Financial results for the three months ended March 31, 2013

Gestamp Automoción, S.A.

June 24, 2013

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial information and operational data

Unless otherwise indicated, all financial information in this report has been prepared in accordance with IFRS applicable at the relevant date and is presented in euro. IFRS differs in certain significant respects from generally accepted accounting principles in the US.

We have presented certain information in this report that have not been prepared in accordance with IFRS or any other accounting standards. As used in this report, this information includes "EBITDA", which represents operating profit before amortization, impairment and depreciation. This report also contains other measures such as: cash, cash equivalent and current financial assets; total financial debt and net financial debt. We present these non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

In particular, we believe 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. To facilitate the analysis of our operations, this indicator excludes amortization, impairment and depreciation expenses from operating profit in order to eliminate the impact of general long-term capital investment. Although we are presenting this measure to enhance the understanding of our historical operating performance, EBITDA should not be considered an alternative to operating profit as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity. The presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

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

Industry data

In this report, we may 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. We cannot assure you that any of this information is accurate or correctly reflects our position in the industry, and none of our internal surveys or information has been verified by any independent sources. We do not make any representation or warranty as to the accuracy or completeness of any such information set forth in this report.

Forward looking statements and other qualifications

The following discussion and analysis is based on and should be read in conjunction with our historical financial included elsewhere in this quarterly report. Certain capitalized terms used herein defined have the meaning set out in the offering memorandum for our senior secured notes due 2020.

The discussion includes forward looking statements, which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties, which could cause actual events or conditions to differ materially from those implied herein. You are cautioned not to place undue reliance on these forward looking statements. These forward statements are made as of the date of this report and are not intended to give any assurance as to future results.

	Quarter ended March 31,		
	2012	2013	% Change
	(Millions of Euros)		
Consolidated Income Statement Data			
Operating income	1,492.6	1,425.7	-4.5%
Revenue	1,496.2	1,377.5	-7.9%
Other operating incomes	10.4	19.0	*nm*
Changes in inventories	-14.0	29.2	*nm*
Operating expenses	-1,405.1	-1,361.7	-3.1%
Raw materials and other consumables	-928.7	-867.1	-6.6%
Personnel expenses	-248.7	-260.6	4.8%
Depreciation, amortization and impairment losses	-71.3	-73.8	3.5%
Other operating expenses	-156.4	-160.2	2.4%
Operating profit	87.5	64.0	-26.9%
Finance income	2.6	2.5	-3.8%
Finance expenses	-18.1	-25.4	40.3%
Exchange gains (losses)	-2.0	1.1	*nm*
Other	-0.3	0.1	*nm*
Profit from continuing operations	69.7	42.3	-39.3%
Income tax expense	-17.7	-12.7	-28.2%
Profit for the period	52.0	29.6	-43.1%
Profit (loss) attributable to non-controlling interests	-7.7	-1.5	-80.5%
Profit attributable to equity holders of the parent	44.3	28.1	-36.6%

Revenue

Revenue declined by € 118.7 million, or 7.9%, to € 1,377.5 million in the first quarter of 2013 compared to sales of € 1,496.2 million in the first quarter of 2012. The decline in revenue is attributable primarily to a sales decrease of € 106.4 million in the European Union while sales in Eastern Europe, the Americas and Asia remained at levels similar to those of the comparable period in 2012.

The following table sets forth, by product category, our revenue for the quarters ended March 31, 2012 and 2013:

	Quarter ended March 31,		
	2012	2013	% Change
Revenue:	*(Millions of Euros)*		
Body-in-White and Chassis	1,230.6	1,166.4	-5.2%
Mechanisms	184.9	170.6	-7.7%
Toolings and Others	80.7	40.5	-49.8%
Total	1,496.2	1,377.5	-7.9%

Body-in-White and Chassis. Revenue decreased by € 64.2 million, or 5.2%, to € 1,166.4 million in the quarter ended March 31, 2013 from €1,230.6 million in the quarter ended March 31, 2012. This decrease was attributable primarily to a sales in the European Union while sales in Eastern Europe, the Americas and Asia remained at levels similar to those of the comparable period in 2012.

Mechanisms. Revenue decreased by €14.3 million, or 7.7%, to €170.6 million in the quarter ended March 31, 2013 from €184.9 million in the quarter ended March 31, 2012. This decrease was primarily due to declines in sales in Germany, Spain, Czech Republic and France, partially mitigated by increases in sales in China and Brazil.

Tooling and Other. Revenue decreased by €40.2 million, or 49.8%, to €40.5 million in the quarter ended March 31, 2013 from €80.7 million in the quarter ended March 31, 2012. This decrease was primarily due to lower tooling sales in UK, Brazil, Mexico, and India.

Operating expenses

Raw materials and other consumables. Expenses on raw materials and other consumables decreased by €61.6 million, or 6.6%, to € 867.1 million in the first quarter of 2013 from € 928.7 million in the first quarter of 2012 due to the reduction in sales volume during the period. Expenses on raw materials and other consumables in the first quarter of 2013 also reflect an increase in inventories of € 43.2 million compared to a decrease in inventories during the comparable period in 2012.

Personnel Expenses. Personnel expenses increased by € 11.9 million, or 4.8%, to € 260.6 million in the first quarter of 2013 from € 248.7 million in the first quarter of 2012, largely due to an increases in personnel expenses in the Americas and in Asia, which are regions which have experienced both growth in production volume as well as the effects of additions to personnel during the ramping up of activity in new production sites.

Depreciation, amortization and impairment losses. Depreciation expense increased by € 2.5 million, or 3.5%, to € 73.8 million in the first quarter of 2013 from € 71.3 million in the first quarter of 2012, largely as a result of depreciation of new investments carried out during 2012, particularly in Asia, as well as in the Mechanisms business unit in general.

Other operating expenses. Other operating expenses increased by € 3.8 million, or 2.4%, to € 160.2 million in the first quarter of 2013 from € 156.4 million in the first quarter of 2012, largely in the areas of maintenance and external services, and primarily as a result of price inflation.

Operating profit or loss

Operating profit decreased by € 23.5 million, or 26.8%, to € 64 million in the first quarter of 2013 from € 87.5 million in the first quarter of 2012. This decrease is primarily a result of the lower sales volume and higher personnel expenses, and the maintenance of similar depreciation and other operating expenses in the first quarter of 2013 compared to the first quarter of 2012.

EBITDA

EBITDA decreased by € 21 million, or 13.2%, to € 137.8 million in the first quarter of 2013 from € 158.8 million in 2012. This decrease is primarily a result of the lower sales volume and higher personnel expenses, and the maintenance of similar other operating expenses in the first quarter of 2013 compared to the first quarter of 2012.

Net financial income (expenses)
Financial expenses increased by € 7.3 million, or 40.3%, to € 25.4 million in the first quarter of 2013 from € 18.1 million in the first quarter of 2012 due in part to an increase of € 220.0 million in average net debt in the first quarter of 2013 compared to the first quarter of 2012, and in part to an increase by an average of 30 basis points in the interest margin applicable on our debt.

Income tax
Income tax expense decreased by € 5 million, or 28.2%, to € 12.7 million during the first quarter of 2013 from € 17.7 million during the first quarter of 2012. This decrease is due to the decline in pre-tax profit, partially offset by an increase in the average tax rate during the period from 25% to 30%, which is largely due to a relatively higher proportion of income from jurisdictions with higher tax rates.

Profit attributable to non-controlling interest
Profit attributable to non-controlling interests decreased by € 6.2 million, or 80.5%, to €1.5 million in the first quarter of 2013 from € 7.7 million in the first quarter of 2012, largely as a result of lower profit in subsidiaries in Germany, UK and France in which third parties have a minority direct or indirect interest.

	Quarter ended March 31,	
	2012	2013
	(Millions of Euros)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxes and after non-controlling interest	**61.9**	**40.8**
Adjustments to profit	**80.1**	**77.2**
Depreciation and amortization of fixed assets	71.3	73.8
Impairment of fixed assets	0.0	0.8
Impairment	2.0	-2.5
Change in provisions	-18.0	-17.4
Grants released to income	-0.8	-1.1
Profit (loss) attributable to non-controlling interests	7.7	1.5
Profit from disposal of fixed assets	0.0	0.5
Profit from disposal of financial instruments	0.0	0.0
Financial income	-2.6	-2.5
Financial expenses	18.2	25.4
Share of profits from associates - equity method	0.2	-0.2
Exchange rate differences	2.0	-1.1
Change in fair value of financial instruments	0.0	0.0
Other income and expenses	0.1	0.0
Changes in working capital	**-111.2**	**-49.9**
(Increase)/Decrease in Inventories	29.5	-25.3
(Increase)/Decrease in Trade and other receivables	-210.1	-115.4
(Increase)/Decrease in Other current assets	-1.6	-4.9
Increase/(Decrease) in Trade and other payables	68.7	97.0
Increase/(Decrease) in Other current liabilities	2.4	-1.3
Other non-current assets and liabilities	-0.1	0.0
Other cash-flows from operating activities	**-12.6**	**-28.8**
Interest paid	-17.9	-33.3
Interest received	3.2	1.7
Proceeds (payments) of income tax	2.1	2.8
Cash flows from operating activities	**18.2**	**39.3**

	Quarter ended March 31,	
	2012	2013
	(Millions of Euros)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on investments	**-187.3**	**-237.8**
Group companies and associates	0.0	-22.6
Addition to consolidation scope	0.0	0.0
Intangible assets	-5.5	-26.6
Property, plant and equipment	-174.4	-188.2
Other financial assets	-7.4	-0.4
Other assets	0.0	0.0
Proceeds from divestments	**3.8**	**9.4**
Group companies and associates	2.4	3.1
Intangible assets	0.0	0.3
Property, plant and equipment	1.4	0.6
Other financial assets	0.0	5.4
Other assets	0.0	0.0
Cash flows from investing activities	**-183.5**	**-228.4**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds and payments on equity instruments	**0.2**	**4.5**
Change in non-controlling interests	-0.3	0.6
Grants, donations and legacies received	0.5	3.9
Other equity movements	0.0	0.0
Proceeds and payments on financial liabilities	**133.1**	**137.6**
Proceeds from	**219.7**	**226.7**
Interest-bearing loans and borrowings	183.0	222.8
Borrowings from Group companies and associates	33.9	2.2
Other borrowings	2.8	1.7
Repayment of	**-86.6**	**-89.1**
Interest-bearing loans and borrowings	-85.0	-29.7
Borrowings from Group companies and associates	0.0	-54.9
Other borrowings	-1.6	-4.5
Payments on dividends and other equity instruments	**0.0**	**0.0**
Dividends		0.0
Cash flows from financing activities	**133.3**	**142.1**
Effect of changes in exchange rates	**0.0**	**-0.4**
NET INCREASE/ DECREASE OF CASH OR CASH EQUIVALENTS	**-32.0**	**-47.4**

Cash-flow from operating activities
Cash-flow from operating activities during the first quarter of 2013 increased by € 21.1 million to a net amount of € 39.3 million from € 18.2 million in the first quarter of 2012, with reduced working capital needs overcompensating for the decline in net income adjusted for non-cash items.

Cash-flow from (used in) investing activities
Cash-flow used in investing activities increased by € 44.9 million during the first quarter of 2013 to € 228.4 million from € 183.5 million during the first quarter of 2012, primarily as a result of investments in new projects in Russia, Brazil, the United States, Mexico and China, but also due to an increase in loans to our joint venture in Turkey, which are not eliminated in consolidation, in the amount of € 22.6 million.

Cash-flow from financing activities
Cash-flow from financing activities amounted to € 142.1 million during the first three months of 2013, primarily due to the proceeds from two loans for a total amount of € 200 million, as well as the renewal of other bilateral loans, partially offset by the amortization of other financing amounting to € 89.1 million.

Cash-flow from financing activities during the first three months of 2012 amounted to € 133.3 million, primarily due to the renewal of existing loans and the proceeds from new loans amounting to € 219.7 million and the amortization of other financing amounting to € 86.6 million.

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.

Following the issuance of our senior secured notes due 2020 and the repayment of certain of our long-term indebtedness, our long-term indebtedness (excluding the notes and the Senior Facilities) primarily consist of the € 60.0 million Banc of America loan and €111.3 million of aggregate principal amount in other local facilities.

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, including the notes, 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; or
- obtain additional debt or equity financing.

As market conditions warrant, we may from time to time purchase, redeem, repurchase, prepay, cancel or otherwise restructure or refinance all or a portion of our indebtedness including debt under the notes and the Senior Facilities, in privately negotiated transactions, open market transactions or otherwise. 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 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 €9.3 million in 2010, €33.4 million in 2011 and €50.5 million in 2012. We have recently approved the payment of a dividend of €51.0 million to our shareholders. Such dividend shall be paid no later than 60 days after June 30, 2013.

We are leveraged and have debt service obligations. We anticipate that our leverage will continue for the foreseeable future. Our level of debt may have important negative consequences for you.

Working capital

The table below shows the sources (and uses) of cash related to working capital during the periods indicated:

	2012	2013
	(Millions of Euros)	
Changes in working capital	**-111.2**	**-49.9**
(Increase)/Decrease in Inventories	29.5	-25.3
(Increase)/Decrease in Trade and other receivables	-210.1	-115.4
(Increase)/Decrease in Other current assets	-1.6	-4.9
Increase/(Decrease) in Trade and other payables	68.7	97.0
Increase/(Decrease) in Other current liabilities	2.4	-1.3
Other non-current assets and liabilities	-0.1	0.0

Our working capital requirements largely arise from our trade receivables, which are primarily composed of amounts owed to us by our customers, 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 funds from other finance sources.

Net working capital requirements increased by € 49.9 million during the first quarter of 2013, compared to an increase of € 111.2 million during the first quarter of 2012.

During the first quarter of 2013 the average days for collection on our trade receivables increased to 45 days from 41 days at year-end 2012, and the net amount of tooling in process of construction during the period increased by € 53.3 million, which led to a combined increase in working capital needs of € 115.4 million. The increase in the average days for payment to suppliers from 58 days at year-end 2012 to an average of 69 days during the first quarter of 2013, primarily due to a reduction in activity in the European Union with shorter average periods for payment in comparison to other regions, provided a source of working capital in the amount of € 97.0 million.

During the first quarter of 2012 the increase in activity compared to the fourth quarter of 2012 while maintaining average days for collection at approximately 46 days, together with a € 57.6 million increase in the net amount of tooling in process of construction during the period, resulted in an increase in working capital needs of € 210.1 million. The increase in activity during the same period, while keeping the average days for payment to suppliers at approximately 64 days, provided a source of working capital in the amount of € 68.7 million.

Capital expenditures

	Quarter ended March 31,	
	2012	**2013**
	(Millions of Euros)	
Capital expenditures	**117.2**	**169.0**
Intangible assets	5.5	26.6
Tangible assets	111.7	142.4
Net payments on investments	**178.5**	**213.9**
Intangible assets	5.5	26.3
Tangible assets	173.0	187.6

Capital expenditures during the quarters ended March 31, 2012 and 2013 amounted to approximately € 117.2 million and € 169.0 million, respectively. We define capital expenditures as consisting primarily of expenditure on property, plant and equipment, but also include expenditure on intangible assets. This includes expenditure on new manufacturing plants and expansion of existing plant capacity for new production lines, maintenance capital expenditure comprised of expenditures on maintenance of machinery and buildings, improvements of existing plants driven by health and safety and noise reduction concerns and replacement capital expenditure incurred in relation to changes to our production platforms in connection with new models. Replacement capital expenditure is primarily incurred in connection with updating our welding and assembly cells and equipment, given that the most costly categories of our infrastructure, such as land, buildings and press equipment, have long lives and can be adapted with relatively low expenditure for replacement or renewal business. Net payments on investments, or cash capital expenditure, reflect actual cash outlays for fixed assets, taking into account among other things increases and decreases in payables to our suppliers of fixed assets.

Pro forma Contractual obligations

We have contractual commitments providing for payments primarily pursuant to our outstanding financial debt, including the financial obligations arising from the senior secured notes but excluding financial derivatives.

Our consolidated contractual obligations as of March 31, 2013, after giving pro forma effect to the senior secured notes, the entering into of the Senior Facilities Agreement, the Mitsui Investment and the application of the proceeds therefrom, were as follows:

	Total	Less than 1 year	1 - 5 years	More than 5 years
	(Millions of Euros)			
Contractural obligations				
Interest bearing loans and borrowings	1,642.1	132.0	727.1	783.0
Financial leases	25.3	1.1	6.0	18.2
Total Financial Debts	**1,667.4**	**133.1**	**733.1**	**801.2**
Operating leases	223.3	37.5	105.7	80.1
Non interest bearing loans	14.6	0.0	10.5	4.1
Current non-trade liabilities	100.2	100.2	0.0	0.0
Total Contractural Obligations	**2,005.5**	**270.8**	**849.3**	**885.4**

CAPITALIZATION

The following table sets forth the consolidated cash and capitalization as of March 31, 2013 on an actual basis derived from our consolidated balance sheet as of March 31, 2013 and as adjusted to give effect to the senior secured notes, the entering into the Senior Facilities Agreement and the incurrence of indebtedness under the term facilities thereunder, the Mitsui Investment and the application of the proceeds therefrom to repay approximately € 1,283 million of existing indebtedness; to pay an estimated €30 million in transaction expenses; and the repurchase from Cofides of the 35% stake it had in our Mexican operations.

	Quarter ended March 31, 2013	
	Actual	**As adjusted**
	(Millions of Euros)	
Cash, cash equivalent and current financial assets [1]	253.5	508.4
Senior secured notes [2]	----	768.7
Term facilities	----	570.0
Revolving credit facility [3]	----	----
Long-term intebtedness [4]	1,090.7	171.4
Short-term indebtedness [5]	471.4	107.4
Other financial indebtedness	168.0	168.0
Total financial debt	**1,730.1**	**1,785.5**
Equity	1,608.0	1,837.5
Total capitalization	**3,338.1**	**3,623.0**

(1). Includes cash and cash equivalents as of March 31, 2013 of € 200.2 million and current financial assets as of March 31, 2013 of € 53.3 million (comprised of loans and receivables, securities portfolio and other current financial assets). Cash and cash equivalents and current financial assets does not take into account the operating cash inflows generated after March 31, 2013, nor any cash outflows that occurred after March 31, 2013, including capital expenditure, and our proposed € 51.0 million dividend in connection with our results for the year ended December 31, 2012, which is expected to be paid no later than August 31, 2013 and the € 104.0 million payment to exercise the Liberty Option (see "Recent Developments").

(2). The senior secured notes consist of $ 350.0 million of dollar denominated notes and € 500.0 million of euro denominated notes. We have applied an exchange rate to calculate the aggregate proceeds of the notes in euro of $ 1.302 to € 1.00.

(3). In connection with the offering of the notes, we entered into a new revolving credit facility in the amount of € 280.0 million which was undrawn on the date of the issuance of the notes.

(4). Following the repayment of certain of our long-term indebtedness and excluding the notes and the Senior Facilities, our long-term indebtedness will primarily consist of a € 60.0 million facility with Banc of America and € 111.4 million of aggregate principal amount in other local facilities.

(5). The short-term indebtedness being repaid primarily consists of short-term credit lines and loans in Spain. Following the repayment of such short-term indebtedness, the outstanding amounts on our short-term credit lines primarily relate to facilities extended to our subsidiaries in Brazil, the United Kingdom, Germany and Turkey. A number of the short-term credit lines that are being repaid will not be cancelled and will be available for future working capital and other requirements.

Other Financial Data

	Quarter ended March 31,	
	2012	2013
	(Millions of Euros)	
Other Financial Data:		
EBITDA [1]	158.8	137.8
Cash, cash equivalents and current financial assets	324.4	253.5
Total financial debt [2]	1,464.1	1,730.1
Net financial debt [2]	1,139.7	1,476.6

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

	Quarter ended March 31,	
	2012	2013
	(Millions of Euros)	
Operating profit	**87.5**	**64.0**
Adusted for:		
Depreciation, amortization and impairment losses	71.3	73.8
EBITDA	**158.8**	**137.8**

(2) Total financial debt consists of interest-bearing loans and borrowings, financial leasing, borrowings from associated companies, loans from the Ministry of Science and Technology and other interest bearing loans but does not include derivative financial instruments, non-interest bearing loans, other current non-trade liabilities, deferred income, provisions, deferred tax liabilities, trade and other payables and other liabilities. Net financial debt consists of total financial debt less cash and cash equivalents and current financial assets. The following table presents a calculation of these measures:

	Quarter ended March 31,	
	2012	2013
	(Millions of Euros)	
Interest bearing loans and borrowings	1,331.6	1,562.1
Financial leasing	0.2	25.4
Borrowings from associated companies	108.2	67.2
Loans from the Ministry of Science and Technology	23.1	38.2
Other interest bearing loans	1.0	37.2
Total financial debt	**1,464.1**	**1,730.1**
Cash, cash equivalents and current financial assets	324.4	253.5
Net financial debt	**1,139.7**	**1,476.6**

RECENT DEVELOPMENTS

On May 10, 2013 we completed an issuance of € 500 million aggregate principal amount of 5.875% Senior Secured Notes due 2020 and $ 350 million aggregate principal amount of 5.625% Senior Secured Notes due 2020. We also entered into a new €850 million syndicated term loan and revolving credit facility agreement. The net proceeds of the notes offering and the term facility under the new credit facility agreement have been used to refinance our debt structure and for other corporate purposes.

As of the date of this report, we continue to progress in relation to the closing of the investment by Mitsui & Co. Ltd. ("Mitsui") of €297.0 million in newly issued shares of Gestamp North America, Inc., Gestamp 2015, S.L., Gestamp 2016, S.L. and Gestamp Brasil Industria de Autopeças, S.A., our US, Mexican, Argentinian and Brazilian sub-holding companies, respectively, for a 30% stake in our operations in the Americas (the "Mitsui Investment"). The completion of the Mitsui Investment is subject to the satisfaction of certain conditions precedent, including obtaining certain regulatory approvals and our acquisition of the 35% interest in our Mexican subsidiaries held by a Spanish quasi-governmental entity which supports foreign investment (Compañía Española de Financiación del Desarrollo, COFIDES S.A., or "Cofides"). The repurchase of the Cofides investment in our Mexican operations was closed on June 13, 2013. Regulatory approval required to be obtained prior to closing the Mitsui Investment has been obtained in all geographies except in Turkey, which is expected to provide its approval in the coming days. We expect the Mitsui Investment to be closed by the beginning of July 2013.

On June 14, 2013, and in accordance with the agreements signed on December 5, 2011 with Tocqueville Capital Company B.V ("Tocqueville"), a subsidiary of Liberty Hampshire Company, LLC, we have agreed to exercise our call option (the "Liberty Option") to purchase the 49.06% non-controlling interest in GMF Holding held by Tocqueville for € 104 million on September 5, 2013.

GESTAMP AUTOMOCION, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT MARCH 31, 2012 AND 2013

(In millions of euros)

ASSETS	**March 31, 2012**	**March 31, 2013**
Non-current assets		
Intangible assets	199.3	239.0
Property, plant, and equipment	2,181.7	2,518.3
Financial assets	50.7	71.0
Deferred tax assets	189.8	179.2
Total non-current assets	**2,621.5**	**3,007.5**
Current assets		
Inventories	421.7	524.7
Trade and other receivables	1,222.1	1,113.7
Other current assets	10.6	13.7
Financial assets	96.3	53.3
Cash and cash equivalents	228.1	200.2
Total current assets	**1,978.8**	**1,905.5**
Total assets	**4,600.3**	**4,913.0**

GESTAMP AUTOMOCION, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT MARCH 31, 2012 AND 2013

(In millions of euros)

EQUITY AND LIABILITIES	**March 31, 2012**	**March 31, 2013**
EQUITY		
Capital and reserves attributable to equity holders of the parent		
Issued capital	288.2	288.2
Share premium	61.6	61.6
Retained earnings	873.9	970.0
Translation differences	-12.0	-15.3
Equity attributable to equity holders of the parent	**1,211.7**	**1,304.6**
Equity attributable to non-controlling interest	**287.9**	**303.4**
Total equity	**1,499.6**	**1,608.0**
Liabilities		
Non-current liabilities		
Deferred income	30.1	32.2
Provisions	158.7	152.6
Non trade liabilities	782.4	1,286.7
Interest-bearing loans and borrowings	670.9	1,090.7
Derivative financial instruments	48.8	45.8
Other non-current financial liabilities	62.6	150.2
Deferred tax liabilities	164.7	182.0
Other non-current liabilities	2.4	1.3
Total non-current liabilities	**1,138.2**	**1,654.8**
Current liabilities		
Non trade liabilities	853.4	604.0
Interest-bearing loans and borrowings	660.7	471.4
Other current financial liabilities	192.7	132.6
Trade and other payables	1,048.2	1,028.4
Trade accounts payable	780.7	799.2
Current tax liabilities	45.0	33.6
Other accounts payable	222.5	195.7
Provisions	54.0	12.5
Other current liabilities	6.9	5.4
Total current liabilities	**1,962.5**	**1,650.3**
Total liabilities	**3,100.7**	**3,305.1**
Total equity and liabilities	**4,600.3**	**4,913.0**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Annual 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.

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-IFRSs (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.

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 3) being it consider as its cost value.

Specific spare parts: 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.

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.

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
Buildings	17 to 50
Plant and machinery	3 to 15
Other plant, tools and furniture	2 to 10
Other PP&E items	4 to 10

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

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 acquiered 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, included the separation of implicit derivatives financial instruments of 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 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 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 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). The Company 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 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).

4. Jointly controlled entities

The Group has several participations in jointly controlled entities, business over which the Group exercises joint control, where contractual agreements exist.

The contracts require that the agreement between the parties with respect the operating and financial decisions be unanimous. Jointly controlled entities are consolidated using the proportionate consolidation method.

The Group integrates in the Consolidated Financial Statements its shareholding percentage over the assets, liabilities, income and expenses of the joint venture in similar items.

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

The Consolidated Financial Statements include the adjustments to eliminate their participation in balances, transactions and profits and losses between the Group and its joint venture. Transactions losses are

recognized immediately if the loss reflects a reduction in the net realisable value of current assets or an impairment loss.

The joint venture is proportionately consolidated until the date that the Group ceases to exercise joint control over it. Once the joint control is ceased, the Group measures and recognizes investments held at fair value. Any difference between the carrying amount of the investment that was jointly controlled and the fair value of the investment held, including the revenues, is recognised in the Consolidated Income Statement.

Investments in which the Group has significant influence but not control or joint control, is consolidated under the equity method.

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.

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.

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. Financial assets

Financial assets are initially measured at fair value less any directly attributable transaction costs. The Group classifies its financial assets, current and non-current, into the following categories:

- Financial assets at fair value 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.

<u>Financial assets at fair value through profit and loss (held for trading)</u>

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 and are carried on the balance sheet at fair value. Changes in value of these assets are recognized in the Consolidated Income Statement as Financial gains or losses.

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

<u>Held-to-maturity investments</u>

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.

<u>Loans and receivables</u>

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

There 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, companies in which the Group has significant influence, are accounted for using the equity method.

According to the equity method, the investment is recognized initially at cost. From the acquisition date on, the carrying amount of the investment is adjusted in accordance with any changes in Group's interest in the associate. Goodwill related to the associate is included in the carrying amount of the investment and it is not amortized and no impairment test related is done.

If the resulting amount of the investment valuation is negative, the Group's investment in the associate is written down to zero in the Consolidated Balance Sheet unless there is a commitment by the Group to replenish the company's equity, in which case the corresponding provision is recognized.

The share of the Group in profits of operations of associates is reflected in the Consolidated Income Statement. Where there has been a change recognized directly in equity by the associate, the Group recognizes its share of this change,when applicable, in "Other comprehensive Income" and discloses this, when applicable, in the consolidated statement of changes in equity.

Non-realized gains or losses resulting from transactions between the Group and the associate corresponding to the share of the Group in the associate are eliminated.

The share of the Group in profits of associates are reflected directly in the Consolidated Income Statement and represents profit after taxes and non-controlling interests.

Financial statements of the associate are prepared for the same period that for the Group and with all necessary adjustements in order to homogeneize to Group's accounting policies.

After using the equity method, the Group decides if impairment losses on the investment in associated have to be recognised. At closing date the Group consider if there are evidences of impairment of the investment in the associate and if so, the impairment is calculated as the difference between the recoverable value and the carrying amount of the associate 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 ceases, the Group recognises the investment at its fair value. Any difference between the carrying amount of the associate in the moment of lost of significant influence and the fair value of the investment plus the income for sale is recognized in the Consolidated Income Statement.

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.

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 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.

When the carrying amount of a group of assets or CGU exceeds its recoverable amount, an impairment loss is recognized.

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 that, 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 previsions individually prepared for each CGU to which the asset is allocated. Those budgets and previsions refer to a five-year period and for longer periods a long-term growing 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 Statemtent in the expenses related to the function of the impaired asset.

For all assets except goodwill, an assesment is made every year to see if there are evidence that the impairment registered in previous years has been reduced or has dissapeared. 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 assesing 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 assess the recoverable value of each CGU allocated to it. If the recoverable value of the CGU is lower than their 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 income statement is measured as the difference between the acquisition cost and current fair value.

Once that an equity investment classified as available-for-sale has been impared, 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 income statement, the impairment loss is reversed through the 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.

8. 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 have been transferred to the bank.

The Group recognizes impairment allowances on balances past-due over certain periods, or when other circumstances warrant their classification as impaired.

9. 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).

10. 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 17).

Where 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 Financial Statements, on the definitive settlement of the tool manufacture contracts in progress at March 31, 2013.

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”.

11. 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.

12. 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 income, it is recognized directly in the Consolidated Income Statement.

13. Financial liabilities (trade and other payables and borrowings)

Financial liabilities are initially recognized at fair value less attributable transaction costs. 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.

14. 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, 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.

15. Employee benefits

The Group has assumed pension commitments for some companies belonging to the Edscha and the Gestamp Metal Forming Subgroups 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-employments 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 accrual principle.

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 projected unit credit method is used to make reliable estimates of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods. 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), that 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 (if any).

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 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.

16. 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.

17. 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 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:

- 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 for third party sale and rendering of services: revenue arising from the manufacture of tools for sale to third parties and the rendering of services are recognized by reference to the stage of completion of the transaction at the reporting date - stage of completion method (Note 10).

➢ 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.

18. 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.

19. Derivative financial instruments

The 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 Company and on a portion of expected future borrowings.

In addition, the Company holds hedges contracted for net foreign investments to cover the exposure to changes in exchange rates with respect to the interest in the net assets of foreign operations.

These financial derivatives hedging cash flow and net foreign investments 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, and in “Translation differences” with respect to net foreign investment 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.

20. Related parties

The Group considers its direct and indirect shareholders, its associated companies, its directors and its officers as Related Parties.

Companies belonging to the majority shareholder of the Company are also considered related parties.

21. 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 2 above.

Estimable amounts of contingent liabilities for environmental issues, if any, would be provisioned as a liability in Consolidated Balance Sheet.

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 reported amounts of assets and liabilities.
- The disclosure of contingent assets and liabilities at the reporting date.
- The reported amounts of revenue and expenses throughout the year.

The key estimates and assumptions that have a significant impact on the accompanying Consolidated Financial Statements are as follows:

- The valuation of assets and goodwill for the purposes of determining any impairment losses.
- Specifically in relation to the assumptions used to estimate EBITDA at the CGUs, management used the most conservative scenarios so that adjustments to carrying amounts in this regard are considered unlikely (Note 7).
- The likelihood and quantification of indeterminate and contingent liabilities (Note 14).
- Calculation of income tax expense and recognition of deferred tax assets: the correct measurement of income tax expense depends on a number of factors, including timing estimates in relation to the application of deferred tax assets and the accrual of income tax payments. The actual timing of payments and collections could differ from these estimates as a result of changes in tax regulations or in planned/future transactions with an impact on the tax base of the Group's assets.

Although these estimates have been made based on the best information available regarding the facts analyzed at the reporting date, events may occur in the future that require adjustments to be made prospectively in subsequent years to reflect the effect of the revised estimates. Nevertheless, management does not expect any such adjustments to have a material impact on its future Consolidated Financial Statements.

In terms of current and non-current provisions (Note 18), the Group did not change any of the estimates used to calculate these balances under IFRS.

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 prospectively 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 or loss for the year. In these instances, the prior year’s balances are also restated to maintain comparability of information