2016 and 2015 by the natural persons acting as representatives of the members of the Board of Directors of the Parent Company is included in the remuneration accrued by the Senior Management's Remuneration informed in Note 31.3.

In 2016 loans amounting to 3,000 thousand euros were granted to the representative natural persons of the members of the Board of Directors for acquiring shares in the Parent Company from Acek Desarrollo y Gestión Industrial S.L. (Note 12.a.2)). In 2015 no loans were granted.

In 2016 and 2015, no advances, pensions or life insurance benefits were granted to members of its Board nor their representatives as natural persons.

31.3 Senior Management's Remuneration

In 2016 total remuneration for the members of the Management Committee, which fully corresponded to salaries, amounted to 6,346 thousand euros (2015: 4,265 thousand euros), included in "Personnel expenses" in the accompanying consolidated income statement. The amount corresponding to life insurances in 2016 was 25 thousand euros.

In 2016 loans amounting to 13,000 thousand euros were granted to the members of the Management Committee, except those who are members of the Board of Directors and who are included in Note 31.2, for acquiring shares in the Parent Company from Acek Desarrollo y Gestión Industrial S.L. (Note 12.a.2)). In 2015 no loans were granted.

32. Other disclosures

32.1 Audit fees

Audit fees related to the annual audit of consolidated and individual financial statements of the companies included in the consolidation scope for 2016 amounted to 3,950 thousand euros (2015: 3,735 thousand euros).

Of the audit fees mentioned above, the fees paid to the auditor of the Parent Company for all audit work performed for the Group in 2016 amounted to 3,892 thousand euros (2015: 3,598 thousand euros).

Fees paid for other services rendered by the auditor of the Parent Company and companies with their trade name in 2016 amounted to 691 thousand euros (2015: 434 thousand euros).

32.2 Environmental issues

The cost of PP&E items acquired for environmental protection and improvement purposes amounted to 5,152 thousand euros at year end 2016. Accumulated depreciation on these assets stood at 3,182 thousand euros (2015:4,628 thousand euros and 2,932 thousand euros, respectively).

In 2016, the Group also recognized 853 thousand euros in environmental protection and improvement expenses (2015: 668 thousand euros).

The accompanying consolidated balance sheet does not include any provision for environmental issues given that the Parent Company's directors consider that at year end there are no liabilities to be settled in the future in connection with actions taken by the companies which comprise the consolidated Group to prevent, reduce or repair damages to the environment, and they believe that were such liabilities to exist, they would not be significant. At year end the Group had not received any subsidies for environmental issues.

33. Financial risk management

To manage its financial risk, the Group continually revises its business plans, analyses the relationship between the risks and the present value of cash flows associated with its investments in addition to taking an accounting approach that allows an assessment of changes in risk exposure.

33.1 Financial risk factors

In compliance with prevailing legislation, below is a description of the main financial risks to which the Group is exposed:

- ✓ Market risk
 - o Exposure to fluctuations in foreign exchange rates
 - o Exposure to fluctuations in interest rates
- ✓ Liquidity risk
- ✓ Credit risk
- ✓ Raw material price risk

Foreign currency risk

Fluctuations in the exchange rate between the currency in which a transaction is denominated and the Group's presentation currency can have a negative or positive impact on its profit or loss, specifically affecting management of its financial debt.

The Group operates in the following currencies:

Euro	US dollar	Mexican peso
Argentine peso	Brazilian reais	GB pound
Swedish crown	Polish zloty	Hungarian forint
Turkish lira	Indian rupee	Korean won
Chinese yuan	Russian ruble	Czech crown
Japanese yen	Thai baht	

To manage exchange rate risk, the Group uses a series of financial instruments that give it a degree of flexibility, basically comprised of the following:

- A. 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.
- B. "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.

At December 31, 2016 and December 31, 2015 these instruments were not arranged.

The tables below show the sensitivity of profit and equity, in thousands of euros, to changes in exchange rates relative to the euro.

The sensitivity of profit to exchange rate fluctuations, corresponding to years 2016 and 2015, is as follows:

Currency	2016	
	IMPACT ON PROFIT	
	5% Fluctuation	-5% Fluctuation
Swedish crown	(1,311)	1,311
US dollar	80	(80)
Hungarian forin	(740)	740
GB pound	631	(631)
Mexican peso	151	(151)
Brazilian reais	(470)	470
Chinese yuan	1,961	(1,961)
Indian rupee	379	(379)
Turkish lira	357	(357)
Argentine peso	31	(31)
Russian ruble	6	(6)
Korean won	453	(453)
Polish zloty	1,096	(1,096)
Czech crown	265	(265)
Japanese yen	57	(57)
Thai baht	18	(18)
IMPACT IN ABSOLUTE TERMS	2,964	(2,964)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	221,354	221,354
EFFECT IN RELATIVE TERMS	1.34%	-1.34%

2015		
Currency	IMPACT ON PROFIT	
	5% Fluctuation	-5% Fluctuation
Swedish crown	(1,021)	1,021
US dollar	817	(817)
Hungarian forin	(419)	419
GB pound	830	(830)
Mexican peso	1,200	(1,200)
Brazilian reais	(565)	565
Chinese yuan	2,093	(2,093)
Indian rupee	349	(349)
Turkish lira	90	(90)
Argentine peso	(98)	98
Russian ruble	(296)	296
Korean won	249	(249)
Polish zloty	(89)	89
Czech crown	66	(66)
Japanese yen	60	(60)
Thai baht	10	(10)
IMPACT IN ABSOLUTE TERMS	3,276	(3,276)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	161,480	161,480
EFFECT IN RELATIVE TERMS	2.03%	-2.03%

The sensitivity of equity to exchange rate fluctuations, corresponding to years 2016 and 2015, is as follows:

2016		
Currency	IMPACT ON EQUITY	
	5% Fluctuation	5% fluctuation
Swedish crown	(2,667)	2,667
US dollar	5,555	(5,555)
Hungarian forint	(3,090)	3,090
GB pound	7,875	(7,875)
Mexican peso	(520)	520
Brazilian reais	3,400	(3,400)
Chinese yuan	11,183	(11,183)
Indian rupee	1,700	(1,700)
Turkish lira	243	(243)
Argentine peso	(2,571)	2,571
Russian ruble	(4,293)	4,293
Korean won	1,868	(1,868)
Polish zloty	1,988	(1,988)
Czech crown	(201)	201
Japanese yen	(67)	67
Thai baht	89	(89)
IMPACT IN ABSOLUTE TERMS	20,490	(20,490)
EQUITY	1,872,003	1,872,003
EFFECT IN RELATIVE TERMS	1.09%	-1.09%

Currency	2015	
	IMPACT ON EQUITY	
	5% Fluctuation	-5% fluctuation
Swedish crown	(1,264)	1,264
US dollar	6,148	(6,148)
Hungarian forint	(2,101)	2,101
Sterling pound	7,204	(7,204)
Mexican peso	1,273	(1,273)
Brazilian reais	2,908	(2,908)
Chinese yuan	9,973	(9,973)
Indian rupee	912	(912)
Turkish lira	104	(104)
Argentine peso	(2,178)	2,178
Russian ruble	(5,299)	5,299
Korean won	1,294	(1,294)
Polish zloty	2,538	(2,538)
Czech crown	488	(488)
Japanese yen	(113)	113
Thai baht	59	(59)
IMPACT IN ABSOLUTE TERMS	21,944	(21,944)
EQUITY	1,798,393	1,798,393
EFFECT IN RELATIVE TERMS	1.22%	-1.22%

Interest rate risk

The Group's borrowings mainly bear interest at floating rates, exposing it to risk from fluctuations in market interest rates, so that market fluctuations affect cash flows. The Group mitigates this risk by using interest rate derivatives, mainly swaps, by which it converts the floating rate on a loan into a fixed rate. It may swap the rate on a portion of the loan or on the entire loan, and for its entire duration or a part thereof.

In general the Group's borrowings are at floating rates indexed to Euribor except the bonds issued by the Group in May, 2016 which bear a fixed interest rate.

Had the average interest on euro denominated financial borrowings changed in 50 Bps in 2016, all other variables remaining constant, the finance result would have changed in 3,764 thousand euros.

Had the average interest on euro denominated financial borrowings changed in 50 Bps in 2015, all other variables remaining constant, the finance result would have changed in 80 thousand euros.

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 and/or equity markets that prevent or hinder its capital raising efforts.

The Group manages liquidity risk by maintaining sufficient cash balances to enable it to negotiate refinancing on the best possible terms and to cover its near term cash outlays, thereby avoiding the need to raise funds on disadvantageous terms.

The breakdown of liquidity and capital resources at December 31, 2016 and 2015 was as follows:

	Thousands of euros	
	2016	2015
Cash and cash equivalents	430,463	355,975
Current financial investments		
Debt securities	338	2,535
Revolving credit facilities (Note 22.a.1.1))	280,000	280,000
Undrawn credit lines	457,287	282,087
	1,168,088	920,597

The working capital can be defined as the permanent financial resources needed to carry out the activity of the company, that is, the part of current assets financed with long-term funds.

The Group's working capital at December 31, 2016 and December 31, 2015 is as follows:

	Thousand euros	
	2016	2015
Current assets	2,507,717	2,196,091
Current liabilities	(2,359,043)	(1,859,530)
TOTAL WORKING CAPITAL	148,674	336,561

	Thousand euros	
	2016	2015
Equity	1,872,003	1,798,393
Non-current liabilities	2,198,602	2,087,818
Non-current assets	(3,921,931)	(3,549,650)
TOTAL WORKING CAPITAL	148,674	336,561

As reflected in the 2016 Consolidated Statement of Cash Flows, changes in working capital imply a decrease in necessities amounting to 24.6 million euros. The main reason is the increase in Trade payables because of a 5-day increase in the average period of payment to suppliers at December 31, 2016 compared to the same period at December 31, 2015. It is partially compensated with the increase in Trade receivables at December 31, 2016 compared to the balance of the said heading from the Consolidated Balance Sheet at December 31, 2015. The main reason is the increase in Accounts receivable by stage of completion, tools in 2016.

Credit risk

Credit risk is concentrated primarily in the Group's accounts receivable. Management considers that its counterparties are very creditworthy.

Each business unit manages its credit risk according to policies, procedures and controls determined by the Group regarding credit risk management of customers.

At each closing date, the Group companies 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.

The Group has no guarantee on debts and has concluded that the risk concentration is low given that its customers belong to distinct jurisdictions and operate in highly independent markets.

The credit risk with banks is managed by the treasury department of the Group according to the Group 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.

The maximum exposure of the Group to credit risk at December 31, 2016 and 2015 amounts to the carrying values (Note 14), except for financial guarantees and derivative financial instruments.

The net Credit Valuation Adjustment by counterparty (CVA + DVA) is the method used to value the credit risk of the counterparties and the Parent Company in calculating the fair value of derivative financial instruments. This adjustment reflects the possibility of bankruptcy or impairment of the credit quality of the counterparty and the Parent Company. The simplified formula corresponds to the expected exposure multiplied by the possibility of bankruptcy and by the expected loss in case of non-payment. For calculating such variables the Parent Company uses market references.

Raw Materials Price Risk

The steel is the main raw material used in the business.

In 2016, 60% of the steel was purchased through "re-sale" programs with customers (58% in 2015), whereby the OEM periodically negotiates with the steel maker the price of the steel that Gestamp uses 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 not purchased under "re-sale", the OEMs adjust Gestamp's selling prices based on the steel prices they themselves have negotiated with steel suppliers. Historically, the Group has negotiated and agreed its 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.

Hence, Gestamp considers that the Group's exposure to steel price fluctuations is not significant.

33.2 Hedge accounting

For the purpose of hedge accounting, the Group classifies its hedges as:

- Fair value hedges when hedging the exposure to changes in the market value of a recognized asset or liability, or of a firm commitment attributable to a specific risk.
- Cash flow hedges when hedging exposure to fluctuations in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction.
- Hedges of a net investment in a foreign operation when hedging exposure to variability in exchange rates relative to a net investment in a foreign operation.

Such derivative financial instruments are initially recognized at acquisition cost and are subsequently valued at fair value. Changes in fair value are normally accounted for in keeping with specific hedge accounting criteria.

The accounting for these instruments is carried out as follows:

- Fair value hedges: changes in the fair value of the hedging instrument and the hedged item, in both instances attributable to the risk hedged, are recognized in the consolidated income statement.
- Cash flow hedges: changes in the fair value of the hedging instrument attributable to the risk hedged, as long as the hedge is effective, are recognized in "Retained earnings" in equity. Amounts taken to equity are transferred to the Consolidated Income Statement when the hedged cash flows affect profit or loss.
- Hedges of a net investment in a foreign operation: these hedges are accounted for in a way similar to cash flow hedges. Fair value gains or losses in these hedging instruments are recognized in "Translation differences." If a foreign operation is sold, the cumulative value of any such gains or losses recognized directly in equity ("Translation differences ") is transferred to the Consolidated Income Statement.

33.3 Fair value of financial instruments

The fair value of financial instruments is determined as follows:

- The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market prices.
- Where there is no active market, fair value is determined using cash flow analysis discounted at market discount rates and based on market assumptions at the time of the estimate.

Non-current financial assets

There is no difference between the fair value and carrying amount of non-current loans granted since they all accrue interest at floating rates.

Equity investments are carried on the Consolidated Balance Sheet at fair value when they can be valued reliably. Since it is usually not possible to measure the fair value of shareholdings in unlisted companies reliably, these investments are valued at acquisition cost or lower if there is evidence of impairment.

Changes in fair value, net of the related tax effect, are recognized with a charge or credit, as appropriate, to "Retained earnings" within Equity until these investments are sold, at which time the cumulative amount recognized in equity is recognized in full in the Consolidated Income Statement. If fair value is lower than acquisition cost, the difference is recognized directly in equity, unless the asset is determined to be impaired, in which case it is recognized in the Consolidated Income Statement.

Trade receivables

For receivables due in less than one year, the Group considers the carrying amount a reasonable approximation of fair value.

Current financial assets

There is no difference between the fair value and carrying amount of short term loans granted since they all accrue interest at market rates.

For other current financial assets, as their maturity is near the financial year end, the Group considers their carrying amounts a reasonable approximation of fair value.

Interest-bearing loans and borrowings

For current and non-current bank borrowings there is no difference between fair value and carrying amount since all these borrowings carry interest at market rates.

Trade and other payables

The Group's management considers the carrying amount of the items recorded in this Consolidated Balance Sheet line item to be a reasonable approximation of fair value.

Fair values of financial instruments

The fair values of current and non-current financial assets and liabilities do not differ significantly from their respective carrying amounts.

The Group uses the following sequence of three levels, based on the relevance of the variables used, to measure the fair value of its financial instruments:

- Level 1: Unadjusted quoted price for identical assets or liabilities in active markets.
- Level 2: Variables which are observably different from the prices quoted in Level 1, either directly (price), or indirectly (derived from the price).
- Level 3: Variables which are not based on observable market data (non-observable variables).

The classification of financial assets recognized in the Consolidated Financial Statements, by methodology of fair value measurement, is as follows:

	Thousands of euros					
	Level 1		Level 2		Level 3	
	2016	2015	2016	2015	2016	2015
Financial assets measured at fair value						
Financial derivative hedging instruments (Note 12.a.3))			25,710	28,184		
Total	-	-	25,710	28,184	-	-

The classification of financial liabilities at fair value in the Consolidated Financial Statements, according to their relevant valuation methodology, is as follows:

	Thousands of euros					
	Level 1		Level 2		Level 3	
	2016	2015	2016	2015	2016	2015
Financial derivative hedging instruments			74,860	72,803		
Financial derivative instruments held-for-trading			13,123	25		
Total Financial derivative instruments (Note 22.b.1))			87,983	72,828		
Other current liabilities - Put Option (Note 22.d))					76,900	
Defined benefit plans (Note 21.b))	77,528	68,732				
Total	77,528	68,732	87,983	72,828	76,900	

33.4 Capital risk management

The objective of the Group's capital management is to protect its ability to continue as a going concern, upholding the commitment to remain solvent and to maximize shareholder value.

The Group monitors its capital structure based on its leverage ratio. It defines leverage as net debt (financial borrowings, financial leasing, borrowing from related parties and other financial liabilities less short-term investments and cash and cash equivalents) divided by total equity (consolidated equity plus grants pending release to the income statement).

The Group's leverage is set forth below:

Concept	Thousands of euros	
	2016	2015
Interest-bearing loans and borrowings	1,967,599	1,730,936
Financial leasing	33,574	35,161
Borrowings from related parties	70,162	79,004
Other non-current financial liabilities	34,991	39,428
Short term financial investments	(43,228)	(35,455)
Cash and cash equivalents	(430,463)	(355,975)
TOTAL NET DEBT (Note 22)	1,632,635	1,493,099
Consolidated equity	1,872,003	1,798,393
Grants received (Note 19)	25,945	30,720
TOTAL EQUITY	1,897,948	1,829,113
LEVERAGE RATIO	86.0%	81.6%

During 2016 the Group maintained its average collection and payment periods, as well as its average inventory turnover rates, at levels comparable to 2015. In addition, during 2016 the Group continued to exercise strict control over investments.

34. Information about postponement of payments to suppliers in commercial transactions

The Spanish companies of the Group have adapted their internal processes and payment policy terms to the legal provision of the Law 15/2010, which establishes actions against late payment in commercial transactions. In this sense, the contractual conditions in the year 2016 with commercial suppliers for parts manufacturing in Spain have included periods of payment equal to or less than 60 days in 2016 and in 2015, according to the second transitory legal provision of the Law.

According to this Law, it is detailed below the information from Group companies operating in Spain:

2016

Average period for payment to suppliers 57 days

Total payments realized 4,299 million euros

Total outstanding payments 465 million euros

2015

Average period for payment to suppliers 57 days

Total payments realized 3,828 million euros

Total outstanding payments 424 million euros

Due to reasons of efficiency, and in line with the common practice of trading, the Spanish companies of the Group have, basically, a schedule of payments to suppliers by virtue of which payments are made on fixed days, which in the majority of companies are twice a month.

In general terms, in 2016 and 2015, payments made by Spanish companies to suppliers, for contracts concluded after the entry into force the Law 15/2010, did not exceeded the legal limits of payment terms. Payments to Spanish suppliers which exceeded the legal deadline for years 2016 and 2015 were, in quantitative terms, not significant and were derived from circumstances or incidents beyond the established payment policy, which included, primarily, the closing of agreements with suppliers in the delivery of the goods or provision of the service or handling specific processes.

In addition, at December 31, 2016 and 2015 there were no outstanding amounts of payment to suppliers located in Spain exceeding the maximum legal payment terms.

35. Subsequent events

On November 24, 2016 the subsidiary Gestamp Metalbages S.A. acquired the remaining 60% shareholding in ESSA Palau S.A. for 23,373 thousand euros. The transaction was subject to a condition precedent related to duly obtaining the authorization from competition authorities. On January 17, 2017 the condition was met and the acquisition agreement was formalized. Thus the Group came to own 100% of the shares in ESSA Palau and to fully pay the purchase price indicated.

ESSA Palau S.A. is located in Barcelona (Spain) and its purpose is stamping and manufacturing automobile components for passenger cars.

At the issuance date of these Consolidated Financial Statements, the Group is analyzing the fair value of the net assets and liabilities. With this valuation and the consideration amount, goodwill will be calculated. There were no significant costs associated with this transaction.

As mentioned in Note 22.d), on February 24, 2017 Mitsui & Co. Ltd notified irrevocably that they will not exercise the Put Option that the Parent Company had granted through agreement on December 23, 2016 over 10% shareholding in subsidiaries where the Group has investment (Note18). Consequently, in the first quarter of 2017 the mentioned put option will be reversed in the Group consolidated financial statements by cancelling the balance registered in the heading Other current liabilities for 76,900 thousand euros and the counterparty will be an increase in the heading non-controlling interest for 80,947 thousand euros and a decrease in the heading Retained earnings for 4,047 thousand euros.

At the date of formulation of these Consolidated Financial Statements the Parent Company is involved in a process for admission to official listing in the Madrid Stock Exchange. This process is pending to be formalized.

The significant costs of the mentioned process will be assumed by Acek Desarrollo y Gestión Industrial S.L.

There is no variable remuneration subject to the process for admission to official listing in the Madrid Stock Exchange.

36. Information about compliance with the Article 229 of the Spanish Corporate Enterprises Act

According to the articles 229 and 231 of the Spanish Corporate Enterprises Act and with the aim of reinforcing the transparency of capital companies, the joint administrators of the Parent Company and their representative natural persons have reported they have no situations of conflict with the interest of the Parent Company or the Group.

Additionally, Mr. Francisco José Riberas Mera, as president and representative of GESTAMP BIZKAIA, S.A. and Mr. Juan María Riberas Mera as representative of HOLDING GONVARRI, S.L. and AUTOTECH ENGINEERING, A.I.E., board members of the Parent Company, have reported that they are shareholders and board members of ACEK, DESARROLLO Y GESTIÓN INDUSTRIAL, S.L. and several subsidiaries of the ACEK Desarrollo y Gestión Industrial Group.

ACEK, DESARROLLO Y GESTIÓN INDUSTRIAL, S.L is the parent company of an industrial group that developed, through the following subgroups, the activities mentioned below:

- **GESTAMP AUTOMOCIÓN GROUP:** engaged in manufacturing and sale of metal parts and components for the automotive industry.
- **GONVARRI GROUP:** engaged in manufacturing, processing and sale of metal products, including structures for renewable energy such as wind turbines, photovoltaic plants and infrastructure elements of solar thermal power plants.
- **GESTAMP ENERGÍAS RENOVABLES GROUP:** dedicated to the development, construction and operation of plants generating renewable energy including solar, wind and biomass.
- **INMOBILIARIA ACEK GROUP:** engaged in real estate activities.

ACEK, DESARROLLO Y GESTIÓN INDUSTRIAL, S.L holds a direct and indirect investment of 22.909% in the company Cie Automotive, S.A., of which Mr. Francisco José Riberas Mera and Mr. Juan María Riberas Mera are also directors.

Additionally, Mr. Francisco López Peña is a member of the Board of CIE Automotive, S.A

Cie Automotive, S.A. is the parent company of an industrial group which is engaged in, among other things, the design, manufacture and sale of automobile components and sub-units on the world automotive market.

Finally, ACEK, DESARROLLO Y GESTIÓN INDUSTRIAL, S.L. holds a direct investment of 50.00% in the company Sideacero, S.L., of which Mr. Francisco José Riberas Mera and Mr. Juan María Riberas Mera are also directors.

Siceacero, S.L. is the parent company of an industrial group which is engaged in, among other things, import, export, purchase and sale of ferrous, non-ferrous products, steel materials and recovery materials.

37. Additional note for English Translation

These Consolidated Financial Statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

ANNEX I

Consolidation scope

December 31, 2016							
Company	Address	Country	Direct shareholding	Indirect shareholding	Activity	Consolidation method	Auditors
Gestamp Automoción, S.A.	Vizcaya	Spain	Parent company		Portfolio management	Full	Ernst & Young
Gestamp Bizkaia, S.A.	Vizcaya	Spain	85.31%	14.69%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Vigo, S.A.	Pontevedra	Spain	99.99%	0.01%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Cerveira, Lda.	Viana do Castelo	Portugal	42.25%	57.75%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Toledo, S.A.	Toledo	Spain	99.99%	0.01%	Tooling and parts manufacturing	Full	Ernst & Young
Autotech Engineering AIE	Vizcaya	Spain	10.00%	90.00%	Research & Development and IT	Full	Ernst & Young
SCI de Tournan en Brie	Tournan	France	0.10%	99.90%	Real Estate	Full	N/A
Gestamp Solblank Barcelona, S.A.	Barcelona	Spain	5.01%	94.99%	Tailored blank welding	Full	Ernst & Young
Gestamp Palencia, S.A.	Palencia	Spain	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Argentina, S.A.	Buenos Aires	Argentina		70.00%	Portfolio management	Full	Ernst & Young
Gestamp Córdoba, S.A.	Córdoba	Argentina		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Linares, S.A.	Jaén	Spain	5.02%	94.98%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Servicios, S.A.	Madrid	Spain	100.00%		Administrative services	Full	Ernst & Young
Matrickerías Deusto, S.L.	Vizcaya	Spain		100.00%	Die cutting production	Full	Ernst & Young
Gestamp Galvanizados, S.A.	Palencia	Spain	5.01%	94.99%	Component galvanizing	Full	Ernst & Young
Gestamp Tech, S.L.	Palencia	Spain	0.33%	99.67%	Dormant	Full	N/A
Gestamp Brasil Industria de Autopeças, S.A.	Parana	Brazil		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Metalbages, S.A.	Barcelona	Spain	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Esmar, S.A.	Barcelona	Spain	0.10%	99.90%	Tooling and parts manufacturing	Full	Ernst & Young
Metalbages P-51, S.L.	Barcelona	Spain		100.00%	Tooling and parts manufacturing	Full	N/A
Gestamp Noury, S.A.S	Tournan	France		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Aveiro, S.A.	Aveiro	Portugal		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Grive Subgroup	Westerburg	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Aguascalientes, S.A.de C.V.	Aguas Calientes	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Mexicana Servicios Laborales, S.A.de C.V.	Aguas Calientes	Mexico		70.00%	Labor services	Full	Ernst & Young
Gestamp Puebla, S.A. de C.V.	Puebla	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Cartera de México, S.A. de C.V.	Puebla	Mexico		70.00%	Portfolio management	Full	Ernst & Young
Gestamp Mexicana de Serv. Laborales, S.A. de C.V.	Aguas Calientes	Mexico		70.00%	Labor services	Full	Ernst & Young
Gestamp Ingeniería Europa Sur, S.L.	Barcelona	Spain		100.00%	Portfolio management	Full	Ernst & Young
Todlem, S.L.	Barcelona	Spain		58.13%	Portfolio management	Full	Ernst & Young
Gestamp Navarra, S.A.	Navarra	Spain	71.37%	28.63%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Baires, S.A.	Buenos Aires	Argentina		70.00%	Die cutting, tooling, and parts manufacturing	Full	Ernst & Young
Ingeniería Global MB, S.A.	Barcelona	Spain		100.00%	Administrative services	Full	N/A
Gestamp Aragón, S.A.	Zaragoza	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Aberra, S.A.	Barcelona	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Levante, S.A.	Valencia	Spain	88.50%	11.50%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Solblank Navarra, S.L.	Navarra	Spain		100.00%	Tailored blank welding	Full	Ernst & Young
MB Aragón P21, S.L.	Barcelona	Spain		100.00%	Tooling and parts manufacturing	Full	N/A
Gestamp Polska, SP. Z.O.O.	Wielkopolska	Poland		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Washington UK Limited	Newcastle	United Kingdom		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Hungría KFT	Akai	Hungary	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp North America, INC	Michigan	USA		70.00%	Administrative services	Full	Ernst & Young
Gestamp Sweden, AB	Lulea	Sweden		100.00%	Portfolio management	Full	Ernst & Young
Gestamp HardTech, AB	Lulea	Sweden		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Mason, LLC.	Michigan	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Alabama, LLC.	Alabama	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Ronchamp, S.A.S	Ronchamp	France		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Manufacturing Autochasis, S.L.	Barcelona	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Industrias Tamer, S.A.	Barcelona	Spain		30.00%	Tooling and parts manufacturing	Equity method	Ernst & Young

December 31, 2016							
Company	Address	Country	Direct shareholding	Indirect shareholding	Activity	Consolidation method	Auditors
Gestamp Tooling Services, AIE	Vizcaya	Spain		100.00%	Engineering and mold design	Full	Ernst & Young
Gestamp Auto Components (Kunshan) Co., Ltd	Kunshan	China		68.95%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Kartek Co. Ltd.	Gyeongsangnam-Do	South Korea		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Beyçelik Gestamp Kalip, A.S.	Bursa	Turkey		50.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Toluca SA de CV	Puebla	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Servicios Laborales de Toluca SA de CV	Puebla	Mexico		69.93%	Labor services	Full	Ernst & Young
Gestamp Services India Private, Ltd.	Mumbai	India		100.00%	Tooling and parts manufacturing	Full	S.B. Dave & Co.
Gestamp Severstal Vsevolozhsk Llc	Saint Petersburg	Russia		58.13%	Tooling and parts manufacturing	Full	Ernst & Young
Adral, matriceria y pta. a punto, S.L.	Vizcaya	Spain		100.00%	Adjustment	Full	Ernst & Young
Gestamp Severstal Kaluga, Llc	Kaluga	Russia		58.13%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Automotive India Private Ltd.	Pune	India		50.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Pune Automotive, Private Ltd.	Pune	India		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Chattanooga, Llc	Chattanooga	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Holding Rusia, S.L.	Madrid	Spain	25.19%		Portfolio management	Full	Ernst & Young
Gestamp South Carolina, Llc	South Carolina	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Holding China, AB	Lulea	Sweden		68.95%	Portfolio management	Full	Ernst & Young
Gestamp Global Tooling, S.L.	Vizcaya	Spain	99.99%		0.01% Engineering and mold design	Full	Ernst & Young
Gestamp Tool Hardening, S.L.	Vizcaya	Spain		100.00%	Engineering and mold design	Full	Ernst & Young
Gestamp Vendas Novas Lda.	Évora	Portugal	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Togliatti, Llc.	Togliatti	Russia		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Automotive Chennai Private Ltd.	Chennai	India		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Essa Palau, S.A.	Barcelona	Spain		40.00%	Tooling and parts manufacturing	Equity method	Deloitte
Gestamp North Europe Services, S.L.	Vizcaya	Spain	99.97%		0.03% Consultory services	Full	Ernst & Young
Loire Sociedad Anónima Franco Española	Guijuzcoa	Spain	100.00%		Manufacture and sale of machinery for cutting	Full	Ernst & Young
Bero Tools, S.L.	Guijuzcoa	Spain		100.00%	Portfolio management	Full	N/A
Diede Die Developments, S.L.	Vizcaya	Spain		100.00%	Die cutting production	Full	IZE Auditores
Gestamp Louny, S.R.O.	Prague	Czech Republic		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Autocomponents (Shenyang), Co. Ltd.	Shenyang	China		65.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp West Virginia, Llc.	Michigan	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Beyçelik Gestamp Sasi, L.S.	Kocaeli	Turkey		50.00%	Tooling and parts manufacturing	Full	Denetçiler Swon/KPMG
Gestamp Autocomponents (Dongguan), Co. Ltd.	Dongguan	China		65.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Try Out Services, S.L.	Vizcaya	Spain		100.00%	Die cutting production	Full	Ernst & Young
Gestión Global de Matriceria, S.L.	Vizcaya	Spain	30.00%		Dormant	Equity method	N/A
Ingeniería y Construcción Matrices, S.A.	Vizcaya	Spain		30.00%	Die cutting production	Equity method (A)	IZE Auditores
ixCt, S.A.	Vizcaya	Spain		30.00%	Die cutting production	Equity method (A)	IZE Auditores
Gestamp Funding Luxembourg, S.A.	Luxembourg	Luxembourg	100.00%		Portfolio management	Full	Ernst & Young
Gestamp Puebla II, S.A. de C.V.	Puebla	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Autotech Engineering Deutschland GmbH	Bielefeld	Germany		100.00%	Research & Development and IT	Full	Ernst & Young
Autotech Engineering R&D Uk limited	Durham	United Kingdom		100.00%	Research & Development and IT	Full	Ernst & Young
Gestamp Holding México, S.L.	Madrid	Spain		69.99%	Portfolio management	Full	Ernst & Young
Gestamp Holding Argentina, S.L.	Madrid	Spain	10.80%		59.19% Portfolio management	Full	Ernst & Young
Mursolar 21, S.L.	Madrid	Spain		65.00%	Portfolio management	Full	Ernst & Young
GGM Puebla, S.A. de C.V.	Puebla	Mexico		30.00%	Tooling and parts manufacturing	Equity method (A)	N/A
GGM Puebla de Servicios Laborales, S.A. de C.V.	Puebla	Mexico		30.00%	Labor services	Equity method (A)	N/A
Gestamp Technology Institute, S.L.	Vizcaya	Spain	99.99%		0.01% Education	Full	N/A
Gestamp Tooling Engineering Deutschland, GmbH	Braunschweig.	Germany		100.00%	Die cutting production	Full	N/A
Gestamp Chattanooga II, Llc	Chattanooga	USA		70.00%	Tooling and parts manufacturing	Full	N/A
Autotech Engineering R&D USA	Delaware	USA		100.00%	Research & Development and IT	Full	N/A
Gestamp Autocomponents Wuhan, co. Ltd.	Wuhan	China	100.00%		Tooling and parts manufacturing	Full	N/A
Çelik Form Gestamp Otomotive, A.S.	Bursa	Turkey		25.80%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Washtenaw, Llc.	Delaware	USA		70.00%	Tooling and parts manufacturing	Full	N/A
Gestamp San Luis Potosí, S.A.P.I. de C.V.	México DF	Mexico		70.00%	Labor services	Full	N/A
Gestamp San Luis Potosí Servicios Laborales S.A.P.I. de C.V.	México DF	Mexico		70.00%	Tooling and parts manufacturing	Full	N/A
Gestamp Auto Components (Tianjin) Co., LTD.	Tianjin	China		100.00%	Tooling and parts manufacturing	Full	N/A
Gestamp 2017, S.L.	Madrid	Spain	100.00%		Portfolio management	Full	N/A
Autotech Engineering (Shangai) Co. Ltd.	Shangai	China		100.00%	Research & Development	Full	N/A
Gestamp Hot Stamping Japan K.K.	Tokio	Japan		100.00%	Tooling and parts manufacturing	Full	N/A
Global Laser Araba, S.L.	Álava	Spain	30.00%		Tooling and parts manufacturing	Equity method	N/A

(A) These companies are consolidated under full consolidation method in Gestión Global de Matriceria Subgroup. This Subgroup is accounted for in Gestamp Group using the equity method.

December 31, 2016							
Company	Address	Country	Direct shareholding	Indirect shareholding	Activity	Consolidation method	Auditors
Edscha Holding GmbH (*)	Remscheid	Germany		100.00%	Portfolio management	Full	Ernst & Young
Edscha Automotive Hengersberg GmbH (*)	Hengersberg	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Automotive Hauzenberg GmbH (*)	Hauzenberg	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Engineering GmbH (*)	Remscheid	Germany		100.00%	Research & Development	Full	Ernst & Young
Edscha Hengersberg Real Estate GmbH (*)	Hengersberg	Germany	5.10%	94.90%	Real Estate	Full	N/A
Edscha Hauzenberg Real Estate GmbH (*)	Hauzenberg	Germany	5.10%	94.90%	Real Estate	Full	N/A
Edscha Automotive Kamenice S.R.O. (*)	Kamenice	Czech Republic		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Hradec S.R.O. (*)	Hradec	Czech Republic		100.00%	Die cutting production	Full	Ernst & Young
Edscha Velky Meder S.R.O. (*)	Velky Meder	Slovakia		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp 2008, S.L. (*)	Villalonquéjar (Burgos)	Spain		100.00%	Portfolio management	Full	Ernst & Young
Edscha Burgos, S.A.(*)	Villalonquéjar (Burgos)	Spain		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Santander, S.L. (*)	El Astillero (Cantabria)	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Briey S.A.S. (*)	Briey Cedex	France		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Engineering France SAS (*)	Les Ulis	France		100.00%	Research & Development	Full	Ernst & Young
Edscha do Brasil Ltda. (*)	Sorocaba	Brazil		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Edscha Japan Co., Ltd. (*)	Tokio	Japan		100.00%	Sales office	Full	N/A
Jui Li Edscha Body Systems Co., Ltd. (*)	Kaohsiung	Taiwan		50.00%	Tooling and parts manufacturing	Equity method	Ernst & Young
Jui Li Edscha Holding Co., Ltd. (*)	Apia	Samoa		50.00%	Portfolio management	Equity method (B)	N/A
Jui Li Edscha Hainan Industry Enterprise Co., Ltd. (*)	Hainan	China		50.00%	Tooling and parts manufacturing	Equity method (B)	Ernst & Young
Edscha Automotive Technology Co., Ltd. (*)	Shanghai	China		100.00%	Research & Development	Full	Shangai Ruitong Cpa
Shanghai Edscha Machinery Co., Ltd. (*)	Shanghai	China		55.00%	Tooling and parts manufacturing	Full	Ernst & Young
Anhui Edscha Automotive Parts Co Ltda. (*)	Anhui	China		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Automotive Michigan, Inc (*)	Lapeer	USA		100.00%	Tooling and parts manufacturing	Full	N/A
Edscha Togliatti, Llc. (*)	Togliatti	Russia		100.00%	Tooling and parts manufacturing	Full	National Audit Corporation
Edscha Automotive Components Co., Ltda. (*)	Kunshan	China		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Finance Slovakia S.R.O. (*)	Velky Meder	Slovakia	25.00%	75.00%	Portfolio management	Full	N/A
Edscha Kunststofftechnik GmbH (*)	Remscheid	Germany		100.00%	Tooling and parts manufacturing	Full	JKG Treuhand
Edscha Pha, Ltd.(*)	Seul	South Korea		50.00%	Research & Development and parts manufacturing	Full	N/A
Edscha Aapico Automotive Co. Ltd (*)	Pranakorn Sri Ayutthaya	Thailand		51.00%	Parts manufacturing	Full	Ernst & Young
Edscha Scharwaechter Mechanism S.A.P.I. de C.V. (*)	Mexico City	Mexico		100.00%	Dormant	Full	N/A
Edscha Scharwaechter Mechanism Servicios Laborales S.A.P.I. de C.V. (*)	Mexico City	Mexico		100.00%	Dormant	Full	N/A
GMF Holding GmbH (**)	Remscheid	Germany		100.00%	Portfolio management	Full	Ernst & Young
GMF Wuhan, Ltd (**)	Wuhan	China		100.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Umformtechnik GmbH (**)	Ludwigsfelde	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Automotive Chassis Products Plc. (**)	Newton Aycliffe, Durham	United Kingdom		100.00%	Portfolio management	Full	Ernst & Young
Sofedit, S.A.S (**)	Le Theil sur Huisne	France		65.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Prisma, S.A.S (**)	Usine de Messempré	France		100.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Tallent , Ltd (**)	Newton Aycliffe, Durham	United Kingdom		100.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Wroclaw Sp.z.o.o. (**)	Wroclaw	Poland		65.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Auto components (Chongqing) Co., Ltd. (**)	Chongqing	China		100.00%	Parts manufacturing	Full	Ernst & Young

December 31, 2015							
Company	Address	Country	Direct shareholding	Indirect shareholding	Activity	Consolidation method	Auditors
Gestamp Automoción, S.A.	Vizcaya	Spain	Parent company		Portfolio management	Full	Ernst & Young
Gestamp Bizkaia, S.A.	Vizcaya	Spain	85.31%	14.69%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Vigo, S.A.	Pontevedra	Spain	99.99%	0.01%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Cerveira, Lda.	Viana do Castelo	Portugal	39.37%	60.63%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Toledo, S.A.	Toledo	Spain	99.99%	0.01%	Tooling and parts manufacturing	Full	Ernst & Young
Autotech Engineering AIE	Vizcaya	Spain	10.00%	90.00%	Research & Development and IT	Full	Ernst & Young
SCI de Tournan en Brie	Tournan	France	0.10%	99.90%	Real Estate	Full	N/A
Gestamp Solblank Barcelona, S.A.	Barcelona	Spain	5.01%	94.99%	Tailored blank welding	Full	Ernst & Young
Gestamp Palencia, S.A.	Palencia	Spain	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Argentina, S.A.	Buenos Aires	Argentina		70.00%	Portfolio management	Full	Ernst & Young
Gestamp Córdoba, S.A.	Córdoba	Argentina		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Linares, S.A.	Jaén	Spain	5.02%	94.98%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Servicios, S.A.	Madrid	Spain	100.00%		Administrative services	Full	Ernst & Young
Matricerías Deusto, S.L.	Vizcaya	Spain		100.00%	Die cutting production	Full	Ernst & Young
Gestamp Galvanizados, S.A.	Palencia	Spain	5.01%	94.99%	Component galvanizing	Full	Ernst & Young
Gestamp Tech, S.L.	Palencia	Spain	0.33%	99.67%	Dormant	Full	N/A
Gestamp Brasil Indústria de Autopeças, S.A.	Parana	Brazil		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Metalbages, S.A.	Barcelona	Spain	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Esmar, S.A.	Barcelona	Spain	0.10%	99.90%	Tooling and parts manufacturing	Full	Ernst & Young
Metalbages P-51, S.L.	Barcelona	Spain		100.00%	Tooling and parts manufacturing	Full	N/A
Gestamp Noury, S.A.S	Tournan	France		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Aveiro, S.A.	Aveiro	Portugal		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Tavol Internacional SGPS, Lda.	Madeira	Portugal		100.00%	Dormant	Full	N/A
Griwe Subgroup	Westerburg	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Aguascalientes, S.A.de C.V.	Aguas Calientes	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Mexicana Servicios Laborales, S.A.de C.V.	Aguas Calientes	Mexico		70.00%	Labor services	Full	Ernst & Young
Gestamp Puebla, S.A. de C.V.	Puebla	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Cartera de México, S.A. de C.V.	Puebla	Mexico		70.00%	Portfolio management	Full	Ernst & Young
Gestamp Mexicana de Serv. Laborales, S.A. de C.V.	Aguas Calientes	Mexico		70.00%	Labor services	Full	Ernst & Young
Gestamp Ingeniería Europa Sur, S.L.	Barcelona	Spain		100.00%	Portfolio management	Full	Ernst & Young
Todlem, S.L.	Barcelona	Spain		58.13%	Portfolio management	Full	Ernst & Young
Gestamp Navarra, S.A.	Navarra	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Baires, S.A.	Buenos Aires	Argentina		70.00%	Die cutting, tooling, and parts manufacturing	Full	Ernst & Young
Ingeniería Global MB, S.A.	Barcelona	Spain		100.00%	Administrative services	Full	N/A
Gestamp Aragón, S.A.	Zaragoza	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Abrera, S.A.	Barcelona	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Levante, S.A.	Valencia	Spain	88.50%	11.50%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Solblank Navarra, S.L.	Navarra	Spain		100.00%	Tailored blank welding	Full	Ernst & Young
MB Aragón P21, S.L.	Barcelona	Spain		100.00%	Tooling and parts manufacturing	Full	N/A
Gestamp Polska, SP. Z.O.O.	Wielkopolska	Poland		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Washington UK Limited	Newcastle	United Kingdom		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Hungaria KFT	Akai	Hungary	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp North America, INC	Michigan	USA		70.00%	Administrative services	Full	Ernst & Young
Gestamp Sweden, AB	Lulea	Sweden		100.00%	Portfolio management	Full	Ernst & Young
Gestamp HardTech, AB	Lulea	Sweden		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Mason, LLC.	Michigan	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Alabama, LLC.	Alabama	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
G Finance Luxemburgo, S.A.	Luxembourg	Luxembourg		99.95%	Portfolio management	Full	Grant Thornton Lux Audit
Gestamp Ronchamp, S.A.S	Ronchamp	France		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
S.G.F, S.A.	Brussels	Belgium		99.95%	Portfolio management	Full	Deloitte
Gestamp Manufacturing Autochasis, S.L.	Barcelona	Spain	5.01%	94.99%	Tooling and parts manufacturing	Full	Ernst & Young
Industrias Tamer, S.A.	Barcelona	Spain		30.00%	Tooling and parts manufacturing	Equity method	Ernst & Young

December 31, 2015							
Company	Address	Country	Direct shareholding	Indirect shareholding	Activity	Consolidation method	Auditors
Gestamp Tooling Services, AIE	Vizcaya	Spain		100.00%	Engineering and mold design	Full	Ernst & Young
Gestamp Auto Components (Kunshan) Co., Ltd	Kunshan	China		68.95%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Kartek Co, Ltd.	Gyeongsangnam-Do	South Korea		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Beyçelik Gestamp Kalip, A.S.	Bursa	Turkey		50.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Toluca SA de CV	Puebla	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Servicios Laborales de Toluca SA de CV	Puebla	Mexico		69.93%	Labor services	Full	Ernst & Young
Gestamp Services India Private, Ltd.	Mumbai	India		100.00%	Tooling and parts manufacturing	Full	S.B. Dave & Co.
Gestamp Severstal Vsevolozhsk Llc	Saint Petersburg	Russia		58.13%	Tooling and parts manufacturing	Full	Ernst & Young
Adral, matriceria y pta. a punto, S.L.	Vizcaya	Spain		100.00%	Adjustment	Full	Ernst & Young
Gestamp Severstal Kaluga, Llc	Kaluga	Russia		58.13%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Automotive India Private Ltd.	Pune	India		50.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Pune Automotive, Private Ltd.	Pune	India		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Chattanooga, Llc	Chattanooga	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Holding Rusia, S.L.	Madrid	Spain	25.19%	52.34%	Portfolio management	Full	Ernst & Young
Gestamp South Carolina, Llc	South Carolina	USA		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Holding China, AB	Lulea	Sweden		68.95%	Portfolio management	Full	Ernst & Young
Gestamp Global Tooling, S.L.	Vizcaya	Spain	99.99%	0.01%	Engineering and mold design	Full	Ernst & Young
Gestamp Tool Hardening, S.L.	Vizcaya	Spain		100.00%	Engineering and mold design	Full	Ernst & Young
Gestamp Vendas Novas Lda.	Évora	Portugal	100.00%		Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Togliatti, Llc.	Togliatti	Russia		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Automotive Chennai Private Ltd.	Chennai	India		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Essa Palau, S.A.	Barcelona	Spain		40.00%	Tooling and parts manufacturing	Equity method	Deloitte
Gestamp North Europe Services, S.L.	Vizcaya	Spain	99.97%	0.03%	Consultory services	Full	Ernst & Young
Loire Sociedad Anónima Franco Española	Guipúzcoa	Spain	100.00%		Manufacture and sale of machinery for cutting	Full	Ernst & Young
Bero Tools, S.L.	Guipúzcoa	Spain		100.00%	Portfolio management	Full	N/A
Diede Die Developments, S.L.	Vizcaya	Spain		100.00%	Die cutting production	Full	IZE Auditores
Gestamp Louny, S.R.O.	Prague	Czech Republic		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Autocomponents (Shenyang), Co. Ltd.	Shenyang	China		65.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp West Virginia, Llc.	Michigan	USA		70.00%	Tooling and parts manufacturing	Full	N/A
Beyçelik Gestamp Sasi, L.S.	Kocaeli	Turkey		50.00%	Tooling and parts manufacturing	Full	Denetçiler Swon/KPMG
Gestamp Autocomponents (Dongguan), Co. Ltd.	Dongguan	China		65.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Try Out Services, S.L.	Vizcaya	Spain		100.00%	Die cutting production	Full	Ernst & Young
Gestión Global de Matricería, S.L.	Vizcaya	Spain	30.00%		Dormant	Equity method	N/A
Ingeniería y Construcción Matrices, S.A.	Vizcaya	Spain		30.00%	Die cutting production	Equity method (A)	IZE Auditores
IxCxT, S.A.	Vizcaya	Spain		30.00%	Die cutting production	Equity method (A)	IZE Auditores
Gestamp Funding Luxembourg, S.A.	Luxembourg	Luxembourg	100.00%		Portfolio management	Full	Ernst & Young
Gestamp Puebla II, S.A. de C.V.	Puebla	Mexico		70.00%	Tooling and parts manufacturing	Full	Ernst & Young
Autotech Engineering Deutschland GmbH	Bielefeld	Germany		100.00%	Research & Development and IT	Full	Ernst & Young
Autotech Engineering R&D Uk limited	Durhan	United Kingdom		100.00%	Research & Development and IT	Full	Ernst & Young
Gestamp Holding México, S.L.	Madrid	Spain		69.99%	Portfolio management	Full	Ernst & Young
Gestamp Holding Argentina, S.L.	Madrid	Spain	10.80%	59.19%	Portfolio management	Full	Ernst & Young
Mursolar Z1, S.L.	Madrid	Spain		65.00%	Portfolio management	Full	Ernst & Young
GGM Puebla, S.A. de C.V.	Puebla	Mexico		30.00%	Tooling and parts manufacturing	Equity method (A)	N/A
GGM Puebla de Servicios Laborales, S.A. de C.V.	Puebla	Mexico		30.00%	Labor services	Equity method (A)	N/A
Gestamp Technology Institute, S.L.	Vizcaya	Spain	99.99%	0.01%	Education	Full	N/A
Gestamp Tooling Engineering Deutschland, GmbH	Braunschweig.	Germany		100.00%	Die cutting production	Full	N/A
Gestamp Chattanooga II, Llc	Chattanooga	USA		70.00%	Tooling and parts manufacturing	Full	N/A
Autotech Engineering R&D USA	Delaware	USA		100.00%	Research & Development and IT	Full	N/A
Gestamp Autocomponents Wuhan, co. Ltd.	Wuhan	China	100.00%		Tooling and parts manufacturing	Full	N/A

(A) These companies are consolidated under full consolidation method in Gestión Global de Matricería Subgroup. This Subgroup is accounted for in Gestamp Group using the equity method.

December 31, 2015							
Company	Address	Country	Direct shareholding	Indirect shareholding	Activity	Consolidation method	Auditors
Edscha Holding GmbH (*)	Remscheid	Germany		100.00%	Portfolio management	Full	Ernst & Young
Edscha Automotive Hengersberg GmbH (*)	Hengersberg	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Automotive Hauzenberg GmbH (*)	Hauzenberg	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Engineering GmbH (*)	Remscheid	Germany		100.00%	Research & Development	Full	Ernst & Young
Edscha Hengersberg Real Estate GmbH (*)	Hengersberg	Germany	5.10%	94.90%	Real Estate	Full	N/A
Edscha Hauzenberg Real Estate GmbH (*)	Hauzenberg	Germany	5.10%	94.90%	Real Estate	Full	N/A
Edscha Automotive Kamenice S.R.O. (*)	Kamenice	Czech Republic		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Hradec S.R.O. (*)	Hradec	Czech Republic		100.00%	Die cutting production	Full	Ernst & Young
Edscha Velky Meder S.R.O. (*)	Velky Meder	Slovakia		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp 2008, S.L. (*)	Villalonquéjar (Burgos)	Spain		60.00%	Portfolio management	Full	Ernst & Young
Edscha Burgos, S.A.(*)	Villalonquéjar (Burgos)	Spain		60.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Santander, S.L. (*)	El Astillero (Cantabria)	Spain	5.01%	56.99%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Briey S.A.S. (*)	Briey Cedex	France		62.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Engineering France SAS (*)	Les Ulis	France		100.00%	Research & Development	Full	Ernst & Young
Edscha do Brasil Ltda. (*)	Sorocaba	Brazil		93.64%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Edscha Japan Co., Ltd. (*)	Tokio	Japan		100.00%	Sales office	Full	N/A
Jui Li Edscha Body Systems Co., Ltd. (*)	Kaohsiung	Taiwan		50.00%	Tooling and parts manufacturing	Equity method	Ernst & Young
Jui Li Edscha Holding Co., Ltd. (*)	Apia	Samoa		50.00%	Portfolio management	Equity method (B)	N/A
Jui Li Edscha Hainan Industry Enterprise Co., Ltd. (*)	Hainan	China		50.00%	Tooling and parts manufacturing	Equity method (B)	Ernst & Young
Edscha Automotive Technology Co., Ltd. (*)	Shanghai	China		100.00%	Research & Development	Full	Ernst & Young
Shanghai Edscha Machinery Co., Ltd. (*)	Shanghai	China		55.00%	Tooling and parts manufacturing	Full	Ernst & Young
Anhui Edscha Automotive Parts Co Ltda. (*)	Anhui	China		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Edscha Automotive Michigan, Inc (*)	Lapeer	USA		100.00%	Tooling and parts manufacturing	Full	N/A
Edscha Togliatti, Llc. (*)	Togliatti	Russia		100.00%	Tooling and parts manufacturing	Full	N/A
Edscha Automotive Components Co., Ltda. (*)	Kunshan	China		100.00%	Tooling and parts manufacturing	Full	Shangai Ruitong Cpa
Gestamp Finance Slovakia S.R.O. (*)	Velky Meder	Slovakia	25.00%	75.00%	Portfolio management	Full	N/A
Edscha Kunststofftechnik GmbH (*)	Remscheid	Germany		100.00%	Tooling and parts manufacturing	Full	JKG Treuhand
Edscha Pha, Ltd.(*)	Seul	South Korea		50.00%	Research & Development and parts manufacturing	Full	N/A
Edscha Aapico Automotive Co. Ltd (*)	Pranakorn Sri Ayutthaya	Thailand		51.00%	Parts manufacturing	Full	Ernst & Young
Edscha Scharwaether Mechanism S.A.P.I. de C.V. (*)	Mexico City	Mexico		100.00%	Dormant	Full	N/A
Edscha Scharwaether Mechanism Servicios Laborales S.A.P.I. de C.V. (*)	Mexico City	Mexico		100.00%	Dormant	Full	N/A
GMF Holding GmbH (**)	Remscheid	Germany		100.00%	Portfolio management	Full	Ernst & Young
GMF Wuhan, Ltd (**)	Wuhan	China		100.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Umformtechnik GmbH (**)	Ludwigsfelde	Germany		100.00%	Tooling and parts manufacturing	Full	Ernst & Young
Automotive Chassis Products Plc. (**)	Newton Aycliffe, Durham	United Kingdom		100.00%	Portfolio management	Full	Ernst & Young
Sofedit, S.A.S (**)	Le Theil sur Huisne	France		65.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Prisma, S.A.S (**)	Usine de Messempre	France		100.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Tallent , Ltd (**)	Newton Aycliffe, Durham	United Kingdom		100.00%	Parts manufacturing	Full	Ernst & Young
Gestamp Wroclaw Sp.z.o.o. (**)	Wroclaw	Poland		65.00%	Tooling and parts manufacturing	Full	Ernst & Young
Gestamp Auto components (Chongqing) Co., Ltd. (**)	Chongqing	China		100.00%	Parts manufacturing	Full	Ernst & Young

The companies which compose the Griwe Subgroup at December 31, 2016 and December 31, 2015 are the following:

Company	Address	Country	Shareholding	Consolidation method
Gestamp Griwe Westerburg GmbH	Westerburg	Germany	Parent company	Full
Gestamp Griwe Hot Stamping GmbH	Haynrode	Germany	100.00%	Full
Gestamp Griwe Haynrode GmbH	Haynrode	Germany	100.00%	Full

ANNEX II

Indirect investments at December 31, 2016

December 31, 2016		
Company	Company holding the indirect investment	% investment
Gestamp Vigo, S.A.	Gestamp Servicios, S.A.	0.010%
Gestamp Toledo, S.L.	Gestamp Servicios, S.A.	0.010%
Gestamp Brasil Industria de Autopeças, S.A.	Gestamp Servicios, S.A.	70.000%
Gestamp Ingeniería Europa Sur, S.L.	Gestamp Servicios, S.A.	0.040%
Gestamp Esmar, S.A.	Gestamp Servicios, S.A.	99.900%
Gestamp Bizkaia, S.A.	Gestamp Servicios, S.A.	14.690%
Gestamp Kartek Co., LTD	Gestamp Servicios, S.A.	100.000%
Gestamp Services India Private, Ltd.	Gestamp Servicios, S.A.	1.010%
Beyçelik Gestamp Kalip, A.S.	Gestamp Servicios, S.A.	50.000%
Gestamp Holding México, S.L.	Gestamp Servicios, S.A.	69.850%
Gestamp Holding Rusia, S.L.	Gestamp Servicios, S.A.	7.655%
Gestamp Togliatti, LLC.	Gestamp Servicios, S.A.	100.000%
Gestamp Cerveira, Lda.	Gestamp Vigo, S.A.	57.750%
Gestamp Washington Uk, Limited	Gestamp Vigo, S.A.	4.990%
Gestamp Noury, S.A.	Gestamp Vigo, S.A.	100.000%
Gestamp Louny S.R.O.	Gestamp Cerveira, Lda.	52.720%
Gestamp Aveiro, S.A.	Gestamp Cerveira, Lda.	45.660%
Gestamp Pune Automotive, Pvt. Ltd.	Gestamp Cerveira, Lda.	26.370%
Autotech Engineering AIE	Gestamp Bizkaia, S.A.	90.000%
Gestamp Sweden, AB	Gestamp Bizkaia, S.A.	55.010%
Gestamp North Europe Services, S.L.	Gestamp Bizkaia, S.A.	0.030%
Autotech Engineering Deutschland GmbH	Gestamp Bizkaia, S.A.	55.000%
Autotech Engineering R&D Uk limited	Gestamp Bizkaia, S.A.	55.000%
Gestamp Technology Institute, S.L.	Gestamp Bizkaia, S.A.	0.010%
Gestamp Global Tooling, S.L.	Gestamp Bizkaia, S.A.	0.010%
Autotech Engineering R&D USA, Inc.	Gestamp Bizkaia, S.A.	55.000%
Loire S.A. Franco Española	Gestamp Bizkaia, S.A.	1.000%
Autotech Engineering (Shanghai), Co. Ltd.	Gestamp Bizkaia, S.A.	55.000%
Gestamp Tooling AIE	Gestamp Bizkaia, S.A.	40.000%
Gestamp Levante, S.L.	Gestamp Linares, S.A.	11.500%
Gestamp Hard Tech AB	Gestamp Sweden, AB	100.000%
Gestamp Holding China, AB	Gestamp HardTech, AB	68.940%
Gestamp Tool Hardening, S.L.	Matricerías Deusto, S.L.	0.100%
Gestamp Tooling AIE	Matricerías Deusto, S.L.	20.000%
SCI Tournan en Brie	Gestamp Noury, S.A.S	99.900%
Gestamp Linares, S.L.	Gestamp Toledo, S.A.	94.980%
Gestamp Holding Argentina, S.L.	Gestamp Toledo, S.A.	43.530%
Gestamp Aveiro, S.A.	Gestamp Palencia, S.A.	54.340%
Gestamp Galvanizados, S.A.	Gestamp Palencia, S.A.	94.990%
Gestamp Tech, S.L.	Gestamp Palencia, S.A.	99.670%
Gestamp Holding Argentina, S.L.	Gestamp Palencia, S.A.	7.040%
Gestamp Autocomponents (Tianjin) Co., Ltd.	Gestamp Palencia, S.A.	100.000%
Gestamp Romchamp, S.A.	Gestamp Palencia, S.A.	100.000%
Gestamp Córdoba, S.A.	Gestamp Argentina, S.A.	16.030%
Mursolar, 21, S.L.	Gestamp Aragón, S.A.	16.924%
Gestamp Holding México, S.L.	Gestamp Galvanizados, S.A.	0.150%
Gestamp Holding Argentina, S.L.	Gestamp Galvanizados, S.A.	8.620%
Gestamp North America, INC	Gestamp Aveiro, S.A.	70.000%
Gestamp Navarra, S.A	Gestamp Metalbages, S.A.	28.630%
Ingeniería Global MB, S.A.	Gestamp Metalbages, S.A.	100.000%
Gestamp Aragon, S.A.	Gestamp Metalbages, S.A.	94.990%
Gestamp Abrera, S.A.	Gestamp Metalbages, S.A.	94.990%
MB Aragon P21, S.L.	Gestamp Metalbages, S.A.	100.000%
Gestamp Polska SP. Z.O.O.	Gestamp Metalbages, S.A.	100.000%
Gestamp Ingeniería Europa Sur, S.L.	Gestamp Metalbages, S.A.	99.960%
Gestamp Manufacturing Autochasis, S.L.	Gestamp Metalbages, S.A.	50.000%
Griwe Subgroup	Gestamp Metalbages, S.A.	100.000%
Edscha Holding GmbH	Gestamp Metalbages, S.A.	67.000%
Metalbages P-51	Gestamp Metalbages, S.A.	100.000%
GMF Holding GmbH	Gestamp Metalbages, S.A.	100.000%
Gestamp Services India private. Ltd.	Gestamp Levante, S.A.	98.990%
Gestamp Holding Rusia, S.L.	Gestamp Levante, S.A.	7.810%
Mursolar, 21, S.L.	Gestamp Navarra, S.A.	28.535%

Company	Company holding the indirect investment	% investment
Gestamp Holding Rusia, S.L.	Gestamp Solblank Navarra, S.L.	5.642%
Gestamp Severstal Vsevolozhsk Llc	Todlem, S.L.	100.000%
Gestamp Severstal Kaluga, Llc	Todlem, S.L.	100.000%
Mexicana Servicios Laborales, S.A. de CV	Gestamp Cartera de México, S.A. de C.V.	100.000%
Gestamp Aguascalientes, S.A. de CV	Gestamp Cartera de México, S.A. de C.V.	100.000%
Gestamp Puebla, S.A. de CV	Gestamp Cartera de México, S.A. de C.V.	100.000%
Gestamp Mexicana Serv. Lab., S.A. de CV	Gestamp Cartera de México, S.A. de C.V.	100.000%
Gestamp Toluca, S.A. de C.V.	Gestamp Cartera de México, S.A. de C.V.	100.000%
Gestamp Puebla II, S.A. de C.V.	Gestamp Cartera de México, S.A. de C.V.	100.000%
Gestamp San Luis Potosí, S.A.P.I. de C.V.	Gestamp Cartera de México, S.A. de C.V.	99.990%
Gestamp San Luis Potosí, Servicios Laborales S.A.P.I. de C.V.	Gestamp Cartera de México, S.A. de C.V.	99.990%
Gestamp Sevicios Laborales de Toluca, S.A. de C.V.	Gestamp Cartera de México, S.A. de C.V.	99.900%
Gestamp Córdoba, S.A.	Gestamp Brasil Industria de Autopeças, S.A.	6.420%
Gestamp Baires, S.A.	Gestamp Brasil Industria de Autopeças, S.A.	6.770%
MB Solblank Navarra, S.L.	Gestamp Abrera, S.A.	100.000%
Gestamp Solblank Barcelona, S.A.	Gestamp Abrera, S.A.	94.990%
Gestamp Holding Rusia, S.L.	Gestamp Polska, SP. Z.O.O.	24.561%
Edscha Subgroup	Gestamp Polska, SP. Z.O.O.	33.000%
Gestamp Automotive India Private Ltd.	Gestamp Polska, SP. Z.O.O.	50.000%
Gestamp Automotive Chennai Private, Ltd.	Gestamp Solblank Barcelona, S.A.	100.000%
Gestamp Holding Rusia, S.L.	Gestamp Solblank Barcelona, S.A.	6.673%
Gestamp Chattanooga, LLC.	Gestamp North America, INC	100.000%
Gestamp Mason, Llc.	Gestamp North America, INC	100.000%
Gestamp Alabama, Llc	Gestamp North America, INC	100.000%
Gestamp West Virginia, Llc.	Gestamp North America, INC	100.000%
Gestamp South Carolina, LLC.	Gestamp North America, INC	100.000%
Gestamp Washtenaw, LLC.	Gestamp North America, INC	100.000%
Gestamp Chattanooga II, LLC.	Gestamp North America, INC	100.000%
Todlem, S.L.	Gestamp Holding Rusia, S.L.	74.980%
Gestamp Auto Components (Kunshan) Co., Ltd	Gestamp Holding China, AB	100.000%
Industrias Tamer, S.A.	Gestamp Esmar, S.A.	30.000%
Gestamp Pune Automotive, Pvt. Ltd.	Gestamp Automotive Chennai Private Ltd.	73.630%
Mursolar, 21, S.L.	Griwe Subgroup	19.540%
Gestamp Louny S.R.O.	Griwe Subgroup	47.280%
Gestamp Manufacturing Autochasis, S.L.	Metalbages P-51, S.L.	44.990%
Matricerías Deusto, S.L.	Gestamp Global Tooling, S.L.	100.000%
Gestamp Try Out Services, S.L.	Gestamp Global Tooling, S.L.	100.000%
Gestamp Tooling Services, AIE	Gestamp Global Tooling, S.L.	40.000%
Adral Matricería y puesta a punto, S.L.	Gestamp Global Tooling, S.L.	100.000%
Gestamp Tool Hardening, S.L.	Gestamp Global Tooling, S.L.	99.900%
Gestamp Tooling Engineering Deutschland GmbH	Gestamp Global Tooling, S.L.	100.000%
ESSA PALAU, S.A.	Gestamp Manufacturing Autochasis, S.L.	40.000%
Gestamp Argentina, S.A.	Gestamp Holding Argentina, S.L.	97.000%
Gestamp Córdoba, S.A.	Gestamp Holding Argentina, S.L.	77.550%
Gestamp Baires, S.A.	Gestamp Holding Argentina, S.L.	93.230%
Autotech Engineering Deutschland GmbH	Autotech Engineering AIE	45.000%
Autotec Engineering (Shanghai), Co. Ltd.	Autotech Engineering AIE	45.000%
Autotech Engineering R&D Uk limited	Autotech Engineering AIE	45.000%
Autotech Engineering R&D USA limited	Autotech Engineering AIE	45.000%
Diede Die Development, S.L.	Gestamp Tool Hardening, S.L.	38.000%
Bero Tools, S.L.	Gestamp Tool Hardening, S.L.	20.000%
Gestamp Cartera de Mexico, S.A. de CV	Gestamp Holding México, S.L.	100.000%
Gestamp Argentina, S.A.	Gestamp Holding México, S.L.	3.000%
Bero Tools, S.L.	Loire Sociedad Anónima Franco Española	80.000%
Diede Die Development, S.L.	Bero Tools, S.L.	62.000%
Ingeniería y Construcción Matrices, S.A.	Gestión Global de Matricería, S.L.	100.000%
IxCxT, S.A.	Gestión Global de Matricería, S.L.	100.000%
GGM Puebla, S.A. de C.V.	Gestión Global de Matricería, S.L.	0.001%
GGM Puebla de Servicios Laborales, S.A. de C.V.	Gestión Global de Matricería, S.L.	0.001%
GGM Puebla, S.A. de C.V.	Gestión Global de Matricería, S.L.	99.990%
GGM Puebla de Servicios Laborales, S.A. de C.V.	Gestión Global de Matricería, S.L.	99.990%
Gestamp Auto Components (Shenyang), Co. Ltd.	Mursolar 21, S.L.	100.000%
Gestamp Autocomponents (Dongguan) Co., Ltd.	Mursolar 21, S.L.	100.000%
Gestamp San Luis Potosí, S.A.P.I. de C.V.	Gestamp Puebla, S.A. de CV	0.010%
Gestamp San Luis Potosí, Servicios Laborales S.A.P.I. de C.V.	Gestamp Puebla, S.A. de CV	0.010%
Celik Form Otomotive, A.S.	Beyçelik Gestamp Kalip, A.S.	51.600%
Beyçelik Gestamp Sasi, L.S.	Beyçelik Gestamp Kalip, A.S.	100.000%

Company	Company holding the indirect investment	% investment
Edscha Automotive Hengersberg GmbH	Edscha Holding GmbH	100.000%
Edscha Automotive Hauzenberg GmbH	Edscha Holding GmbH	100.000%
Edscha Engineering GmbH	Edscha Holding GmbH	100.000%
Edscha Automotive Technology, Co. Ltd.	Edscha Holding GmbH	100.000%
Gestamp 2008, S.L.	Edscha Holding GmbH	100.000%
Anhui Edscha Automotive parts, Co. Ltd.	Edscha Holding GmbH	100.000%
Edscha Hradec, S.R.O.	Edscha Holding GmbH	100.000%
Gestamp edscha Japan, Co. Ltd.	Edscha Holding GmbH	100.000%
Edscha Burgos, S.A.	Edscha Holding GmbH	0.010%
Edscha Velky Meder, S.R.O.	Edscha Holding GmbH	100.000%
Edscha Automotiv Kamenice, S.R.O.	Edscha Holding GmbH	100.000%
Edscha Engineering France SAS	Edscha Holding GmbH	100.000%
Edscha Hengersberg Real Estate GmbH	Edscha Holding GmbH	94.900%
Edscha Hauzenberg Real Estate GmbH	Edscha Holding GmbH	94.900%
Shanghai Edscha Machinery, Co. Ltd.	Edscha Holding GmbH	55.000%
Edscha Automotive Michigan, Inc.	Edscha Holding GmbH	100.000%
Edscha Togliatti, Llc.	Edscha Holding GmbH	100.000%
Edscha Automotive Components, Co. Ltd.	Edscha Holding GmbH	100.000%
Gestamp Finance Slovakia, S.R.O.	Edscha Holding GmbH	75.000%
Edscha Kunststofftechnik GmbH	Edscha Holding GmbH	100.000%
Edscha Pha, Ltd.	Edscha Holding GmbH	50.000%
Edscha Scharwaechter Mechanism S.A.P.I. de CV.	Edscha Holding GmbH	99.990%
Edscha Scharwaechter Mechanism Servicios Laborales S.A.P.I. de CV.	Edscha Holding GmbH	99.990%
Jui li Edscha Body Systems Co. Ltd.	Edscha Holding GmbH	50.000%
Edscha Automotive Aapico, Co. Ltd.	Edscha Holding GmbH	50.990%
Edscha do Brasil, Ltd.	Edscha Engineering GmbH	83.260%
Edscha Scharwaechter Mechanism S.A.P.I. de CV.	Edscha Engineering GmbH	0.010%
Edscha Scharwaechter Mechanism Servicios Laborales S.A.P.I. de CV.	Edscha Engineering GmbH	0.010%
Edscha Automotive Aapico, Co. Ltd.	Edscha Engineering GmbH	0.010%
Edscha Santander, S.L.	Gestamp 2008, S.L.	94.990%
Edscha Burgos, S.A.	Gestamp 2008, S.L.	99.990%
Edscha Briey, S.A.S.	Edscha Santander, S.L.	100.000%
Edscha do Brasil, Ltd.	Edscha Santander, S.L.	16.740%
GMF Wuhan, Ltd.	GMF Holding GmbH	100.000%
Gestamp Umformtechnik, GmbH	GMF Holding GmbH	100.000%
Automotive Chassis Products, Plc.	GMF Holding GmbH	100.000%
Sofedit SAS	GMF Holding GmbH	65.000%
Gestamp Auto Components (Chnongqing), Co. Ltd	GMF Holding GmbH	100.000%
Gestamp Prisma SAS	GMF Holding GmbH	100.000%
Gestamp Tallent, Ltd.	Automotive Chassis Products Plc.	100.000%
Gestamp Wroclaw, SP. Z.o.o.	Sofedit, S.A.S	100.000%
Gestamp Washington Uk, Limited	Gestamp Tallent , Ltd	95.010%
Gestamp Hot Stamping Japan, K.K.	Gestamp Tallent , Ltd	100.000%
Gestamp Sweden, AB	Gestamp Tallent , Ltd	44.990%

Indirect investments at December 31, 2015

Company	Company holding the indirect investment	% investment
Gestamp Vigo, S.A.	Gestamp Servicios, S.A.	0.010%
Gestamp Toledo, S.L.	Gestamp Servicios, S.A.	0.010%
Gestamp Brasil Industria de Autopeças, S.A.	Gestamp Servicios, S.A.	70.000%
Gestamp Ingeniería Europa Sur, S.L.	Gestamp Servicios, S.A.	0.040%
Gestamp Esmar, S.A.	Gestamp Servicios, S.A.	99.900%
Gestamp Bizkaia, S.A.	Gestamp Servicios, S.A.	14.690%
Gestamp Kartek Co., LTD	Gestamp Servicios, S.A.	100.000%
Gestamp Services India pvt. Ltd.	Gestamp Servicios, S.A.	1.010%
Beyçelik Gestamp Kalip, A.S.	Gestamp Servicios, S.A.	50.000%
Gestamp Holding México, S.L.	Gestamp Servicios, S.A.	69.850%
Gestamp Holding Rusia, S.L.	Gestamp Servicios, S.A.	7.655%
Gestamp Togliatti, LLC.	Gestamp Servicios, S.A.	100.000%
Gestamp Cerveira, Lda.	Gestamp Vigo, S.A.	60.630%
Gestamp Washington Uk, Limited	Gestamp Vigo, S.A.	100.000%
Gestamp Noury, S.A.	Gestamp Vigo, S.A.	100.000%
Gestamp Louny sro.	Gestamp Cerveira, Lda.	52.720%
Gestamp Aveiro, S.A.	Gestamp Cerveira, Lda.	45.660%
Gestamp Pune Automotive, Pvt. Ltd.	Gestamp Cerveira, Lda.	50.000%
Autotech Engineering AIE	Gestamp Bizkaia, S.A.	90.000%
Gestamp Sweden, AB	Gestamp Bizkaia, S.A.	55.010%
G Finance Luxemburgo, S.A.	Gestamp Bizkaia, S.A.	49.950%
Gestamp North Europe Services, S.L.	Gestamp Bizkaia, S.A.	0.030%
Autotech Engineering Deutschland GmbH	Gestamp Bizkaia, S.A.	55.000%
Autotech Engineering R&D Uk limited	Gestamp Bizkaia, S.A.	55.000%
Gestamp Technology Institute, S.L.	Gestamp Bizkaia, S.A.	0.010%
Gestamp Global Tooling, S.L.	Gestamp Bizkaia, S.A.	0.010%
Autotech Engineering R&D USA, Inc.	Gestamp Bizkaia, S.A.	55.000%
Gestamp Tooling Services, AIE	Gestamp Bizkaia, S.A.	40.000%
Gestamp Levante, S.L.	Gestamp Linares, S.A.	11.500%
S.G.F, S.A.	G Finance Luxemburgo, S.A.	100.000%
Gestamp Hard Tech AB	Gestamp Sweden AB	100.000%
Gestamp Holding China, AB	Gestamp Hard Tech AB	68.940%
Gestamp Tool Hardening, S.L.	Matricerías Deusto, S.L.	0.100%
Gestamp Tooling Services, AIE	Matricerías Deusto, S.L.	20.000%
SCI Tournan en Brie	Gestamp Noury, S.A.	99.900%
Gestamp Linares, S.L.	Gestamp Toledo, S.L.	94.980%
Gestamp Holding Argentina, S.L.	Gestamp Toledo, S.L.	43.530%
Gestamp Aveiro, S.A.	Gestamp Palencia, S.A.	54.340%
Gestamp Galvanizados, S.A.	Gestamp Palencia, S.A.	94.990%
Gestamp Tech, S.L.	Gestamp Palencia, S.A.	99.670%
Gestamp Holding Argentina, S.L.	Gestamp Palencia, S.A.	7.040%
Gestamp Romchamp, S.A.	Gestamp Palencia, S.A.	100.000%
Gestamp Córdoba, S.A.	Gestamp Argentina, S.A.	16.030%
Mursolar, 21, S.L.	MB Aragón, S.A.	16.924%
Gestamp Holding México, S.L.	Gestamp Galvanizados, S.A.	0.150%
Gestamp Holding Argentina, S.L.	Gestamp Galvanizados, S.A.	8.620%
Tavol Internacional, S.A.	Gestamp Aveiro, S.A.	100.000%
Gestamp North America, INC	Gestamp Aveiro, S.A.	70.000%
Gestamp Navarra, S.A	Gestamp Metalbages, S.A.	94.990%
Ingeniería Global MB, S.A.	Gestamp Metalbages, S.A.	100.000%
Gestamp Aragon, S.A.	Gestamp Metalbages, S.A.	94.990%
Gestamp Abrera, S.A.	Gestamp Metalbages, S.A.	94.990%
MB Aragon P21, S.L.	Gestamp Metalbages, S.A.	100.000%
Gestamp Polska SP. Z.O.O.	Gestamp Metalbages, S.A.	100.000%
Gestamp Ingeniería Europa Sur, S.L.	Gestamp Metalbages, S.A.	99.960%
Gestamp Manufacturing Autochasis, S.L.	Gestamp Metalbages, S.A.	50.000%
Griwe Subgroup	Gestamp Metalbages, S.A.	100.000%
Edscha Subgroup	Gestamp Metalbages, S.A.	67.000%
Metalbages P-51	Gestamp Metalbages, S.A.	100.000%
Gestamp Metal Forming Subgroup	Gestamp Metalbages, S.A.	100.000%
Gestamp Services India pvt. Ltd.	Gestamp Levante, S.L.	98.990%
Gestamp Holding Rusia, S.L.	Gestamp Levante, S.L.	7.810%
Mursolar, 21, S.L.	Gestamp Navarra, S.A.	28.535%

Company	Company holding the indirect investment	% investment
Gestamp Holding Rusia, S.L.	MB Solblank Navarra, S.L.	5.642%
Gestamp Severstal Vsevolozhsk Llc	Todlem, S.L.	100.000%
Gestamp Severstal Kaluga, Llc	Todlem, S.L.	100.000%
Mexicana Servicios Laborales, S.A. de CV	Gestamp Cartera de Mexico, S.A. de CV	100.000%
Gestamp Aguascalientes, S.A. de CV	Gestamp Cartera de Mexico, S.A. de CV	100.000%
Gestamp Puebla, S.A. de CV	Gestamp Cartera de Mexico, S.A. de CV	100.000%
Gestamp Mexicana Serv. Lab., S.A. de CV	Gestamp Cartera de Mexico, S.A. de CV	100.000%
Gestamp Toluca, S.A. de C.V.	Gestamp Cartera de Mexico, S.A. de CV	100.000%
Gestamp Puebla II, S.A. de C.V.	Gestamp Cartera de Mexico, S.A. de CV	100.000%
Gestamp Sevicios Laborales de Toluca, S.A. de C.V.	Gestamp Cartera de Mexico, S.A. de CV	99.900%
Gestamp Córdoba, S.A.	Gestamp Brasil Industria de Autopeças, S.A.	6.420%
Gestamp Baires, S.A.	Gestamp Brasil Industria de Autopeças, S.A.	6.770%
MB Solblank Navarra, S.L.	Gestamp Abrera, S.A.	100.000%
Gestamp Solblank Barcelona, S.A.	Gestamp Abrera, S.A.	94.990%
G Finance Luxemburgo, S.A.	Gestamp Polonia SP. Z.O.O.	50.000%
Gestamp Holding Rusia, S.L.	Gestamp Polonia SP. Z.O.O.	24.561%
Edscha subgroup	Gestamp Polonia SP. Z.O.O.	33.000%
Gestamp Automotive India Private Ltd.	Gestamp Polonia SP. Z.O.O.	50.000%
Gestamp Automotive Chennai Private, Ltd.	Gestamp Solblank Barcelona,S.A.	100.000%
Gestamp Holding Rusia, S.L.	Gestamp Solblank Barcelona,S.A.	6.673%
Gestamp Chattanooga, LLC.	Gestamp North América, Inc.	100.000%
Gestamp Mason, Llc.	Gestamp North América, Inc.	100.000%
Gestamp Alabama, Llc	Gestamp North América, Inc.	100.000%
Gestamp West Virginia, Llc.	Gestamp North América, Inc.	100.000%
Gestamp South Carolina, LLC.	Gestamp North América, Inc.	100.000%
Gestamp Chattanooga II, LLC.	Gestamp North América, Inc.	100.000%
Todlem, S.L.	Gestamp Holding Rusia, S.L.	74.980%
Gestamp Auto Components (Kunshan) Co., Ltd	Gestamp Holding China AB	100.000%
Industrias Tamer, S.A.	Gestamp Esmar, S.A.	30.000%
Gestamp Pune Automotive, Pvt. Ltd.	Gestamp Automotive Chennai Private, Ltd.	50.000%
Mursolar, 21, S.L.	Griwe Subgroup	19.540%
Gestamp Louny sro.	Griwe Subgroup	47.280%
Gestamp Manufacturing Autochasis, S.L.	Metalbages P-51	44.990%
Matricerías Deusto, S.L.	Gestamp Global Tooling, S.L.	100.000%
Gestamp Try Out Services, S.L.	Gestamp Global Tooling, S.L.	100.000%
Gestamp Tooling Services, AIE	Gestamp Global Tooling, S.L.	40.000%
Adral Matricería y puesta a punto, S.L.	Gestamp Global Tooling, S.L.	100.000%
Gestamp Tool Hardening, S.L.	Gestamp Global Tooling, S.L.	99.900%
Gestamp Tooling Engineering Deutschland GmbH	Gestamp Global Tooling, S.L.	100.000%
ESSA PALAU,S.A.	Gestamp Manufacturing Autochasis, S.L.	40.000%
Gestamp Argentina, S.A.	Gestamp Holding Argentina, S.L.	97.000%
Gestamp Córdoba, S.A.	Gestamp Holding Argentina, S.L.	77.550%
Gestamp Baires, S.A.	Gestamp Holding Argentina, S.L.	93.230%
Autotech Engineering Deutschland GmbH	Autotech Engineering AIE	45.000%
Autotech Engineering R&D Uk limited	Autotech Engineering AIE	45.000%
Autotech Engineering R&D USA limited	Autotech Engineering AIE	45.000%
Diede Die Development, S.L.	Gestamp Tool Hardening, S.L.	38.000%
Bero Tools, S.L.	Gestamp Tool Hardening, S.L.	20.000%
Gestamp Cartera de Mexico, S.A. de CV	Gestamp Holding Mexico, S.L.	100.000%
Gestamp Argentina, S.A.	Gestamp Holding Mexico, S.L.	3.000%
Bero Tools, S.L.	Loire S.A. Franco Española	80.000%
Diede Die Development, S.L.	Bero Tools, S.L.	62.000%
Ingeniería y Construcción Matrices, S.A.	Gestión Global de Matricería, S.L.	100.000%
IxCxT, S.A.	Gestión Global de Matricería, S.L.	100.000%
GGM Puebla, S.A. de C.V.	IxCxT, S.A.	0.001%
GGM Puebla de Servicios Laborales, S.A. de C.V.	IxCxT, S.A.	0.001%
GGM Puebla, S.A. de C.V.	Gestión Global de Matricería, S.L.	99.990%
GGM Puebla de Servicios Laborales, S.A. de C.V.	Gestión Global de Matricería, S.L.	99.990%
Gestamp Sweden, AB	GMF Subgroup	44.990%
Gestamp Auto Components (Shenyang), Co. Ltd.	Mursolar , 21, S.L.	100.000%
Gestamp Autocomponents (Dongguan) Co., Ltd.	Mursolar , 21, S.L.	100.000%
Beyçelik Gestamp Sasi, L.S.	Beyçelik Gestamp Kalip, A.S.	100.000%

Company	Company holding the indirect investment	% investment
Edscha Hengersberg	Edscha Holding GmbH	100.000%
Edscha Hauzenberg	Edscha Holding GmbH	100.000%
Edscha Engineering	Edscha Holding GmbH	100.000%
Edscha Automot. Technology	Edscha Holding GmbH	100.000%
Gestamp 2008	Edscha Holding GmbH	60.000%
Anhui E. Automotive parts	Edscha Holding GmbH	100.000%
Edscha Hradec	Edscha Holding GmbH	100.000%
Gestamp edscha Japan	Edscha Holding GmbH	100.000%
Edscha Burgos	Edscha Holding GmbH	0.010%
Edscha Velky Meder	Edscha Holding GmbH	100.000%
Edscha Automot. Kamenice	Edscha Holding GmbH	100.000%
Edscha Engineering France	Edscha Holding GmbH	100.000%
Hengersberg Real Estate	Edscha Holding GmbH	94.900%
Hauzenberg Real Estate	Edscha Holding GmbH	94.900%
Shanghai Edscha Machinery	Edscha Holding GmbH	55.000%
Edscha Michigan	Edscha Holding GmbH	100.000%
Edscha Togliatti	Edscha Holding GmbH	100.000%
Edscha Automotive Kunshan	Edscha Holding GmbH	100.000%
Gestamp Finance Slovakia	Edscha Holding GmbH	75.000%
Edscha Kunststofftechnik	Edscha Holding GmbH	100.000%
Edscha Pha	Edscha Holding GmbH	50.000%
Edscha Scharwaechter Mec.	Edscha Holding GmbH	99.990%
Edscha Scharwaechter Mec., S.L.	Edscha Holding GmbH	99.990%
Jui li Edscha Body Systems Co. Ltd.	Edscha Holding GmbH	50.000%
Edscha Aapico	Edscha Holding GmbH	50.990%
Edscha do Brasil	Edscha Engineering GmbH	83.260%
Edscha Scharwaechter Mec.	Edscha Engineering GmbH	0.010%
Edscha Scharwaechter Mec., S.L.	Edscha Engineering GmbH	0.010%
Edscha Aapico	Edscha Engineering GmbH	0.010%
Edscha Santander, S.L.	Gestamp 2008, S.L.	94.990%
Edscha Burgos	Gestamp 2008, S.L.	99.990%
Edscha Briey	Edscha Santander, S.L.	100.000%
Edscha do Brasil	Edscha Santander, S.L.	16.740%
GMF Wuhan, Ltd.	GMF Holding GmbH	100.000%
Gestamp Umformtechnik	GMF Holding GmbH	100.000%
Aut. Chassis Products	GMF Holding GmbH	100.000%
Sofedit SAS	GMF Holding GmbH	65.000%
G. Autocomponents Chongqing	GMF Holding GmbH	100.000%
Prisma SAS	GMF Holding GmbH	100.000%
Tallent Automotive, Ltd.	Automotive Chassis Products Plc.	100.000%
Sofedit Polska, SP. Z.o.o.	Sofedit, S.A.S	100.000%
Gestamp Sweden, AB	Gestamp Tallent , Ltd	44.990%

ANNEX III

Guarantors for May, 2013 and May, 2016 Bonds

Gestamp Navarra, S.A.	Gestamp Noury, SAS
Edscha Automotive Kamenice, S.R.O.	Gestamp Palencia, S.A.
Edscha Engineering, GmbH.	Gestamp Polska, Sp.Z.o.o.
Edscha Briey, S.A.S.	Gestamp Cerveira, Ltda
Edscha France Engineering , S.A.S.	Gestamp Ronchamp, S.A.S.
Edscha Automotive Hauenberg, GmbH	Gestamp Servicios, S.A.
Edscha Hauenberg Real Estate GmbH, & Co.	Gestamp Washington UK Limited
Edscha Hengersberg Real Estate GmbH, & Co.	Gestamp Vendas Novas Unipessoal, Lda.
Edscha Automotive Hengersberg, GmbH.	Gestamp Vigo, S.A.
Edscha Holding, GmbH.	Gestamp Unformtechnik, GmbH
Edscha Hradec, S.r.o.	Griwe Subgroup
Edscha Velky Meder, S.r.o.	Ingeniería Global MB, S.A.
Gestamp Bizkaia, S.A.	Loire S.A. Franco Española
Gestamp Galvanizados, S.A.	Gestamp Abrera, S.A.
Gestamp Automoción,S.A.	Gestamp Aragón, S.A.
Gestamp Aveiro, S.A.	Gestamp Metalbages, S.A.
Gestamp HardTech, AB	Gestamp Prisma, S.A.S.
Gestamp Hungaria, KFT.	SCI de Tournan en Brie
Gestamp Linares, S.A.	Gestamp Solblank Barcelona, S.A.
Gestamp Louny, S.r.o.	Gestamp Tallent Limited
Gestamp Esmar, S.A.	Gestamp Sweden AB
Gestamp Wroclaw, Sp. Z.o.o	Edscha Burgos, S.A
Sofedit, S.A.S.	Gestamp Levante, S.A.
Gestamp Toledo, S.A.	Edscha Santander, S.L.

Guarantors for 2012 Bank of America Loan and 2013 Syndicated Loan (modified in 2016)

Gestamp Navarra, S.A.	Gestamp Noury, SAS
Edscha Automotive Kamenice, S.R.O.	Gestamp Palencia, S.A.
Edscha Engineering, GmbH.	Gestamp Polska, Sp.Z.o.o.
Edscha Briey, S.A.S.	Gestamp Cerveira, Ltda
Edscha France Engineering , S.A.S.	Gestamp Ronchamp, S.A.S.
Edscha Automotive Hauenberg, GmbH	Gestamp Servicios, S.A.
Edscha Hauenberg Real Estate GmbH, & Co.	Gestamp Washington UK Limited
Edscha Hengersberg Real Estate GmbH, & Co.	Gestamp Vendas Novas Unipessoal, Lda.
Edscha Automotive Hengersberg, GmbH.	Gestamp Vigo, S.A.
Edscha Holding, GmbH.	Gestamp Unformtechnik, GmbH
Edscha Hradec, S.r.o.	Griwe Subgroup
Edscha Velky Meder, S.r.o.	Ingeniería Global MB, S.A.
Gestamp Bizkaia, S.A.	Loire S.A. Franco Española
Gestamp Galvanizados, S.A.	Gestamp Aragón, S.A.
Gestamp Automoción, S.A.	Gestamp Abrera, S.A.
Gestamp Aveiro, S.A.	Gestamp Metalbages, S.A.
Gestamp HardTech, AB	Gestamp Prisma, S.A.S.
Gestamp Hungaria, KFT.	SCI de Tournan en Brie
Gestamp Linares, S.A.	Gestamp Solblank Barcelona, S.A.
Gestamp Louny, S.r.o.	Gestamp Tallent Limited
Gestamp Esmar, S.A.	Gestamp Sweden AB
Gestamp Wroclaw, Sp. Z.o.o	Edscha Burgos, S.A.
Sofedit, S.A.S.	Gestamp Levante, S.A.
Gestamp Toledo, S.A.	Edscha Santander, S.L.

Additionally, the Group companies Gestamp Metalbages, S.A., Gestamp Bizkaia, S.A., Gestamp Vigo, S.A., Gestamp Palencia, S.A. Gestamp Servicios, S.A. and Gestamp Toledo, S.A. have shares pledge.

Guarantors for European Investment Bank Loan

Gestamp Navarra, S.A.	Gestamp Noury, SAS
Edscha Automotive Kamenice, S.R.O.	Gestamp Palencia, S.A.
Edscha Engineering, GmbH.	Gestamp Polska, Sp.Z.o.o.
Edscha Briey, S.A.S.	Gestamp Cerveira, Ltda
Edscha France Engineering , S.A.S.	Gestamp Ronchamp, S.A.S.
Edscha Automotive Hauzenberg, GmbH	Gestamp Servicios, S.A.
Edscha Hauzenberg Real Estate GmbH, & Co.	Gestamp Washington UK Limited
Edscha Hengersberg Real Estate GmbH, & Co.	Gestamp Vendas Novas Unipessoal, Lda.
Edscha Automotive Hengersberg, GmbH.	Gestamp Vigo, S.A.
Edscha Holding, GmbH.	Gestamp Uniformtechnik, GmbH
Edscha Hradec, S.r.o.	Griwe Subgroup
Edscha Velky Meder, S.r.o.	Ingeniería Global MB, S.A.
Gestamp Bizkaia, S.A.	Loire S.A. Franco Española
Gestamp Galvanizados, S.A.	Gestamp Abrera, S.A.
Gestamp Automoción,S.A.	Gestamp Aragón, S.A.
Gestamp Aveiro, S.A.	Gestamp Metalbages, S.A.
Gestamp HardTech, AB	Gestamp Prisma, S.A.S.
Gestamp Hungaria, KFT.	SCI de Tournan en Brie
Gestamp Linares, S.A.	Gestamp Solblank Barcelona, S.A.
Gestamp Louny, S.r.o.	Gestamp Tallent Limited
Gestamp Esmar, S.A.	Gestamp Sweden AB
Gestamp Wroclaw, Sp. Z.o.o	Gestamp Funding Luxemburgo, S.A.
Sofedit, S.A.S.	

2016 MANAGEMENT REPORT

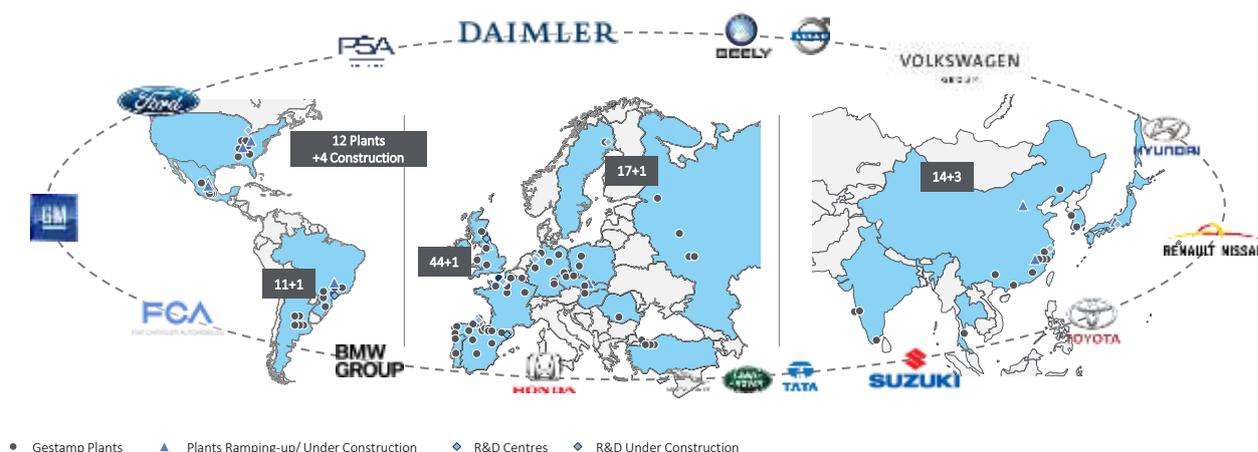
1. GESTAMP AUTOMOCIÓN GROUP

1.1 Group profile

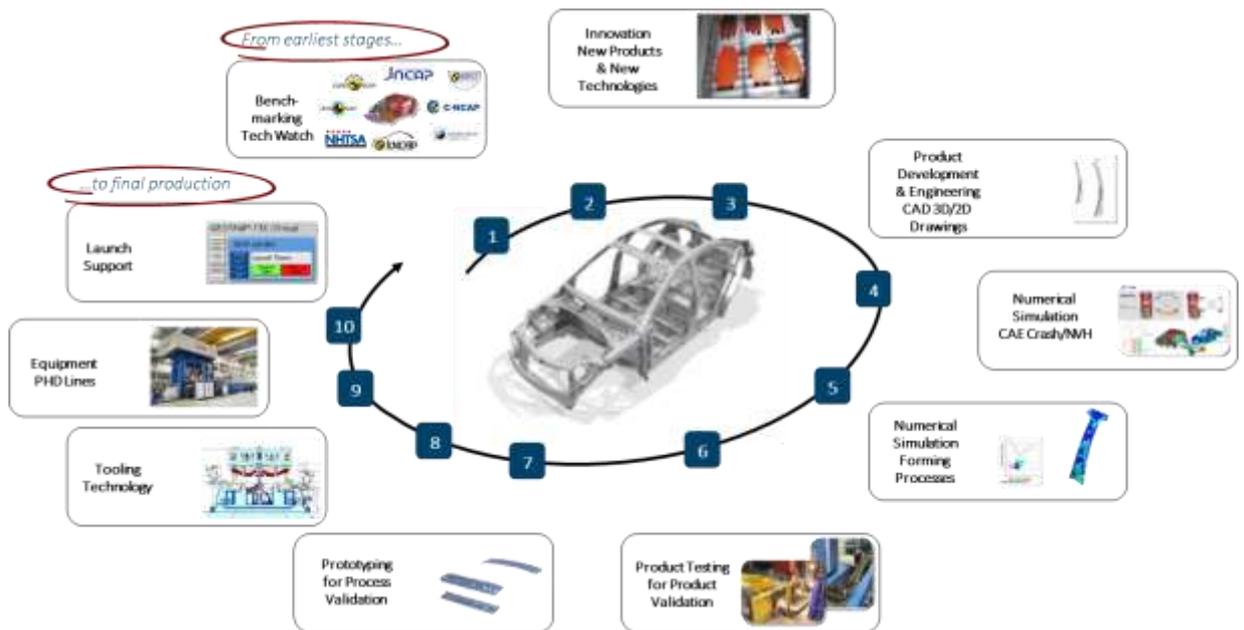
Gestamp Automoción Group (hereafter “Gestamp” or “the Group”) is one of the world’s largest suppliers of automotive components and assemblies. Gestamp designs, develops, manufactures and sells highly engineered body-in-white and chassis components and mechanisms to OEMs, primarily for use in the production of light vehicles.

Since Gestamp’s inception in 1997, the Group has cultivated strong, long standing relationships with its clients, the largest OEMs in the world. Gestamp offers its clients leading technologies through its extensive global footprint of 98 production facilities in operation, with 10 additional plants under construction and 12 R&D centers, with one additional center under construction, in 21 countries over four continents (Europe, North America, South America and Asia). Gestamp’s technological leadership, together with its extensive geographical footprint and relationships with the largest OEMs, allow it to take advantage of global growth opportunities while maintaining a conservative, diversified risk profile.

The diagram below shows Gestamp’s global footprint as of March 1st, 2017.



The high quality of the Group’s products, along with its expertise and core competence in developing and producing light weight components help Gestamp’s OEM customers to produce safer vehicles, and to make them lighter, reducing fuel consumption and CO₂ emissions and thereby improving the environmental impact. Gestamp is a worldwide reference for almost all major OEMs, including BMW, Daimler, Fiat Chrysler, Ford, Geely-Volvo, General Motors, Honda, PSA, Renault Nissan, Tata JLR, Toyota and Volkswagen, which represented its top 12 customers and together accounted for approximately 90% of Gestamp’s component sales for the year ended December 31st, 2016. Gestamp has achieved this position through the Group’s leading technologies, global footprint and proven track record in executing complex projects.



1.2 Main products and services offered and production processes

1.2.1 Products and services

Gestamp produces a diverse range of products, many of which are critical to the structural integrity of a vehicle. The product portfolio covers body-in-white and chassis, mechanisms, as well as tooling and other products. The Group focuses on innovation in the design of its products with the fundamental goals of promoting vehicle weight reduction, thereby reducing harmful CO₂ emissions and overall environmental impact; and enhancing vehicle safety, thereby increasing the protection of passengers, drivers and pedestrians.

Body-in-white and Chassis

Gestamp's Body-in-white products include component parts and assemblies, such as hoods, roofs, doors, fenders and other high quality "Class A" surfaces and assemblies, which are used to create the visible exterior skin of an automobile, and structural and other crash-relevant products, such as floors, pillars, rails and wheel arches which, together with the exterior skin component parts and assemblies, form the essential upper and under body (platform) structures of an automobile.



Chassis comprises 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 essential for the vehicle's performance and safety, in particular affecting vehicle noise levels, vibrations, handling and behavior in the event of an impact.



Mechanisms

Mechanisms are mechanical components, such as hinges for doors, hoods, and trunk lids, door checks and door hinges that enable the user to open and shut the automobile's hood, side and rear doors and lift-gates, as well as pedal systems and hand brakes. Another important element of this product portfolio are the powered systems that allow automobile doors to open and close electrically and by remote activation.



Tooling and other products

Gestamp has extensive in-house capabilities in the design, engineering, manufacturing and servicing of dies and tools in support of the Group's customers. Gestamp also designs, manufactures and sells presses. In addition, Gestamp typically sells in secondary markets the scrap steel that is generated by the manufacturing processes.

1.2.2 Production Processes

Gestamp has a large portfolio of technologies:

Stamping technologies

- Cold stamping
- Hot stamping

- High-strength steels stamping
- Rollforming
- Hydroforming

Welding technologies

- Spot / arc welding
- Welding and assembly
- Remote 3D laser welding
- Laser welded blanks
- Patchwork blanks

Other technologies

- Finishing
- Tooling
- Press construction

1.3 Trends affecting Gestamp's business

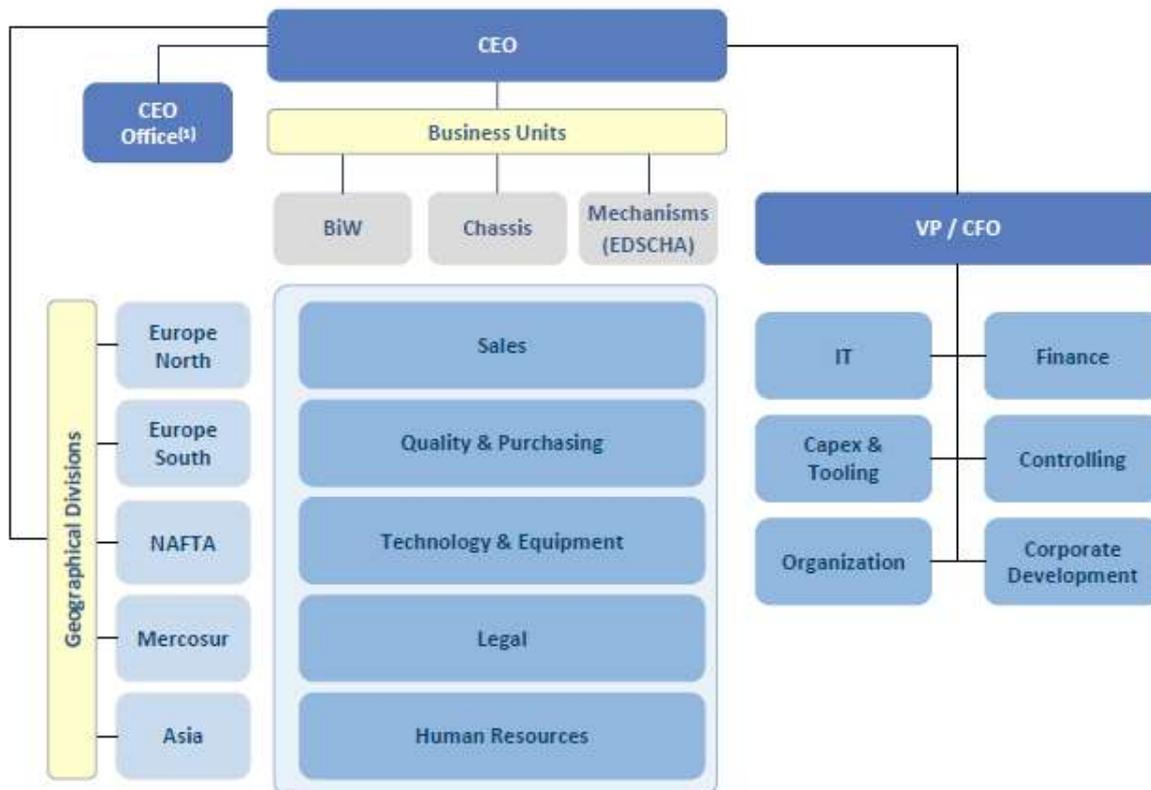
Overview of key drivers affecting Gestamp's addressable market:

- General automotive production growth
- Increased outsourcing by OEMs of production of parts traditionally produced in-house
- Move towards common platforms and global models
- Stricter emissions regulation worldwide forcing OEMs to improve fuel efficiency of vehicles
- Safety regulations
- Increasing focus on comfort features and dynamics
- Electrical Vehicles becoming increasingly more important

1.4 Organizational structure

The Board of Directors is the highest governing body of Gestamp Automoción Group and it is a decision-making center for the management of the Parent Company.

There is also a Management Committee composed of the corporate directors from each geography and the managers responsible for the Divisions. The current organizational structure is as follows:



(1) Strategic Planning, Investor Relations, Communication and Institutional Affairs, Sales Controlling and Marketing

1.5 Efficiency in management and operations

Gestamp seeks efficiency in management and in operations to improve its competitiveness. Gestamp stands out in a competitive environment where quality, price, supply chain management and client services, together with technological capacities and R&D, are distinguishing elements.

Over the last few years Gestamp has established several corporate processes to improve management and operating efficiency:

- Tracking Key Performance Indicators (KPI)
- Manufacturing facilities management system: Gestamp Production System (GPS)
- Production Capacity Management & Planning across manufacturing facilities
- Standardization of processes: Process Taxonomy
- Project management methodology: Gestamp Product Creation System (GPCS)
- Energy efficiency
- Industry 4.0

1.6 Gestamp's strategic pillars

The Group's goal is to maintain its position as a leading Tier 1 supplier to maximize its growth potential as well as to be the global partner of choice for OEMs in Body-in-White, Chassis and Mechanisms with its client-oriented business model.



Gestamp's strategy is based on the following key pillars:

1 Maximize the growth potential of its client-focused business model

Gestamp's business model is based on building long-standing, collaborative relationships with OEMs which has enabled Gestamp to become a trusted partner to them. Given the characteristics and size of Gestamp's OEM clients, having a critical mass is key to becoming their partner of choice, together with maintaining and increasing importance to them through technological leadership.

2 Maintain and strengthen technological leadership

Gestamp will continue to invest in developing technological capabilities, advanced manufacturing processes and new materials for use in its products.

3 Clearly differentiated geographic strategies

Gestamp will pursue its goal to be strategically close to its OEM customers both in terms of product development and increased geographical presence. For that purpose, Gestamp has established differentiated geographic strategies tailored to address each market's growth potential.

4 Relentless focus on operational excellence

Operational excellence is deeply rooted in Gestamp's organizational structure and culture. Gestamp will continue developing initiatives to ensure a continuous improvement in operational management, in particular GPS, GPCS and Industry 4.0.

5 Focus on reliability and maintenance of high standards

Gestamp will continue to reinforce its reliability with OEM customers based on its i) sound and stable financial profile, ii) ability to successfully manage highly demanding complex projects, iii) supporting OEMs facing challenging situations and iv) track record of successful inorganic integrations. In addition, Gestamp is continuously seeking to improve its corporate governance and regulatory compliance processes.

2. BUSINESS PERFORMANCE AND RESULTS

2.1 Macroeconomic context 2016

Global economic growth in 2016 has again been moderate and in line with recent years. Accordingly, inflation and interest rates in the major world economies have remained at very low levels; however, in the last months of the year there has been an increase in the prices of raw materials and energy. Accordingly, the strong rebound in the last quarter of the price of oil and raw materials such as steel, albeit from very depressed levels, has caused a slight rebound in inflation in some countries that had not been seen in a long time.

In addition, 2016 has been a year characterized by a high level of political and social uncertainty globally. The worsening of the armed conflict in Syria and its serious consequences at different levels, the United Kingdom referendum in favor of their exit from the European Union, the new administration in the United States and the political uncertainty in various European countries, including Spain, have generated an unfavorable environment for economic growth.

Against this economic backdrop, the evolution of the automotive sector has been more positive than in previous years, with global light vehicle production increasing by 4.5% up to 93 million units. The Chinese market was the main driver for this favorable performance in 2016, with a growth of over 12% that exceeded all expectations. Vehicle manufacturing in Western Europe, North America and other geographic areas such as India has continued to grow, while markets in Brazil and Russia have continued to deteriorate in line with their economic indicators.

2.2 Results overview

Gestamp's business performance in the current macroeconomic environment, along with the automotive sector, has once again been favorable. Revenues exceeded €7,500 million for the first time, despite the negative foreign exchange impact and weakness in the production market of Mercosur and Russia. Growth, which on a constant currency basis stood at 12.5%, was supported by the consolidation of projects in which the Group had invested in previous years, and by the good performance of key markets such as China, India, Spain and the United Kingdom.

Gestamp in 2016 has also performed well in terms of profitability, with year-on-year growth in the main indicators such as EBITDA, EBIT and profit attributable to shareholders well above revenue growth.

Also in line with recent years, in 2016 the Group has maintained a high level of capital expenditures that will enable to continue growing the business at a rate well above its addressable market in the coming years.

The €725 million of capital expenditures invested last year have been used to finance, among others, the ten new plants under construction across the world supporting Gestamp's clients' projects. Capital expenditures include growth, recurrent and intangible capital expenditures. Growth capital expenditures include capital expenditures in greenfield projects, major expansions of existing facilities and new processes/technologies in existing plants. Recurrent capital expenditures include investments to replace existing programs and expenditures on the maintenance of production assets.

Intangible capital expenditures include capitalization of a part of the Group's R&D expenses, among other concepts.

Million Euros (€m)	2016	2015
Growth capital expenditures	390	286
Recurrent capital expenditures	251	248
Intangible capital expenditures	84	88
Capital expenditures	725	622

Gestamp's net financial debt amounted to €1,632.6 million for the year ended December 31st, 2016, resulting in a 1.94x leverage ratio (Net debt / EBITDA).

Million Euros (€m)	2016	2015	% Change
Revenues	7,549	7,035	7.3%
EBITDA	841	760	10.7%
EBIT	463	400	15.8%
Profit Before Tax	348	253	37.5%
Profit attributable to shareholders	221	162	37.3%
Equity	1,872	1,798	
Net financial debt	1,633	1,493	
Capital expenditures	725	622	

Revenue by geographical segment

Western Europe: Revenue increased by 2.7%, to €3,704.1 million. Growth was driven mainly by market volume growth in Spain, Portugal and France, with a decline in sales in the United Kingdom driven by negative exchange rate movements of the British Pound. On a constant currency basis, sales growth in Western Europe was 5.1%, with market production volume growing 3.8%.

Eastern Europe: Revenue increased by 30.1%, to €859.5 million largely due to the sale of tooling for projects in ramp-up phase in Poland. Revenue also grew considerably in Czech Republic driven by higher market volumes. Turkey also contributed to growth in Eastern Europe. These increases were partially offset by a decrease in revenue in Russia and Slovakia.

Mercosur: Revenue decreased by 14.1%, to €401.4 million, due to a lower volume of vehicle production and the adverse exchange rate movements in both Brazil and Argentina.

North America: Revenue increased by 16.9%, to €1,546.1 million driven by strong growth in the United States based on project ramp-ups, as well as significant sales of tooling. In Mexico, tooling sales mostly compensated a decline in parts sales driven by planned stoppages of one of the Group's clients.

Asia: Revenue increased by 6.2%, to €1,037.9 million driven mainly by Body-in-white growth in South Korea, as well as growth in mechanisms in China. In both cases growth has been due to project ramp-ups and increases in the volumes of vehicle production, partially offset by adverse currency effects related to the Chinese Yuan.

Million Euros (€m)	2016	2015	% Change
Western Europe	3,704	3,607	2.7%
Eastern Europe	860	661	30.1%
Mercosur	401	467	-14.1%
North America	1,546	1,323	16.9%
Asia	1,038	977	6.2%
Total	7,549	7,035	7.3%

3. LIQUIDITY AND CAPITAL RESOURCES

Gestamp has maintained a solid financial position as of December 31, 2016, with net financial debt amounting to €1,632.6 million resulting in a 1.94x leverage ratio (Net Debt / EBITDA), representing a slight improvement from 1.96x as of December 31, 2015.

Thousand Euros	2016	2015
Interest bearing loans and borrowings	1,967,599	1,730,936
Financial leasing	33,574	35,161
Borrowings from group companies	70,162	79,004
Other financial debt	34,991	39,428
Gross debt	2,106,326	1,884,529
Current financial assets	(43,228)	(35,455)
Cash and cash equivalents	(430,463)	(355,975)
Net financial debt	1,632,635	1,493,099
EBITDA	841,150	760,333
Leverage ratio (Net debt / EBITDA)	1.94x	1.96x

Gestamp's main source of liquidity is its operating cash flow. Net cash flows from operating activities were €652.6 million in 2016. In addition, as part of its Senior Facilities, Gestamp has an undrawn revolving credit facility amounting to €280.0 million with maturity in 2021, as well as €575.4 million in credit lines, of which €118.1 million were drawn as of December 31, 2016. These credit lines are generally renewed each year, do not have any security and have customary covenants.

Thousand Euros	2016	2015
Cash and cash equivalents	430,463	355,975
Current debt securities	338	2,535
Revolving credit facilities	280,000	280,000
Undrawn credit facilities	457,287	282,087
Total Liquidity	1,168,088	920,597

The Group considers that there will be no significant changes with regards to the management of liquidity in the year 2017.

4. MAIN RISKS AND UNCERTAINTIES

Gestamp's risk management procedure is based on the ISO 31000 methodology, a continuous process with nine phases: communication; context definition; identification of risks; risk analysis; risk assessment; risk treatment; monitoring of risks; updates and actions against breaches.

The Group conducts its risks assessment by reviewing its business plans, analyzing the relationship between the risk and the return of its investments, as well as from the accounting perspective, which facilitates the assessment of the status and evolution of the different risk situations.

Note 33 of the 2016 Consolidated Annual Accounts includes a comprehensive overview of the different financial risks that the Group is exposed to, which can be grouped into the following categories:

- Market Risk
- Liquidity Risk
- Credit Risk
- Commodity Risk

4.1 Market Risk

4.1.1 Foreign currency Risk

Fluctuations in the exchange rate between the currency in which a transaction is denominated and the Group's presentation currency can have a negative or positive impact on its profit or loss. Given its global footprint, the Group has articulated an foreign currency risk policy, the main objective of which is to minimize the negative impact that foreign currency volatility may have on the business, and specifically on the Income Statement; and to protect the Group from adverse variations.

To exercise this policy, the Group identifies those cash flows that will be in a currency different from the currency of the respective company / entity and that will materialize over a certain period of time.

To manage exchange rate risk, the Group uses a series of financial instruments that give it a degree of flexibility, basically 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.

4.1.2 Interest Rate Risk

Part of Gestamp's bank debt is linked to variable interest rates which are subject to interest rate volatility, hence potentially having an adverse direct impact on the Group's Income Statement. The Group's strategy is focused on minimizing the potential negative impact from an increase in interest rates, and take advantage of the positive impact of the possible tentative decrease in interest rates.

For this purpose, the Group relies on financial derivatives that can be considered as coverage instruments and are therefore subject to the respective accounting rules. The most common coverage instrument is the Interest Rate Swap, through which Gestamp converts variable interest rates into fixed

interest rates, whether it is for the total debt quantum at hand or just a portion, for all or part of the total duration of the liability.

4.2 Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, maintaining the necessary flexibility in its financing through the availability of committed credit lines, both in the short and long term. In addition, and subject to liquidity needs, the Group may use liquidity instruments (non-recourse factoring, through which the risks and benefits of accounts receivable are transferred), to maintain the liquidity and working capital levels required for its planned operations.

The management team monitors the forecasts of the Group's liquidity as well as the evolution of the Net Financial Debt.

The Group follows a policy of diversification of its sources of financing, in order to minimize liquidity risks and maximize flexibility around the financial markets.

The management team efficiently controls the payment periods of expenses and investments and the working capital cycles by performing a thorough analysis of the estimated cash balances in order to ensure that the Group has sufficient cash to meet working capital needs while maintaining sufficient availability under credit facilities, in order not to violate the limits of the "covenants" established by the financing.

4.3 Credit risk

Credit risk is concentrated primarily in the Group's accounts receivable. The credit risk with banks is managed by the treasury department of the Group according to Group policies. 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.

4.4 Raw materials' price risks

The main raw material used in Gestamp's business is steel.

In 2016, 60% of the steel was purchased through "re-sale" programs with customers (58% in 2015), whereby the OEM periodically negotiates with the steel maker the price of the steel that Gestamp uses 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 not purchased under "re-sale", the OEMs adjust Gestamp's selling prices based on the steel prices they themselves have negotiated with steel suppliers. Historically, the Group has negotiated and agreed its 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.

Hence, Gestamp considers that the Group's exposure to steel price fluctuations is not significant.

5. R&D ACTIVITIES

Through innovation, Gestamp seeks to anticipate new technological trends and to offer differentiated products that meet the requirements of efficiency, weight, cost, quality, safety and sustainability. Additionally, in the Group's chassis and mechanisms divisions, R&D is centered around the enhancement of the dynamic performance of the automobile and the comfort of the passenger.

One of the most important objectives for Gestamp is to produce increasingly lighter products, as weight has a direct impact on the engine's energy consumption and, consequently, on CO₂ emissions, the regulation of which is increasingly more restrictive.

Safety is another of Gestamp's key lines of research and development. The Group focuses on identifying formulas which increase the safety of the vehicle passengers and of pedestrians.

The products in turn need to improve the comfort, durability and recyclability at the end of the useful life of the vehicle.

To this end, Gestamp seeks ways to apply new materials with a consistent quality, to establish manufacturing processes which are effective and flexible throughout the production chain, and all at a reasonable cost.

During 2016, Gestamp had more than 1,300 R&D professionals, spread over its 12 R&D centers as well as at manufacturing sites. These R&D centers are located in 8 countries: Spain, Germany, France, Sweden, USA, Brazil, China and Japan. In addition another R&D center is under construction.

Gestamp's R&D teams work with state-of-the-art design and simulation tools, and also develop other tools internally to improve processes and add efficiency and time savings. In addition, the Group has laboratories for testing and assessing the performance of part designs using prototypes. Passive safety tests and crash tests are performed at Gestamp's laboratory in Luleå (Sweden).

Hot stamping

Gestamp is one of the pioneers 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.

As of December 31, 2016, the Group had 71 hot stamping lines installed worldwide and, according to project contracts awarded, Gestamp expects to build more in all the geographic regions where it is present within the next five years.

In the field of hot stamping Gestamp has a specific process patented by the Group which is called 'Tailored Material Property'. It allows the Group to achieve different levels of hardness in different zones of the same part, controlling the different cooling temperatures during the hardening process. By creating softer, easily deformed zones in each part, Gestamp can control the deformation of the car structure and thus ensure better performance.

6. HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

6.1 Employees

The international expansion has led the Group to face considerable challenges in terms of human resources management, process standardization, adoption of new technologies and promotion of a more globalized corporate culture.

The workforce at the global level has continued to grow during 2016 to reach 36,395 employees, 9.6% more than in 2015, representing 43% growth over the past 5 years.

There is a common framework that establishes the minimum standards for the entire Group in key areas for Gestamp such as: compliance with the Code of Conduct, occupational health and safety and training and development in certain subjects strategic for the company.

Code of Conduct

The Code of Conduct establishes a common framework of reference for the ethical and respectful behavior of Gestamp's employees in all its countries of operation, regardless of the cultural specificities of each geographical region. The Code includes a number of Rules of Conduct based on Corporate Principles and on the ten principles of the United Nations' Global Compact concerning human rights, labor and environmental standards and the fight against corruption.

This Code is applied at all levels of the organization and affects all the employees that are linked by contract to Group companies or with any of the subsidiaries in which Gestamp is a majority partner.

The Ethics Committee is the entity responsible for ensuring compliance with the Code of Conduct and its correct interpretation.

The Ethics Committee's Rules of Procedure establish the functions and composition, the communication channels and process for complaints and the internal investigation process to assess whether breaches of the Code take place. The Rules include a Compliance Office, which reports to the Ethics Committee, and is responsible for receiving, guiding, following-up, informing in the suitable manner and document the communications received from the various communication channels.

Occupational Health and Safety

Gestamp is committed to offering a healthy and safe environment to its employees and any external workers working at its facilities. The Group has implemented an strict Health and Safety policy and an integrated management system, the GHSI (Gestamp Health and Safety Indicator), which is already implemented in all of the Group's facilities.

The GHSI is calculated on the basis of 74 weighted factors divided into three categories:

- *Traditional Indicators*: Severity rate, Average Duration rate and Fatal Accidents.
- *Working conditions*: Working conditions, traffic routes, warehouse, fire protection, manufacturing machines, etc.
- *Health and Safety Management*: Assessments, health and safety rules and training, risk controls, preventive measures, etc.

The analysis of these factors allows Gestamp to offer the optimal working conditions for its industrial activity. All plants must report the improvements implemented on a quarterly basis, and all manufacturing sites are fully audited every two years.

Despite the growth of the Group, both in terms of operations and number of employees, Gestamp has maintained, and even improved, its indices, as a reflection of its efforts in the area of Health and Safety.

Training and Development

The need to attract and retain highly skilled and qualified professionals requires the development of a talent management plan, the implementation of a global training plan focused on the standardization of manufacturing processes and international mobility of the Group's teams and experts.

- The development of a common talent management plan, which is based on identification of key positions, allows Gestamp to take constructive and appropriate measures to retain, train and promote internal talent, as well as ensure a pipeline of professionals to cover key positions in the organization.
- The global management of personnel training in those key competences facilitates the standardization of the Group's technological knowledge and processes, and consequently ensures the same levels of service to Gestamp's clients on an increasingly global scale. Accordingly, Gestamp has developed a corporate university (*Gestamp Global Learning*) as global online tool and the *Gestamp Technology Institute*
- The international mobility of Gestamp's employees as a key element for the transferability of the Group's know-how.

6.2 Environment

The environment and climate change are integrated into Gestamp's business strategy.

Gestamp's environmental policy is based on the implementation of an Environmental Management System ("EMS") certified according to international standards at each of its manufacturing facilities, as well as the implementation of an environmental management tool, the "Environmental Indicator", which allows the Group to (i) monitor and control all the facilities, (ii) identify improvement opportunities and (iii) implement best practices.

Approximately 92% of Gestamp's facilities are ISO 14001:2014 or EMASII certified and the remaining 8% of the facilities (most of which have been recently acquired or built by the Group) will achieve certification within consistent target deadlines.

As part of EMS, the Group conforms the manufacturing process to environmental standards: from the selection of its suppliers to the optimization of raw materials or the management of all the waste Gestamp produces (98% of the waste the company generates is not hazardous and 97% is fully recyclable (scrap) and therefore re-enters the steel production process). On a quarterly basis, the company monitors the environmental performance of its facilities through the Environmental Indicator and, in particular, through the following key indicators:

- EER: Energy Efficiency Rate.
- CO₂ER: CO₂ Emissions Rate.
- WPR: Waste Production Rate.
- WMR: Waste Management Rate.
- WCR: Water Consumption Rate.

Climate Change is another matter in which Gestamp works actively in a double-pronged approach. On the one hand, greenhouse gas emissions are reduced in the production processes through an adequate environmental management. On the other hand, as a supplier of components in the automotive sector, the added value of Gestamp lies in its technological and R&D capability to develop new products and innovative solutions that allow lighter parts to help its customers reduce their CO₂ emissions because lighter weight allows for lower fuel consumption and lower generation of emissions during vehicle use.

To measure the Group's carbon footprint generated by its business activities, Gestamp uses the GHG Protocol and the Intergovernmental Panel on Climate Change (IPCC) guidelines. On an annual basis, the Group also voluntarily reports its 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, the Group was named as an example of Spanish company in the Supply Chain program.

Despite the increase in the number of its facilities and the use of the hot stamping technology which is more energy intensive than other technologies, Gestamp's EMS has enabled it to maintain and even reduce, in relative terms, the level of GHG emissions in the last three years:

	2013	2014	2015	2016
CO ₂ Emission Rate (Tones of CO ₂ emissions per €100,000 of added value)	25	25	24	24

6.3 Society

Gestamp believes that its commitment to sustainability is not confined only to its operating environment; the Group is part of a value chain that is complemented by the activities of its suppliers, without whom Gestamp could not meet the requirements of its customers. As it empowers and supports them locally, the Group contributes to the development of its communities of operations, its sector as well as the overall economy due to the multiplier effect in terms of generation of employment and wealth.

Gestamp also generates a positive effect on the technical/industrial education and training of local people as a result of collaborations established with universities, business schools and regional vocational training centers aimed at promoting training activities related to industrial development. Thus, Gestamp is helping to strengthen an industrial culture and improve the employability of the surrounding communities. During 2016, Gestamp gave 734 young people the opportunity for internship and apprenticeship programs, 73% more than in 2015.

Another field in which the Group contributes to society is through its social activities. Since 2013 Gestamp uses the LBG model (London Benchmarking Group) with the objective of identifying, classifying, and assessing the non-profit making contributions each one of its work centers is making individually in the community in which it operates.

In addition, Gestamp is committed to the United Nations Sustainable Development Goals. During 2016, the Group has worked on the identification and alignment of its ongoing initiatives to the Goals and by 2017 hopes to establish new lines of action related to its business.

7. SUBSEQUENT EVENTS

- On November 24, 2016 the subsidiary Gestamp Metalbages S.A. acquired the remaining 60% shareholding in ESSA Palau S.A. for €23,373 thousand. The transaction was subject to a condition precedent related to duly obtaining the authorization from competition authorities. On January 17, 2017 the condition was met and the acquisition agreement was formalized. Thus Gestamp came to own 100% of the shares in ESSA Palau and fully paid the purchase price indicated. ESSA Palau S.A. is located in Barcelona (Spain) and is active in stamping and manufacturing automobile components for passenger cars.

At the issuance date of these Consolidated Financial Statements, the Group is analyzing the fair value of the net assets and liabilities. With this valuation and the consideration amount, goodwill will be calculated. There were no significant costs associated with this transaction.

- As stated in Note 22.d), on February 24, 2017, Mitsui & Co. Ltd. communicated its irrevocable decision not to execute the put option over 10% of the capital stock of the subsidiaries of the Group in which it participates (see Note 18 of the report), which the Parent Company had granted to Mitsui in its agreement dated December 23, 2016. Given the foregoing, the put option definitively expired and in the first quarter of 2017, the recognition of this put option will be reversed in the consolidated financial statements of the Group with the cancellation of the amount recognized under Other short-term non-current liabilities in the Consolidated Balance Sheet amounting to €76,900 thousand, with the corresponding increase in the balance of minority interests in this Consolidated Balance Sheet for the amount of €80,947 thousand and a decrease in the balance of Retained Earnings amounting to €4,047 thousand.
- During the first two months of the year, Gestamp started production at its second plant in Pune (India), launched the construction of a new plant in Matsusaka (Japan) and acquired a small auto components supplier in Romania through its Turkish subsidiary Beyçelik Gestamp Kalip.
- At the date of formulating these Consolidated Financial Statements, Gestamp is involved in a process for admission to official listing in the Madrid Stock Exchange. This process is pending to be formalized.

Most significant costs related to this process will be paid by Acek Desarrollo y Gestión Industrial, S.L. There is no variable employee compensation associated with the admission of the shares to listing on the Madrid Stock Exchange

8. FORESEABLE EVOLUTION OF THE COMPANY

For 2017, global economic growth is expected to exceed the levels experienced in 2016, and is expected to be approximately 3.5%. This higher growth will trigger some inflationary rebound in line with the evolution seen in the last quarter of the previous year, which could lead to interest rate increases, particularly in the United States.

With an improvement in economic activity, Gestamp expects a good performance in the automotive sector globally. Nevertheless, the extraordinary evolution of the Chinese market in the last quarter of 2016 may result in lower growth for 2017.

In a favorable environment, and on the back of the strong investments made in recent years in projects that will ramp up this year, Gestamp expects a positive performance in its operations in 2017. In line with recent years, the Group expects strong revenue and income growth, well above market.

Although the level of global uncertainty remains high and there are latent geopolitical risks such as those arising from the important electoral processes in Europe in 2017, Gestamp will continue to focus its efforts on improving the efficiency of its processes and adequate management of the large number of projects the Group is working on.

9. OPERATIONS WITH OWN SHARES

As at December 31, 2016 the Parent Company had no treasury shares, and during the course of the year did not trade in its own shares .

10. OTHER RELEVANT INFORMATION

10.1 Dividend policy

In 2016 the Parent Company maintained its policy to distribute dividends corresponding to 30% Consolidated Profit Attributable to Equity holders of the Parent Company.

10.2 Credit Rating

On May 2013, the Group completed an issuance of bonds through its subsidiary Gestamp Funding Luxembourg, S.A. This issuance was carried out in two bond issues: one amounting to €500 million with an interest rate of 5.875%, and the other amounting to \$350 million with a 5.625% interest rate, with an initial maturity date of May 31, 2020.

On May 11, 2016 the Group issued a new bond, through the subsidiary Gestamp Funding Luxembourg, S.A. for €500 million with an interest rate of 3.5%. The issuance was used to fully refinance the May 2013 bond and accrued interest. The US dollar bonds issued in May 2013 were fully refinanced on June 17, 2016 with the tranche A2 of the new syndicated loan granted on May 20, 2016.

The maturity date of the new bonds is May 15, 2023.

At December 31, 2016 Gestamp's corporate credit rating was "BB /stable outlook" by Standard & Poor's and "Ba2/ stable outlook" by Moody's. These ratings were most recently confirmed on May 3, 2016 by Standard & Poor's and on April 28, 2016 by Moody's.

Corporate Credit Ratings	Current Rating	Outlook	Last Review
Standard & Poor's	BB	Stable	03/05/2016
Moody's	Ba2	Stable	28/04/2016

Senior Secured Notes	Current Rating	Outlook	Last Review
Standard & Poor's	BB+	Stable	29/01/2016
Moody's	Ba3	Stable	28/04/2016

Average period for payment to suppliers

The internal processes and payment policy terms of the Spanish companies of the Group comply with the legal provision of the Law 15/2010, which establishes actions against late payment in commercial transactions. As a result, the contractual conditions in the year 2016 with commercial suppliers for parts manufactured in Spain have included periods of payment equal to or less than 60 days in 2016 and in 2015, according to the second transitory legal provision of the Law. (Refer to Note 34).

For efficiency reasons and in line with common standards, the Spanish subsidiaries of the Group have in place a schedule for payments to suppliers, under which payments are made on fixed days, and twice a month in the case of the larger entities.

In general terms, during the fiscal periods 2016 and 2015, payments, for contracts agreed after the entry into force the Law 15/2010 made by Spanish entities to suppliers have not exceeded the legal limits of payment terms. Payments to Spanish suppliers which have exceeded the legal deadline for years 2016 and 2015 have been negligible in quantitative terms and are derived from circumstances or incidents beyond the established payment policy, which primarily include the closing of agreements with suppliers at the delivery of goods or provision of services or handling specific processes.

Additionally, as of December 31, 2016 and 2015 there were no outstanding amounts to suppliers located in Spanish territory that exceeded the legal term of payment.