



## Grupo Antolín-Irausa, S.A.

### €400 million 3.25% Senior Secured Notes due 2024

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Grupo Antolín-Irausa, S.A., a limited liability company (*sociedad anónima*) incorporated and existing under the laws of Spain (the “**Company**”), issued €400.0 million 3.25% Senior Secured Notes due 2024 (the “**Notes**”). Interest will be paid on the Notes semi-annually in arrears in cash on April 30 and October 30 of each year, commencing October 30, 2017.

The Notes will mature on April 30, 2024. Prior to April 30, 2020, the Company may redeem the Notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable “make whole” premium, as described herein. In addition, prior to April 30, 2020, the Company may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at the redemption price set forth in this offering memorandum. At any time on or after April 30, 2020, the Company will be entitled at its option to redeem all or a portion of the Notes, upon not less than ten days’ notice, at the applicable redemption price set forth in this offering memorandum. See “Description of the Notes—Optional Redemption”. The Company may redeem all of the Notes, at any time, at a price equal to their principal amount plus accrued and unpaid interest, if any, and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events of default constituting a “change of control”, the Company will be required to make an offer to repurchase the Notes at 101% of the principal amount redeemed, plus accrued and unpaid interest, if any, and additional amounts, if any.

The Notes are senior obligations of the Company secured by (i) a third-ranking pledge over 32.6% of the shares of the Company held by Castilfalé Gestión, S.A.U. and (ii) a third-ranking pledge over 67.4% of the shares of the Company held by Grupo Antolin HoldCo S.A. (the “**Collateral**”). Notwithstanding the fact that the Notes are secured by third-ranking pledges, pursuant to the Intercreditor Agreement (as defined herein), recoveries received upon enforcement of the Collateral will be applied *pro rata* in repayment of liabilities in respect of the Notes, the €400.0 million 5.125% Senior Secured Notes due 2022 issued by Grupo Antolin Dutch B.V. (“**Dutch Finco**”), a subsidiary of the Company (the “**2022 Notes**”) and the Senior Facilities (as defined herein). See “Description of Other Indebtedness—Intercreditor Agreement”.

The Notes rank equally in right of payment with all of the Company’s existing and future senior debt (including its parent guarantee of the 2022 Notes) and senior to any of its existing or future subordinated debt. Certain of the Company’s subsidiaries (the “**Guarantors**”) guarantee the Notes (the “**Guarantees**”) from the Issue Date; *provided, however*, that the Company will use its best efforts to cause Antolin Ebergassing GmbH to deliver a Guarantee on or before June 30, 2017. See “Summary—The Offering—Guarantors” and “Summary—Recent Developments”. Local laws may limit your rights to enforce certain guarantees and, in addition, your rights with respect to the Notes and the Guarantees will be subject to an intercreditor agreement dated March 21, 2014 (the “**Intercreditor Agreement**”) entered into with, among others, lenders under our senior term facilities and revolving credit facility originally dated March 13, 2014 (as amended and/or amended and restated from time to time, the “**Senior Facilities Agreement**”) and the trustee on behalf of the holders of the 2022 Notes, and to which the trustee on behalf of the holders of the Note will accede on the Issue Date. See “Description of Other Indebtedness”.

There is currently no public market for the Notes. An application has been made to have the Notes admitted to the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market (“**Euro MTF**”).

This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended, and includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 30 for a discussion of certain risks that you should consider in connection with an investment in any of the Notes.

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**Issue price for the Notes: 100.00 %**  
plus accrued interest, if any, from the Issue Date.

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This offering memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been and will not be registered under the US federal or state securities laws or the securities laws of any other jurisdiction and may not be offered or sold within the US or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act of 1933 (“Regulation S”), as amended (the “Securities Act”)), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Initial Purchasers named below are offering the Notes only to “qualified institutional buyers” (“QIBs”), as defined in Rule 144A under the Securities Act (“Rule 144A”), in reliance on Rule 144A, and to persons outside the US in reliance on Regulation S. See “Notice to Investors” and “Transfer Restrictions” for further details about eligible offerees and resale restrictions.

The Notes were issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof and are only transferable in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. The Notes were represented on issue by one or more global notes, which were delivered through Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”) on April 21, 2017.

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***Bookrunners***

Deutsche Bank

BBVA

BNP PARIBAS

Santander

Société Générale

***Co-managers***

Banca March

Banco Sabadell

BANKIA

Bankinter

CaixaBank

The date of this offering memorandum is June 21, 2017

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## NOTICE TO INVESTORS

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD IN THE US OR TO US PERSONS. SEE “PLAN OF DISTRIBUTION” AND “TRANSFER RESTRICTIONS”. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this offering memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Company, any of its affiliates or the Initial Purchasers (as defined herein) or their respective affiliates. This offering memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this offering memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date.

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes.

The contents of this offering memorandum may only be used for the purpose for which this offering memorandum has been published and are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Company and its affiliates, the terms of the offering of the Notes and the merits and risks involved.

This offering is being made in reliance upon exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties. See “Transfer Restrictions”. The Notes have not been and will not be registered with, recommended by or approved by the US Securities and Exchange Commission or any other US federal, state or foreign securities commission or regulatory authority, nor has the US Securities and Exchange Commission or any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The Initial Purchasers and Deutsche Trustee Company Limited (the “**Trustee**”) make no representations or warranties, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or the Trustee as to the past or future.

We have prepared this offering memorandum solely for use in connection with the offer of the Notes to QIBs under Rule 144A and to non-US persons (within the meaning of Regulation S) outside the United States under Regulation S.

The Company reserves the right to withdraw the offering of the Notes at any time. The Company and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

The laws of certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. None of the Company, the Initial Purchasers, the Trustee or their respective representatives are



making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the offering and sale of the Notes and the distribution of this offering memorandum, see “—Notice to Investors in the European Economic Area”, “—Notice to Certain Other European Investors” and “Transfer Restrictions”.

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this offering memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Company, its affiliates, the Trustee or the Initial Purchasers or their respective affiliates will have any responsibility therefor.

No action has been taken by the Initial Purchasers, the Company or any other person that would permit an offering of the Notes or the circulation or distribution of this offering memorandum or any offering material in relation to the Company or its affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

The Notes will only be issued in fully registered form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes sold to QIBs in reliance on Rule 144A will initially be represented by one or more global Notes in registered form without interest coupons attached (the “**Rule 144A Global Notes**”). Notes sold to non-US persons outside the US in reliance on Regulation S will be represented by one or more global Notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). The Global Notes were deposited, on the Issue Date with, or on behalf of, a common depositary for the accounts of the Euroclear and Clearstream and registered in the name of the nominee of the common depositary. Prior to the date that is 40 days after the later of the commencement of the offering or the Issue Date, beneficial interests in a Regulation S Global Note may not be able to be offered, sold or delivered to, or for the account or benefit of, US persons pursuant to restrictions under the US federal securities laws. See “Book-Entry, Delivery and Form”.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (having taken reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect. We accept responsibility accordingly.

IN CONNECTION WITH THIS ISSUE, DEUTSCHE BANK AG, LONDON BRANCH (THE “**STABILIZING MANAGER**”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) TO UNDERTAKE SUCH ACTION. SUCH STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES TAKES PLACE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZING ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “PLAN OF DISTRIBUTION”.

## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that all offers of the Notes were made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the “**Prospectus Directive**”, as implemented in Member States of the European Economic Area and any amendments thereto, including the 2010 Prospectus Directive Amending Directive, to the extent implemented in the Relevant Member State), from the requirement to produce and publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the European Economic Area of the Notes should only do so in circumstances in which no obligations arise for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do we or they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute a final placement of the Notes contemplated in this offering memorandum.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) each Initial Purchaser has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make any offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a “**qualified investor**” as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than “**qualified investors**” as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Company for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement for the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## NOTICE TO CERTAIN OTHER EUROPEAN INVESTORS

### Spain

The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain, in accordance with article 35 of the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005, implementing the Securities Market Act. Neither the Notes, this offering nor this offering memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering of Notes in Spain.

### United Kingdom

This offering memorandum is directed solely at:

- (i) persons who are outside the United Kingdom;
- (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
- (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; and
- (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated,

(all such persons in (i), (ii), (iii) and (iv) above together being referred to as “**relevant persons**”).

Any investment or investment activity to which this offering memorandum relates will only be available to and will only be engaged with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum.

## France

This offering memorandum has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général of the Autorité des marchés financiers* and therefore has not been and will not be submitted for clearance to the *Règlement Général of the Autorité des marchés financiers*. Consequently, the Notes are not being offered, directly or indirectly, to the public in France and this offering memorandum has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France. Offers, sales and distributions of the Notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own accounts or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts or to providers of the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) as defined in, and in accordance with, Articles L.411-2 and D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. The Notes may only be offered, directly or indirectly, to the public in France, in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

## Germany

The offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the “**German Securities Prospectus Act**”) and any other applicable German law. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. We have not, and do not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (“**BaFin**”) or obtain a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act.

## Italy

This offering memorandum has not been, nor will be, published in the Republic of Italy (“**Italy**”) in connection with the offering of the Notes and such offering of the Notes has not been, nor will be, registered with the *Commissione Nazionale per le Società e la Borsa* (“**Consob**”) in Italy pursuant to Legislative Decree no. 58 of February 24, 1998 as amended (the “**Financial Services Act**”) and to Consob Regulation No. 11971 of May 14, 1999 as amended (the “**Issuers Regulation**”) and, accordingly, no Notes may, and will, be offered, sold, transferred or delivered, directly or indirectly in an offer to the public in Italy, nor may, or will, copies of this offering memorandum or of any other document relating to the Notes be distributed in Italy, except:

- (i) to qualified investors (*operatori qualificati*), as defined in Article 34-ter, paragraph 1(b), of Issuers Regulation; or
- (ii) in other circumstances which are exempted from the rules governing offers to the public pursuant to, and in accordance with, the conditions set out in Article 100 of the Financial Services Act and its implementing regulations including Article 34-ter, first paragraph, of Issuers Regulation.

## USE OF TERMS AND CONVENTIONS

Unless otherwise specified or the context requires otherwise in this offering memorandum:

- references to “**2021 Notes**” are to the €400.0 million 4.75% Senior Secured Notes due 2021 issued by Dutch Finco pursuant to an indenture dated March 21, 2014, which were repurchased or redeemed in connection with this offering. See “Use of Proceeds”;
- references to “**2021 Notes Funding Loan**” are to the funding loan made pursuant to the agreement dated March 21, 2014, by and between Dutch Finco, as lender, and the Company, as borrower, pursuant to which Dutch Finco extended to the Company a loan, the principal amount of which is equal to the aggregate principal amount of the 2021 Notes;
- references to “**2022 Notes**” are to the €400.0 million 5.125% Senior Secured Notes due 2022 issued by Dutch Finco pursuant to an indenture dated June 23, 2015;
- references to “**ADE Facility**” are to the facility dated October 22, 2012, between the *Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León*, a public company wholly-owned by the regional government of Castilla y León, and the Company, for an amount up to €70.0 million, with an outstanding balance of €60.0 million as of December 31, 2016, which was repaid with cash on balance sheet on March 15, 2017;
- references to “**APAC**” are to Australia, China, India, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan and Thailand, collectively;
- references to “**Collateral**” are to (i) the third-ranking pledge over 32.6% of the shares of the Company held by Castilfalé Gestión, S.A.U. and (ii) the third-ranking pledge over 67.4% of the shares of the Company held by Grupo Antolín HoldCo S.A., which were granted within 30 days of the Issue Date. See “Summary—Summary corporate and financing structure”;
- references to “**Company**” are to Grupo Antolín-Irausa, S.A., a limited liability company (*sociedad anónima*) incorporated and existing under the laws of Spain and the issuer of the Notes offered hereby;
- references to “**Divested Business**” are the companies formerly included in our Seating business segment which were sold in connection with the Divestment and which, collectively, include Grupo Antolín-Ara, S.A.U., Grupo Antolín-Ardasa, S.A.U., Grupo Antolín-Álava, S.A.U., Grupo Antolín-Vigo, S.A.U., Grupo Antolín-PGA, S.A.U., Grupo Antolín-Martorell, S.A.U., Grupo Antolín-Magnesio, S.A.U., Grupo Antolín-Valença-Componentes Automóvil, S.A., Midtown Invest, S.L., Grupo Antolín-Loire S.A.S., Grupo Antolín Ingenierie Sieges, S.A.S., Grupo Antolín Jarny, S.A.S., 70% of Antolín-CIE Czech Republic, s.r.o. and certain assets of Antolín Tanger, S.A.R.L.;
- references to “**Divestment**” are to the sale of the Divested Business pursuant to a sale and purchase agreement dated February 6, 2017 by and among the Company and certain of its affiliates, as sellers, and Lear Corporation and certain of its affiliates, as buyers. See “Summary—Recent Developments”;
- references to “**Dutch Finco**” are to Grupo Antolín Dutch B.V., a wholly-owned subsidiary of the Company and the issuer of the 2021 Notes (to be redeemed or repaid in connection with the Issuance) and the 2022 Notes;
- references to “**Eastern Europe**” are to the following countries Belarus, Bulgaria, Czech Republic, Hungary, Kazakhstan, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan;
- references to “**emerging markets**” and “**emerging economies**” are to growth markets and growth economies, excluding the US;
- references to “**EU**” are to the European Union as of the date of this offering memorandum;

- references to “**Europe**” are to Western Europe and Eastern Europe, collectively;
- references to “**Group**”, “**Grupo Antolin**”, “**we**”, “**us**” and “**our**” are to the Company together with its consolidated subsidiaries;
- references to “**growth markets**” and “**growth economies**” are to economies where we are experiencing increasing demand for our products and which include the US, Mexico, Brazil, Turkey, Russia, China, India and Thailand;
- references to “**Guarantees**” are to the unconditional guarantees of the Notes granted by the Guarantors. See “Summary—Summary corporate and financing structure”;
- references to “**Guarantors**” are to the entities listed in “Summary—The Offering—Guarantors”.
- references to “**IFRS-EU**” are to the International Financial Reporting Standards promulgated by the International Accounting Standards Board and as adopted by the European Union;
- references to “**Indenture**” are to the indenture governing the Notes and dated as of the Issue Date;
- references to “**Initial Purchasers**” are to Deutsche Bank AG, London Branch, Banco Bilbao Vizcaya Argentaria, S.A., BNP Paribas, Banco Santander, S.A., Société Générale, CaixaBank, S.A., Bankinter, S.A., Bankia, S.A., Banca March, S.A. and Banco de Sabadell, S.A.;
- references to “**Intercreditor Agreement**” are to the intercreditor agreement dated March 21, 2014 (as amended and/or amended and restated from time to time) entered into with, among others, lenders under our Senior Facilities Agreement and the trustee on behalf of the holders of the 2022 Notes, to which the Trustee will accede on the Issue Date as a creditor representative on behalf of the holders of the Notes. See “Description of Other Indebtedness—Intercreditor Agreement”;
- references to “**Issuance**” are to the issuance of the Notes;
- references to “**Issue Date**” are to April 21, 2017;
- references to “**JIT**” are to just in time;
- references to “**Magna**” and “**Magna Group**” are to Magna International Inc. and its subsidiaries;
- references to “**Magna Interiors Business**” are to the Magna Subsidiaries, the interests in the Magna JVs and the other assets and properties of Magna related to its interior business in Germany (Roitzsch division, included in Näher Automotive GmbH), Czech Republic (Liban division, included in Magna Exteriors & Interiors (Bohemia), s.r.o.), Slovakia (Trnava division, included in Magna Slovteca, s.r.o.) and India (Pune division) included in Magna Closures Automotive Private, Ltd., as well as certain automotive real estate assets and leasehold improvements, each acquired from Magna pursuant to the terms and conditions of the sale and purchase agreement dated April 16, 2015, by and among the Company, as buyer, and certain of Magna subsidiaries listed therein;
- references to “**Magna JVs**” are to Dae Yee Intier Co. Ltd., Plastimat Hungary Kft, Changshu Intier Automotive Interiors Co., Ltd. and Changchun Intier Automotive Interiors Co., Ltd.;
- references to “**Magna Subsidiaries**” are to Magna Interiors (Austria) GmbH, Magna Beteiligung (Austria) GmbH, Burg Design GmbH, Magna Interiors GmbH, Magna Interiors (Germany) GmbH, Magna Interiors (Massen) GmbH, Magna Interiors (Europe) GmbH, Magna Automotive (Hungary) Kft, Magna Interiors (UK) Limited, Magna Exteriors & Interiors USA, Inc. (including Interlink Automotive, LLC and its 100% interest in Magna Exteriors & Interiors (Suzhou) Co. Ltd.), Administration de Toluca Interiors, S.A. de C.V., Intier Automotive Interiors de Mexico, S.A. de C.V. and Intier Automotive Interiors de Saltillo, S.A. de C.V.;

- references to “**Mercosur**” are to Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela, collectively;
- references to “**North America**” and “**NAFTA**” are to the US, Canada and Mexico, collectively;
- references to “**Notes**” are to the €400.0 million 3.25% Senior Secured Notes due 2024 offered hereunder;
- references to “**OEM**” are to original equipment manufacturer;
- references to “**R&D**” are to research and development;
- references to “**Senior Facilities**” are to the senior term facilities and the revolving credit facility made available under the Senior Facilities Agreement;
- references to “**Senior Facilities Agreement**” are to the senior term and revolving credit facilities agreement originally dated March 13, 2014 (as amended and/or amended and restated from time to time), entered into between, among others, the Company, as the original borrower, various subsidiaries of the Company, as original guarantors, the original lenders listed therein and Deutsche Bank AG, London Branch, as agent and security agent. See “Description of Other Indebtedness—Senior Facilities Agreement”;
- references to “**SFA Guarantors**” are to the Company, Dutch Finco and the Guarantors.
- references to “**TCO**” are to technical-commercial offices;
- references to “**Trustee**” are to Deutsche Trustee Company Limited, as trustee under the Indenture; and
- references to “**Western Europe**” are to Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland and the United Kingdom, collectively.

## FORWARD LOOKING STATEMENTS

Except for historical information contained herein, statements contained in this offering memorandum may constitute “forward looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995.

The words “believe”, “anticipate”, “expect”, “predict”, “continue”, “intend”, “estimate”, “plan”, “aim”, “assume”, “positioned”, “will”, “may”, “should”, “shall”, “risk”, “probable” and other similar expressions, which are predictions or indications of future events and future trends, which do not relate to historical matters, identify forward looking statements. This offering memorandum includes forward looking statements relating to our potential exposure to various types of market risks, such as credit risk, interest rate risk, exchange rate risk and commodity price risk. You should not rely on forward looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- increased or more pronounced cyclicalities in the automobile industry;
- our susceptibility to economic trends and to the impact of adverse economic conditions on our customers or suppliers;
- continuing uncertainties and challenging political conditions in Spain and the European economy, which may impact the value of the euro, and uncertainties regarding Brexit and the outcome of future arrangements between the EU and the UK, in particular;
- significant developments stemming from the recent U.S. presidential elections;
- the potential loss of customers or changes in market share by our customers;
- our ability to realize revenues from our awarded business and/or the potential termination or non-renewal of purchase orders by our customers;
- disruptions in the automotive supply chain and fluctuations in the prices of materials;
- our and our customers’ ability to obtain sufficient capital financing, including working capital lines, and credit insurance;
- increased competition in the automotive parts industry generally, as well as shifts in market share among, and demand for, certain vehicles and products;
- our ability to offset price concessions or additional costs from our customers;
- costs and risks in relation to the construction, maintenance, downsizing, closing and/or sale of our plants;
- mechanical failures, equipment shutdowns, technological breakdowns and interruptions in the supply of utilities;
- increased capital expenditures required by our ongoing operations;
- risks and additional costs associated with ongoing and/or future acquisitions and divestitures, program launches and/or our growth with our customers;
- our joint ventures, certain of which we do not control;
- potential impairment of deferred tax assets and/or goodwill, as well as risks related to hedging and other derivative arrangements;

- our current tax liabilities and the tax accounting treatment we are subject to, including risks related to any changes therein;
- our international operations and risks related to compliance with anti-corruption laws, regulations and economic sanctions programs in connection thereto;
- our exposure to foreign exchange rate fluctuations;
- unrealized expectations on our investment strategies or shifts away from technologies in which we invest;
- loss of key executives, availability of labor and any changes in workforce utilization efficiency, including those resulting from work stoppages and other labor problems;
- explosions, fires or any other accidents, natural disasters, floods, hurricanes and earthquakes, theft, terrorist attacks and/or other acts of violence, war or other political changes in geographic areas in which we operate;
- risks related to potential non-compliance with, or changes in, applicable laws and regulations, including in relation to environmental, insurance, product liability, tax, intellectual property and/or health and safety laws and regulations;
- restrictions on transfer of funds;
- other risks and uncertainties inherent in our business and the world economy; and
- other factors related to the Notes as well as other factors discussed or referred to in this offering memorandum.

For a more detailed discussion of these and other factors, see “Risk Factors”, “Operating and Financial Review and Prospects” and “Business” included elsewhere in this offering memorandum. You are cautioned not to place undue reliance on these forward looking statements. These forward looking statements are made as of the date of this offering memorandum and are not intended to give any assurance as to future results. We undertake no obligation to, and do not intend to, publicly update or revise any of these forward looking statements, whether to reflect new information or future events or circumstances or otherwise.



## PRESENTATION OF FINANCIAL AND OTHER DATA

### Financial Information and Operational Data

#### *Company Historical Financial Information*

This offering memorandum includes our audited consolidated historical financial statements as of and for the years ended December 31, 2014, 2015 and 2016. Other unaudited financial data is included which is derived from our accounting records.

The audited financial statements of the Company have been prepared in accordance with IFRS-EU applicable at the relevant date and are presented in millions of euro.

See “Independent Auditors” for a description of the independent auditor’s reports dated March 2, 2015, April 5, 2016 and March 30, 2017 on our consolidated financial statements as of and for the years ended December 31, 2014, 2015, and 2016, respectively, which have been audited by Deloitte, S.L., independent auditors, as stated in their unqualified reports appearing herein on pages F-208, F-108 and F-3 of this offering memorandum.

#### *Non-IFRS Financial Information*

We have included in this offering memorandum certain financial measures, including Adjusted revenue, EBITDA, Adjusted EBITDA, Adjusted cash and bank balances and Adjusted net financial debt that are not required by, nor presented in accordance with IFRS-EU. As used in this offering memorandum, the following terms has the following meaning:

- “**Adjusted revenue**” represents our revenue for the year ended December 31, 2016, as adjusted for the revenue of the Divested Business for such period;
- “**EBITDA**” represents our profit for the period from continuing operations (“**EBIT**”) after adding back depreciation and amortization expenses;
- “**Adjusted EBITDA**” represents our EBITDA for the year ended December 31, 2016, as adjusted for the EBITDA of the Divested Business for such period;
- “**Adjusted cash and bank balances**” represents cash and bank balances as of December 31, 2016, as adjusted to reflect the increase in cash as a result of the estimated €285.6 million of net proceeds from the sale of the Divested Business, less decreased cash related to (i) the €60.0 million repayment of the ADE Facility on March 15, 2017, (ii) the repayment of a €1.2 million credit line held by Antolín-CIE Czech Republic, s.r.o., (iii) the repayment of €4.7 million in certain bilateral bank loans primarily related to Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. and (iv) the repayment of €9.9 million of certain CDTI and other soft loans in our Seating segment. Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. have both been sold as part of the Divestment; and
- “**Adjusted net financial debt**” represents financial debt, excluding (i) the €60.0 million repayment of the ADE Facility on March 15, 2017, (ii) the repayment of a €1.2 million credit line held by Antolín-CIE Czech Republic, s.r.o., (iii) the repayment of €4.7 million in certain bilateral bank loans primarily related to Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. and (iv) the repayment of €9.9 million of certain CDTI and other soft loans in our Seating segment, net of Adjusted cash and bank balances.

This offering memorandum also contains other measures and ratios such as gross profit (which represents total operating income less supplies), gross profit margin, EBIT margin, EBITDA margin, Adjusted EBITDA margin, capital expenditures, net financial debt, net finance cost, *pro forma* adjusted net financial debt (which gives *pro forma* effect to the Issuance and the application of the net proceeds therefrom), *pro forma* net finance cost (which gives *pro forma* effect to the Issuance and the application of the net proceeds therefrom) and leverage and coverage ratios. 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.

The summary *pro forma* financial information may not be fully compliant with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, as amended, any equivalent provisions under the Prospectus Directive or IFRS-EU. Neither the adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with IFRS-EU. The summary unaudited *pro forma* financial information and other data set forth in this offering memorandum should be read in conjunction with the consolidated financial statements and notes thereto and “Operating and Financial Review and Prospects”.

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, EBITDA excludes depreciation and amortization expenses from EBIT in order to eliminate the impact of general long-term capital investment. Although we are presenting EBITDA to enhance the understanding of our historical operating performance, EBITDA should not be considered an alternative to EBIT as an indicator of our operating performance, or an alternative to cash flows from ordinary operating activities as a measure of our liquidity. EBITDA, as used in this offering memorandum, may not be calculated in the same manner as “Consolidated EBITDA”, which is calculated pursuant to the Indenture governing the Notes (see “Description of the Notes”), or for the purposes of any of our other indebtedness.

The information presented by Adjusted revenue, EBITDA, Adjusted EBITDA, Adjusted cash and bank balances, Adjusted net financial debt and other adjusted financial information presented in this offering memorandum is unaudited and has not been prepared in accordance with IFRS-EU or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

You should not consider Adjusted revenue, EBITDA, Adjusted EBITDA, Adjusted cash and bank balances, Adjusted net financial debt or any other non-IFRS or financial measures presented herein as alternatives to measures of financial performance determined in accordance with generally accepted accounting principles, such as net income, as a measure of operating results or cash flow as a measure of liquidity. Adjusted revenue, EBITDA, Adjusted EBITDA, Adjusted cash and bank balances and Adjusted net financial debt are not measures of financial performance under IFRS-EU. Our computation of such measures and other non-IFRS financial measures may not be comparable to similarly titled measures of other companies.

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

In drafting this offering memorandum, we used industry sources, including reports prepared by LMC Automotive in the fourth quarter of 2016. While LMC Automotive endeavors to ensure the accuracy of the data, estimates and forecasts, provided in its services and reflected herein, decisions based upon them (including those involving investment and planning) are at the user’s own risk and LMC Automotive accepts no liability in respect of information, analysis and forecasts provided.

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 such sources state that they do not assume liability for such information. Market studies and analyses are frequently based on information and assumptions that might not be accurate or technically correct, and their methodologies may be forward looking and speculative. We cannot assure you of the accuracy and completeness of such information as we have not independently verified such information.

In addition, in many cases, we have made statements in this offering memorandum regarding our industry and our position in the industry based solely on our experience, our internal studies and estimates, and our own investigation of market conditions. While we assume that our own market observations are reliable, we give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from future studies conducted by market research institutes or other independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors. See “Risk Factors” in this offering memorandum. Additionally, all data in relation to our position in our industry as well as specific market share details are based on the number of units of automotive interior components sold.

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

## EXCHANGE RATE AND CURRENCY INFORMATION

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg (New York) 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 offering memorandum. 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 Bloomberg (New York) Composite Rate of the euro on June 19, 2017 was \$1.1148 per €1.00.

	U.S. dollars per €1.00			
	High	Low	Average <sup>(1)</sup>	Period end
2014 .....	1.3932	1.2098	1.3285	1.2098
2015 .....	1.2103	1.0497	1.1102	1.0856
2016 .....	1.1532	1.0389	1.1069	1.0520
	High	Low	Average <sup>(2)</sup>	Period end
October 2016 .....	1.1212	1.0881	1.1024	1.0981
November 2016 .....	1.1143	1.0554	1.0786	1.0588
December 2016 .....	1.0764	1.0389	1.0538	1.0520
January 2017 .....	1.0797	1.0406	1.0632	1.0797
February 2017 .....	1.0786	1.0537	1.0641	1.0576
March 2017 .....	1.0653	1.0507	1.0687	1.0653
April 2017 .....	1.0590	1.0925	1.0717	1.0897
May 2017 .....	1.1244	1.0861	1.1057	1.1244
June 1 through to June 19 2017 .....	1.1282	1.1145	1.1217	1.1148

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

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

## SUMMARY

*This summary highlights selected information contained in this offering memorandum. In this offering memorandum, we generally use “we”, “our” and other similar terms to refer to the Company and its consolidated subsidiaries. This summary should be read as an introduction to this offering memorandum. It does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the remainder of this offering memorandum. Any decision by an investor to invest in the Notes should be based on a thorough consideration of this offering memorandum in its entirety, including “Operating and Financial Review and Prospects” and the financial statements and related notes and information contained elsewhere in this offering memorandum as well as the information referred to under “Where You Can Find More Information”. See the section entitled “Risk Factors” for factors that you should consider before investing in the Notes and the section entitled “Forward Looking Statements” for information relating to the statements contained in the offering memorandum that are not historical facts.*

### Our Company

We are a leading Tier 1 player in the design, development, manufacturing and supply of automotive interior components, offering multi-technology solutions for overhead systems (or headliners) and soft trim, doors and hard trim, cockpits and center consoles and lighting systems for sale to OEMs. We have a geographically diversified platform of 167 manufacturing plants and JIT assembly and sequencing facilities, as well as 29 TCOs in 26 countries worldwide as of December 31, 2016. We supplied our products globally to the top 15 OEMs by production volume in 2016. We provided components for over 510 different vehicle models and we believe we supplied products for approximately one out of every three vehicles manufactured worldwide. Our product, geographical and customer diversification allows us to take advantage of global growth opportunities, in particular our presence in Eastern Europe, North America, Mercosur and APAC, which in the past has mitigated the impact of regional production fluctuations on our business during economic downturns. We are headquartered in Burgos, Spain, and in 2016 our average number of employees was approximately 27,000.

Our revenue and EBITDA for the year ended December 31, 2016 amounted to €5,247.3 million and €520.7 million, respectively. We are wholly-owned by the Antolín family, who is fully committed to our business.

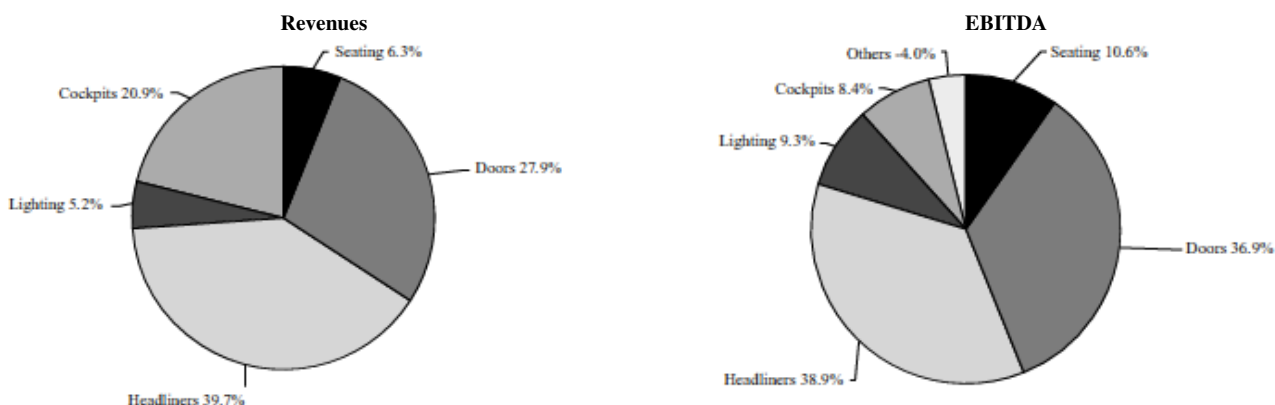
As of December 31, 2016, we organize our activities around five business segments:

- **Overhead systems and soft trim (“Headliners”):** We believe we are a leader in the manufacturing of headliner modular solutions, incorporating acoustic, safety, panoramic and lighting functionalities. We cover the entire product spectrum for overhead systems, from the headliner substrate to more complex modular systems. We use key technologies for headliner substrates and benefit from full vertical integration, from the core polyurethane foam production to the final assembly of the overhead systems. Furthermore, the incorporation of sunvisors into the overhead system is an important aspect of this business segment. We produce sunvisors in all technologies available in the market, adding a whole range of functionalities to the end product. As part of the integration of the Magna Interiors Business, our soft trim activities, including load floors, package trays, side linings, accessible floor bins and floor coverings, were moved to this business segment. In addition we have a line of acoustic solutions such as deadeners and underbody shields and we produce our own tuft-velour carpets for premium vehicles. Our revenue and EBITDA attributable to our Headliners segment amounted to €2,084.2 million and €202.6 million for the year ended December 31, 2016, respectively, which represented 39.7% and 38.9% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we believe we were a leader in overhead systems, with 27% of the global market share, and in sunvisors, with 37% and 13% market shares of sunvisors in Europe and globally, respectively. In addition, we believe we are a leader in sunvisors in Mercosur, with a market share of 21%. In 2016, the Headliners business segment included 68 facilities.
- **Doors and hard trim (“Doors”):** We have expertise in the manufacturing and supply of a wide range of door systems such as door panels (including front, rear and sliding door panels), pillars (including upper and lower pillar trim and quarter trim panels), window regulators, rear cargo and lift gate trim. We produce a wide range of specialized plastic parts, some of them with weight reduction and environmentally-friendly properties. We produce an extensive range of door mechanisms, from window regulators to complex modules. We also produce seat latches for specific vehicle platforms. Our revenue and EBITDA attributable to our Doors segment amounted to €1,461.5 million and €192.0 million for the year ended December 31, 2016, respectively, which represented 27.9% and 36.9% of our total

consolidated revenue and EBITDA for that same period, respectively. In 2016, we believe we were a leading producer in Europe with a market share of 23% in door panels, 15% in window regulators and 22% in pillars. We believe we were also a significant producer of door panels and window regulators in the Mercosur region with a 4% market share in door panels and a 14% market share in window regulators. In 2016, the Doors business segment included 49 facilities.

- Cockpits and consoles (“Cockpits”):** We are a global producer and supplier of cockpit modules, including instrument panels, center consoles and glove boxes, which we design, engineer and manufacture. Our capabilities include design and engineering, styling, tooling, manufacturing, assembly and sequencing and electrical/electronic system integration. The cockpit module plays a key role in defining the driver’s experience and it integrates the instrument panel and several control functions such as wiring harness, instrument cluster, air vents, decorative inlays, glove boxes and passenger airbag systems, among others. The instrument panel is a key element of the cockpit module and is comprised of a sophisticated system of trims, foams, composites and metals. The center consoles are designed and manufactured to operate vehicle functions and store items. The primary technologies and processes involved in the manufacturing of these systems include low pressure and injection molding, compression molding, vacuum forming, slush skins, spray urethane, decorative stitching as well as manual and automated assembly and sequencing. Our revenue and EBITDA attributable to our Cockpits segment amounted to €1,095.7 million and € 43.6 million for the year ended December 31, 2016, respectively, which represented 20.9% and 8.4% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we were a significant producer in Europe, where we believe we had a market share of 7% in instrument panels. In 2016, the Cockpits business segment included 12 facilities, all of which were originally part of the Magna Interiors Business and which are currently integrated within the Group.
- Lighting:** We believe we were a leading manufacturer of interior automotive lighting components in Europe, with a 30% market share of overhead front consoles in 2016. We believe we have a 15% market share of the overhead front consoles sold globally in 2016. Our lighting product portfolio comprises interior solutions based on LED including overhead consoles, side reading lamps, multi-purpose lamps, ambient lighting, electronics/smart lighting and exterior solutions such as daytime running lamps, center high mounted stop lamps, direction, position and license plate indicators. We are one of the few suppliers which benefit from full vertical integration in the production of lighting components, from the manufacture of plastic parts and lenses, to the electronics and the light function. The potential integration of lighting elements with other interior automotive components increasingly offers synergies with our other business lines as lighting is incorporated in instrument panels, door paneling and overhead systems, allowing us to offer our customers an integrated and innovative range of customized interior solutions, which we believe gives us an additional competitive advantage over other players in our industry. Creating light scenarios and sophisticated atmospheres is one of our main areas of expertise. Our revenue and EBITDA attributable to our Lighting segment amounted to €272.4 million and €48.2 million for the year ended December 31, 2016, respectively, which represented 5.2% and 9.3% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, our Lighting business segment included 8 facilities.
- Seats and metal (“Seating”):** The Seating business segment develops high added value light-weight second and third row seats for MPVs, LCVs and vans. The seating product portfolio comprises in-house developed automatic anchorage seats which are marketed under the Drop&Go brand, fold into floor seats and seats and benches with integrated three point belts. Our revenue and EBITDA attributable to our Seating segment amounted to €331.9 million and €55.2 million for the year ended December 31, 2016, respectively, which represented 6.3% and 10.6% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, the Seating business segment included 12 facilities. On February 6, 2017, we agreed to sell the Divested Business, which included our Seating segment, to Lear Corporation, subject to customary anti-trust approvals. See “—Recent Developments” for additional information.

The percentage of revenues and EBITDA derived per business segment for the year ended December 31, 2016 are as follows:



- (1) “Other” is not a primary business segment and its operations support our primary business segments. It is included herein for the purposes of reconciliation and we do not consider it material. “Other” includes a wide range of results generated mainly by Grupo Antolin-Ingeniería, S.A.U., TCOs and consolidated pricing adjustments.

We believe that our financial and operational success and stability have been, and continue to be, driven by our strategic, customer-focused geographical growth and diversified revenue streams, as well as our manufacturing, process, design and technological expertise. We believe that these factors have allowed us to achieve our position as a leading global supplier in the automotive industry, with high strategic importance to many of the largest OEMs.

## Our Industry

The automotive industry designs, develops, manufactures, markets, sells and services motor vehicles which are usually classified into light vehicles (passenger cars and light commercial vehicles) and heavy commercial vehicles. The automotive production value chain is split between OEMs, such as Volkswagen Group, Renault-Nissan and Ford and automotive suppliers, such as Bosch, Continental, Magna and us. Automotive suppliers are then generally further categorized into three different tiers. Tier 1 suppliers like us sell their products directly to OEMs. Typically these products are larger modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers provide individual components or component groups which in turn typically integrate individual parts produced by a further layer of Tier 3 suppliers.

Automotive suppliers are typically further divided into sub-segments based on their components’ function within the car. As an automotive supplier of interior components, our revenue is linked to the development of automotive production numbers and changes in the content per vehicle for the components and systems we produce. The interior market in the broader sense is comprised by all the products and systems that form the cabin interior of the car and surround the driver and passengers. As such, interior components have a direct effect on driver and passenger comfort and safety and therefore allow OEMs to differentiate between car models.

As the automotive industry continues to evolve, global trends have developed across the industry that are being driven by a combination of maturing consumer preferences, financial, legal and regulatory requirements and the increasing importance of emerging economies relative to more traditional mature economies. The global automotive production industry is expected to grow by a CAGR of 2.9% between 2016 and 2020, with the Middle East expected to experience the strongest growth closely followed by Africa. After APAC, Europe is the second largest market as of December 31, 2016.

Global trends which will drive future industry growth and the long-term growth potential of the interior component market include:

*Higher consumer expectations of interior comfort:* Increased comfort features in the car selection process is of growing importance for final customers, partially due to the increase in the average age of the population and greater time spent in the vehicle. The trend towards higher consumer expectations of interior comfort increases demand for qualities such as improved fit, finish and craftsmanship in interiors across all vehicle types. We believe OEMs are dedicating a larger portion of total cost per vehicle to interior components as they “upscale” vehicle interiors across their entire portfolio of platforms. Suppliers with advanced design, materials and manufacturing capabilities to deliver a broad suite of interior component products across a wide range of price points should benefit from this continued focus on interior comfort and

craftsmanship by both consumers and OEMs. While increased consumer expectations of interior comfort play an important role in certain emerging markets in which we operate, like China and Thailand, other emerging markets, like India, are still lagging behind on this trend.

*Increasing market share of low-cost and premium automotive segments:* In the long term, the automotive market is expected to shift focus away from mid-market towards low-tech and low-cost vehicles on the one hand and function oriented, innovative vehicles for premium customers on the other hand. In recent years, the market share of low-cost passenger cars (*i.e.* cars costing less than €7,000) has been increasing, predominantly in China, India and Brazil, and sales of small passenger cars are expected to grow further. These cars are mainly manufactured and sold in high-growth countries in APAC, as well as in Brazil and Eastern Europe. Growth in the premium segment is also expected to be driven by emerging markets, including China, India and Africa. Vehicles in the premium segment tend to be more technologically advanced in each sub-segment of automotive components, including the interior components segment.

*Sustainability and safety:* The OEMs that we supply, and automobile manufacturers generally, are increasingly focused on weight and emissions reduction in order to meet increasing legal, regulatory and industry-standard requirements in the markets in which they operate, as well as on the safety of passengers, other road users and pedestrians. The development of the regulatory environment is complex and has required automotive suppliers such as ourselves to focus on the design and development of technologies to address the various regulations and to differentiate us from our competitors.

*Globalization of platforms:* OEMs are increasingly designing vehicle models built on common but variable platforms which can be produced in high volumes. The use of common platforms allows OEMs to increase economies of scale across the value chain, differentiate their products from those of their competitors, expand the number of product segments in which they compete, extend the life of existing automobile platforms and remain responsive to changing lifestyle trends and customer tastes. This trend towards common platforms provides automotive suppliers such as us increased opportunities to supply larger volumes of products and also to benefit from economies of scale. Furthermore, there is an increased dependency on suppliers such as us capable of managing complex projects, which in turn assures the quality standards across geographies globally.

*Consolidation of supplier base:* In order to take advantage of the operational economies of scale across the value chain, OEMs are encouraging consolidation of their supplier base with an increased focus on large, technically and financially strong global suppliers capable of producing consistent and high-quality products across geographies. The OEMs we supply use a number of factors to determine their choice of suppliers including, among other things, quality, service (including location, service interruptions and on-time delivery), in-house R&D and technological capabilities, overall track record and quality of relationship with the OEM, production capacity, financial stability and price. In recent years, we have noticed that development expertise, an extensive geographical footprint, consistent and high quality production capability and diverse ancillary competencies tend to offset price-sensitivities among OEMs who appreciate the added-value inherent in these other factors.

*Outsourcing and technological partnership with OEMs:* As OEMs increasingly focus their resources on automobile assembly, they are either maintaining or increasing the levels of production outsourcing to suppliers such as ourselves. As they grow outside of their home markets, they are more inclined to turn to external suppliers for content they might have previously supplied in-house. Suppliers such as us can benefit from economies of scale derived from serving various customers that our OEM customers find more difficult to achieve in our product segment when manufacturing in-house abroad. In addition, specialization has led to advances achieved by suppliers such as ourselves in certain technologies, which OEMs find difficult to match in-house in price and quality, thereby increasing outsourcing in these areas, even in mature economies. Furthermore, while know-how is still being developed by suppliers and the design is still controlled by OEMs, there is an increased importance in the collaboration with Tier 1 suppliers.

*The regional shift of the automotive industry with continuing increase in demand for vehicles in emerging markets:* While vehicle production demands have fluctuated across the global economy in recent years, on a normalized level the demand in emerging economies has generally continued to increase. Industry sources forecast between now and 2020 there will be a higher CAGR of sales in Russia and India and in other emerging economies than that experienced in more mature economies, such as those of Western Europe. In response to this, OEMs continue to develop their presence in these markets, resulting in an increased need for OEMs to establish supplier networks beyond their home markets, including the migration of component and vehicle design, development and engineering activities to certain of these markets. In certain of these markets, such as China, there is already significant demand for new, premium brand vehicle



models. Nevertheless, vehicle demand in these emerging economies is predominantly for less advanced models with lower entry-level price points. This increasing local demand in emerging markets has helped boost the local automotive industry in these countries and has attracted investments in manufacturing from North American-, European- and APAC-based automobile manufacturers, through stand-alone investments and joint ventures with local partners. The evolution of volume demand in these markets is in tandem with an evolution of regulatory and industry standards modelled after those set earlier by more mature economies. This trend offers automobile suppliers such as us an opportunity to expand our business with our customers in these emerging markets.

*Growth of cooperative agreements:* In order to achieve economies of scale and delay developments costs, competing automobile component manufacturers are increasingly entering into cooperative alliances and arrangements relating to shared purchasing of components, joint engine, powertrain and/or platform development and sharing and other forms of cooperation. This cooperation among competing automobile component manufacturers is expected to continue. For example, we have entered into joint ventures in emerging markets to accelerate our international expansion with partners such as Krishna Maruti Limited (belonging to the Krishna Group) in India, NHK Spring (Thailand) Co., Ltd in Thailand, SKT Yedek Parca ve Makina Sanayi ve Ticaret A.S. in Turkey, Changshu Automotive Trim Co., Ltd. in China, Dae Yee Intier Co., Ltd in South Korea and our partner in Plastimat Hungary Kft. in Hungary.

## **Our key strengths**

We believe we have the following competitive strengths:

### ***Strong positions in core markets***

We believe that we are a leader in the design, development, manufacturing and supply of automotive interior components with approximately one out of every three automobiles assembled in the world containing interior parts manufactured by us. In 2016, we believe we were a leader in overhead systems with 27% of the global market share and we believe we achieved a leading position across most regions in overhead systems, with a 39% market share in Europe, 54% market share in the Mercosur area and a 49% market share in North America. Additionally, we are the largest global producer of sunvisors with a 13% market share globally. We believe that our lighting product portfolio was a market leader in Europe in 2016 with a 30% market share in overhead front consoles. In Europe we also have a strong market position in doors and interior plastics. In addition to our strong presence in our established markets, we have a leading position in certain emerging economies. For example, we believe we were the leader in the manufacturing of overhead systems in India, with a market share of 82% in 2016.

Furthermore, we believe we are the fourth largest supplier of automotive interior components, with a leading market share position across product lines including overhead systems, door panels and instrument panels.

Additionally, OEMs face substantial switching costs from operational, technical and logistical perspectives in replacing the supplier of a particular component or system during the life cycle of a specific vehicle model. The supplier of a component for a specific car model is often also appointed for the next generations of that model. This is mostly due to the long lead-time and large investment required to set up the production and supply processes, and to the scale operational efficiencies gained through experience with the lean manufacturing of certain products. We believe that such switching costs and our technological capacities strongly protect our leading market position.

### ***Highly diversified business model***

#### ***Regional diversification***

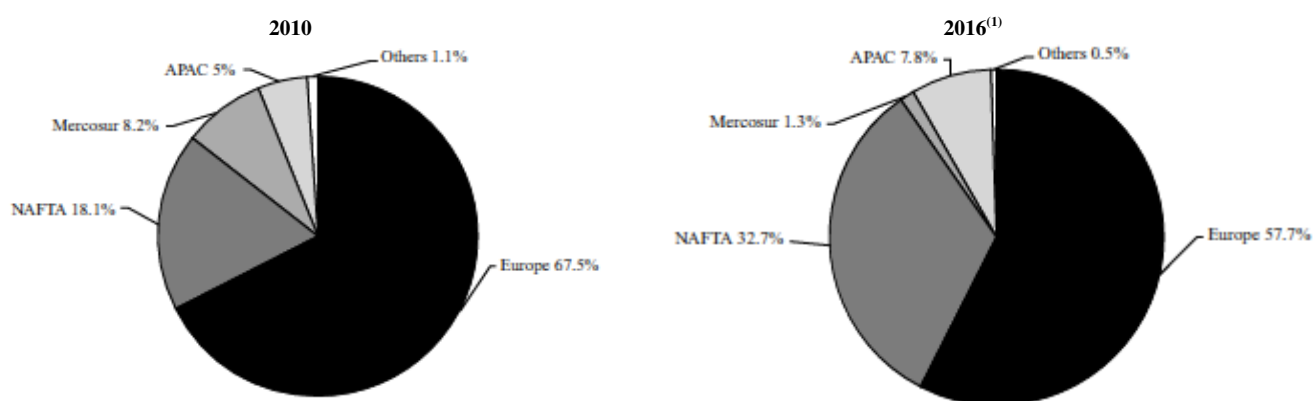
We have a geographically diversified platform of 167 manufacturing plants and JIT assembly and sequencing facilities, as well as 29 TCOs in 26 countries worldwide as of December 31, 2016, of which 12 manufacturing plants and JIT assembly and sequencing facilities, and R&D operations in two additional locations, are part of the Divested Business. In the last few years we have focused our expansion outside our traditional markets in Western Europe and North America into Eastern Europe, APAC and the Mercosur region, where we have been able to capture the increasing demand for our products, in part driven by a significant increase in vehicle production. Our increased efforts in geographic diversification have resulted in a decrease in the percentage of total revenues in Europe from 67.5% in 2010 to 57.7% in 2016, with Spain accounting for only 10.0% of our 2016 revenues as compared to 21.9% in 2010. However, Spain has historically been one

of the main hubs of the automotive industry worldwide and is currently the eighth largest production hub worldwide, and consequently we aim to continue to have a relatively significant footprint in Spain, while increasing our presence in other markets.

We are a truly global player who has committed substantial investment to, and has a well-established presence in, growth markets. We believe we are a market leader measured by units of production in many of these markets, which gives us a competitive advantage over other players. Furthermore, our revenues from our APAC operations have increased from €82.2 million in 2010 to €408.1 million in 2016, representing 7.8% of our revenues in 2016.

As part of our customer-focused approach to our expansion strategy, we have proactively coordinated our expansion plans into growth markets with those OEMs we supply. When our OEM customer expands into a new market or location, we determine whether it is in our strategic interest to also open a facility in such location. As of December 31, 2016, we had four production facilities under construction or development, including for Antolin Shelby Inc. (Doors) and Antolin Alabama LLC (Headliners) in the United States and for Tianjin Antolin Automotive Interiors Co. Ltd. (Cockpits) and Chengdu Antolin Automotive Interiors Co. Ltd. (Cockpits) in China. Our strong geographical diversification allows us to take advantage of global growth opportunities and mitigates the impact of regional demand fluctuations on our business during economic downturns. The charts below show the evolution of our regional diversification as a percentage of our revenues.

#### Evolution of regional diversification

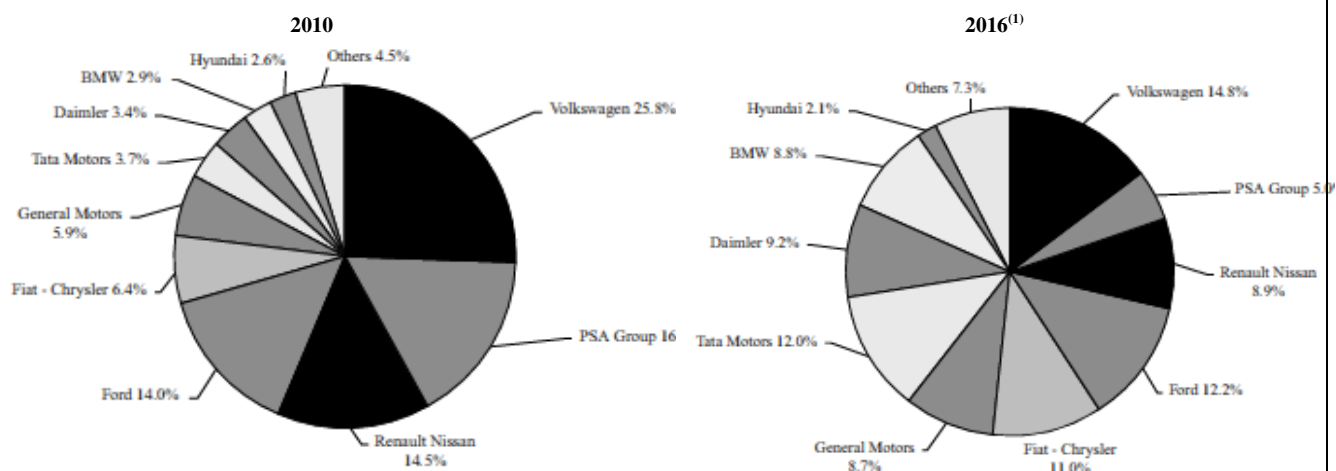


- (1) Following the Divestment, we expect our regional diversification to improve as a result of a reduction of our presence in Europe as compared to other regions, given the Divested Business is predominantly located in Spain and France.

#### Customer diversification

Relative to our competitors, we have a well-diversified customer base which, through a successful development strategy, has improved across models and now supplies products globally to the top 15 OEMs by production volume in 2016. Our acquisition of the Magna Interiors Business also enhanced our relationships and presence with premium OEMs such as BMW and Tata Motors—Jaguar Land Rover. Our OEM customers include Volkswagen Group, Ford, Tata Motors—Jaguar Land Rover, Fiat-Chrysler, Daimler and Renault-Nissan, among others. *Our strategic relationships with key customers include Volkswagen FAST, Ford ABF and the PSA Group.* In the year ended December 31, 2016, eight of our OEM customers each represented more than 8% of our total revenues. We have pursued a strategy of customer diversification and continue to develop new global relationships with some of the world's largest OEMs. Additionally, we have a diverse set of customers for each of our products and no single OEM is the largest customer in every one of our business segments. The charts below show the evolution of our customer diversification as a percentage of our revenues.

### Evolution of customer diversification

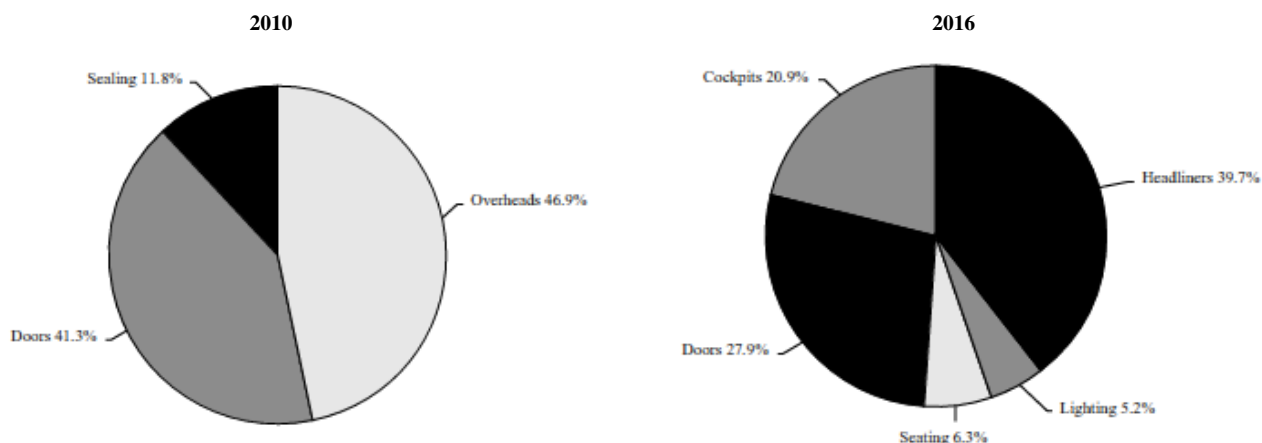


(1) Following the Divestment, we expect our customer diversification profile to remain stable as a percentage of our revenues.

### Product diversification

Our historic product portfolio has been comprised primarily of products in our headliners, doors and interior plastics, seating and, since 2012, lighting segments. In recent years, we have increased our product portfolio, especially in the cockpit modules segment, through the acquisition in 2015 of the Magna Interiors Business from Magna, a global automotive supplier with a leading market position across product lines such as door panels, cockpit systems and instrument panels and floor consoles, for \$597.2 million (approximately €535.2 million). The charts below show the evolution of our product diversification as a percentage of revenues.

### Evolution of product diversification



### Long-standing contractual customer relationships

We have strategic and long-standing relationships with our OEM customers, which are based on many years of successful collaboration. Our scale and ability to develop differentiated solutions for our OEM customers on a global scale are critical to our success and differentiate us from local and regional suppliers of automotive components.

Our global presence enables us to manufacture, assemble and sequence our products in our plants and JIT facilities, which are located close to OEMs around the world. This allows for JIT delivery systems on a global scale and on a consistent and high quality basis, making us a clear choice for global OEMs.

Our well-developed technological capabilities, global manufacturing footprint and proximity to OEMs, operational scale and track record of financial performance enable us to supply products to support an OEM throughout the full product life cycle. Additionally, we often act as a development partner during the initial stages of product development which allow us to recommend and incorporate our products into potential designs well in advance of any formal orders from our OEM customers. Our ability to support the development process of OEMs and work as an outsourcing partner to them all over the world is a significant differentiator, in particular on new product solutions, and would take large investments and a long time to replicate, thereby making us a preferred partner to the leading OEMs in the industry.

Our ability to maintain our competitive advantages and technological leadership has resulted in strong customer relationships and translates into a consolidated customer base with our top five OEM customers representing 59.2% of revenues for the year ended December 31, 2016. The relationships with key customers are long-standing and the sales from our top five OEM customers have grown from €1,261.2 million in 2010 to €3,107.6 million in 2016.

### ***Strong innovation track record***

The automotive industry has a growing focus on innovation, due to continuously increasing customer expectations and the need to meet environmental goals and regulatory requirements. Our commitment to developing innovative and high quality products has defined our approach to our OEM customers. Many of our products are manufactured using state-of-the-art technologies that provide superior safety, comfort and design while also focusing on weight reduction.

Over the last few years we have continuously invested in R&D, and in the year ended December 31, 2016 our total R&D spending amounted to €87.3 million or 1.7% of our revenues. This level of R&D spending allows us to respond to the growing demand and requirements of OEMs for products at the forefront of technical innovation. As of December 31, 2016, we had a dedicated team of more than 1,350 employees in engineering functions throughout R&D, product quality and graphic engineering, supporting our product innovation capabilities, as compared to 550 employees in these functions in 2010.

In light of recent and expected changes in the automotive world we have also included new programs in our innovation strategy to further our competitive advantage and enable us to retain and expand our positions in the market, including: (i) new foaming techniques for light weighting of rigid plastic components and the generation of soft touch surfaces; (ii) innovative high quality aesthetic surfaces using natural materials and natural fabrics for decoration of interior components of vehicle; (iii) structural components based on thermoplastic matrix composites and processing technologies to allow their competitive introduction in automotive applications; (iv) technologies for the integration of lighting functions in vehicle interior components and in their manufacturing processes; (v) implementation of electronic components for providing intelligence to the vehicle interior surfaces; (vi) applications of advanced carbon nanomaterials to improve the performance of polyurethane matrices used in the automotive sector; and (vii) innovative solutions for modularization of components and development of electronic control techniques to improve the performance of new mechanisms.

As a result of our innovation activity, since December 31, 2011, we have completed over 230 patent filings related to over 80 innovations worldwide, such as hard-trim manufacturing technologies, plastic window regulators and plastic multifunctional door parts, headliner manufacturing technologies, finishing and decorating methods, embedded electronics and light effects, safe airbag integration, instrument panels and advanced carbon nanomaterials in a wide variety of presentations and applications.

### ***Attractive market fundamentals***

According to LMC Automotive, global automotive production is forecast to grow by a CAGR of 2.9% in the period between 2016 and 2020, based on the number of units produced globally. The interior components market in which we operate is expected to outperform other sectors in the automotive industry due to the increasing interior component content per vehicle. This trend is driven by growing comfort requirements of consumers and rising technological demands from OEMs related to weight savings and noise and vibration insulation. These demands are driven by emissions reduction

requirements and related engine downsizing measures by automotive OEMs with smaller, more technologically complex engines typically causing more noise and vibration.

We are in a strong position to continue to benefit from ongoing consolidation and supplier concentration in our market due to our competitive cost base and resulting strong profitability, worldwide presence, leading technological capabilities and solid financial position. As OEMs continue to introduce global platforms and modular toolkits as a basis for a large number of car models, they are more interested in working with global suppliers with strong development capabilities which can support them across their international operations.

### ***Superior profitability and strong financial track record***

We have consistently achieved strong revenue growth, with a CAGR of 21.4% in the period between 2010 and 2016 and have maintained an EBITDA margin above 9.5% since 2010. Our strong financial performance is the result of our diversified client, product and geographic base as well as our long-standing customer relationships, operational excellence, technological expertise, leading market positions and internationalization strategy. We believe we are well-positioned to sustain our competitive advantages and maintain revenue growth and profitability in the future, while benefitting from favorable trends in our industry. In addition, we have proven our ability to manage our business through economic downturns. During the financial crisis of 2008 and 2009, we sold non-core assets, streamlined production and cut our fixed costs via indirect labor reduction and total organizational restructuring.

We have also proven our ability to effectively integrate, manage and improve the state of new acquisitions, including the acquisition of the Magna Interiors Business. For example, for the year ended December 31, 2016, the EBITDA attributable to the Magna Interiors Business has more than doubled as compared to the EBITDA generated by the Magna Interiors Business for the twelve months ended to March 31, 2015 (ahead of its acquisition by the Group). In addition, the financial performance of our Redditch plant has improved significantly, from a loss-making business at the time of the acquisition of the Magna Interiors Business, to generating a slight positive EBITDA (excluding management fees) for the year ended December 31, 2016.

We have been able to generate cash in downturns due to high profitability and centralized working capital management policies. Our investment strategy has been oriented toward value added products and selected complementary acquisition opportunities. We have at all times retained a prudent approach to preserving cash and maintaining a strong liquidity profile. See “—Summary Financial Data And Other Data”.

Our financial profile has remained strong at all times and our objective is to maintain a cautious financial strategy. Our prudent approach to financial management is strongly supported by our family shareholders.

### ***Experienced management and committed core shareholder***

Our management team has extensive experience in the automotive industry and the majority of our executive committee has been with the Company for more than 20 years, demonstrating a high degree of continuity and commitment in our leadership. Our high operational performance is deeply rooted in our organizational structure and culture. Our current Chief Executive Officer, Jesús Pascual, has been with the Company for over 30 years and took over the role from José Manuel Temiño in 2015 after a long-planned succession.

The management of the Company has always remained focused on building strategic long-term relationships with key customers, producing an innovative and broad range of products and leading our expansion internationally into key growth markets, which include the U.S., the UK and Germany.

Our management team has a demonstrated track record of achieving and maintaining resilient financial performance through the economic cycle even during the 2008-2009 economic crisis. Our successful acquisition of the Magna Interiors Business in 2015 was driven by our management’s identification of the substantial value creation potential of such business.

Our family ownership plays a crucial role in supporting our vision and strategy. Ernesto Antolín, who was appointed the representative of our Chairman on January 31, 2015, having served as Vice-Chairman of Grupo Antolin since 1997, along with María Helena Antolín, who was appointed the representative of our Vice-Chairman and has over 24 years

of international experience with Grupo Antolin, and other members of the Antolín family, have been essential to driving our profitable growth strategy.

### **Our strategies**

Our mission is to be a crucial strategic partner for our OEM customers around the world and across the entire spectrum of our product portfolio. The strategies to achieve our mission are based on innovation, flexibility, customer focused growth and further geographic, product and customer diversification, while maintaining the highest levels of customer satisfaction. We intend to achieve this by pursuing the following strategies:

#### ***Continue to be an innovation leader through research and development***

Our objective is to be a leading innovator in the automotive interior components industry. High consumer expectations, environmental goals and regulatory changes are three of the main drivers in the automotive market. We are involved in the design of highly innovative cars, as a result of our focus in three main areas:

- *materials and processes:* usage of environmentally-friendly and recyclable/recycled materials and weight reduction to minimize carbon dioxide emissions;
- *industrial flexibility:* innovative manufacturing processes to produce various functions and adapting to meet evolving market demands with minimum investment; and
- *smart interiors:* supporting our customers' brand strategy and enhancing end user experience and perceived quality based on customization without specific investment.

#### ***Become a global full-service supplier to OEMs***

We intend to strengthen our position as a Tier 1 supplier for automobile interiors with an extensive production and supply network that can flexibly service our customers on a global basis, providing major OEMs access to our global platform and product portfolio. In addition, we hope to increasingly take on additional responsibilities and activities of OEMs by managing Tier 2 and Tier 3 suppliers, thereby improving the manufacturing and product development efforts of our customers. Our acquisition of the Magna Interiors Business in 2015, who had strong relationships with premium OEMs, including BMW, Tata Motors—Jaguar Land Rover and Daimler, also allowed us to improve our position in the premium segment of the automotive interior industry.

Our approach to project and production management is increasingly focused on integral execution by locating our technical and manufacturing facilities close to the decision-making and manufacturing centers of our customers. Additionally, we aim to ensure engineering benchmarking, continuous improvements in operational excellence and standardization of processes in every country in which we operate. We intend to develop new industrial processes able to produce different products with the same investment. The capacity to produce a broader product portfolio will allow us to provide a better service to the OEMs.

#### ***Develop design, engineering and production capacities across low cost countries***

Our objective is to significantly increase our operations in low-cost countries in Eastern Europe, North America as well as in APAC regions. These markets present opportunities to capitalize on growing long-term demand relative to that of more mature economies. We intend to increase our internationalization by both selectively expanding our production capacities in new geographies and also expanding our product portfolio in such low-cost markets in which we already have successful operations.

#### ***Expand footprint in the APAC region***

We have increased, and plan to continue to increase our presence in APAC consistently with the development trend of the automotive market in the region. APAC continues to be a significant contributor to margin expansion. Our revenue derived from the APAC region has increased from €82.2 million in the year ended December 31, 2010 to

€408.1 million in the year ended December 31, 2016. In the year ended December 31, 2016, revenue in China increased by 76.7% from the year ended December 31, 2015, while the automotive production industry increased by 12.2%.

We believe that we are well positioned to take advantage of growth opportunities in APAC as a result of our existing footprint of high quality production facilities in the region. We intend to capitalize on our current operations and reputation to increase our presence in the region through selective and disciplined investments and partnerships. For example in China, we have two TCOs and we operate 15 sites directly and nine sites together with local partners through our different joint ventures. We have one TCOs and seven operating sites in India, which serve customers including Tata Motors-Jaguar Land Rover, Mahindra, Ford, Fiat-Chrysler, Volkswagen Group, Hyundai, Toyota and General Motors. Furthermore, we have a joint venture with the Krishna Group which supplies Maruti-Suzuki and Honda. In South Korea, we have one TCO and directly operate two sites, and we provide automotive parts to Renault-Samsung in a joint venture with Dongwon Tech.

### ***Successfully continuing to integrate new acquisitions and realizing synergistic opportunities***

Part of our growth strategy involves identifying suitable acquisition candidates in markets where we currently operate, as well as in markets in which we have not previously operated. For example, in 2015 we acquired the Magna Interiors Business and have been continuously focusing on its integration. As of the date of this offering memorandum, the integration has been fully implemented and is achieving results ahead of management expectations. The additional cost savings as a result of the implemented integration consist of: (i) savings arising from consolidation and increased purchasing power vis-à-vis suppliers, (ii) positive results from an increase in management focus, (iii) reduced engineering costs resulting from the reorganization of production processes, and (iv) a decrease in overhead and general expenses related to IT, licensing, certain members of senior management, etc., which we anticipate will generate cost savings of more than €20 million per year. We have outperformed such cost savings targets for the year ended December 31, 2016. For example, the evolution of our Redditch plant has improved significantly, from a loss-making business at the time of the acquisition of the Magna Interiors Business, to generating a slight positive EBITDA (excluding management fees) for the year ended December 31, 2016.

In addition to the acquisition of the Magna Interiors Business, we will also continue to consider future acquisitions from time to time as an opportunity to apply leading technologies to our product portfolio, cross-sell new and existing products to our existing customer base, expand our customer base and enhance our growth profile.

### **History and Shareholders**

Our history starts in the 1950s, when the Antolín family opened a repair shop in Burgos and specialized in brakes and steering components. The Company was incorporated in 1987 in order to manage and coordinate the activities of various growing group companies. In 1989 we opened our first office abroad in the UK and since then we have consistently followed the path of internationalization. Since inception we have been controlled by the Antolín family, which has continuously supported our vision, strategy and growth throughout our evolution. Our Chairman is Canea, S.L., represented by Ernesto Antolín, and our Vice-Chairman is Injat S.L., represented by María Helena Antolín, both members of the Antolín family.

Our shareholders are (i) Grupo Antolin HoldCo S.A., a Spanish limited liability company (*sociedad anónima*), which holds 67.4% of the shares of the Company and (ii) Castilfalé Gestión, S.A.U., a Spanish limited liability company (*sociedad anónima*), which holds 32.6% of the shares of the Company. Castilfalé Gestión, S.A.U. is a wholly owned subsidiary of G.A. HoldCo S.A. y Compañía, S.R. Colectiva, which in turn is wholly-owned by the Antolín family through different holding entities (including Grupo Antolin HoldCo S.A.). Grupo Antolin HoldCo S.A. is wholly owned by the Antolín family through different holding entities. In December 2013, the Antolín family acquired the remaining 22.9% interest in the Company that it did not then own and increased the ownership stake in the Company to 100%. See “—Summary Corporate and Financing Structure” and “Shareholders and Certain Transactions”.

### **The Company**

The Company is incorporated in Spain under tax identification number A-09092305 and with its registered office at Ctra. Madrid-Irún km. 244,8 E09007, Burgos, Spain. The telephone number of the Company is +34 947 47 77 00.

## **Recent developments**

### *Divestment of our Seating segment*

On February 6, 2017, the Company and certain of the Company's affiliates entered into a sale and purchase agreement with Lear Corporation, a leading global supplier of automotive seating and electrical systems, and certain of its affiliates, for the sale of our affiliates in the Seating segment, including Grupo Antolín-Ara, S.A.U., Grupo Antolín-Ardasa, S.A.U., Grupo Antolín-Álava, S.A.U., Grupo Antolín-Vigo, S.A.U., Grupo Antolín-PGA, S.A.U., Grupo Antolín-Martorell, S.A.U., Grupo Antolín-Magnesio, S.A.U., Grupo Antolín-Valença-Componentes Automóvel, S.A., Midtown Invest, S.L., Grupo Antolín-Loire S.A.S., Grupo Antolin Ingenierie Sieges, S.A.S., Grupo Antolin Jarny, S.A.S., 70% of Antolín-CIE Czech Republic, s.r.o., and certain assets of Antolin Tanger, S.A.R.L.

The purchase price in the sale and purchase agreement is €285.6 million, subject to customary closing adjustments for the value of net working capital and net debt at completion. The purchase price represents an EBITDA multiple of 4.9x (excluding any amounts related to customary closing adjustments on the purchase price). The transaction closed on April 28, 2017.

As of December 31, 2016, the Divested Business had annual sales of €371.1 million, €331.9 million of which were sales in the Seating segment, and included 12 manufacturing plants and JIT assembly and sequencing facilities (seven of which located in Spain, one in Portugal, one in the Czech Republic, two in France and one in Morocco), as well as R&D operations in two additional locations (France and Spain) and employed more than 1,600 employees. We aim to re-invest the proceeds from the Divestment in growth projects scheduled for the calendar years 2017 and 2018.

### *Current trading*

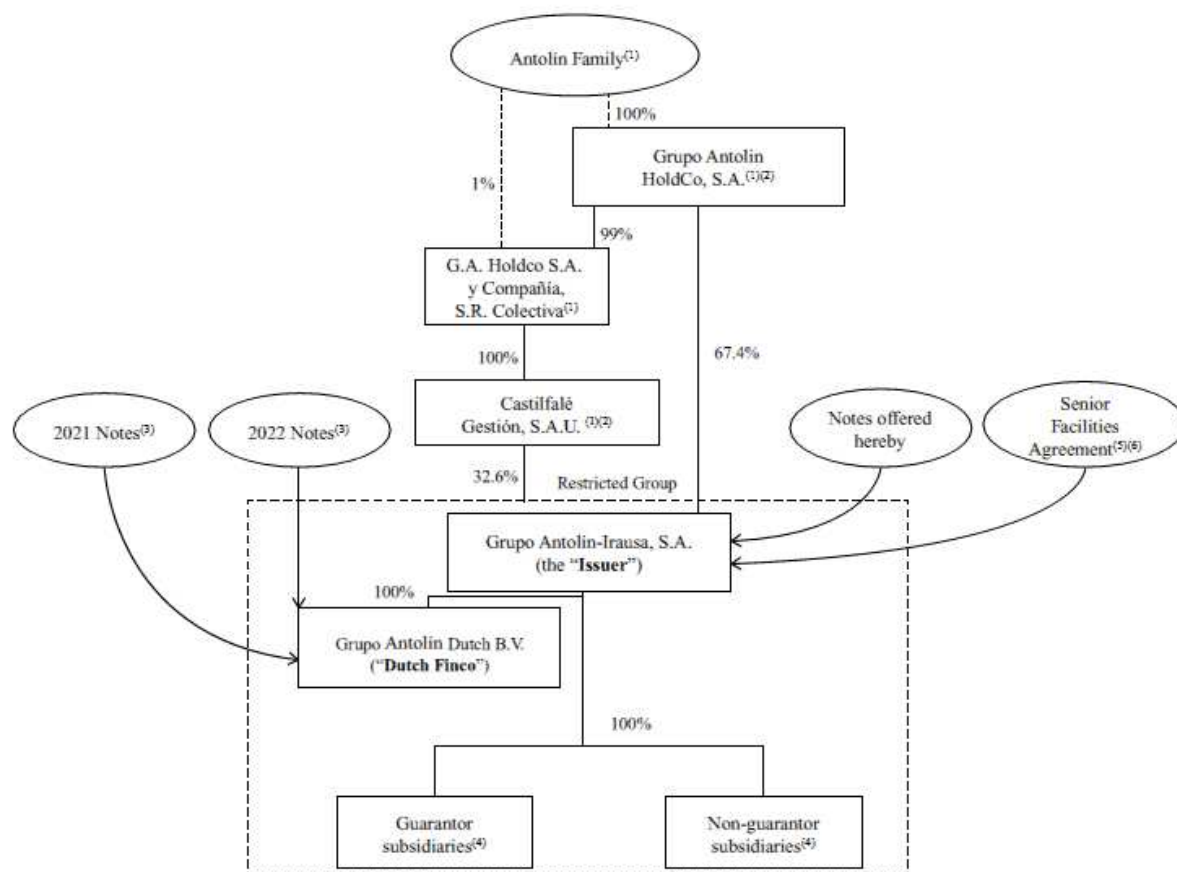
For the two months ended February 28, 2017, the Company is trading ahead of management expectations. Based on management estimates and information currently available, we estimate our revenue for the two months ended February 28, 2017 to be between 4% and 6% higher than our revenue for the two months ended February 29, 2016, our EBITDA for the two months ended February 28, 2017 to be between 5% and 7% higher than our EBITDA for the two months ended February 28, 2016, and our EBIT for the two months ended February 28, 2017 to be between 6% and 8% higher than our EBIT for the two months ended February 28, 2016.

This information is based solely on preliminary internal information used by management and has not been audited or reviewed by our independent auditors. Therefore, this information should not be regarded as an indication, forecast or representation by us or any other person regarding our financial performance.



## Summary corporate and financing structure

The following diagram summarizes certain aspects of our corporate structure and financing after giving effect to this Issuance. For more information as to the terms of the Notes, see “Description of the Notes”.



- (1) Our shareholders are (i) Grupo Antolín HoldCo, S.A., a Spanish limited liability company (*sociedad anónima*), which holds 67.4% of the shares of the Company and (ii) Castilfalé Gestión, S.A.U., a Spanish limited liability company (*sociedad anónima*), which holds 32.6% of the shares of the Company. Castilfalé Gestión, S.A.U. is a wholly owned subsidiary of G.A. HoldCo S.A. y Compañía, S.R. Colectiva, which in turn is wholly-owned by the Antolín family through different holding entities (including Grupo Antolin HoldCo S.A.). Grupo Antolin HoldCo S.A. is wholly owned by the Antolín family through different holding entities. See “Shareholders and Certain Transactions”.
- (2) The Notes are secured by (i) a third-ranking pledge over 32.6% of the shares of the Company held by Castilfalé Gestión, S.A.U. and (ii) a third-ranking pledge over 67.4% of the shares of Grupo Antolin HoldCo S.A. (the “**Collateral**”). See “—The Offering—Guarantors”.
- (3) The Company used the proceeds of the Notes issued to repay the 2021 Notes Funding Loan entered into in connection with the issuance of the 2021 Notes and cause Dutch Finco to repurchase or redeem the 2021 Notes in full. See “Use of Proceeds”. The 2022 Notes will remain outstanding and shall rank *pari passu* with the Notes.
- (4) Certain of the Company’s subsidiaries guaranteed the Notes from the Issue Date; *provided, however*, that the Company will use its best efforts to cause Antolin Ebergassing GmbH to deliver a Guarantee on or before June 30, 2017. The Guarantors (including Antolin Ebergassing GmbH) together with the Company but excluding the subsidiaries included in the Divested Business, represented approximately 66.2% of the EBITDA for the year ended December 31, 2016. See “Summary—The Offering—Guarantors”.
- (5) We have additional bank and other debt, which has been incurred and guaranteed by the Company and several of our subsidiaries, including subsidiaries guaranteeing the Notes. As of December 31, 2016, on a *pro forma* basis for the issuance of the €400.0 million aggregate principal amount of the Notes issued, the repayment of the ADE Facility and the repayment of certain other local debt in connection with the Divestment, we would have had €1,232.5 million of financial debt. See “Capitalization”. Subsidiaries of the Company that will not guarantee the Notes would have had €17.8 million of debt outstanding as of December 31, 2016 on a consolidated basis. See “Description of Other Indebtedness”.

- (6) The Senior Facilities Agreement provides for facilities of €586.6 million, split into two term facilities of €386.6 million and a revolving credit facility of €200.0 million. The revolving credit facility remained undrawn on the Issue Date. See “Description of Other Indebtedness—Senior Facilities Agreement”. The intercreditor relationships between the lenders under the Senior Facilities Agreement, the trustee on behalf of the holders of the 2022 Notes and the Trustee are governed by the Intercreditor Agreement. See “Description of Other Indebtedness—Intercreditor Agreement”.

## THE OFFERING

*The summary below describes the principal terms of the Notes. Certain terms and conditions described below are subject to important limitations and exceptions. See “Description of the Notes” in this offering memorandum for a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.*

<b>Issuer</b> .....	Grupo Antolín-Irausa, S.A. (the “ <b>Company</b> ”).
<b>Notes Offered</b> .....	€400.0 million aggregate principal amount of 3.25% Senior Secured Notes due 2024 (the “ <b>Notes</b> ”).
<b>Maturity</b> .....	April 30, 2024.
<b>Interest Rates and Payment Dates</b> ....	The Company will pay interest on the Notes semi-annually on April 30 and October 30 of each year, commencing October 30, 2017, at a rate of 3.25% per annum. Interest will accrue from April 21, 2017 (the “ <b>Issue Date</b> ”).
<b>Denominations</b> .....	The Notes have been issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.
<b>Collateral</b> .....	The Notes are secured by (i) a third-ranking pledge over 32.6% of the shares of the Company held by Castilfalé Gestión, S.A.U. and (ii) a third-ranking pledge over 67.4% of the shares of the Company held Grupo Antolin HoldCo S.A. (the “ <b>Collateral</b> ”). Notwithstanding the fact that the Notes are secured by third-ranking pledges, pursuant to the Intercreditor Agreement, recoveries received upon enforcement of the Collateral will be applied <i>pro rata</i> in repayment of liabilities in respect of the Notes, the 2022 Notes and the Senior Facilities.
<b>Guarantees</b> .....	Certain of the Company’s subsidiaries guarantee the Notes, jointly and severally. A Guarantee may be released in the event of certain sales or disposals of the relevant Guarantor, in the event of certain enforcement actions under the Intercreditor Agreement and under certain other circumstances. The guarantee of Grupo Antolín Lusitânia—Componentes Automóvel, S.A. is limited to €17.8 million and is governed by English law pursuant to the Intercreditor Agreement.
<b>Guarantors</b> .....	The Guarantors are the companies listed below, which guarantee the Notes from the Issue Date; <i>provided, however</i> , that the Company will use its best efforts to cause Antolin Ebergassing GmbH to deliver a Guarantee on or before June 30, 2017. The Guarantors (including Antolin Ebergassing GmbH), together with the Company but excluding the subsidiaries included in the Divested Business, represented approximately 66.2% of the EBITDA for the year ended December 31, 2016.
	<div style="display: flex; justify-content: space-between;"> <div> <p>Grupo Antolín-Bohemia, a.s.</p> <p>Grupo Antolín Ostrava s.r.o.</p> <p>Grupo Antolín Turnov s.r.o.</p> <p>Grupo Antolin Bamberg GmbH &amp; Co. KG</p> <p>Grupo Antolin Deutschland GmbH</p> <p>Grupo Antolin Logistik Deutschland GmbH</p> <p>Antolin Interiors Mexico, S.A. de C.V.</p> <p>Grupo Antolín-Silao, S.A. de C.V.</p> <p>Grupo Antolín-Salttillo, S. de R.L. de C.V.</p> <p>Grupo Antolín Lusitânia—Componentes Automóvel, S.A.</p> <p>Grupo Antolín-Bratislava, s.r.o.</p> <p>Grupo Antolín-Aragusa, S.A.U.,</p> <p>Grupo Antolín-Autotrim, S.A.U.</p> <p>Grupo Antolín-Dapsa, S.A.U.</p> <p>Grupo Antolín-Eurotrim, S.A.U.</p> <p>Grupo Antolín-Glass, S.A.U.</p> <p>Grupo Antolín-Ingeniería, S.A.U.</p> <p>Grupo Antolín-Navarra, S.A.U.</p> <p>Grupo Antolín-Plasbur, S.A.U.</p> <p>Grupo Antolín-RyA, S.A.U.</p> <p>Antolin Interiors UK Limited</p> <p>Grupo Antolin Leamington Limited</p> <p>Grupo Antolin UK Limited</p> <p>Antolin Interiors USA, Inc.</p> <p>Grupo Antolin Missouri, LLC</p> <p>Grupo Antolín North America, Inc.</p> <p>Grupo Antolín Kentucky, Inc.</p> </div> <div> <p>(Czech Republic)</p> <p>(Czech Republic)</p> <p>(Czech Republic)</p> <p>(Germany)</p> <p>(Germany)</p> <p>(Germany)</p> <p>(Mexico)</p> <p>(Mexico)</p> <p>(Mexico)</p> <p>(Portugal)</p> <p>(Slovakia)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(Spain)</p> <p>(United Kingdom)</p> <p>(United Kingdom)</p> <p>(United Kingdom)</p> <p>(United States)</p> <p>(United States)</p> <p>(United States)</p> <p>(United States)</p> <p>(United States)</p> </div> </div>

	Grupo Antolín Illinois, Inc. Grupo Antolín Michigan, Inc.	(United States) (United States)
<b>Ranking of the Notes and Guarantees .....</b>	<p>The Notes are the general senior obligations of the Company and will rank equally in right of payment with all existing and future senior indebtedness of the Company (including its guarantee of the 2022 Notes). The Notes will rank senior in right of payment to any existing and future obligations of the Company subordinated in right of payment to the Notes.</p> <p>The Guarantees of the Guarantors will:</p> <ul style="list-style-type: none"> <li>• rank <i>pari passu</i> in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated to that Guarantor's Guarantee, including the Existing Notes;</li> <li>• rank senior in right of payment to any future Indebtedness of that Guarantor that is subordinated in right of payment to that Guarantor's Guarantee;</li> <li>• be effectively subordinated to that Guarantor's existing and future obligations that are secured by property or assets of such Guarantor to the extent of the value of the property or assets securing such obligations unless such property or assets also secure the Notes on an equal and ratable or priority basis;</li> <li>• be structurally subordinated to all existing and future obligations of any of that Guarantor's subsidiaries that do not guarantee the Notes; and</li> <li>• be subject to limitations described herein and in "Risk Factors—Risks related to the Notes".</li> </ul> <p>See "Description of Other Indebtedness—Intercreditor Agreement" for a description of certain terms affecting the Notes and the Guarantees, including provisions relating to the release of Guarantees and turnover of proceeds following an enforcement event under the Intercreditor Agreement.</p> <p>As of December 31, 2016, after giving <i>pro forma</i> effect to the issuance of the €400.0 million aggregate principal amount of the Notes, the repayment of the ADE Facility and the repayment of certain other local debt in connection with the Divestment, we would have had €1,232.5 million of financial debt. See "Capitalization". Subsidiaries of the Company that will not guarantee the Notes would have had € 17.8 million of other financial liabilities outstanding as of December 31, 2016 on a consolidated basis. See "Description of Other Indebtedness".</p>	
<b>Intercreditor Agreement .....</b>	<p>The Collateral also secures indebtedness under the Senior Facilities Agreement and the 2022 Notes. These intercreditor relationships is governed by the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, the holders of the Notes and Guarantees will share on a <i>pro rata</i> basis recoveries received upon enforcement over any such share pledges constituting Collateral with the secured creditors under the Senior Facilities Agreement and the 2022 Notes. See "Description of Other Indebtedness—Intercreditor Agreement".</p>	
<b>Optional Redemption .....</b>	<p>The Company may redeem all or part of the Notes at any time on or after April 30, 2020, at the redemption prices described in "Description of the Notes—Optional Redemption". At any time prior to April 30, 2020, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 103.250% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the aggregate principal amount of the Notes remains outstanding after the redemption. At any time prior to April 30, 2020, the Company may also redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus a "make whole" premium, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.</p>	
<b>Optional Tax Redemption.....</b>	<p>The Company may redeem the Notes in whole, but not in part, at any time, if changes in tax laws would require the Company to pay additional amounts on the Notes. If the Company decides to redeem the Notes following such a change in tax laws, the Company must redeem all the Notes at a price equal to the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "Description of the Notes—Optional Tax Redemption".</p>	
<b>Additional Amounts .....</b>	<p>All payments in respect of the Notes or any Guarantee will be made without withholding or deduction on account of taxes unless required by law. If an applicable withholding agent is required by law to withhold or deduct any amount for taxes imposed by a Relevant Taxing Jurisdiction (as defined herein) in respect of payments on the Notes or any Guarantee, subject to certain exceptions, we will pay the additional amounts necessary so that the net amount received by the beneficial owners of Notes after the withholding or deduction (including any withholding or deduction attributable to the additional amounts) will equal</p>	

<b>Change of Control .....</b>	<p>the amounts that would have been received had there been no deduction or withholding. See “Description of the Notes—Additional Amounts”.</p> <p>If we experience specific kinds of changes in control, we may be required to offer to repurchase the Notes at a redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. See “Description of the Notes—Repurchase at the Option of Holders—Change of Control”.</p>
<b>Certain Covenants .....</b>	<p>The Indenture governing the Notes will, among other things, limit our ability to:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional debt and issue preferred stock;</li> <li>• make certain payments, including dividends or other distributions;</li> <li>• make certain investments or acquisitions, including participating in joint ventures;</li> <li>• prepay or redeem subordinated debt;</li> <li>• engage in certain transactions with affiliates;</li> <li>• create unrestricted subsidiaries;</li> <li>• enter into arrangements that restrict payments of dividends to us;</li> <li>• sell assets, consolidate or merge with or into other companies;</li> <li>• sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis; and</li> <li>• create or incur certain liens.</li> </ul> <p>These covenants contain important exceptions, limitations and qualifications. See “Description of the Notes—Certain Covenants”.</p>
<b>Transfer Restrictions .....</b>	<p>The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See “Transfer Restrictions”. Holders of the Notes will not have the benefit of any exchange or registration rights.</p>
<b>Listing .....</b>	<p>The Company has made an application for the Notes to be admitted to Official List of the Luxembourg Stock Exchange for trading on the Euro MTF.</p>
<b>No Prior Market .....</b>	<p>Although application has been made to admit the Notes to the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF in accordance with its rules, there are no assurances that the Notes will be, or will remain, listed and admitted to trade on the Euro MTF. Further, the Notes are new securities for which there will be no established market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.</p>
<b>Use of Proceeds .....</b>	<p>The Company expects to use the gross proceeds of this offering together with cash on balance sheet, (i) to repay the 2021 Notes Funding Loan entered in connection with the 2021 Notes and cause Dutch Finco to repurchase or redeem the 2021 Notes in full, (ii) to pay €9.5 million in call costs related to the redemption of the 2021 Notes at an assumed redemption price of 102.375%, and (iii) to pay commissions, fees and expenses in connection with the Issuance and the transactions contemplated hereby, estimated at approximately €4.2 million. See “Use of Proceeds”.</p>
<b>Trustee .....</b>	Deutsche Trustee Company Limited
<b>Security Agent .....</b>	Deutsche Bank AG, London Branch
<b>Principal Paying Agent .....</b>	Deutsche Bank AG, London Branch
<b>Stabilizing Manager .....</b>	Deutsche Bank AG, London Branch
<b>Transfer Agent .....</b>	Deutsche Bank Luxembourg S.A.
<b>Registrar and Luxembourg Listing Agent .....</b>	Deutsche Bank Luxembourg S.A.
<b>Governing Law of the Indenture, the Notes and the Guarantees .....</b>	<p>The Indenture, the Notes and the Guarantees of the Guarantors organized under the laws of Austria, the Czech Republic, Germany, Mexico, Slovakia, Spain, the United Kingdom and the United States shall be governed by the laws of the State of New York. The Guarantee for the Guarantor organized under the laws of Portugal has been granted as part of the Intercreditor Agreement and governed by English law.</p>
<b>Governing Law for Security Documents relating to the Collateral .....</b>	Spanish.
<b>Governing Law of the Intercreditor Agreement .....</b>	English.

## **RISK FACTORS**

Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum. In particular, you should carefully consider the factors set forth under “Risk Factors” before making a decision whether to invest in the Notes.

## SUMMARY FINANCIAL DATA AND OTHER DATA

The following tables set forth the summary financial data and other data of the Company and other data for the Company after giving pro forma effect to the Issuance for the periods ended and as of the dates indicated below. For a detailed discussion of the presentation of financial data, see “Presentation of Financial and Other Data”.

### Basis of Presentation

The tables below set forth the summary financial data for the Company as of and for the years ended December 31, 2014, 2015 and 2016, derived from our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, which were prepared in accordance with IFRS-EU and are included elsewhere in this offering memorandum.

Our summary consolidated financial data for the Company is presented in euro and has been prepared in accordance with IFRS-EU.

### Non-IFRS Measures

The summary financial information set forth below contains certain non-IFRS financial measures, including “Adjusted revenue”, “EBITDA”, “Adjusted EBITDA”, “EBITDA margin”, “Adjusted EBITDA margin”, “Adjusted cash and bank balances”, “Adjusted net financial debt”, “capital expenditures”, “net financial debt”, “net finance income/(cost)”, “pro forma adjusted net financial debt”, “pro forma net finance income/(cost)” and leverage and coverage ratios. We present these 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 and should not be considered in isolation from or as a substitute for our historical financial information.

You should read this summary financial data in conjunction with “Capitalization”, “Selected Financial and Other Information”, “Operating and Financial Review and Prospects” and the historical consolidated financial statements of the Company and the related notes, included elsewhere in this offering memorandum. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. For more information on the basis of preparation of this financial information, see “Presentation of Financial and Other Data” and the notes to the financial statements included elsewhere in this offering memorandum.

### Company Historical Financial Data

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Income Statement of Profit or Loss Data:</b>			
Revenue .....	2,225.4	3,506.2	5,247.3
Changes in inventories of finished goods and work in progress .....	6.3	(0.5)	(7.8)
Capital grants and other grants taken to income .....	1.2	1.5	1.5
Other operating income .....	66.6	111.4	146.2
<b>Total operating income.....</b>	<b>2,299.5</b>	<b>3,618.7</b>	<b>5,387.2</b>
Supplies .....	(1,375.2)	(2,193.8)	(3,344.4)
Staff costs .....	(394.1)	(586.5)	(869.5)
Depreciation and amortization expenses.....	(91.6)	(122.3)	(182.0)
Change in trade provisions .....	(0.3)	(2.6)	(7.7)
Other operating expenses.....	(317.1)	(505.2)	(739.0)
Less-Own work capitalized .....	54.2	57.5	94.1
<b>Profit for the year from continuing operations .....</b>	<b>175.4</b>	<b>265.8</b>	<b>338.7</b>
Finance income.....	1.5	1.5	1.1
Finance costs.....	(43.5)	(55.2)	(63.6)
Net fair value gain/(loss) on financial instruments .....	1.4	2.3	0.6
Impairments and losses on disposal of non-current financial assets .....	—	—	(0.3)
Exchange differences.....	(2.4)	(4.4)	10.1
<b>Net finance income/(cost) .....</b>	<b>(43.0)</b>	<b>(55.9)</b>	<b>(52.1)</b>

Net impairment loss on non-current assets .....	(7.3)	(5.1)	(10.4)
Gain/(loss) on disposals of non-current assets .....	(0.5)	(1.6)	(1.5)
Negative consolidation difference .....	—	—	—
Gains/(losses) on the loss of significant influence over consolidated investments .....	—	—	9.7
Investments available for sale taken to profit and loss for the year.....	—	—	—
Profit of companies accounted for using the equity method .....	9.6	16.5	4.0
Impairments and losses due to loss of significant influence over equity accounted investees .....	(0.1)	—	(7.0)
<b>Profit before taxes.....</b>	<b>134.1</b>	<b>219.8</b>	<b>281.5</b>
Corporate income tax.....	(44.5)	(64.4)	(86.8)
<b>Consolidated profit for the year .....</b>	<b>89.7</b>	<b>155.3</b>	<b>194.7</b>
Profit attributable to non-controlling interests .....	(8.2)	(17.9)	(17.0)
<b>Attributable to shareholders of the Company .....</b>	<b>81.5</b>	<b>137.4</b>	<b>177.6</b>

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Statements of Financial Position:</b>			
<b>Non-current assets:</b>			
Intangible assets.....	214.5	501.1	497.1
Property, plant and equipment .....	431.4	739.6	808.4
Other non-current assets <sup>(1)</sup> .....	132.3	161.2	121.8
<b>Total non-current assets.....</b>	<b>778.2</b>	<b>1,401.9</b>	<b>1,427.3</b>
<b>Current assets:</b>			
Inventories .....	368.3	674.5	825.4
Trade and other receivables .....	458.9	979.8	1,067.2
Cash and bank balances .....	154.2	361.9	306.5
Other current assets <sup>(2)</sup> .....	7.7	8.7	13.9
<b>Total current assets.....</b>	<b>989.1</b>	<b>2,024.9</b>	<b>2,212.9</b>
<b>Total assets .....</b>	<b>1,767.3</b>	<b>3,426.8</b>	<b>3,640.2</b>
<b>Total equity .....</b>	<b>313.6</b>	<b>492.3</b>	<b>620.8</b>
<b>Non-current liabilities:</b>			
Bank Loans, debentures and other marketable securities.....	655.9	1,233.8	1,226.0
Other non-current liabilities <sup>(3)</sup> .....	101.0	196.8	201.4
<b>Total non-current liabilities .....</b>	<b>756.9</b>	<b>1,430.6</b>	<b>1,427.4</b>
<b>Current liabilities:</b>			
Bank Loans, debentures and other marketable securities.....	36.6	64.5	38.1
Trade, sundry and other payables .....	536.8	1,021.8	1,240.0
Other current liabilities <sup>(4)</sup> .....	123.4	417.6	313.9
<b>Total current liabilities .....</b>	<b>696.8</b>	<b>1,503.8</b>	<b>1,592.1</b>
<b>Total equity and liabilities.....</b>	<b>1,767.3</b>	<b>3,426.8</b>	<b>3,640.2</b>

(1) Other non-current assets comprises investment property, investment in companies accounted for using the equity method, non-current financial assets and deferred tax assets.

(2) Other current assets comprises non-current assets held for sale and other current financial assets.

(3) Other non-current liabilities comprises grants, non-current provisions, derivatives, other financial liabilities and deferred tax liabilities.

(4) Other current liabilities comprises short term debt owed to associated companies, other financial liabilities, taxes and social security contributions refundable, current tax liabilities, current provisions and other current liabilities



	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Cash Flow Information</b>			
<b>Cash flows from ordinary operating activities:</b>			
<b>Consolidated profit for the year before taxes</b> .....	<b>134.1</b>	<b>219.8</b>	<b>281.5</b>
<b>Adjustments for:</b>			
Depreciation and amortization expenses .....	91.6	122.3	181.9
Allocation to/(reversal of) current provisions .....	0.3	6.1	31.2
Allocation to/(reversal of) non-current provisions .....	15.2	8.8	47.7
Capital grants and other grants taken to income .....	(1.2)	(1.5)	(1.5)
Finance income and expense .....	44.4	58.2	52.4
Net impairment loss on non-current assets .....	7.3	5.1	10.4
Gain/(loss) on disposal of non-current assets .....	0.5	1.6	1.5
Change in fair value of financial instruments .....	(1.4)	(2.3)	(0.5)
Impairments and losses on disposal of non-current financial assets .....	—	—	0.3
Gains/(Losses) on the loss of significant influence over consolidated investments .....	—	—	(9.7)
Profit of companies accounted for using the equity method .....	(9.6)	(16.5)	(4.0)
Impairments and losses due to loss of significant influence over companies accounted for using the equity method .....	—	—	7.0
<b>Operating profit before movements in working capital</b> .....	<b>281.3</b>	<b>401.5</b>	<b>598.2</b>
(Increase)/decrease in trade and other receivables .....	(254.3)	(113.7)	(106.4)
(Increase)/decrease in inventories .....	(102.0)	(50.5)	(167.9)
(Increase)/decrease in other current assets .....	—	—	—
Increase/(decrease) in trade and other payables .....	133.3	32.5	223.8
Increase/(decrease) in other current liabilities .....	17.2	75.2	24.1
Capital grants received/(repaid), net .....	—	—	—
Payments of provisions .....	(10.3)	(10.5)	(21.7)
Unrealized exchange differences and other items .....	(2.2)	16.2	(22.5)
<b>Cash generated from operations</b> .....	<b>63.0</b>	<b>350.7</b>	<b>527.5</b>
Corporate income tax paid .....	(34.1)	(54.8)	(104.6)
<b>Net cash generated by/(used in) operating activities</b> .....	<b>28.9</b>	<b>295.9</b>	<b>423.0</b>
<b>Cash flows from investing activities:</b>			
<b>Dividends received</b> .....	<b>1.1</b>	<b>2.1</b>	<b>2.0</b>
<b>Proceeds from disposal of investments in:</b>			
Intangible assets .....	0.1	0.1	2.9
Associated companies .....	3.0	—	28.9
Group Companies, net of cash in consolidated companies .....	—	—	22.7
Property, plant and equipment .....	4.0	5.1	4.1
Non-current financial assets .....	1.2	—	0.8
Current financial assets .....	0.7	—	—
Non-current assets held for sale .....	—	—	—
<b>Payments for investments in:</b>			
Associates .....	—	(8.4)	(0.7)
Group companies net of the cash of business combinations .....	(1.3)	(431.6)	(61.4)
Property, plant and equipment .....	(85.9)	(119.1)	(194.2)
Intangible assets .....	(57.6)	(51.8)	(91.0)
Investment property .....	—	(0.1)	—
Non-current financial assets .....	(1.9)	(2.5)	—
Current financial assets .....	—	(1.0)	(0.3)
Non-current assets held for sale .....	(6.8)	—	—
<b>Net cash generated by/(used in) investing activities</b> .....	<b>(143.3)</b>	<b>(607.1)</b>	<b>(286.2)</b>
<b>Cash flows from financing activities:</b>			
<b>Proceeds from/(payments for) equity instruments:</b>			
Acquisition of non-controlling interest's shares .....	(0.3)	(0.1)	—
Returns to non-controlling interests .....	(9.9)	(3.7)	(8.5)
<b>Issue of bonds and/(payments for) financial liabilities:</b>			
Proceeds from syndicated loan and senior secured notes .....	600.0	600.0	—
Repayment of syndicated loan .....	—	(4.5)	(8.9)
Proceeds/(repayment) from syndicated bridging loan .....	(400.0)	—	(10.0)
Proceeds from other bank borrowings, net .....	(33.7)	20.5	(16.5)
Proceeds from/(repayment of) other financial liabilities, net .....	0.3	(24.3)	(71.8)

**Other cash flows from financing activities:**

Finance income and expense paid, net.....	(51.4)	(63.0)	(60.5)
Dividends paid and payments on other equity instruments.....	—	(6.0)	(16.0)
<b>Net cash generated by/(used in) financing activities .....</b>	<b>105.0</b>	<b>518.9</b>	<b>(192.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>	<b>(9.5)</b>	<b>207.7</b>	<b>(55.4)</b>
<b>Cash and cash equivalents at beginning of the year.....</b>	<b>163.6</b>	<b>154.2</b>	<b>361.9</b>
<b>Cash or cash equivalents at end of the year.....</b>	<b>154.2</b>	<b>361.9</b>	<b>306.5</b>

**Year ended December 31,**

<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>(in millions of €, except percentages)</b>		

**Other Financial Data:**

Gross profit <sup>(1)</sup> .....	924.3	1,424.9	2,042.8
Profit for the year from continuing operations (EBIT) <sup>(2)</sup> .....	175.4	265.8	338.7
EBITDA <sup>(2)</sup> .....	267.0	388.2	520.7
Gross profit margin <sup>(3)</sup> .....	40.2%	39.4%	37.9%
EBIT margin <sup>(3)</sup> .....	7.9%	7.6%	6.5%
EBITDA margin <sup>(3)</sup> .....	12.0%	11.1%	9.9%
Capital expenditures <sup>(4)</sup> .....	143.5	171.0	285.2
Cash and bank balances .....	154.2	361.9	306.5
Bank loans, debentures and other marketable securities <sup>(5)</sup> .....	692.4	1,298.4	1,264.1
Financial debt <sup>(5)</sup> .....	735.1	1,491.8	1,314.4
Net financial debt <sup>(5)</sup> .....	580.9	1,129.9	1,007.9

Year ended  
December 31, 2016  
(in millions of €, except percentages and ratios)

**Adjusted and Pro Forma Financial Data:**

Adjusted revenue <sup>(6)</sup> .....	4,876.2
Adjusted EBITDA <sup>(7)</sup> .....	461.7
Adjusted EBITDA margin <sup>(7)</sup> .....	9.5%
Adjusted cash and bank balances <sup>(8)</sup> .....	516.2
Adjusted net financial debt <sup>(9)</sup> .....	722.4
Pro forma adjusted cash and bank balances <sup>(8)(10)</sup> .....	502.6
Pro forma adjusted net financial debt <sup>(11)</sup> .....	729.9
Pro forma net finance cost <sup>(12)</sup> .....	39.1
Ratio of pro forma adjusted net financial debt to Adjusted EBITDA <sup>(7)(11)</sup> .....	1.58x
Ratio of Adjusted EBITDA to pro forma net cost <sup>(7)(11)</sup> .....	11.8x

(1) “Gross profit” represents total operating income less supplies. The following table presents the calculation of gross profit:

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
Total operating income .....	2,299.5	3,618.7	5,387.2
Adjusted for:			
Supplies .....	(1,375.2)	(2,193.8)	(3,344.4)
Gross profit .....	<u>924.3</u>	<u>1,424.9</u>	<u>2,042.8</u>

(2) “EBITDA” represents profit for the period from continuing operations (“EBIT”) after adding back depreciation and amortization expenses. 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, EBITDA excludes depreciation and amortization expenses from EBIT in order to eliminate the impact of general long-term capital investment. Although we are presenting EBITDA to enhance the understanding of our historical operating performance, EBITDA should not be considered an alternative to EBIT as an indicator of our operating performance, or an alternative to cash flows from ordinary operating activities as a measure of our liquidity. The following table presents the calculation of EBITDA:

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
Profit for the year from continuing operations .....	175.4	265.8	338.7
Adjusted for:			
Depreciation and amortization expenses .....	91.6	122.3	182.0
EBITDA .....	<u>267.0</u>	<u>388.2</u>	<u>520.7</u>

- (3) Gross profit margin is gross profit divided by total operating income. EBIT margin is EBIT divided by revenue. EBITDA margin is EBITDA divided by revenue.
- (4) Capital expenditures consist of expenditures in property plant and equipment, plus expenditures in intangible assets. See “Operating and Financial Review and Prospects—Key factors affecting our results of operations—Capital Expenditures”.
- (5) Bank loans, debentures and other marketable securities consists of current and non-current payables under finance leases, the Notes the Senior Facilities Agreement, as well as other loans, credit lines, invoice discount lines, interest payable and financial remeasurements. Financial debt consists of bank loans, debentures and other marketable securities plus non-recourse factoring and other financial liabilities. Net financial debt consists of financial debt less cash and bank balances. The following table presents a calculation of net financial debt:

	As of the year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Bank loans, debentures and other marketable securities<sup>(a)</sup></b> .....	<b>692.4</b>	<b>1,298.4</b>	<b>1,264.1</b>
Other financial liabilities <sup>(b)</sup> .....	42.7	193.4	50.3
<b>Financial debt</b> .....	<b>735.1</b>	<b>1,491.8</b>	<b>1,314.4</b>
Cash and bank balances.....	(154.2)	(361.9)	(306.5)
<b>Net financial debt</b> .....	<b>580.9</b>	<b>1,129.9</b>	<b>1,007.9</b>

(a) Bank loans, debentures and marketable securities includes both current and non-current liabilities.

(b) Other financial liabilities primarily include loans granted to us, principally by Spanish public bodies, to finance R&D projects and improve competitiveness, including financial remeasurment in relation to these loans, includes both current and non-current portions. For the purpose of covenant calculations, only interest bearing soft loans are considered. Financial debt, these amounted to €5.8 million in both years as of December 31, 2014 and 2015, and €5.5 million as of December 31, 2016 respectively.

(6) Adjusted revenue represents our revenue for the year ended December 31, 2016, as adjusted for the revenue of the Divested Business for such period. The following table presents a calculation of Adjusted revenue:

	Year ended December 31, 2016
	(in millions of €)
<b>Revenue</b> .....	<b>5,247.3</b>
Adjusted for:	
Revenue of Divested Business .....	(371.1)
<b>Adjusted revenue</b> .....	<b>4,876.2</b>

(7) Adjusted EBITDA represents our EBITDA for the year ended December 31, 2016, as adjusted for the EBITDA of the Divested Business for such period. Adjusted EBITDA margin is Adjusted EBITDA divided by Adjusted revenue. The following table presents a calculation of Adjusted EBITDA:

	Year ended December 31, 2016
	(in millions of €)
<b>EBITDA</b> .....	<b>520.7</b>
Adjusted for:	
EBITDA of Divested Business.....	59.0
<b>Adjusted EBITDA</b> .....	<b>461.7</b>

(8) Adjusted cash and bank balances represents cash and bank balances as of December 31, 2016, as adjusted to reflect the increase in cash as a result of the estimated €285.6 million of net proceeds from the sale of the Divested Business, less decreased cash related to (i) the €60.0 million repayment of the ADE Facility on March 15, 2017, (ii) the repayment of a €1.2 million credit line held by Antolín-CIE Czech Republic, s.r.o., (iii) the repayment of €4.7 million in certain bilateral bank loans primarily related to Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. and (iv) the repayment of €9.9 million of certain CDTI and other soft loans in our Seating segment. Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. are part of the Divested Business. See “Summary—Recent Developments”.

(9) Adjusted net financial debt represent financial debt, excluding (i) the €60.0 million repayment of the ADE Facility on March 15, 2017, (ii) the repayment of a €1.2 million credit line held by Antolín-CIE Czech Republic, s.r.o., (iii) the repayment of €4.7 million in certain bilateral bank loans primarily related to Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. and (iv) the repayment of €9.9 million of certain CDTI and other soft loans in our Seating segment, net of Adjusted cash and bank balances.

(10) *Pro forma* adjusted cash and bank balances and *pro forma* adjusted net financial debt give *pro forma* effect to the Issuance and the application of the net proceeds therefrom as described under “Use of Proceeds” as if they had occurred on December 31, 2016. *Pro forma* adjusted cash and bank balances have been calculated by deducting from adjusted cash and bank balances (i) €9.5 million of call costs related to the redemption of the 2021 Notes and (ii) €4.2 million of estimated commissions, fees and other expenses, related to the Issuance and the application of

proceeds therefrom. See “Use of Proceeds” and “Capitalization”. *Pro forma* adjusted net financial debt has been calculated by deducting the €400.0 million aggregate principal amount of the 2021 Notes (and adding back €7.6 million in unamortized debt issuance costs related to the 2021 Notes), and adding the €400.0 million aggregate principal amount of the Notes offered hereby (excluding €13.7 million in unamortized debt issuance costs related to the Notes), net of *pro forma* adjusted cash and bank balances.

- (11) *Pro forma* net finance cost gives *pro forma* effect to the offering of the notes and the application of the net proceeds therefrom as described under “Use of Proceeds” as if they had occurred on January 1, 2016. *Pro forma* net finance cost has been calculated by adding the net cost associated with the Notes (excluding amortization of issuance costs) and the transactions contemplated hereby as described in “Capitalization”, as if they had been incurred on January 1, 2016, less the interest expense associated with the 2021 Notes. See “Use of Proceeds” and “Capitalization”.

## Summary Segmental Information of the Company

Before the acquisition of the Magna Interiors Business, we organized our activities around four business segments: (i) overhead systems, (ii) doors and interior plastics, (iii) seating and (iv) lighting. As part of the integration of the Magna Interiors Business, on August 31, 2015, we added a new cockpits and interior segment (which included all of Magna Interior Business’ products, including primarily cockpits, soft trim and hard trim) to our reporting structure. In 2016, we carried out a series of additional business realignments within our different segments aimed at improving the integration of our businesses and materializing synergies from the acquisition of the Magna Interiors Business. The results of operations for the year ended December 31, 2015 and any segmental information associated thereof, only includes the Magna Interiors Business from August 31, 2015 until December 31, 2015. See “Operating and Financial Review and Prospects—Segment reporting”.

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

	Year ended December 31,			
	2014	2015 (historical segmentation)	2015 (new segmentation)	2016
	(in millions of €, except percentages)			
<b>Headliners</b>				
Net turnover .....	1,210.4	1,506.0	1,696.3	2,084.2
Other operating (expenses)/income, net .....	(1,094.2)	(1,333.7)	(1,514.7)	(1,881.6)
<b>EBITDA .....</b>	<b>116.2</b>	<b>172.3</b>	<b>181.6</b>	<b>202.6</b>
Depreciation and amortization .....	(34.3)	(36.6)	(41.0)	(46.6)
<b>Operating profit/(loss) (EBIT).....</b>	<b>81.9</b>	<b>135.7</b>	<b>140.6</b>	<b>156.0</b>
<b>EBITDA margin.....</b>	<b>9.6%</b>	<b>11.4%</b>	<b>10.7%</b>	<b>9.7%</b>
<b>Doors</b>				
Net turnover .....	644.1	780.0	1,006.2	1,461.5
Other operating (expenses)/income, net .....	(552.0)	(674.4)	(879.0)	(1,269.4)
<b>EBITDA .....</b>	<b>92.1</b>	<b>105.5</b>	<b>127.2</b>	<b>192.1</b>
Depreciation and amortization .....	(33.2)	(31.7)	(35.3)	(49.3)
<b>Operating profit/(loss) (EBIT).....</b>	<b>58.9</b>	<b>73.8</b>	<b>91.9</b>	<b>142.8</b>
<b>EBITDA margin.....</b>	<b>14.3%</b>	<b>13.5%</b>	<b>12.6%</b>	<b>13.1%</b>
<b>Lighting</b>				
Net turnover .....	164.9	190.3	204.8	272.4
Other operating (expenses)/income, net .....	(136.1)	(160.1)	(171.4)	(224.2)
<b>EBITDA .....</b>	<b>28.8</b>	<b>30.2</b>	<b>33.4</b>	<b>48.2</b>
Depreciation and amortization .....	(7.3)	(10.3)	(10.5)	(14.0)
<b>Operating profit/(loss) (EBIT).....</b>	<b>21.5</b>	<b>19.9</b>	<b>22.9</b>	<b>34.1</b>
<b>EBITDA margin.....</b>	<b>17.5%</b>	<b>15.9%</b>	<b>16.3%</b>	<b>17.7%</b>
<b>Cockpits</b>				
Net turnover .....	—	813.3	324.2	1,095.7
Other operating (expenses)/income, net .....	—	(768.2)	(327.6)	(1,052.1)
<b>EBITDA .....</b>	<b>—</b>	<b>45.1</b>	<b>(3.4)</b>	<b>43.6</b>
Depreciation and amortization .....	—	(18.7)	(8.4)	(27.7)
<b>Operating profit/(loss) (EBIT).....</b>	<b>—</b>	<b>26.4</b>	<b>(11.8)</b>	<b>15.9</b>
<b>EBITDA margin.....</b>	<b>—</b>	<b>5.5%</b>	<b>(1.1)%</b>	<b>4.0%</b>
<b>Seating</b>				
Net turnover .....	205.0	214.6	272.7	331.9
Other operating (expenses)/income, net .....	(177.3)	(184.9)	(230.9)	(276.7)

<b>EBITDA</b> .....	<b>27.7</b>	<b>29.7</b>	<b>41.8</b>	<b>55.2</b>
Depreciation and amortization .....	(9.9)	(9.6)	(11.6)	(11.1)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>17.8</b>	<b>20.2</b>	<b>30.2</b>	<b>44.1</b>
<b>EBITDA margin</b> .....	<b>13.5%</b>	<b>13.9%</b>	<b>15.3%</b>	<b>16.6%</b>
<b>Other</b> <sup>(2)</sup> .....				
Net turnover .....	1.0	2.0	2.0	1.7
Other operating (expenses)/income, net .....	1.2	3.1	5.5	(22.6)
<b>EBITDA</b> .....	<b>2.2</b>	<b>5.2</b>	<b>7.6</b>	<b>(20.9)</b>
Depreciation and amortization .....	(6.9)	(15.4)	(15.5)	(33.3)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>(4.7)</b>	<b>(10.3)</b>	<b>(7.9)</b>	<b>(54.2)</b>

- (1) In order to enable investors to compare our financial results for periods from January 1, 2014 with the period ended December 31, 2016, we have presented in this offering memorandum, solely for informational purposes, certain reclassified financial information as of and for the years ended December 31, 2015 after giving effect to the business reorganizations undergone as a consequence of the integration of the Magna Interiors Business. See “Operating and Financial Review and Prospects—Segment Reporting”.
- (2) Other is not a primary business segment and its operations support our primary business segments. It is included herein for the purposes of reconciliation and we do not consider it material. Other includes a wide range of results generated mainly by Grupo Antolín-Ingeniería, S.A.U., TCOs and consolidated pricing adjustments.

## RISK FACTORS

### Risks related to our Business

***The automobile industry is cyclical and cyclical downturns in our business segments 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, sometimes significantly from year-to-year. These fluctuations are caused by such factors as general economic conditions, interest rates, consumer confidence, consumer preferences, patterns of consumer spending, fuel costs and the automobile replacement cycle, and such fluctuations give rise to changes in demand for our products and may have a significant adverse impact on our results of operations. In addition, OEM customers generally do not commit to purchasing minimum quantities from their suppliers. As our business has certain fixed costs that must be met regardless of demand for our products, cyclical downturns can further affect our results of operations.

The highly cyclical and fluctuating nature of the automotive industry presents a risk that is outside our control and that cannot be accurately predicted. Moreover, a number of factors that we cannot predict can and have impacted cyclicity in the past. Decreases in demand for automobiles generally, or in the demand for automobiles incorporating our products in particular, could materially and adversely impact our business, financial condition, results of operations and cash flows.

***We are susceptible to economic trends, and deterioration of economic conditions could adversely impact our business and exacerbate the difficulties experienced by our customers and suppliers in obtaining financing.***

A significant economic downturn could have a material adverse effect on our business. Continued concerns about the systemic impact of a potential long-term and wide-spread recession, energy costs (including the recent volatility in oil prices), strong currency fluctuations, the availability and cost of credit, diminished business and consumer confidence and increased persistent unemployment in Europe have contributed to increased market volatility and diminished expectations for western and emerging economies, including in the jurisdictions in which we operate.

In addition, any increased financial instability may lead to longer-term disruptions in the credit markets, which could impact our customers' ability to obtain financing for their businesses at reasonable prices, as well as impact their customers when seeking financing for automobile purchases. Our OEM customers typically require significant financing for their respective businesses. In addition, our OEM customers typically have related finance companies that provide financing to their dealers and customers. These finance companies have historically been active participants in the securitization markets, which has suffered and may suffer additional disruptions should economic conditions deteriorate in the future. Our suppliers, as well as the other suppliers to our customers, may face similar difficulties in obtaining financing for their businesses. If capital is not available to our customers and suppliers, or if its cost is prohibitively high, their businesses would be negatively impacted, which could result in their restructuring or even reorganization/liquidation under applicable bankruptcy laws. Any such negative impact, in turn, could materially and negatively affect us either through the loss of revenues to any of our customers so affected, or due to our inability to meet our commitments without excess expense resulting from disruptions in supply caused by the suppliers so affected. 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 we otherwise experienced a loss of, or material reduction in, business from such customer. As a result of such difficulties, we could experience lost revenues, significant write-offs of accounts receivable, significant impairment charges or additional restructurings beyond the steps we have taken to date.

Furthermore, increased financial instability in credit and other financial markets and deterioration of Spanish and/or global economic conditions could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future,
- cause our lenders to depart from prior credit industry practice and make more difficult or expensive the granting of any technical or other waivers under our debt facilities, to the extent we may seek them in the future, and

- negatively impact global demand for our products, which could result in a reduction of our sales, operating income and cash flows.

***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 is an important market for our business, 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.

The UK's decision to leave the EU will trigger a process of negotiation which will determine the future terms of the UK's relationship with the EU (see "—Uncertainty regarding Brexit and the outcome of future arrangements between the EU and the UK could have a material adverse impact on us") and the results of the upcoming general elections in France and Germany could lead to the exit of one or more countries from the Eurozone and the reintroduction of national currencies certain countries. These and other potential developments, or market perceptions concerning these and related issues, could undermine confidence in the overall stability of the EU, 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.

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 22.0% of our EBITDA 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 approximately 18.6% in December 2016 and gross domestic product contracted in 2012 and 2013 before gradually recovering between 2014 and 2016. If Spain recovered at a slower 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.



***Uncertainty regarding Brexit and the outcome of future arrangements between the EU and the UK could have a material adverse impact on us.***

In a non-binding referendum on the UK's membership in the EU conducted in June 23, 2016, a majority of those who voted approved the UK's withdrawal from the EU. Any withdrawal by the United Kingdom from the EU ("**Brexit**") would occur after, or possibly concurrently with, a process of negotiation regarding the future terms of the UK's relationship with the EU, which could result in the UK losing access to certain aspects of the single EU market and the global trade deals negotiated by the EU on behalf of its members. The uncertainty concerning the timing and terms of the exit could have a negative impact on the growth of the EU and cause greater volatility in all of the global currencies that we currently use to transact business. Lack of clarity about future UK laws and regulations, as the UK determines which EU laws and regulations to replace or replicate in the event of a withdrawal, may increase costs associated with operating in either or both of the UK and Europe. The Brexit vote and the perceptions as to the impact of the withdrawal of the UK may adversely affect business activity, political stability and economic conditions in the UK, the EU and elsewhere.

Any of these developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on economic growth or business activity in the UK, the Eurozone, or the EU, and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, political systems or financial institutions and the financial and monetary system. For the year ended December 31, 2016, 15% of our revenues were generated in the UK, where we operate 13 plants, primarily within the Doors and Cockpits segments. Consequently, these developments could have a material adverse effect on our business, financial position, liquidity and results of operations.

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

On January 20, 2017, Donald J. Trump was inaugurated as the president of the United States. The Trump administration has called for substantial change to fiscal and tax policies, international agreements, regulatory oversight of businesses and greater restrictions on free trade, including significant increases on tariffs on goods imported into the U.S., particularly from China and Mexico. Proposals espoused by President Trump may result in changes to social, political, regulatory and economic conditions in the U.S. or in laws and policies affecting the development and investment in countries where we currently conduct business. We cannot assure you as to the ultimate content, timing, or effect of changes. Given that, in the year ended December 31, 2016, 33.0% of our revenue was attributable to NAFTA and 1.2% was attributable to Mercosur, with 2.2% of our products being exported from Mexico directly into the U.S., any such changes could have an impact on us. However, we cannot currently quantify or predict with any certainty the likely impact of such changes on our business model, prospects, financial condition or results of operations.

***We are dependent on large customers for current and future revenues. The loss of any of these customers or changes in the 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, as is common in our industry we depend on certain large value customers for a significant proportion of our revenues. For example, for the year ended December 31, 2016, Volkswagen Group, Ford, Tata Motors—Jaguar Land Rover, Fiat-Chrysler and Daimler represented 14.8%, 12.2%, 12.0%, 11.0% and 9.2% of our revenue, respectively. 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 make fewer sales to these customers for a variety of reasons, including, but not limited to:

- loss of awarded business;
- reduced or delayed customer requirements;
- OEMs' insourcing business they have traditionally outsourced to us;
- strikes or other work stoppages affecting production by our customers;
- bankruptcy or insolvency of a customer; or

- reduced demand for our customers' products.

See also “—We are susceptible to economic trends, and deterioration of economic conditions could adversely impact our business and exacerbate the difficulties experienced by our customers and suppliers in obtaining financing”.

Furthermore, our customers may consolidate or merge from time to time. Consolidation among our customers could result in an increasingly concentrated client base of large customers which could, among others, increase the bargaining power of our current and future customers and impact the terms of the services that we provide. Mergers of our customers with entities that are not our customers could also materially impact our financial position and results of operations. Any significant changes in the ownership or operation of our customers, as a result of consolidation, merger or otherwise, could adversely affect our business, prospects, financial condition or results of operations

***Our inability to realize revenues represented by 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 a commitment regarding minimum volumes of purchases from us. In addition, such contracts typically provide that customers have the contractual right to unilaterally terminate our contracts with them with no notice or limited notice. 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 materials and work-in-progress and in certain instances undepreciated capital expenditures and tooling. Further, there is no guarantee that our customers will renew their purchase orders with us. We cannot assure you that our results of operations will not 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.

***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 customers.

Disruptions could be caused by a multitude of potential problems, such as closures of one of our 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 weather, earthquakes, other natural or nuclear disasters, mechanical failures, delayed customs processing and more.

Additionally, if we are the cause for a customer being forced to halt production, the customer may seek to recoup all of its losses and expenses from us. Any disruptions affecting us or caused by us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***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 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.

***We are subject to fluctuations in the prices of materials.***

Our operating income and net income can be adversely affected by changes in the prices of the materials we use, notably textile fabrics, plastic injection grain, petroleum-based resins and certain metals. To the extent that our agreements with suppliers do not protect us from increases in the cost of materials or that we cannot pass through increases in the costs of our materials to our customers, we are exposed to risks related to unfavorable fluctuations in commodity prices. We do not use derivatives to hedge our purchases of materials or energy. If commodity prices were to rise steeply, we cannot guarantee that we would be able to pass on all such price increases to our customers, which could have an unfavorable impact on our sales, results and overall financial position.

***We may have difficulty competing favorably in the highly competitive automotive parts industry generally and in certain product or geographic areas specifically.***

The automotive parts industry is highly competitive. We face significant competition within each of our major product areas, including from new competitors entering the markets that we serve, and OEMs that may seek to integrate vertically. The principal competitive factors include price, technology, quality, global presence, service, product performance, design and engineering capabilities, new product innovation and timely delivery. We cannot assure you that we will be able to continue to compete favorably in these competitive markets or that increased competition will not have a material adverse effect on our business by reducing our ability to maintain sales and profit margins.

Furthermore, 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, 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.

***Shifts in market shares among vehicles or vehicle segments or shifts away from vehicles in which we have significant content could have a material adverse effect on our profitability.***

While we supply internal components for a wide variety of vehicles produced globally, we do not supply components for all vehicles produced, nor is the number or value of components evenly distributed among the vehicles for which we do supply components. Shifts in market shares among vehicles or vehicle segments, particularly shifts away from vehicles on which we have significant content and shifts away from vehicle segments in which our sales may be more heavily concentrated, could have a material adverse effect on our profitability.

***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 and engineering, as well as other items previously paid for directly by OEMs, such as tooling. Typically, in line with our 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 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 adversely affected.

***We may be forced to downsize, close or sell some of our operations which could have an adverse effect on our profitability.***

The automotive industry in some of our markets (most notably Western Europe) continues to experience significant overcapacity, elevated levels of vehicle inventory, reduced consumer demand for vehicles and depressed production volumes and sales levels. In response to these conditions, we may be forced to restructure our operations, including through plant closures. If we are forced to close manufacturing locations because of loss of business or consolidation of manufacturing facilities, the 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. We continually attempt to align production capacity with demand; therefore, we cannot assure you that additional plants will not have to be closed.

***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 adversely affect our business operations, financial position and operational results.

***Mechanical failure, equipment shutdowns and technological breakdown could adversely affect our business.***

We are subject to mechanical failure and equipment shutdowns which may be beyond our control, particularly the failure of the airbags we incorporate into our cockpit modules. If a section of one of our production sites is damaged or shuts down, it could cause a mechanical failure or equipment shutdown in other components of such production site. If 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 production sites for a significant period of time, it would have a material adverse effect on our business operations, financial position and operational results.

***Interruptions in the supply of utilities to our facilities may negatively affect our operations.***

We are reliant upon a continuous and uninterrupted supply of electricity, gas and water to our production 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 a trip 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 which could materially and adversely impact our business operations, financial position and operational results.

***Our ongoing operations may require increased capital expenditure at certain stages that will consume cash from our operations and borrowings.***

In order to maintain our product lines for existing products, from time to time, we are required to make certain operational and maintenance related capital expenditure on our facilities. Our capital expenditures for the year ended December 31, 2016, 2015 and 2014 amounted to €285.2 million, €171.0 million and €143.5 million, respectively. Our ability to undertake such operational and maintenance measures largely depends on our cash flow from our operations and access to capital. We intend to continue to fund our cash needs through cash flow from operations. However, there may be unforeseen capital expenditure needs for which we may not have adequate capital. The timing of capital expenditures also may cause fluctuations in our operational results.

***Our profitability may be adversely affected by program launch difficulties.***

From time to time we are awarded new business by our customers. The launch of new programs 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 programs could have an adverse effect on our profitability.

***We may not be able to grow our business with APAC-based automotive customers, or grow our business enough with such customers to offset slower growth with our largest customers, which could have an adverse effect on our profitability.***

In light of the amount of business we currently have with our largest customers in certain regions, our opportunities for incremental growth with these customers may be limited. While we have a substantial presence in APAC (especially in China and South Korea), the amount of business we have with APAC-based OEMs, including Toyota, Hyundai, Kia and Honda, generally lags that of our largest customers which are based in Europe (Ford, Volkswagen Group and Renault-Nissan) due in part to the existing relationships between such APAC-based OEMs and their preferred suppliers. There is no certainty that we can achieve growth with APAC-based OEMs, or that any such growth will offset slower growth we may experience with our largest customers.

***There are integration and consolidation risks associated with potential future acquisitions and divestitures. Future acquisitions and divestments may result in significant transaction expenses, unexpected liabilities and a negative impact on operations and/or cash flows. Future acquisitions may result in risks associated with entering new markets, and we may be unable to profitably operate any new businesses acquired.***

We, at Grupo Antolin, have made strategic acquisitions in the past. For example, in 2015 we acquired the Magna Interiors Business from Magna for \$597.2 million (approximately €535.2 million). We are still working on the integration of the Magna Interiors Business within the Group, which we expect to fully implement in the calendar year 2018. The integration presents various challenges which may be difficult and costly to overcome and could prevent us from realizing the expected benefits of the acquisition. We may experience difficulties and costs in integrating the relevant assets into our operations, the integration of the business may cost materially more than we expected, and the anticipated synergies and growth opportunities may not be realized in full (or not at all) or may take longer to realize than planned. We have also made strategic divestments in the past, including the sale of Antolin Burg Design GmbH for €18.5 and the Company's interest in Ningbo Antolin Huaxiang Auto Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto Parts Co., Ltd. for €28.9 million. See also “—We may be unable to realize the anticipated benefits from the Divestment”.

In the future we may make further strategic acquisitions of suitable acquisition candidates in markets where we currently operate as well as in markets in which we have not previously operated may also make additional strategic divestitures, where this is in line with our strategy. However, we may not be able to identify suitable acquisition candidates in the future, or may not be able to finance such acquisitions on favorable terms. We may lack sufficient management, 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. We may not be offered suitable terms, including price, for divestitures we wish to make. Acquisitions and divestitures in general 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 or divestitures could impact our financial position or cash flow. In certain transactions, our acquisition analysis includes assumptions regarding the consolidation of operations and improved operating cost structures for the combined operations. Such synergies or benefits may not be achieved on the assumed time schedule or in the assumed amount, if at all. Any future acquisitions may result in significant transaction expenses, unexpected liabilities and risks associated with entering new markets in addition to the integration and consolidation risks. As a result of our acquisitions or divestments, 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. In connection with divestitures, we may remain exposed to the buyer for tax, environmental or other liabilities of the divested business. The occurrence of any of these liabilities could have a material adverse effect on our business and results of operations.

***We may be unable to realize the anticipated benefits from the Divestment.***

Pursuant to a sale and purchase agreement dated February 6, 2017 between the Company and certain of its affiliates, as sellers, and Lear Corporation and certain of its affiliates, as buyers, we have disposed of the Divested Business. See “Summary—Recent Developments”. In addition to the general risks inherent to divestitures (see “—There are integration and consolidation risks associated with potential future acquisitions and divestitures. Future acquisitions and divestments may result in significant transaction expenses, unexpected liabilities and a negative impact on operations and/or cash flows. Future acquisitions may result in risks associated with entering new markets, and we may be unable to profitably operate the new

businesses acquired”), the Divestment entails risks, including the possibility of realizing lower-than expected sales proceeds, and the exposure to potential post-closing claims for indemnification. If we do not realize the expected benefits or synergies from the Divestment, it could adversely affect our financial condition and results of operations. Finally, pursuant to the terms of the sale and purchase agreement governing the Divestment, we are required to indemnify the buyer against certain liabilities and obligations, and we may also become subject to litigation with the buyer or third-party claims arising out of the divestiture. Any of these risks could demand significant attention from our management and have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

***We do not control certain of our joint ventures.***

We have a number of strategic partnerships and joint ventures and alliances. See “Business—Joint Ventures”. 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 these businesses, 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. Finally, there could be circumstances in which we may wish or be required to acquire the ownership interests of our partners, and there can be no assurance that we will have access to the funds necessary to do so, on commercially reasonable terms or at all.

***The value of our deferred tax assets could become impaired, which could materially and adversely affect our operating results.***

As of December 31, 2016, we had approximately €87.6 million in deferred tax assets, €1.7 million of which corresponded and have been assigned to the Divested Business. The remaining deferred tax assets include net operating loss carry forwards that can be used to offset taxable income in future periods and reduce income taxes payable in those future periods. Our ability to utilize our net operating loss carry forwards may be limited and delayed. 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 and expectations of future earnings. If we determine in the future that there is not sufficient evidence to support the valuation of these assets, due to the factors described above or other factors, we may be required to adjust the valuation allowance to reduce our deferred tax assets. Such a reduction could result in material non-cash expenses in the period in which the valuation allowance is adjusted and could have a material adverse effect on our results of operations. 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. Finally, the Company and some of its Spanish subsidiaries and holding companies form a tax group subject to the special tax consolidation regime for corporate income tax purposes. If, for whatever reason, the consolidated tax regime were forfeited or the tax group extinguished, the right to offset the tax loss carry forwards and use the tax credits of the tax group would be assigned to the companies that generated them. This could limit the ability of the companies to effectively make use of these deferred tax assets and that could adversely affect our financial results.

***Our profitability may be materially adversely affected by our inability to utilize tax losses or because of tax exposures we face.***

We have incurred losses in some countries which we may not be able to fully or partially offset against income we have earned in those countries. 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. To the extent we cannot implement measures to offset these exposures, they may have a material adverse effect on our profitability.

***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.***

Our effective tax rate varies in each country in which we conduct business. 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.

***We are subject to taxation which is complex and often requires us to make subjective determinations.***

We are subject to many different forms of taxation including but not limited to income tax, value added tax, social security and other payroll related taxes. Tax law and administration is complex and often requires us to make subjective determinations. The tax authorities may not agree with the determinations that are made by us with respect to the application of tax law. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material effect on our results of operations. For example, we are subject to several administrative and judicial proceedings in Brazil, of which four judicial proceedings are due to the dispute over certain VAT deductions that we had taken under the exemption for certain manufacturers that applied to us under Brazilian tax law. As of December 31, 2016, we estimate that the aggregate potential liability under these administrative and judicial proceedings in Brazil amounts to approximately €16.9 million. Additionally, we could be adversely affected by changes in tax laws, regulations or interpretations.

***We have a material amount of goodwill, which, if it becomes impaired, would result in a reduction in our net income and equity.***

Goodwill, primarily derived from our acquisition of the Magna Interiors Business, represents the excess of the cost of an acquisition over the fair value of the net assets acquired. IFRS-EU 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 €156.6 million of goodwill on our consolidated balance sheet that could be subject to impairment. Any new businesses acquired in the future could result in recognition of additional goodwill, which could be significant. We could also be required to recognize additional impairments in the future and such an impairment charge could have a material adverse effect on our financial position and results of operations in the period of recognition.

***We are subject to risks related to our international operations.***

Our international operations include manufacturing facilities in, among other locations, Brazil, China, India, Mexico, Russia and Thailand, and we sell our products in each of these areas. Pursuant to the acquisition of the Magna Interiors Business, we now have additional manufacturing facilities in, among others, Austria, Czech Republic, Hungary, South Korea and Slovakia. For the year ended December 31, 2016 approximately 16% of our revenues were derived from operations in growth markets outside of Europe, Canada and the United States. International operations 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, 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;
- exposure to local tax requirements and obligations;
- foreign currency exchange rate fluctuations and currency controls;
- greater risk of uncontrollable accounts and longer collection cycles;

- the risk of government sponsored competition;
- 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
- export and import restrictions.

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

Our international operations require us to comply with the laws and regulations of various jurisdictions. In particular, 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.

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 as developed a legal system as other locations and are perceived to have high levels of corruption. Our continued geographical diversification, including in emerging economies, development of joint venture relationships worldwide 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.

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. Our Code of Conduct, approved in June 2016 and which is translated in all languages in which our Group operates, aims at educating our employees in such policies and principles. While we have a strong culture of compliance and we believe we have adequate systems of control, we seek to continuously improve our system 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 they failed to prevent any such violations.

***Foreign exchange rate fluctuations could cause a decline in our financial condition, results of operations and cash flows, and our hedging and other derivative arrangements may not effectively or sufficiently offset the negative impact of foreign exchange rate fluctuations***

Although our reporting currency is the euro, a portion of our sales and operating costs are realized in other currencies, such as the US dollar, the Brazilian real, the Chinese renminbi, the Indian rupee, the Mexican peso, the Czech crown, the Russian ruble, the Turkish lira or the Hungarian forint. Such non-euro currencies are recorded at the exchange rates prevailing on the dates of the operations. Gains or losses on transactions denominated in foreign currencies are taken to the consolidated income statement as and when they occur.

We are subject to risk if the foreign currency in which our costs are paid appreciates against the currency in which we generate revenues because the appreciation effectively increases our cost in that country. The financial condition, results of operations and cash flows of some of our operating entities are reported in foreign currencies and then translated into euro 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 sales and profits while depreciation of the euro against these foreign currencies will generally have a positive effect on reported revenues and profits.



Significant long-term fluctuations in relative currency values, in particular a significant change in the relative values of the non-euro currencies in which we operate could have an 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.

Economic instability in the countries in which we operate where the euro is not the local currency and the related decline in the value of the relevant local currency in these countries could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Although we, at Grupo Antolin, have not entered into any foreign-currency hedge rate agreements or forward contracts, we seek a variety of mechanisms to hedge against major movements in currencies, such as using local suppliers and negotiating with customers and suppliers. We may also use a combination of natural hedging techniques and financial derivatives to protect against certain foreign currency exchange rate risks. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities may also negatively impact operating results.

For the year ended December 31, 2016, a 0.5% rise in the euro against currencies such as the Czech crown, the Brazilian real, the US dollar, the UK pound and the Mexican peso, would have reduced our revenues by approximately €138.3 million or approximately 2.6%, and our EBITDA would have decreased by approximately €11.8 million.

***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 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, Mercosur and APAC as key markets where we are likely to experience substantial growth, and accordingly have made and expect to continue to make substantial 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 demand in these regions, we may not only fail to realize expected rates of return on our existing investments, but we may incur losses on such investments and be unable to timely redeploy the invested capital to take advantage of other markets, potentially resulting in lost market share to our competitors. Our results will also suffer if these regions do not grow as quickly as we anticipate.

***Loss of key executives and failure to attract qualified management could limit our growth and negatively impact our operations.***

We have a management team with a substantial amount of expertise in the automotive industry. 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 labor in some of the areas in which we operate could negatively impact our operations.***

When establishing and operating facilities in some emerging economies, we may encounter difficulties with the availability of 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.

***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 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 ability to schedule our portfolio of projects to efficiently utilize our employees and minimize production downtime;
- 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; and
- the degree of structural flexibility of labor laws in countries where our employees are located.

***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 result in a material adverse effect.***

We have a large number of collective bargaining agreements. In addition, we have specific exposure to labor strikes in our international operations. For example, in 2014, we had a strike in our facility in Mexico. In 2015 we had strikes in Turkey and Brazil and in 2016 we had strikes in Germany and France, none of which had significant effects on our business, financial condition and results of operations. However, 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 whether in the course of renegotiation of 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. 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.

***A shift away from technologies in which we invest 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. 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, product instructions and customer requirements. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products or manufacturing processes on a timely basis will be a significant factor in our ability to remain competitive. New technologies or changes in industry and customer requirements may render one or more of our current offerings 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. 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.

***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 legal or regulatory proceedings, claims or investigations, including by governmental bodies, customers, suppliers, former employees, class action plaintiffs and others which are incidental to the conduct of our business. For example, in 2015, automotive suppliers in the Magna Interiors Business were subject to an investigation with the German Federal Cartel Office in Germany. The investigation was concluded in February 2016 without any actions against the suppliers in the Magna Interiors Business. On an ongoing basis, we attempt to assess 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. See "Business—Proceedings". We are also subject to tax audits from time to time. Among other tax audits, the Spanish tax authorities conducted several inspections for income tax, corporate tax and value added tax from 2002 to 2012, French tax authorities are currently conducting tax audits mainly on corporate income tax, VAT and other taxes in relation to fiscal years 2011 through 2015, US tax authorities have initiated an audit of corporate income tax in relation to the 2015 fiscal year and Mexican tax authorities have just initiated a tax audit of corporate income tax in relation to the 2014 fiscal year.

Except as disclosed in this offering memorandum, we do not believe that any of the proceedings or claims to which we are currently a 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 face risks related to the intellectual and industrial property we use.***

We believe that we either own or may validly use all the intellectual and industrial property rights required for our business operations and that we have taken all reasonable measures to protect our rights or obtain warranties from the owners of third party rights. However, we cannot rule out the risk that our intellectual and industrial property rights may be disputed by a third party on the grounds of pre-existing rights or for any other reason. Furthermore, for countries outside Europe and North America we cannot be sure of holding or obtaining intellectual and industrial property rights offering the same level of protection as those in Europe and North America.

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

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.

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 which are either covered under their warranty or are the subject of a recall by them. 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. Currently, under most customer agreements, we only account for existing or probable warranty claims. We 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, our insurance covering product recalls is limited in amount and coverage and in some jurisdictions non-existent. The obligation to repair or replace such products could have a material adverse effect on our profitability and financial condition.

A decrease in actual and perceived quality of our products could damage our image and reputation and also the image and reputation of one or more of our brands. Defective products 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 an adverse effect on our sales and results of operations.

***Our operations expose us to the risk of material health and safety liabilities.***

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 cause damage to our reputation. Such events could have a material adverse effect on our business operations, financial position and operational results.

***We are subject to environmental requirements and risks as a result of which we may incur significant costs, liabilities and obligations.***

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 greenhouse gases, into the environment; and health and safety. 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, have tended to become more stringent over time and may necessitate substantial capital expenditures or operating costs.

We are also subject to environmental laws requiring investigation and clean-up of environmental contamination. Estimating environmental clean-up liabilities is complex and heavily dependent on the nature and extent of historical information and physical data relating to the contaminated sites, the complexity of the contamination, the uncertainty of which remedy to apply and the outcome of discussions with regulatory authorities relating to the contamination. In addition, these environmental laws and regulations are complex, change frequently and have tended to become more stringent and expensive over time. Therefore, in the future we may not be, in complete compliance with all such laws and regulations and we may incur material costs or liabilities as a result of such laws and regulations. In addition to potentially significant investigation and cleanup costs, contamination can give rise to third party claims for fines or penalties, natural resource damages, personal injury or property damage.

For example, Trimtec Ltda., our subsidiary in Brazil, is subject, together with 25 other companies, to two environmental claims derived from the environmental damages created by *Companhia Brasileira de Bauxita* (“CBB”), who was hired to provide services of incineration and industrial waste disposal for Trimtec Ltda. and other companies. CBB did not perform such services and was abandoning waste in the state of Para, which ended up causing severe environmental damage. An expert in the assessment and valuation of environmental damage was appointed in connection with the proceedings and is expected to begin the assessment in May 2017. See “Business—Proceedings”.

We cannot assure you that our costs, liabilities and obligations relating to environmental matters will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may not be adequately insured.***

We currently have insurance arrangements in place for products and public liability, property damage, business interruption (including for sudden and unexpected environmental damage). However, these insurance policies may not cover any 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 environmental occurrences.

***Significant changes in laws and governmental regulations could have an adverse effect on our profitability.***

The legal, regulatory and industry standard environment in our principal markets is complex and dynamic, and future changes to the laws, regulations and market practice as regards, for example, carbon dioxide emissions and safety tests and protocols, could have an adverse effect on the products we produce and our profitability. Additionally, we could be adversely affected by changes in tax or other laws and jurisprudence which impose additional costs on automobile manufacturers or consumers, or more stringent fuel economy and emissions requirements on manufacturers and our OEM customers could negatively impact their levels and production and, therefore, materially affect their demand for our products our sales. For example, changes to carbon dioxide emissions testing protocols, as a result of the ongoing investigations by environmental authorities worldwide in relation to the potential manipulation of carbon dioxide emissions control systems which had been installed by certain OEMs for the purposes of manipulating laboratory carbon dioxide 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.***

Greenhouse gas emissions have increasingly become the subject of substantial international, national, regional, state and local attention. Greenhouse gas emission regulations have been promulgated in certain of the jurisdictions in which we operate, and additional greenhouse gas requirements are in various stages of development. For example, the United States Congress has considered legislation that would establish a nationwide limit on greenhouse gases. In addition, the EPA has issued regulations limiting greenhouse gas emissions from mobile and stationary sources pursuant to the federal Clean Air Act. Becoming 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. New 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 greenhouse gas regulations. Further, growing pressure to reduce greenhouse gas emissions from mobile sources could reduce automobile

sales, thereby reducing demand for our products and ultimately our revenues. Thus, any additional regulation of greenhouse gas 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.

***Changes in accounting standards may materially impact reporting of our financial condition and results of operations.***

Accounting principles as per the IFRS-EU and related accounting pronouncements, implementation guidelines, and interpretations for many aspects of our business are complex and involved subjective judgements. Changes in these rules or their interpretation may significantly change or add significant volatility to our reported income or loss without a comparable underlying change in cash flows from operations. As a result, changes in accounting standards may materially impact our reported financial condition and results of operations.

The International Accounting Standards Board released IFRS 16, “Leases” (“**IFRS 16**”) replacing IAS 17, “Leases”. This standard requires lessees to recognize assets and liabilities for most leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. We have begun to assess the potential impact on our consolidated financial statements of IFRS 16. Based on our initial assessments, the application of IFRS 16 would result in a recognition of intangible assets and payables on leases, which may have an impact on our reported financial condition and results of operations.

***Interruptions in operations at our facilities could have a material adverse effect on our business, financial condition and results of operations.***

We operate 167 manufacturing plants and JIT assembly and sequencing facilities, as well as 29 TCOs offices in 26 countries worldwide as of December 31, 2016, of which 12 manufacturing plants and JIT assembly and sequencing facilities, and R&D operations in two additional locations, are part of the Divested Business.

Our results of operations are dependent on the continued operation of our production facilities and the ability to supply products to our customers. Our production processes are complex as they need to be adapted to variations in the properties of certain materials and use combustibles and other dangerous materials. Significant interruptions in operations at our production plants or the plants of suppliers we use, such as due to theft, explosions, fires or any other accidents or acts of God including natural disasters, floods, hurricanes and earthquakes may significantly reduce the productivity and profitability of a particular production facility, or our business as a whole, during and after such interruptions. Although we hold several types of insurance policies (including insurance against fire and business interruptions), our insurance coverage may be inadequate. Furthermore, our insurance coverage may not continue to be available on commercially reasonable terms and our insurance carriers may not have sufficient funds to cover all losses, damages, liabilities or potential claims. Interruptions in operations at our facilities could disrupt our supply of products to our customers which could have a material adverse effect on our business, financial condition and results of operations.

We have been exposed to such incidents in the past. For example, in 2013, we had flooding in our plant in Ningbo, China due to a typhoon, the damages of which were valued at Renminbi 9.6 million and were covered by insurance. In 2015, we had flooding in our plant operated by Guangzhou Antolin Lighting Co. Ltd. in China due to a typhoon, which resulted in an insurance advance payment of Renminbi 39.8 million. The award is pending final adjustments with the insurance company and could therefore be higher. Also in 2015 we had a fire in our plant in Brazil operated by Intertrim Ltda., the damages of which were valued at Brazilian Real 20.2 million and were paid by insurance on October 2016. In 2016, a fire at the foaming warehouse of Antolin Shanghai Autoparts Co. Ltd., which was separated for security reasons from the main plant, resulted in an advance payment of Renminbi 4.0 million for property damage loss, pending final adjustments of property damage and business interruption loss with the insurance company). The award is pending final agreement and could therefore be higher. On January 22, 2017, a fire at a Recticel factory from where we source certain of the materials we sell to Renault-Nissan resulted in damage estimated at approximately €3 million, which is expected to be covered by insurance. A contingency plan is in action.

***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.***

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.

***We may be subject to restrictions on transfer of funds.***

Under the current foreign exchange regulations in certain countries in which we operate, there are restrictions on the transfer of funds into and outside of such countries, which may include restrictions on the disposition of funds deposited with banks and restrictions on transferring funds abroad, as well as require official approval to buy foreign currency. Additionally, we have trapped cash in certain jurisdictions in which we operate in relation to our joint ventures and local law. These restrictions could impact the payment of dividends to us by certain of our subsidiaries. If we were unable to repatriate funds from any such countries, we would not be able to use the cash flow from our businesses to finance our operating requirements elsewhere and satisfy our debt obligations, including the Notes.

**Risks related to the Notes**

***The Collateral is limited to a pledge of shares in the Company and the Notes are secured only to the extent of the value of the Collateral; such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees.***

The Notes are secured by (i) a third-ranking pledge over 32.6% of the shares of the Company held by Castilfalé Gestión, S.A.U. and (ii) a third-ranking pledge over 67.4% of the shares of the Company held Grupo Antolin HoldCo S.A. (the “**Collateral**”). Notwithstanding the fact that the Notes are secured by third-ranking pledges, pursuant to the Intercreditor Agreement, recoveries received upon enforcement of the Collateral will be applied *pro rata* in repayment of liabilities in respect of the Notes, the 2022 Notes and the Senior Facilities. Subject to certain limits, the Indenture permits additional debt to be secured by the Collateral, and such additional secured debt may be substantial. The rights of a holder of Notes to the Collateral may be diluted by any increase in the debt secured by the Collateral or a reduction of the Collateral securing the Notes. If there is an Event of Default (as defined in the Indenture) on the Notes, there is no guarantee that the proceeds of any sale of the Collateral will be sufficient to satisfy, and may be substantially less than, amounts due under the Notes as well as other debt benefiting from a *pari passu* security interest in the Collateral, including indebtedness under the Senior Facilities and the 2022 Notes. The amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among others, the availability of buyers. Furthermore, there may not be any buyer willing and able to purchase our business as a whole. The book value of the Collateral should not be relied on as a measure of realizable value for such assets.

***Grupo Antolin HoldCo S.A. and Castilfalé Gestión, S.A.U. have control over the Collateral securing the Notes and the sale of particular assets could reduce the pool of assets securing the Notes.***

The Security Documents will allow Grupo Antolin HoldCo S.A. and Castilfalé Gestión, S.A.U., each as a pledgor, to remain in possession of, retain exclusive control over, and collect and invest any dividends and other distributions from the Collateral. In certain limited circumstances, Grupo Antolin HoldCo S.A. and Castilfalé Gestión, S.A.U. may, subject to the terms of the Indenture and the Intercreditor Agreement, without any release or consent by the Security Agent, dispose of the Collateral (which shall remain subject to the pledges in respect thereto notwithstanding any such disposal).

***It may be difficult to realize the value of the Collateral securing the Notes.***

By its nature, the Collateral does not have a readily ascertainable market value and may not be saleable or, if it is saleable, there may be substantial delays in its disposal. The terms of the Intercreditor Agreement provide that decisions regarding enforcement are made by the holders of the Notes, holders of the 2022 Notes and lenders holding, collectively, a majority in aggregate principal amount of the obligations secured by the Collateral. As a result, holders of the Notes may not solely control decisions in respect to the Collateral, including timing of enforcement and such other secured parties may have interests that are not the same as those of holders of the Notes. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Company, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent, acting on behalf of the Trustee or investors as holders of the Notes to realize or enforce that Collateral. In the event of enforcement of the pledge over the Collateral, the Intercreditor Agreement provides for a release of all obligations of the Company and the Guarantors. As a result, if the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have no remaining claim against the Company or any Guarantor. Creditors of the Company or its subsidiaries not secured by a lien on the Collateral will not be obligated to accede to the Intercreditor Agreement. As a result, in the event of an enforcement action, such creditors will not be obligated to release their claims against the Company and/or its subsidiaries. Each of these factors or any challenge to the validity of the Collateral or the Intercreditor Agreement could reduce the attractiveness of enforcement proceedings against the Collateral.

The Collateral securing the Notes is subject to any and all encumbrances, liens and other imperfections permitted under the Indenture and/or the Intercreditor Agreement. The existence of any such encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral.

***The security interests in the Collateral are not directly granted to the holders of the Notes.***

The security interests in the Collateral that secure, amongst other obligations, the obligations of the Company are not granted directly to the holders of the Notes but are granted only in favor of the Security Agent on behalf of the Trustee and the holders of the Notes in accordance with the Indenture, the Intercreditor Agreement and the security documents related to the Collateral. Holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral.

***The granting of guarantees and security interests in the Collateral by Spanish companies is restricted by Spanish law.***

Spanish law imposes a restriction on the granting of guarantees by Spanish guarantors under Spanish law-governed security documents such that guarantees in respect of obligations under such security documents shall not include nor extend to any obligations or amounts that would render such guarantees in contravention of sections 143.2 (with respect to Spanish private limited companies (*sociedades de responsabilidad limitada*), and 149 or 150 (with respect to Spanish public limited companies (*sociedades anónimas*) of the Spanish Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*)). In particular, no Spanish guarantee may secure any payment, prepayment, repayment or reimbursement obligations derived from any finance document used, or that may be used, for the purposes of payment of acquisition debt (for the purposes of sections 143.2 (with respect to Spanish private limited companies (*sociedades de responsabilidad limitada*), and, 149 or 150 (with respect to Spanish public limited companies (*sociedades anónimas*) of the Spanish Companies Act) or the payment of any costs or transaction expenses related to, or paying the purchase price for, such acquisition.

The interpretations of the laws of Spain by the courts may limit the ability of the Guarantors organized in Spain to guarantee the Notes or the ability of Grupo Antolin HoldCo S.A. and Castilfalé Gestión, S.A.U. to grant security on the Collateral. Although the law does not establish any limit, recent first instance Spanish case law indicates, and certain scholars understand that, risks associated with a guarantee or the value of a security interest provided by a Spanish company to secure the indebtedness held by other companies within its corporate group shall be reasonable and economically and operationally justified from the guarantor's or grantor's own perspective and justified under the corporate interest of such guarantor or grantor and all this must be evidenced to the judge.

Furthermore, the interpretations of the laws of Spain of certain scholars about the specialty principle (*principio de especialidad*), concludes that a security interest can only secure one primary obligation, together with its ancillary obligations (e.g., interest costs). Therefore, when there are multiple primary obligations with respect to different creditors, such as the secured creditors under the revolving portion of our Senior Facilities Agreement and the holders of the Notes, there must be at least one security interest for each primary obligation to be secured. Additionally, although multiple mortgages over the same asset securing different obligations are recognized, Spanish law does not expressly recognize the existence of two or more pledges over the same asset. However, the existence of two or more pledges over the same shares has become a market practice in Spain and is accepted by the majority of legal scholars although no case law has supported the enforceability of such pledges and it cannot be disregarded that a court could take a different view and consider such pledges inefficient and not admissible in Spain.

***The enforcement of the Collateral may be restricted by Spanish law.***

The Spanish Insolvency Law (*Ley 22/2003, de 9 de Julio, concursal*), as amended (the "Spanish Insolvency Law") imposes a moratorium on the enforcement of secured creditors' rights (*in rem* security) in the event of insolvency of the debtor.

In addition, Article 5bis of the Spanish Insolvency Law also provides that if a debtor notifies the court that, being in actual or imminent insolvency, it has started negotiations with its creditors to seek support for either (i) a collective refinancing agreement in the terms of article 71.bis.1 of the Spanish Insolvency Law, (ii) a Spanish "scheme of arrangements" provided under the 4th Additional Provision of the Spanish Insolvency Law, (iii) an early composition agreement (*convenio anticipado*), or (iv) an out-of-court repayment agreement under Articles 231 *et seq.* of the Spanish Insolvency Law, it will have a three-month additional grace period in which the obligation to file for insolvency is stayed, and one more month to file for insolvency, provided that it files the notice before the court within two months of becoming insolvent.

From the moment this pre-insolvency notice is submitted and during the pre-insolvency period, court or out-of-court enforcement proceedings may not be initiated for the enforcement of assets necessary for the continuation of the debtor's professional or business activity, and proceedings already initiated will be stayed.

Furthermore, individual enforcements sought by holders of financial liabilities cannot be initiated (or, if they have already been initiated, will be stayed) when it is justified that a percentage no lower than 51% of creditors holding financial liabilities have supported the start of negotiations of a refinancing agreement, undertaking not to initiate enforcements in the meantime.

Enforcements of *in rem* securities can be commenced after the aforementioned pre-insolvency notice is submitted, but such enforcement becomes stayed for the time explained above. On the contrary, enforcement of claims subject to Public Law are not affected by the submission of this pre-insolvency notice.

Enforcement is also stayed in case a refinancing agreement submitted for homologation is admitted by the court, until the time the court decides to homologate it or not.

Once the debtor is declared insolvent, the enforcement of security interests over assets owned by the debtor and used for its professional or business activities is stayed until the first of the following circumstances occurs: (a) approval of a creditors' composition agreement (unless the content has been approved by the favorable vote of the secured creditors, in which case it will be bound by whatever has been agreed in the composition agreement); or (b) one year has elapsed since the declaration of insolvency without liquidation proceedings being initiated. Enforcement will be stayed even if at the time of declaration of insolvency the notices announcing the public auction have been published. The stay will only be lifted when the court hearing the insolvency proceedings determines that the assets are not necessary for the survival of the debtor's professional or business activities.



When it comes to determining which assets of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets. In particular, the Spanish Insolvency Law establishes that the shares or quotas of companies exclusively destined to hold assets and the liabilities necessary for their financing will not be considered necessary for the continuation of the debtor's business, provided that the enforcement of the security over the shares or quotas does not constitute a cause of termination or modification of those contractual relationships of the company that allow the debtor to continue exploiting such assets.

Finally, enforcement of the Collateral will be subject to the provisions of Spanish Procedural Law and Spanish Insolvency Law (where applicable) and this may entail delays in the enforcement.

Applicable law requires that a security interest in certain assets can only be properly perfected (or registered or other foreign equivalent) and its priority retained through certain actions undertaken by the secured party. The liens on the Collateral securing the Notes from time to time owned by us or the Guarantors may not be perfected (or registered or other foreign equivalent), which may result in the loss of the priority, or a defect in the perfection (or registration or other foreign equivalent), of the security interest for the benefit of the Trustee and holders of the Notes to which they would have been otherwise entitled. Neither the Security Agent nor the Trustee will be obligated to create or perfect any of the security interests in the Collateral.

Spanish law does not contemplate the concept of a "security agent". Although this by itself does not prohibit this agent to be set in place, the fact that there is a lack of regulation on the matter provides uncertainty as to how a Spanish court would recognize the acting of the Security Agent in an enforcement situation. Since holders of the Notes will not have any independent power to enforce the Collateral securing the Notes, except through the Security Agent following the instructions of the Trustee, there is some uncertainty as to whether a Spanish court would recognize the authority of the Security Agent or whether lack of recognition would entail delays in the enforcement or even the consequence of the Collateral not being able to be enforced on the same terms as provided for in the Security Documents.

For more information, see "Enforceability of Civil Liabilities".

***The Collateral may be released without the consent of the holders of the Notes.***

The Collateral may be released in certain circumstances, including in the event the Collateral is sold pursuant to an enforcement sale in accordance with the Intercreditor Agreement. Upon any such enforcement sale in accordance with the Intercreditor Agreement, all obligations of the Company and the Guarantors will be released and holders of the Notes will only receive payment out of the proceeds of the sale of the Collateral. See "Description of other Indebtedness—Intercreditor Agreement".

Additional Notes issued pursuant to the Indenture, might be secured by the Collateral without the need to either extend it or create additional pledges.

***Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could adversely affect the value of the Notes.***

Despite the creation of the European stability mechanism and the fiscal stability treaty, concerns persist regarding the debt burden of certain Eurozone 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. These factors and other concerns, especially in light of upcoming elections in European countries (see "—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"), could lead to the re-introduction of individual currencies in one or more Member States, including Spain, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

***Our substantial indebtedness may make it difficult for us to service our debt, including the Notes, and to operate our business.***

We have, and after this issuance will continue to have, a significant amount of indebtedness. As of December 31, 2016, *pro forma* for the issuance of Notes, the repayment of the ADE Facility and the repayment of certain other local debt in connection with the Divestment, we would have had € 1,232.5 million of financial debt. See “Capitalization”. We anticipate that our substantial indebtedness will continue for the foreseeable future. Our substantial indebtedness may have important negative consequences for you, including:

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

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

In addition, the Indenture, the indenture of the 2022 Notes and the Senior Facilities Agreement 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.

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

We may incur more debt in the future. The revolving portion of our Senior Facilities Agreement provides for total commitments of up to €200.0 million, which we expect to remain undrawn on the Issue Date. The Indenture, the indenture of the 2022 Notes and the Senior Facilities will limit our ability to incur additional debt but will not prohibit us from doing so. We may incur additional debt in the future, secured by the Collateral or otherwise, which could mature prior to the Notes, and such debt could be secured on an equal, ratable and *pari passu* basis with the Notes and the Guarantees. Any non-Guarantor subsidiary could also incur additional debt, and the Notes and Guarantees would be structurally subordinated to any such debt.

***The Company is dependent on payments from its subsidiaries in order to be able to make payments on the Notes, and the Company’s subsidiaries may not be permitted or otherwise able to make payments to the Company.***

Even if the Company’s subsidiaries generate sufficient cash from their operations, their ability to provide funds to the Company are subject to, among other things, local tax restrictions and local corporate law restrictions related to earnings, the level of legal or statutory reserves, losses from previous years and capitalization requirements for the Company’s subsidiaries. As a result, although the Company’s subsidiaries may have sufficient resources, on a consolidated basis, to allow the Company to make the necessary payments on the Notes, the Company’s subsidiaries may not be able to make the necessary transfers to

permit the Company to satisfy its obligations under the Notes or otherwise. In particular, the Company's subsidiaries may be restricted from providing funds to it under some circumstances. These circumstances include:

- restrictions under the corporate law of the jurisdictions in which the Company's subsidiaries are based. The relevant laws could require, among other things, that its subsidiaries retain a certain percentage of annual net income in a legal reserve, that its subsidiaries maintain the share capital of a limited liability company and that, after payment of any dividend, the relevant subsidiary's shareholders' equity exceed its share capital. For example, Spanish law limits certain of the Company's subsidiaries' ability to provide funds to the Company due to restrictions that require, among other things, each of its Spanish subsidiaries to retain at least 10% of their annual profit (*beneficio*) in a legal reserve until the reserve reaches at least 20% of such company's share capital and that, after payment of any dividend, shareholders' equity must be equal to or exceed the company's share capital. In addition, in order for Spanish companies to distribute dividends available reserves must be equal to, or greater than, the R&D expenses appearing in the balance sheet of the company. Moreover, the by-laws of each of the Company's Spanish subsidiaries may provide for additional reserves that must be retained prior to providing funds to it;
- restrictions under foreign exchange laws and regulations that could limit or tax the remittance of dividends or transfer payments abroad; and
- existing and future contractual restrictions, including restrictions in credit facilities, cash pooling arrangements and other indebtedness that affect the ability of the Company's subsidiaries to pay dividends or make other payments to it in the future.

***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 offering memorandum.

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, including the Notes, or to fund our other liquidity needs. For a discussion of our cash flows and liquidity, see "Operating and Financial Review and Prospects".

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

- reduce or delay our business activities and capital expenditures;
- sell 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 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 and the Notes, and any future debt that we may incur, may limit our ability to pursue any of these alternatives.

***One of the Guarantees will be limited to a specified amount and each of the Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses.***

The Guarantors will guarantee the payment of the Notes as described in "Description of the Notes—The Note Guarantees". The Guarantees provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the guarantee of Grupo Antolín Lusitânia—Componentes Automóvel, S.A. will be limited to a maximum amount of €17.8 million.

In addition, the Guarantees of the obligations of each Guarantor under its Guarantee will be limited under the Indenture to an amount that has been determined so as to ensure that amounts payable will not result in violations of laws relating to corporate benefit, capitalization, capital preservation (under which, among others, the risks associated with a guarantee or grant of security on account of a parent company's debt need to be reasonable and economically and operationally justified from the Guarantor's or grantor's perspective), thin capitalization, corporate purpose, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Guarantee. If these limitations were not observed, the Guarantees and the grant of security interests by the Guarantors could be subject to legal challenge.

As a result, a Guarantor's liability under its Guarantees could be materially reduced or eliminated depending upon the amounts of its other obligations and upon applicable laws. In particular, in certain jurisdictions, a guarantee issued by a company that is not in that company's corporate interests or the burden of which exceeds the benefit to the company may not be valid and enforceable. It is possible that a Guarantor, a creditor of a Guarantor or the insolvency administrator, in the case of an insolvency of a Guarantor, may contest the validity and enforceability of the respective Guarantee and that the applicable court may determine that the Guarantee should be limited or voided. In the event that any Guarantee is deemed invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the Guarantee apply, the Notes would not be guaranteed by such Guarantee.

***Fraudulent conveyance laws may limit your rights as a holder of Notes.***

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could subordinate or void a Guarantee if it found that:

- the Guarantee was incurred with an actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor;
- the Guarantee was granted within two years prior to the insolvency declaration of the Guarantor and it is detrimental for the Guarantor's state;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the Guarantee and the Guarantor:
- was insolvent or was rendered insolvent because of the Guarantee;
- was undercapitalized or became undercapitalized because of the Guarantee;
- intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity; or
- the Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interest or for the corporate benefit of the Guarantor.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its debts as they become due. If a court decided that any Guarantee was a fraudulent conveyance and voided such Guarantee, or held it unenforceable for any other reason, you would cease to have any claim in respect of the Guarantor of such Guarantee and would be a creditor solely of the Company and the remaining Guarantors. See "Enforceability of Civil Liabilities".

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the Guarantees, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to: (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee; (ii) direct that holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; and (iii) take other action that is detrimental to you.

***Local insolvency laws may not be as favorable to you as the insolvency laws of another jurisdiction with which you may be more familiar.***

The Company is incorporated in Spain, and the Guarantors are organized under the laws of other jurisdictions. See “Summary—The Offering—Guarantors”. The insolvency laws of these other jurisdictions may not be as favorable to holders of the Notes as the laws of some other jurisdictions with which you may be more familiar. Certain provisions of the insolvency laws in these jurisdictions could affect the ranking of the Notes and the Guarantees or claims relating to the Notes and the Guarantees on an insolvency of the Company or the Guarantors, as the case may be.

***Not all of our subsidiaries will guarantee the Notes, and any claim by us or any of our creditors, including the holders of the Notes, against such non-Guarantor subsidiaries will be structurally subordinated to all of the claims of creditors of those non-Guarantor subsidiaries.***

Not all of our existing and future subsidiaries will guarantee the Notes. On a consolidated basis as of December 31, 2016, we had total assets of € 3,640.2 million and financial debt of €1,314.4 million. The Guarantors (including Antolin Ebergassing GmbH), together with the Company but excluding the subsidiaries included in the Divested Business, represent approximately 66.2% of the EBITDA for the year ended December 31, 2016. In addition, after giving *pro forma* effect to the transactions contemplated hereby, the subsidiaries of the Company that will not guarantee the Notes would have had €17.8 million of debt outstanding as of December 31, 2016 on a consolidated basis. See “Description of Other Indebtedness”. The Indenture does not limit the transfer of assets to, or the making of investments in, any of our restricted group members, including our non-guarantor subsidiaries. Please see “Description of the Notes—Certain Covenants”. Accordingly, even though certain of our material subsidiaries will be required to provide an additional Guarantee for the benefit of the Notes pursuant to the Indenture, non-Guarantor subsidiaries could account for a higher portion of our assets, liabilities, revenues and net income in the future. See “Description of the Notes—Certain Covenants—Additional Note Guarantees”.

In the event that any of our non-Guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, the assets of such non-Guarantor subsidiary will not be subject to claims from the holders of the Notes to satisfy their respective credits against us and will be used first to satisfy the claims of the non-Guarantor subsidiary’s creditors, including trade creditors, banks and other lenders. Consequently, any claim by us or our creditors against a non-Guarantor subsidiary will be structurally subordinated to all of the claims of the creditors of such non-Guarantor subsidiary.

***We may not have the ability to raise the funds necessary to finance a change of control offer.***

Upon the occurrence of certain change of control events as defined in the Indenture, we will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. The requirement that we offer to repurchase the Notes upon a change of control is limited only to the transactions specified in the definition of “**Change of Control**” within the Indenture. Please see “Description of the Notes—Repurchase at the Option of Holders—Change of Control”. We may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, certain change of control events would be prepayment events under the Senior Facilities Agreement. In the event this results in an event of default thereunder, the lenders under the Senior Facilities Agreement may accelerate such debt, which could also cause an event of default under the Indenture.

The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from ordinary operating activities or other sources, including borrowings, sales of assets and sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

***You may be unable to enforce judgments against us, the Guarantors or our respective directors and officers.***

Neither the Company nor most of the Guarantors are incorporated in the United States. In addition, most of our assets are outside the United States and all of our directors and officers live outside the United States, primarily in Spain. As a result, it may be difficult or impossible to serve process against any of these persons in the United States. Furthermore, because a substantial part of the assets of these persons are located outside of the United States, it may not be possible to enforce judgments obtained in courts in the United States predicated upon civil liability provisions of the federal securities laws of the United States against these persons. Additionally, there is doubt as to the enforceability in many foreign jurisdictions, including Spain, of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against

the Company, the Guarantors, the directors, controlling persons and management and any experts named in this offering memorandum who are not residents of the United States. See “Enforceability of Civil Liabilities”.

***The interests of our ultimate controlling shareholders may be inconsistent with the interest of holders of the Notes and/or our ultimate controlling shareholders may sell their stake in future.***

Our ultimate controlling shareholders are members of the Antolín family. See “Shareholders and Certain Transactions”. As a result, our ultimate controlling shareholders have and will continue to have direct or indirect power, among other things, to influence our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. The interests of our ultimate controlling shareholders could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. In addition, our controlling parties may, in the future, own businesses that directly compete with ours in certain respects or do business with us.

***There are risks related to withholding tax in Spain, including in connection with the delivery of certain documentation by the Principal Paying Agent.***

Under Law 10/2014 and Spanish tax regulations established by Royal Decree No. 1065/2007, the Company will not be required to levy any withholding tax in Spain on income paid by the Company in respect of the Notes only if certain requirements are met, including that the Principal Paying Agent provides the Company, in a timely manner, with a duly executed and completed statement providing certain details relating to the Notes (the “**Payment Statement**”) with the following information:

- Identification of the securities;
- Income payment date;
- Total amount of the income; and
- Total amount of income corresponding to securities held through each clearing system located outside Spain (such as Euroclear or Clearstream).

These obligations refer to the total amount paid under the Notes to investors through each foreign clearing system. For these purposes, “**income**” means interest and the difference, if any, between the aggregate amount payable on the redemption or retirement of the Notes and the issue price of the Notes.

It is expected that the Principal Paying Agent will follow certain procedures to facilitate the timely provision to the Company of a duly executed and completed Payment Statement in connection with each payment under the Notes. If such procedures are not followed, however, income paid by the Company in respect of the Notes will be subject to withholding tax in Spain, at the current rate of 19%, and the payments the Company makes in respect of the Notes will be net of such withholding tax. See “Taxation” for a more detailed explanation.

However, if the payment of income is not exempt from Spanish withholding tax due to any failure by the Principal Paying Agent to deliver a duly executed and completed Payment Statement to the Company, affected beneficial owners of the Notes will receive a refund of the amount withheld, with no need for action on their part, if the Principal Paying Agent submits a duly executed and completed Payment Statement to the Company no later than the 10<sup>th</sup> calendar day of the month immediately following the relevant payment date.

Prospective investors should note that neither the Company nor the Initial Purchasers accept any responsibility relating to compliance by the Principal Paying Agent with the procedures established for the timely provision by the Principal Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. Accordingly, neither the Company nor the Initial Purchasers will be liable for any damage or loss suffered by any holder of the Notes who would otherwise be entitled to an exemption from Spanish withholding tax because of the Principal Paying Agent’s failure to comply with these procedures or because of these procedures prove ineffective. Moreover, the Company will not pay any additional amounts with respect to any such withholding. Therefore, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the Principal Paying Agent to deliver a duly

executed and completed Payment Statement, holders of the Notes may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled (with no responsibility for the Company or the Initial Purchasers). See “Taxation” for a more detailed explanation. Prospective investors should seek specific advice in this regard.

***There is no existing public trading market for the Notes and the ability to transfer them is limited, which may adversely affect the value of the Notes.***

The Notes are a new issue. There is no existing trading market for the Notes and there can be no assurance that a trading market for the Notes will develop. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that trading market might become. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may stop at any time. The market price of our Notes may be influenced by many factors, some of which are beyond our control, including:

- changes in demand, the supply or pricing of our products;
- general economic conditions, including material prices;
- the activities of competitors;
- our quarterly or annual earnings or those of our competitors;
- investors’ perceptions of us and the automotive industry;
- the failure of securities analysts to cover our Notes after this offering or changes in financial estimates by analysts;
- the public’s reaction to our press releases or our other public announcements;
- future sales of Notes; and
- other factors described under these “Risk Factors”.

As a result of these factors, you may not be able to resell your Notes at or above the issue price. In addition, securities trading markets experience extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of a particular company. These broad market fluctuations and industry factors may materially reduce the market price of our Notes, regardless of our operating performance. If an active trading market does not develop, you may have difficulty selling any Notes that you buy.

The Notes have not been and will not be registered under the Securities Act or any U.S. securities laws and we have not undertaken to effect any exchange offer for the Notes in the future. You may not offer the Notes for sale in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indenture will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions under the Securities Act. Furthermore, we have not registered the Notes under any other country’s securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “Notice to Investors”. In addition, by its acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an amount less than € 100,000 and integral multiples of €1,000 thereafter.

## USE OF PROCEEDS

The gross proceeds from the Issuance will be used, together with cash on balance sheet, (i) to repay the 2021 Notes Funding Loan entered in connection with the 2021 Notes and cause Dutch Finco to repurchase or redeem the 2021 Notes in full, (ii) to pay €9.5 million in call costs related to the redemption of the 2021 Notes at an assumed redemption price of 102.375% and (iii) to pay commissions, fees and expenses in connection with the Issuance and the transactions contemplated hereby, estimated at approximately €4.2 million.

The table below sets forth the expected sources and uses as if the transactions therein occurred on December 31, 2016.

Sources		Uses	
	(in millions of €)		
Notes <sup>(1)</sup> .....	400.0	Refinancing of the 2021 Notes <sup>(2)</sup> .....	400.0
Cash on balance sheet.....	13.7	Call costs <sup>(3)</sup> .....	9.5
		Estimated commissions, fees and other expenses <sup>(4)</sup> .....	4.2
<b>Total</b> .....	<b><u>413.7</u></b>	<b>Total</b> .....	<b><u>413.7</u></b>

(1) The Issuance consists of €400.0 million of Notes.

(2) Represents €400.0 million 4.75% Senior Secured Notes due 2021, which were issued pursuant to an indenture dated March 21, 2014 and which be repurchased or redeemed in connection with the Issuance.

(3) Represents costs of the assumed redemption of the 2021 Notes at a redemption price of 102.375%, but excluding accrued interest on such 2021 Notes until the anticipated redemption date.

(4) Represents our estimate of commissions, fees and other expenses incurred in connection with the Issuance and the transactions contemplated thereby. Such estimated transaction costs include Initial Purchasers' fees, professional fees and expenses and other transaction costs in relation to the Issuance and is for illustrative purposes only.



## CAPITALIZATION

The following table sets forth the consolidated cash and bank balances and capitalization as of December 31, 2016 on an actual basis derived from our consolidated balance sheet as of December 31, 2016 included elsewhere in this offering memorandum. The “as adjusted” column is derived from unaudited information and shows the consolidated cash and bank balances and capitalization as of December 31, 2016, *pro forma* for the issuance of the Notes, the repayment of the ADE Facility and the repayment of certain other local debt in connection with the Divestment. See “Use of Proceeds” and “Summary—Recent Developments”.

You should read this table in conjunction with “Use of Proceeds”, “Operating and Financial Review and Prospects” and the financial statements and the notes thereto included elsewhere in this offering memorandum.

	As of December 31, 2016	
	Actual	As adjusted (unaudited)
	(in millions of €)	
<b>Cash and bank balances<sup>(1)</sup></b>	<b>306.5</b>	<b>502.6</b>
2022 Notes	400.0	400.0
2021 Notes <sup>(2)</sup>	400.0	—
Term facility	386.6	386.6
Revolving credit facility <sup>(3)</sup>	—	—
Notes	—	400.0
Credit lines <sup>(4)</sup>	11.3	10.1
ADE Facility <sup>(5)</sup>	60.0	—
Finance leases	3.7	3.7
Other bank loans and obligations or other tradeable securities <sup>(6)</sup>	22.7	18.0
Unamortized debt issuance costs <sup>(7)</sup>	(20.2)	(26.3)
<b>Bank Loans, debentures and other marketable securities</b>	<b>1,264.1</b>	<b>1,292.1</b>
Other financial liabilities <sup>(8)</sup>	50.2	40.4
<b>Financial debt</b>	<b>1,314.3</b>	<b>1,232.5</b>
Equity <sup>(9)</sup>	620.8	770.8
<b>Total capitalization</b>	<b>1,935.1</b>	<b>2,003.3</b>

- (1) Cash and bank balances include the cash and current bank accounts, as well as short-term bank deposits maturing within 12 months. Variations in the “as adjusted” column reflect the increase in cash as a result of the estimated €285.6 million of net proceeds from the sale of the Divested Business, less decreased cash related to (i) the €60.0 million repayment of the ADE Facility on March 15, 2017, (ii) the repayment of a €1.2 million credit line held by Antolín-CIE Czech Republic, s.r.o., (iii) the repayment of €4.7 million in certain bilateral bank loans primarily related to Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U., (iv) the repayment of €9.9 million of certain CDTI and other soft loans in our Seating segment in connection with the Divestment and (v) the €13.7 million estimated transaction costs. Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U. are part of the Divested Business. See “Summary—Recent Developments”.
- (2) Represents the aggregate principal amount of 2021 Notes that were repurchased or redeemed in full in connection with the Issuance. See “Use of Proceeds”.
- (3) The Revolving Credit Facility remained remain undrawn on the Issue Date.
- (4) As of December 31, 2016, our credit lines include €1.5 million in euro credit lines and €9.8 million in credit lines in foreign currency granted to the Company. As adjusted, our credit lines include the repayment of the €1.2 million credit line held by Antolín-CIE Czech Republic, s.r.o., included in the Divested Business. See “Summary—Recent Developments”.
- (5) Represents the aggregate principal amount of the ADE Facility repaid with cash on balance sheet.
- (6) Other bank loans and obligations or other tradeable securities mainly includes (i) a €10.0 million loan between the Company and Cajaviva Caja Rural, de Burgos, Fuentepelayo, Segovia y Castellans, S.C.C. dated May 20, 2016, (ii) a number of bilateral facilities in certain of our non-wholly owned subsidiaries in the aggregate amount of €2.7 million, which will remain in place after the issuance of the Notes and the transactions contemplated hereby, plus interest payable of €5.4 million and (iii) other bank loans in an amount of €4.7 million, primarily related to Antolín-CIE Czech Republic, s.r.o. and Grupo Antolín-Magnesio, S.A.U., which are part of, and repaid in connection with, the Divested Business. See “Summary—Recent Developments”.
- (7) The unamortized debt issuance costs relate to the issuance costs 2021 Notes and the 2022 Notes. As adjusted, the unamortized debt issuance costs include €13.7 million related to the issuance costs of the Notes, less €7.6 million related to the unamortized issuance costs of the 2021 Notes that were repurchased or redeemed in full in connection with the Issuance. See “Use of Proceeds”.

- (8) Other financial liabilities includes €36.7 million related to several loans granted to the Company by certain Spanish public bodies to finance R&D projects and for improving competitiveness, plus other financial liabilities and accrued dividends for €16.7 million and accrued interest, less financial remeasurements of €3.3 million. Generally, these loans are repaid in ten annual instalments falling due between 2017 and 2022. As adjusted, other financial liabilities include the repayment of €9.9 million of certain CDTI and other soft loans in our Seating segment included in the Divested Business. See “Summary—Recent Developments” and “Description of Other Indebtedness”.
- (9) As adjusted, our equity shows €150.0 million in additional equity related to capital gains in connection with the Divestment.

## SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth the selected financial data and other data of the Company for the periods ended and as of the dates indicated below. The historical financial data presented in the following tables do not reflect changes as a result of the transactions contemplated hereby. For a detailed discussion of the presentation of financial data, see “Presentation of Financial and Other Data”.

You should read this selected financial data in conjunction with “Capitalization”, “Summary—Summary Financial and Other Information”, “Operating and Financial Review and Prospects” and the historical consolidated financial statements of the Company, included elsewhere in this offering memorandum. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. For more information on the basis of preparation of this financial information, see “Presentation of Financial and Other Data” and the notes to the financial statements included elsewhere in this offering memorandum.

### Basis of Presentation

The tables below set forth the summary financial data for the Company as of and for the years ended December 31, 2014, 2015 and 2016, derived from our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, which were prepared in accordance with IFRS-EU and are included elsewhere in this offering memorandum.

Our summary consolidated financial data for the Company is presented in euro and has been prepared in accordance with IFRS-EU.

### Company Historical Financial Data

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Income Statement of Profit or Loss Data:</b>			
Revenue .....	2,225.4	3,506.2	5,247.3
Changes in inventories of finished goods and work in progress .....	6.3	(0.5)	(7.8)
Capital grants and other grants taken to income .....	1.2	1.5	1.5
Other operating income .....	66.6	111.4	146.2
<b>Total operating income.....</b>	<b>2,299.5</b>	<b>3,618.7</b>	<b>5,387.2</b>
Supplies .....	(1,375.2)	(2,193.8)	(3,344.4)
Staff costs .....	(394.1)	(586.5)	(869.5)
Depreciation and amortization expenses.....	(91.6)	(122.3)	(182.0)
Change in trade provisions .....	(0.3)	(2.6)	(7.7)
Other operating expenses.....	(317.1)	(505.2)	(739.0)
Less-Own work capitalized .....	54.2	57.5	94.1
<b>Profit for the year from continuing operations .....</b>	<b>175.4</b>	<b>265.8</b>	<b>338.7</b>
Finance income.....	1.5	1.5	1.1
Finance costs.....	(43.5)	(55.2)	(63.6)
Net fair value gain/(loss) on financial instruments .....	1.4	2.3	0.6
Impairments and losses on disposal of non-current financial assets .....	—	—	(0.3)
Exchange differences.....	(2.4)	(4.4)	10.1
<b>Net finance income/(cost) .....</b>	<b>(43.0)</b>	<b>(55.9)</b>	<b>(52.1)</b>
Net impairment loss on non-current assets .....	(7.3)	(5.1)	(10.4)
Gain/(loss) on disposals of non-current assets.....	(0.5)	(1.6)	(1.5)
Negative consolidation difference .....	—	—	—
Gains/(losses) on the loss of significant influence over consolidated investments .....	—	—	9.7
Investments available for sale taken to profit and loss for the year.....	—	—	—
Profit of companies accounted for using the equity method .....	9.6	16.5	4.0
Impairments and losses due to loss of significant influence over equity accounted investees .....	(0.1)	—	(7.0)
<b>Profit before taxes.....</b>	<b>134.1</b>	<b>219.8</b>	<b>281.5</b>
Corporate income tax.....	(44.5)	(64.4)	(86.8)
<b>Consolidated profit for the year .....</b>	<b>89.7</b>	<b>155.3</b>	<b>194.7</b>

Profit attributable to non-controlling interests .....	(8.2)	(17.9)	(17.0)
<b>Attributable to shareholders of the Company .....</b>	<b>81.5</b>	<b>137.4</b>	<b>177.6</b>

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Statements of Financial Position:</b>			
<b>Non-current assets:</b>			
Intangible assets.....	214.5	501.1	497.1
Property, plant and equipment .....	431.4	739.6	808.4
Other non-current assets <sup>(1)</sup> .....	132.3	161.2	121.8
<b>Total non-current assets.....</b>	<b>778.2</b>	<b>1,401.9</b>	<b>1,427.3</b>
<b>Current assets:</b>			
Inventories .....	368.3	674.5	825.4
Trade and other receivables .....	458.9	979.8	1,067.2
Cash and bank balances .....	154.2	361.9	306.5
Other current assets <sup>(2)</sup> .....	7.7	8.7	13.9
<b>Total current assets.....</b>	<b>989.1</b>	<b>2,024.9</b>	<b>2,212.9</b>
<b>Total assets .....</b>	<b>1,767.3</b>	<b>3,426.8</b>	<b>3,640.2</b>
<b>Total equity .....</b>	<b>313.6</b>	<b>492.3</b>	<b>620.8</b>
<b>Non-current liabilities:</b>			
Bank Loans, debentures and other marketable securities.....	655.9	1,233.8	1,226.0
Other non-current liabilities <sup>(3)</sup> .....	101.0	196.8	201.4
<b>Total non-current liabilities .....</b>	<b>756.9</b>	<b>1,430.6</b>	<b>1,427.4</b>
<b>Current liabilities:</b>			
Bank Loans, debentures and other marketable securities.....	36.6	64.5	38.1
Trade, sundry and other payables .....	536.8	1,021.8	1,240.0
Other current liabilities <sup>(4)</sup> .....	123.4	417.6	313.9
<b>Total current liabilities .....</b>	<b>696.8</b>	<b>1,503.8</b>	<b>1,592.1</b>
<b>Total equity and liabilities.....</b>	<b>1,767.3</b>	<b>3,426.8</b>	<b>3,640.2</b>

(1) Other non-current assets comprises investment property, investment in companies accounted for using the equity method, non-current financial assets and deferred tax assets.

(2) Other current assets comprises non-current assets held for sale and other current financial assets.

(3) Other non-current liabilities comprises grants, non-current provisions, derivatives, other financial liabilities and deferred tax liabilities.

(4) Other current liabilities comprises short term debt owed to associated companies, other financial liabilities, taxes and social security contributions refundable, current tax liabilities, current provisions and other current liabilities

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Cash Flow Information</b>			
<b>Cash flows from ordinary operating activities:</b>			
<b>Consolidated profit for the year before taxes</b> .....	<b>134.1</b>	<b>219.8</b>	<b>281.5</b>
<b>Adjustments for:</b>			
Depreciation and amortization expenses.....	91.6	122.3	181.9
Allocation to/(reversal of) current provisions .....	0.3	6.1	31.2
Allocation to/(reversal of) non-current provisions.....	15.2	8.8	47.7
Capital grants and other grants taken to income .....	(1.2)	(1.5)	(1.5)
Finance income and expense .....	44.4	58.2	52.4
Net impairment loss on non-current assets .....	7.3	5.1	10.4
Gain/(loss) on disposal of non-current assets.....	0.5	1.6	1.5
Change in fair value of financial instruments .....	(1.4)	(2.3)	(0.5)
Impairments and losses on disposal of non-current financial assets .....	—	—	0.3
Gains/(Losses) on the loss of significant influence over consolidated investments .....	—	—	(9.7)
Profit of companies accounted for using the equity method .....	(9.6)	(16.5)	(4.0)
Impairments and losses due to loss of significant influence over companies accounted for using the equity method.....	—	—	7.0
<b>Operating profit before movements in working capital</b> .....	<b>281.3</b>	<b>401.5</b>	<b>598.2</b>
(Increase)/decrease in trade and other receivables .....	(254.3)	(113.7)	(106.4)
(Increase)/decrease in inventories.....	(102.0)	(50.5)	(167.9)
(Increase)/decrease in other current assets .....	—	—	—
Increase/(decrease) in trade and other payables .....	133.3	32.5	223.8
Increase/(decrease) in other current liabilities .....	17.2	75.2	24.1
Capital grants received/(repaid), net.....	—	—	—
Payments of provisions .....	(10.3)	(10.5)	(21.7)
Unrealized exchange differences and other items .....	(2.2)	16.2	(22.5)
<b>Cash generated from operations</b> .....	<b>63.0</b>	<b>350.7</b>	<b>527.5</b>
Corporate income tax paid .....	(34.1)	(54.8)	(104.6)
<b>Net cash generated by/(used in) operating activities</b> .....	<b>28.9</b>	<b>295.9</b>	<b>423.0</b>
<b>Cash flows from investing activities:</b>			
<b>Dividends received</b> .....	<b>1.1</b>	<b>2.1</b>	<b>2.0</b>
<b>Proceeds from disposal of investments in:</b>			
Intangible assets.....	0.1	0.1	2.9
Associated companies.....	3.0	—	28.9
Group Companies, net of cash in consolidated companies .....	—	—	22.7
Property, plant and equipment .....	4.0	5.1	4.1
Non-current financial assets.....	1.2	—	0.8
Current financial assets .....	0.7	—	—
Non-current assets held for sale .....	—	—	—
<b>Payments for investments in:</b>			
Associates .....	—	(8.4)	(0.7)
Group companies net of the cash of business combinations .....	(1.3)	(431.6)	(61.4)
Property, plant and equipment .....	(85.9)	(119.1)	(194.2)
Intangible assets.....	(57.6)	(51.8)	(91.0)
Investment property .....	—	(0.1)	—
Non-current financial assets.....	(1.9)	(2.5)	—
Current financial assets .....	—	(1.0)	(0.3)
Non-current assets held for sale .....	(6.8)	—	—
<b>Net cash generated by/(used in) investing activities</b> .....	<b>(143.3)</b>	<b>(607.1)</b>	<b>(286.2)</b>
<b>Cash flows from financing activities:</b>			
<b>Proceeds from/(payments for) equity instruments:</b>			
Acquisition of non-controlling interest's shares .....	(0.3)	(0.1)	—
Returns to non-controlling interests .....	(9.9)	(3.7)	(8.5)
<b>Issue of bonds and/(payments for) financial liabilities:</b>			
Proceeds from syndicated loan and senior secured notes.....	600.0	600.0	—
Repayment of syndicated loan .....	—	(4.5)	(8.9)
Proceeds/(repayment) from syndicated bridging loan.....	(400.0)	—	(10.0)
Proceeds from other bank borrowings, net .....	(33.7)	20.5	(16.5)
Proceeds from/(repayment of) other financial liabilities, net .....	0.3	(24.3)	(71.8)

**Other cash flows from financing activities:**

Finance income and expense paid, net .....	(51.4)	(63.0)	(60.5)
Dividends paid and payments on other equity instruments .....	—	(6.0)	(16.0)
<b>Net cash generated by/(used in) financing activities .....</b>	<b>105.0</b>	<b>518.9</b>	<b>(192.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>	<b>(9.5)</b>	<b>207.7</b>	<b>(55.4)</b>
<b>Cash and cash equivalents at beginning of the year .....</b>	<b>163.6</b>	<b>154.2</b>	<b>361.9</b>
<b>Cash or cash equivalents at end of the year .....</b>	<b>154.2</b>	<b>361.9</b>	<b>306.5</b>

**Selected Segmental Information of the Company**

Before the acquisition of the Magna Interiors Business, we organized our activities around four business segments: (i) overhead systems, (ii) doors and interior plastics, (iii) seating and (iv) lighting. As part of the integration of the Magna Interiors Business, on August 31, 2015, we added a new cockpits and interior segment (which included all of Magna Interior Business' products, including primarily cockpits, soft trim and hard trim) to our reporting structure. In 2016, we carried out a series of additional business realignments within our different segments aimed at improving the integration of our businesses and materializing synergies from the acquisition of the Magna Interiors Business. The results of operations for the year ended December 31, 2015 and any segmental information associated thereof, only includes the Magna Interiors Business from August 31, 2015 until December 31, 2015. See "Operating and Financial Review and Prospects—Segment reporting".

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

	Year ended December 31,			
	2014	2015 (historical segmentation)	2015 (new segmentation)	2016
	(in millions of €, except percentages)			
<b>Headliners</b>				
Net turnover .....	1,210.4	1,506.0	1,696.3	2,084.2
Other operating (expenses)/income, net .....	(1,094.2)	(1,333.7)	(1,514.7)	(1,881.6)
<b>EBITDA .....</b>	<b>116.2</b>	<b>172.3</b>	<b>181.6</b>	<b>202.6</b>
Depreciation and amortization .....	(34.3)	(36.6)	(41.0)	(46.6)
<b>Operating profit/(loss) (EBIT).....</b>	<b>81.9</b>	<b>135.7</b>	<b>140.6</b>	<b>156.0</b>
<b>EBITDA margin .....</b>	<b>9.6%</b>	<b>11.4%</b>	<b>10.7%</b>	<b>9.7%</b>
<b>Doors</b>				
Net turnover .....	644.1	780.0	1,006.2	1,461.5
Other operating (expenses)/income, net .....	(552.0)	(674.4)	(879.0)	(1,269.4)
<b>EBITDA .....</b>	<b>92.1</b>	<b>105.5</b>	<b>127.2</b>	<b>192.1</b>
Depreciation and amortization .....	(33.2)	(31.7)	(35.3)	(49.3)
<b>Operating profit/(loss) (EBIT).....</b>	<b>58.9</b>	<b>73.8</b>	<b>91.9</b>	<b>142.8</b>
<b>EBITDA margin .....</b>	<b>14.3%</b>	<b>13.5%</b>	<b>12.6%</b>	<b>13.1%</b>
<b>Lighting</b>				
Net turnover .....	164.9	190.3	204.8	272.4
Other operating (expenses)/income, net .....	(136.1)	(160.1)	(171.4)	(224.2)
<b>EBITDA .....</b>	<b>28.8</b>	<b>30.2</b>	<b>33.4</b>	<b>48.2</b>
Depreciation and amortization .....	(7.3)	(10.3)	(10.5)	(14.0)
<b>Operating profit/(loss) (EBIT).....</b>	<b>21.5</b>	<b>19.9</b>	<b>22.9</b>	<b>34.1</b>
<b>EBITDA margin .....</b>	<b>17.5%</b>	<b>15.9%</b>	<b>16.3%</b>	<b>17.7%</b>
<b>Cockpits</b>				
Net turnover .....	—	813.3	324.2	1,095.7
Other operating (expenses)/income, net .....	—	(768.2)	(327.6)	(1,052.1)
<b>EBITDA .....</b>	<b>—</b>	<b>45.1</b>	<b>(3.4)</b>	<b>43.6</b>
Depreciation and amortization .....	—	(18.7)	(8.4)	(27.7)
<b>Operating profit/(loss) (EBIT).....</b>	<b>—</b>	<b>26.4</b>	<b>(11.8)</b>	<b>15.9</b>
<b>EBITDA margin .....</b>	<b>—</b>	<b>5.5%</b>	<b>(1.1)%</b>	<b>4.0%</b>
<b>Seating</b>				
Net turnover .....	205.0	214.6	272.7	331.9
Other operating (expenses)/income, net .....	(177.3)	(184.9)	(230.9)	(276.7)
<b>EBITDA .....</b>	<b>27.7</b>	<b>29.7</b>	<b>41.8</b>	<b>55.2</b>
Depreciation and amortization .....	(9.9)	(9.6)	(11.6)	(11.1)
<b>Operating profit/(loss) (EBIT).....</b>	<b>17.8</b>	<b>20.2</b>	<b>30.2</b>	<b>44.1</b>
<b>EBITDA margin .....</b>	<b>13.5%</b>	<b>13.9%</b>	<b>15.3%</b>	<b>16.6%</b>

**Other<sup>(2)</sup>**

Net turnover .....	1.0	2.0	2.0	1.7
Other operating (expenses)/income, net .....	<u>1.2</u>	<u>3.1</u>	<u>5.5</u>	<u>(22.6)</u>
<b>EBITDA .....</b>	<b><u>2.2</u></b>	<b><u>5.2</u></b>	<b><u>7.6</u></b>	<b><u>(20.9)</u></b>
Depreciation and amortization .....	<u>(6.9)</u>	<u>(15.4)</u>	<u>(15.5)</u>	<u>(33.3)</u>
<b>Operating profit/(loss) (EBIT).....</b>	<b><u>(4.7)</u></b>	<b><u>(10.3)</u></b>	<b><u>(7.9)</u></b>	<b><u>(54.2)</u></b>

- (1) In order to enable investors to compare our financial results for periods from January 1, 2014 with the period ended December 31, 2016, we have presented in this offering memorandum, solely for informational purposes, certain reclassified financial information as of and for the years ended December 31, 2015 after giving effect to the business reorganizations undergone as a consequence of the integration of the Magna Interiors Business. See “Operating and Financial Review and Prospects—Segment Reporting”.
- (2) Other is not a primary business segment and its operations support our primary business segments. It is included herein for the purposes of reconciliation and we do not consider it material. Other includes a wide range of results generated mainly by Grupo Antolín-Ingeniería, S.A.U., TCOs and consolidated pricing adjustments.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*You should read the following discussion together with our consolidated financial statements included elsewhere in this offering memorandum. The financial data in this discussion of our results of operations and financial condition is as of and for the years ended December 31, 2016, 2015 and 2014 and has been derived from the audited consolidated financial statements of the Company and its subsidiaries prepared in accordance with IFRS-EU.*

*Certain monetary amounts, percentages and other figures included in this offering memorandum 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. You should read the following discussion together with the sections entitled “Selected Financial and Other Information”, “Summary—Summary Financial Data and Other Data”, “Risk Factors” and “Presentation of Financial and Other Data”.*

### Our Company

We are a leading Tier 1 player in the design, development, manufacturing and supply of automotive interior components, offering multi-technology solutions for overhead systems (or headliners) and soft trim, doors and hard trim, cockpits and center consoles and lighting systems for sale to OEMs. We have a geographically diversified platform of 167 manufacturing plants and JIT assembly and sequencing facilities, as well as 29 TCOs in 26 countries worldwide as of December 31, 2016. We supplied our products globally to the top 15 OEMs by production volume in 2016. We provided components for over 510 different vehicle models and we believe we supplied products for approximately one out of every three vehicles manufactured worldwide. Our product, geographical and customer diversification allows us to take advantage of global growth opportunities, in particular our presence in Eastern Europe, North America, Mercosur and APAC, which in the past has mitigated the impact of regional production fluctuations on our business during economic downturns. We are headquartered in Burgos, Spain, and in 2016 our average number of employees was approximately 27,000.

Our revenue and EBITDA for the year ended December 31, 2016 amounted to €5,247.3 million and €520.7 million, respectively. We are wholly-owned by the Antolín family, who is fully committed to our business.

As of December 31, 2016, we organize our activities around five business segments:

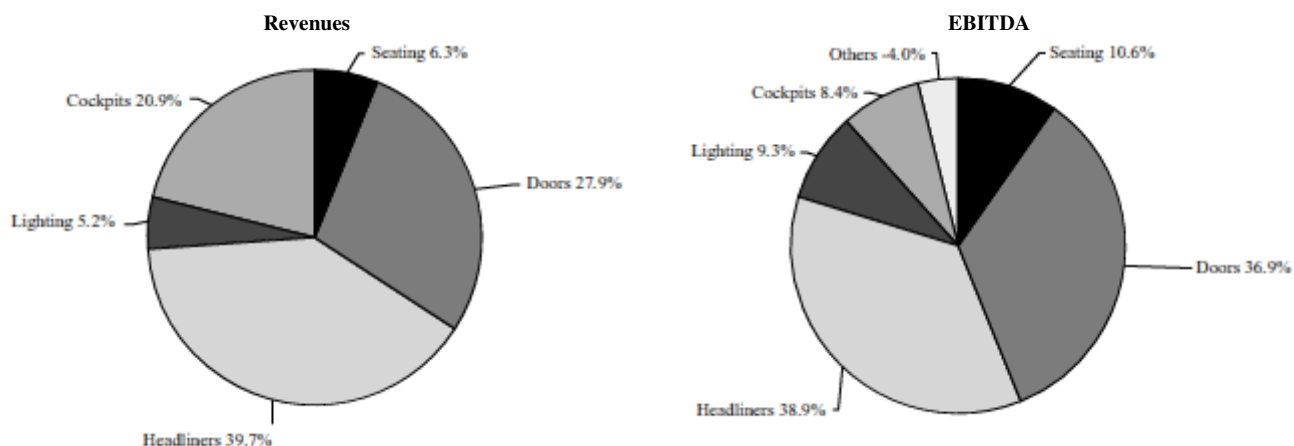
- **Headliners:** We believe we are a leader in the manufacturing of headliner modular solutions, incorporating acoustic, safety, panoramic and lighting functionalities. We cover the entire product spectrum for overhead systems, from the headliner substrate to more complex modular systems. We use key technologies for headliner substrates and benefit from full vertical integration, from the core polyurethane foam production to the final assembly of the overhead systems. Furthermore, the incorporation of sunvisors into the overhead system is an important aspect of this business segment. We produce sunvisors in all technologies available in the market, adding a whole range of functionalities to the end product. As part of the integration of the Magna Interiors Business, our soft trim activities, including load floors, package trays, side linings, accessible floor bins and floor coverings, were moved to this business segment. In addition we have a line of acoustic solutions such as deadeners and underbody shields and we produce our own tuft-velour carpets for premium vehicles. Our revenue and EBITDA attributable to our Headliners segment amounted to €2,084.2 million and €202.6 million for the year ended December 31, 2016, respectively, which represented 39.7% and 38.9% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we believe we were a leader in overhead systems, with 27% of the global market share, and in sunvisors, with 37% and 13% market shares of sunvisors in Europe and globally, respectively. In addition, we believe we are a leader in sunvisors in Mercosur, with a market share of 21%. In 2016, the Headliners business segment included 68 facilities.
- **Doors:** We have expertise in the manufacturing and supply of a wide range of door systems such as door panels (including front, rear and sliding door panels), pillars (including upper and lower pillar trim and quarter trim panels), window regulators, rear cargo and lift gate trim. We produce a wide range of specialized plastic parts, some of them with weight reduction and environmentally-friendly properties. We produce an extensive range of door mechanisms, from window regulators to complex modules. We also produce seat latches for specific vehicle platforms. Our revenue and EBITDA attributable to our Doors segment amounted to €1,461.5 million and €192.0 million for the year ended December 31, 2016, respectively, which represented 27.9% and 36.9% of our



total consolidated revenue and EBITDA for that same period, respectively. In 2016, we believe we were a leading producer in Europe with a market share of 23% in door panels, 15% in window regulators and 22% in pillars. We believe we were also a significant producer of door panels and window regulators in the Mercosur region with a 4% market share in door panels and a 14% market share in window regulators. In 2016, the Doors business segment included 49 facilities.

- Cockpits:** We are a global producer and supplier of cockpit modules, including instrument panels, center consoles and glove boxes, which we design, engineer and manufacture. Our capabilities include design and engineering, styling, tooling, manufacturing, assembly and sequencing and electrical/electronic system integration. The cockpit module plays a key role in defining the driver's experience and it integrates the instrument panel and several control functions such as wiring harness, instrument cluster, air vents, decorative inlays, glove boxes and passenger airbag systems, among others. The instrument panel is a key element of the cockpit module and is comprised of a sophisticated system of trims, foams, composites and metals. The center consoles are designed and manufactured to operate vehicle functions and store items. The primary technologies and processes involved in the manufacturing of these systems include low pressure and injection molding, compression molding, vacuum forming, slush skins, spray urethane, decorative stitching as well as manual and automated assembly and sequencing. Our revenue and EBITDA attributable to our Cockpits segment amounted to €1,095.7 million and € 43.6 million for the year ended December 31, 2016, respectively, which represented 20.9% and 8.4% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we were a significant producer in Europe, where we believe we had a market share of 7% in instrument panels. In 2016, the Cockpits business segment included 12 facilities, all of which were originally part of the Magna Interiors Business and which are currently integrated within the Group.
- Lighting:** We believe we were a leading manufacturer of interior automotive lighting components in Europe, with a 30% market share of overhead front consoles in 2016. We believe we have a 15% market share of the overhead front consoles sold globally in 2016. Our lighting product portfolio comprises interior solutions based on LED including overhead consoles, side reading lamps, multi-purpose lamps, ambient lighting, electronics/smart lighting and exterior solutions such as daytime running lamps, center high mounted stop lamps, direction, position and license plate indicators. We are one of the few suppliers which benefit from full vertical integration in the production of lighting components, from the manufacture of plastic parts and lenses, to the electronics and the light function. The potential integration of lighting elements with other interior automotive components increasingly offers synergies with our other business lines as lighting is incorporated in instrument panels, door paneling and overhead systems, allowing us to offer our customers an integrated and innovative range of customized interior solutions, which we believe gives us an additional competitive advantage over other players in our industry. Creating light scenarios and sophisticated atmospheres is one of our main areas of expertise. Our revenue and EBITDA attributable to our Lighting segment amounted to €272.4 million and €48.2 million for the year ended December 31, 2016, respectively, which represented 5.2% and 9.3% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, our Lighting business segment included 8 facilities.
- Seating:** The Seating business segment develops high added value light-weight second and third row seats for MPVs, LCVs and vans. The seating product portfolio comprises in-house developed automatic anchorage seats which are marketed under the Drop&Go brand, fold into floor seats and seats and benches with integrated three point belts. Our revenue and EBITDA attributable to our Seating segment amounted to €331.9 million and €55.2 million for the year ended December 31, 2016, respectively, which represented 6.3% and 10.6% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, the Seating business segment included 12 facilities. On February 6, 2017, we agreed to sell the Divested Business, which included our Seating segment, to Lear Corporation. See “—Recent Developments” for additional information.

The percentage of revenues and EBITDA derived per business segment for the year ended December 31, 2016 are as follows:



- (1) "Other" is not a primary business segment and its operations support our primary business segments. It is included herein for the purposes of reconciliation and we do not consider it material. "Other" includes a wide range of results generated mainly by Grupo Antolín-Ingeniería, S.A.U., TCOs and consolidated pricing adjustments.

We believe that our financial and operational success and stability have been, and continue to be, driven by our strategic, customer-focused geographical growth and diversified revenue streams, as well as our manufacturing, process, design and technological expertise. We believe that these factors have allowed us to achieve our position as a leading global supplier in the automotive industry, with high strategic importance to many of the largest OEMs.

## Segment reporting

Our primary basis of segment reporting is by business division, which reflects the management structure of our business and our system of internal financial reporting. We report net turnover, other operating expenses/income, net, EBITDA, depreciation and amortization and EBIT on a segmental basis.

The revenues reported for each segment are those which are directly attributable to the production plants included in that segment for management purposes and therefore also include secondary revenues recognized by said plants in respect of sales for the provision of services to other segments. The income of each segment does not include interest or dividend income or the gains on sales of investments or of non-current assets. The expenses of each segment are calculated as being the expenses arising out of the operating activities of the segment that may be directly attributed to the plants included in that segment for management purposes, and include the overheads of the corporate unit that have been passed on to it and invoiced to each segment. The expenses of each segment do not include interest expense, impairments or losses on sales of investments or of non-current assets. Assets and liabilities in the segments are those that are directly connected with the operations of the plants in each segment, although virtually all the financial debt of the Group has been centralized in the corporate unit.

Before the acquisition of the Magna Interiors Business, we organized our activities around four business segments: (i) overhead systems, (ii) doors and interior plastics, (iii) seating and (iv) lighting. As part of the integration of the Magna Interiors Business, on August 31, 2015, we added a new cockpits and interior segment (which included all of Magna Interior Business' products, including primarily cockpits, soft trim and hard trim) to our reporting structure. In 2016, we carried out a series of additional business realignments within our different segments aimed at improving the integration of our businesses and materializing synergies from the acquisition of the Magna Interiors Business. The results of operations for the year ended December 31, 2015 and any segmental information associated thereof, only includes the Magna Interiors Business from August 31, 2015 until December 31, 2015. As a result of such realignment, our current segmentation is as follows.

- (i) *Headliners*: This business segment now includes our historical soft trim products (which used to be included under our Doors segment), as well as the overheads and soft trim businesses integrated as a result of the acquisition of the Magna Interiors Business. As a result, Antolin Süddeutschland GmbH (Rastatt), Antolin Massen GmbH, Antolin Hungary Kft., Antolin Interiors USA, Inc. (Spartanburg) and Antolin Ebergassing GmbH were moved in 2016 to this business segment.

- (ii) *Doors*: This business segment now includes our historical hard trim products (which used to be included under the doors and interior plastics segment), as well as the doors and hard trim businesses integrated as a result of the acquisition of the Magna Interiors Business. As a result, thirteen new entities originating from the Magna Interiors Business and initially included in the Cockpits segment created in August 2015 were moved in 2016 to this business segment. In addition, the three entities responsible for our metal structures and profiles manufacturing products (Grupo Antolín-PGA, S.A.U., Grupo Antolín-Martorell, S.A.U. and Antolín Valença-Componentes Automóvel, S.A.), which were previously included in our Doors segment, were moved to the Seating segment.
- (iii) *Cockpits*: The Cockpits business segment that was created in August 2015 following the acquisition of the Magna Interiors Business was subsequently restructured, and several companies were moved in 2016 to the Overheads, Doors and Lighting business segments as described above. As a result, our Cockpits segment is now focused on seven companies (Antolin Interiors USA, Inc. (Atreum-Howell), Changchun Antolin Automotive Interiors Co., Ltd., Changshu Antolin Automotive Interiors Co., Ltd, Antolin Liban s.r.o., Antolin Interiors USA, Inc. (Nashville), Antolin Interiors UK Limited (Redditch) and Antolin Straubing GmbH), thereby removing all hard trim and soft trim activities and leaving only in this segment the manufacturing of cockpits.
- (iv) *Lighting*: This business segment has remained relatively consistent, with the exception of Suzhou Antolin Automotive Interiors Co. Ltd. This entity, acquired as part of the Magna Interiors Business and originally included in the Cockpits segment created in 2015, was moved to the Lighting segment in 2016.
- (v) *Seating*: This business segment now includes our metal structures and profiles manufacturing business, previously carried out by Grupo Antolín-PGA, S.A.U., Grupo Antolín-Martorell, S.A.U. and Antolín Valença-Componentes Automóvel, S.U.L., which used to be part of our Doors segment. On February 6, 2017, as part of the Divestment, we agreed to sell the entities comprising this segment (including such new entities) to Lear Corporation. See “Summary—Recent Developments” for additional information.

The table below includes a comparison of net turnover, other operating expenses/income, net, EBITDA, depreciation and amortization and EBIT for each business segment for the years ended December 31, 2014 (under historical segmentation), December 31, 2015 (under historical segmentation), December 31, 2015 (as restated under the new segmentation), and December 31, 2016 (under new segmentation).

	Year ended December 31,			
	2014	2015 (historical segmentation)	2015 (new segmentation)	2016
	(in millions of €)			
<b>Headliners</b>				
Net turnover .....	1,210.4	1,506.0	1,696.3	2,084.2
Other operating (expenses)/income, net.....	(1,094.2)	(1,333.7)	(1,514.7)	(1,881.6)
<b>EBITDA</b> .....	<b>116.2</b>	<b>172.3</b>	<b>181.6</b>	<b>202.6</b>
Depreciation and amortization .....	(34.3)	(36.6)	(41.0)	(46.6)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>81.9</b>	<b>135.7</b>	<b>140.6</b>	<b>156.0</b>
<b>Doors</b>				
Net turnover .....	644.1	780.0	1,006.2	1,461.5
Other operating (expenses)/income, net.....	(552.0)	(674.4)	(879.0)	(1,269.4)
<b>EBITDA</b> .....	<b>92.1</b>	<b>105.5</b>	<b>127.2</b>	<b>192.1</b>
Depreciation and amortization .....	(33.2)	(31.7)	(35.3)	(49.3)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>58.9</b>	<b>73.8</b>	<b>91.9</b>	<b>142.8</b>
<b>Lighting</b>				
Net turnover .....	164.9	190.3	204.8	272.4
Other operating (expenses)/income, net.....	(136.1)	(160.1)	(171.4)	(224.2)
<b>EBITDA</b> .....	<b>28.8</b>	<b>30.2</b>	<b>33.4</b>	<b>48.2</b>
Depreciation and amortization .....	(7.3)	(10.3)	(10.5)	(14.0)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>21.5</b>	<b>19.9</b>	<b>22.9</b>	<b>34.1</b>
<b>Cockpits</b>				
Net turnover .....	—	813.3	324.2	1,095.7

Other operating (expenses)/income, net.....	—	(768.2)	(327.6)	(1,052.1)
<b>EBITDA</b> .....	—	<b>45.1</b>	<b>(3.4)</b>	<b>43.6</b>
Depreciation and amortization.....	—	(18.7)	(8.4)	(27.7)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>—</b>	<b>26.4</b>	<b>(11.8)</b>	<b>15.9</b>
<b>Seating</b>				
Net turnover.....	205.0	214.6	272.7	331.9
Other operating (expenses)/income, net.....	(177.3)	(184.9)	(230.9)	(276.7)
<b>EBITDA</b> .....	<b>27.7</b>	<b>29.7</b>	<b>41.8</b>	<b>55.2</b>
Depreciation and amortization.....	(9.9)	(9.6)	(11.6)	(11.1)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>17.8</b>	<b>20.2</b>	<b>30.2</b>	<b>44.1</b>
<b>Other<sup>(1)</sup></b>				
Net turnover.....	1.0	2.0	2.0	1.7
Other operating (expenses)/income, net.....	1.2	3.1	5.5	(22.6)
<b>EBITDA</b> .....	<b>2.2</b>	<b>5.2</b>	<b>7.6</b>	<b>(20.9)</b>
Depreciation and amortization.....	(6.9)	(15.4)	(15.5)	(33.3)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>(4.7)</b>	<b>(10.3)</b>	<b>(7.9)</b>	<b>(54.2)</b>

(1) Other is not a primary business segment and its operations support our primary business segments. It is included herein for the purposes of reconciliation and we do not consider it material. Other includes a wide range of results generated mainly by Grupo Antolín-Ingeniería, S.A.U., TCOs and consolidated pricing adjustments.

## Key factors affecting our results of operations

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

### *Acquisitions and disposals*

#### *Acquisition of Magna Interiors Business*

On August 31, 2015, we completed the acquisition of the Magna Interiors Business, which represented a strategically important acquisition for our Group. We believe that the acquisition has strengthened our leadership position by expanding the breadth of our global automotive interior product portfolio, and strengthening our relationships with our existing OEMs.

We further believe the acquisition has (i) provided us with a complementary product portfolio that allowed us to become the world's fourth largest automotive interiors supplier group with a leading market share position across product lines such as headliners, door panels, cockpit systems, instrument panels and floor consoles, (ii) increased our product diversification, which we believe will reduce operational risk and allowed us to service new and existing customers with the full range of automotive interior products, (iii) created opportunities to increase our customer diversification by serving a higher proportion of premium and luxury OEMs such as BMW, Daimler and Tata Motors—Jaguar Land Rover (along with our current customers like Ford, Volkswagen Group, Renault-Nissan, Fiat-Chrysler and PSA Group) and (iv) allowed us to cross-sell new and existing products to our existing customer base in order to enhance our growth profile.

As of December 31, 2016, the cost savings achieved through the implementation of such initiatives have been higher than management's expectations. We have also proven our ability to effectively integrate, manage and improve the state of new acquisitions, including the acquisition of the Magna Interiors Business. For example, for the year ended December 31, 2016, the EBITDA attributable to the Magna Interiors Business has more than doubled as compared to the EBITDA generated by the Magna Interiors Business for the twelve months ended to March 31, 2015 (before its acquisition by the Group). In addition, the financial performance of our Redditch plant has improved significantly, from a loss-making business at the time of the acquisition of the Magna Interiors Business, to generating a slight positive EBITDA (excluding management fees) for the year ended December 31, 2016. We will continue to focus on successfully integrating the Magna Interiors Business. In addition, we believe the acquisition of the Magna Interiors Business will continue to result in significant synergies and cost savings, which we estimate will be at least €20 million per year when fully implemented, which we currently estimate to be the case by 2018. These cost-savings include (i) savings arising from consolidation and increased purchasing power vis-à-vis suppliers, (ii) positive results from an increase in management focus, (iii) reduced engineering costs resulting from the reorganization of production processes and (iv) a decrease in overhead and general expenses related to IT, licensing and the compensation certain members of senior management.

### *Other divestments*

We have made strategic divestments in the years ended December 31, 2014, 2015 and 2016, including the sale of Antolin Burg Design GmbH, an Austrian automotive Tier 1 and Tier 2 supplier engaged in the design and manufacture of special plastic decorative parts, for €18.5 million. This entity was acquired by the Company in 2015 as part of the acquisition of the Magna Interiors Business. Its sale was a result of the Company streamlining activities to focus on core strengths and global platforms. Another divestment was the sale of the Company's interest in Ningbo Antolin Huaxiang Auto Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto Parts Co., Ltd. for €28.9 million, for the purposes of simplifying our local partnerships in China and the consolidate in our accounts a greater portion of our activities in that country.

### *Capital expenditure*

Our capital expenditure is incurred primarily in connection with the acquisition or construction of new plants, including the purchase of tooling and other equipment for new or existing plants, as well as R&D expenses. Our business involves significant capital expenditure both on material fixed assets such as property, plant and equipment and on intangible assets mainly linked to R&D. Capital expenditure is essential to maintain our long-term relationships with our clients, which are based on our capacity to offer technologically advanced interior automotive solutions at competitive prices. Capital expenditure on intangible assets is related to innovation in design and materials, so that our products contribute to the perceived value in the interior of the vehicle. Once a project is ongoing, maintenance capital expenditure is limited and somewhat predictable. When new programs or vehicle models are required, usually at the end of a vehicle cycle, "renewal" or "replacement" capital expenditure is required in order to adapt existing infrastructure to accommodate new assembly and process design, usually at levels significantly below the expenditure required to create the capacity in the first place. For the year ended December 31, 2016, we had capital expenditures in property, plant and equipment of €194.2 million and capital expenditures in intangible assets of €91.0 million. Of these amounts, €13.3 million and €9.6 million, respectively, corresponded to the Divested Business.

Capitalized development expenses amounted to 67.4% of our intangible assets as of December 31, 2016. Among the main additions to development expenses in the year ended December 31, 2016 were projects including, PSA K9 Seat, Opel E2xx Instrument Panel, BMW G32 Door Panel, PSA HAB02 Seat, VW 416 Door Panel and Headliner, Opel Insignia Instrument Panel, Mercedes G-class Instrument Panel, BMW G29-J29 Instrument Panel, BMW G14 Coupé Door Panel and Chevrolet C1UC Instrument Panel. The costs incurred in each development project are capitalized when the following conditions are met: (i) the development cost of the asset can be assessed reliably, (ii) the costs are specifically itemized for each project and correspond to an identifiable asset, (iii) we can prove that the project is technically viable; and (iv) the project is likely to generate profits in the future.

Once the projects are completed and go into production, capitalized development expenses begin to be amortized. Capitalized development expenses are amortized on a straight-line basis over the estimated useful lives of the projects.

### *Global automotive market*

We operate within the global automotive equipment sector and our business growth is entirely driven by trends in the global automobile market. The cycles of the global automotive industry, which are correlated with general global macroeconomic conditions, impact our OEM customers' production requirements and consequently impact the volume of purchases of our products by our OEM customers. With increased economic activity in our growth markets and recovery in our more traditional markets, we have experienced and expect to experience increased vehicle production levels, with a consequent increase in the demand for our products and a positive impact on our revenues with slower economic growth having the opposite effect.

### *Diversification*

Our strong geographic, customer and product diversification has the effect of reducing revenue volatility during economic downturns, as well as limiting our exposure to regional business cycles. Our well-diversified customer base, which includes the top 15 OEMs by production volume as of December 31, 2016, has limited our exposure to a downturn 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 stable revenues have allowed us to take advantage of global growth opportunities, even during economic downturns.

The revenues received from our five largest customers, Volkswagen Group, Ford, Tata Motors—Jaguar Land Rover, Fiat-Chrysler and Daimler represented 59.2% of total revenues in the year ended December 31, 2016, which is lower than their relative share of total revenues for the year ended December 31, 2015. In terms of geographic diversification, the US, Germany and UK were the three highest revenue generating geographies and represented 56.5% of our revenues in the year ended December 31, 2016 and 44.2% of our revenues in the year ended December 31, 2015.

### ***Price of materials***

A significant part of our cost base consists of purchases of materials which are variable in nature. The primary materials used in our production facilities are textile fabrics, plastic injection grain, petroleum-based resins and certain metals, including steel, aluminum and copper. In the periods under review, the costs of materials and other supplies has represented on average approximately 60.7% of our revenue. Materials and other supplies, packaging and containers, replacement parts, sundry materials, add-on parts and stocks for resale are valued at the lower of cost applying the weighted average price method, and net realizable value. While prices of materials affect our revenue and costs, historically, our profit margins have not been significantly affected by changes in prices of materials. We work with a diversified group suppliers across the world. We try to obtain materials in the region in which our products are manufactured in order to minimize transportation costs. We have not experienced any significant shortages of materials and normally do not carry inventories of such materials in excess of those reasonably required to meet our production schedules. We estimate that approximately 36% of the value of the materials we source come from suppliers chosen by OEMs, which allows us to benefit from their enhanced negotiation power and to be automatically compensated by the applicable OEM for any increase of material costs. In addition, we estimate that approximately 8% of the value of materials we source come from suppliers who have price transfer agreements directly with our customers where costs of materials outside of certain ranges are passed onto the OEM, thus helping us to minimize the impact of material price fluctuations. In situations where we renegotiate terms with OEMs in order to pass on cost increases of materials, we must bear the increased costs until the negotiations are finalized, which often takes between three and six months.

### ***Operating costs***

Staff costs have represented approximately 16.6% of our revenue for the year ended December 31, 2016. A significant part of our staff costs are semi-variable in nature and can be adjusted to meet business needs. The predictability of our cost-base has assisted our strategic planning and has allowed us to maintain consistent profit margins.

We do not have any defined benefit pension, workforce post-retirement health care benefits or employer paid post-retirement basic life insurance benefits obligations. However, some of our subsidiaries forming part of our Lighting and Cockpits segments have assumed commitments to pay contributions to the retirement pensions of some of their current and former employees. These commitments affect, primarily, companies located in Germany, Austria and the United Kingdom. A significant portion of these commitments has been outsourced and are covered by insurance policies or pension plans with insurance companies. We pay fixed contributions into a fund and are obliged to make additional contributions if the fund does not have sufficient assets to pay all the employees the benefits to which it has committed.

We record the present value of these defined benefit commitments as liabilities in the consolidated statements of financial position under “Non-current provisions”, net of the fair value of the assets that meet the requirements to be treated as “assets earmarked for the plan”.

The provision for pension commitments relates to the British, French and German companies of our Lighting segment. The net provision as at December 31, 2016 stood at €26.3 million, comprised of €41.9 million relating to the present value of the defined benefit obligations and €15.6 million relating to the fair value of the pension assets.

### ***Vehicle cycles***

In our industry, once a project has been nominated to a preferred supplier, it is rare for an OEM to switch to another supplier, given the significant operational, technical and logistical costs of switching suppliers, particularly during the life cycle of a specific vehicle model. Vehicle models typically have long, multi-year product life cycles. Given these factors, while the

actual revenues which we derive from a project ultimately depend on our OEM customers' production volumes achieved for the respective car models, we have good visibility on mid-term revenues within a relatively small range of sensitivity.

### ***Product pricing***

During the life cycle of a contract, we are expected to achieve production efficiencies. Typically, in line with our 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. When negotiated price reductions are expected to be retroactive, we accrue for such amounts as a reduction of revenues as products are shipped. To the extent we are not able to achieve the efficiencies necessary to offset the price reductions, such price reductions negatively impact our margins. Some pricing agreements with our customers are conditional upon achieving certain joint cost-saving targets.

### ***Seasonality***

Our business is seasonal. Our working capital requirements typically increase during the first and third quarters of the year and reduce towards the end of the year. This is due to the following factors. OEMs typically slow down vehicle production during certain portions of the year. For instance, our customers in the United States typically slow down vehicle production during the beginning of the second half of July and August and our European customers slow down vehicle production in August, and both geographies slow down production during the holiday season in December during which they also often conduct internal maintenance and adjustments to inventory. Further, there are a fewer number of working days at the end of the year as opposed to the beginning of a year and this results in a reduction in vehicle production towards the end of such year. Also, we typically agree final due amounts with our suppliers at year-end, which are usually paid at the beginning of the following year, resulting in higher payables at year-end and significant cash outflows during January and February. Further, a significant portion of our tooling receivables balances are invoiced from our clients typically before year-end, resulting in a reduction in receivables and cash inflows at the end of the year. Our results of operations, cash flows and liquidity may therefore be impacted by these seasonal practices.

### ***Transaction and foreign exchange translation***

Although our reporting currency is the euro, a portion of our sales and operating costs are realized in other currencies, such as among others the US dollar, British sterling, the Brazilian real, the Chinese renminbi, the Indian rupee, the Mexican peso, the Czech crown, the Russian ruble and the Turkish lira. Although we have not entered into any foreign-currency hedge rate agreements or forward contracts, we seek a variety of mechanisms to hedge against major movements in currencies, such as using local suppliers and negotiating with customers and suppliers. We may also use a combination of natural hedging techniques and financial derivatives to protect against certain foreign currency exchange rate risks. However, the translation of foreign currencies back to the euro may have a significant impact on our revenues and financial results. Foreign exchange has an unfavorable impact on revenues when the euro is relatively strong as compared with foreign currencies and a favorable impact on revenues when the euro is relatively weak as compared with foreign currencies. The functional currency of our foreign operations is the local currency.

The statements of financial position and income statements of the foreign companies included in the scope of consolidation, denominated in currencies other than the euro, were translated to euro using the "closing rate method". All the assets, rights and obligations of these companies were translated to euro at the applicable year-end exchange rates. Their share capital and reserves were translated at their historical exchange rates. To counteract seasonal effects, the income statement items of these companies were translated to euro at the average exchange rates for the year, based on the volume of transactions performed in each period. The exchange differences arising from the application of these methods are taken to equity under "Remeasurements-Exchange differences" in the consolidated statements of financial position, net of the portion of these differences corresponding to non-controlling interests, which is taken to equity under "Non-controlling interests" in the consolidated statements of financial position. Such translation differences are recognized as income or as expense in the year in which the investment is made or divested. Usually, we do not enter into foreign-currency swap agreements or forward contracts.

For the year ended December 31, 2016, a 5% rise in the euro against currencies such as the Czech crown, the Brazilian real, the US dollar, UK pound and the Mexican peso, would have reduced our revenues by approximately €138.3 million or approximately 2.6%, and our EBITDA would have decreased by approximately €11.8 million.

## **Principal income statement account items**

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

### ***Revenue***

Revenue is measured at the fair value of the consideration received and represents the amounts received or receivable for the goods and services provided in the normal course of business, net of discounts, value added tax and other recoverable sales-related taxes. Where it is doubtful as to whether the revenues will be collected, recognition is deferred until they are effectively collected. Revenue includes revenue on sales of products and ordinary revenue from the provision of services.

### ***Changes in inventories of finished goods and work in progress***

We value our inventories as follows:

Materials and other supplies, packaging and containers, replacement parts, sundry materials, add-on parts and stocks for resale, are valued at the lower of cost applying the weighted average price method and net realizable value.

Finished goods, semi-finished goods and works-in-progress are stated at the lower of real average production cost (materials used, labor and direct and indirect manufacturing expenses) and net realizable value.

Tools for new projects, which are developed and manufactured by us to be sold later on to our customers, are stated at the lower of either the costs incurred to manufacture them, as and when they are incurred, and their estimated net realizable value.

Net realizable value corresponds to the estimated selling price less the estimated costs of completing the products and the costs to be incurred in the marketing, selling and distribution.

Obsolete, defective or slow-moving inventories are reduced to their realizable value. In addition, if the net realizable value of the inventories is lower than the acquisition or production cost, the appropriate write-downs are recognized as an expense in the consolidated income statement for the year.

### ***Capital grants and other grants taken to income***

Official grants related to property, plant and equipment are recognized in our consolidated statements of financial position as deferred income when we have met the relevant qualifying conditions and there are, therefore, no reasonable doubts about the grants being collected. These capital grants are taken to the consolidated income statement under “Capital grants and other grants taken to income” on a straight-line basis over the useful lives of the assets.

Grants to cover or finance our expenses are recognized once all the conditions attaching to them have been fulfilled and will be taken to income when the financed expenses are incurred.

### ***Other operating income***

Other operating income is comprised principally of revenues on the sale of project tools, income from miscellaneous services, operating grants, income from leases of investment property, revenues from the assignment of industrial property and other revenue.

### ***Supplies***

The amount of supplies that are used in the production process are reported in the consolidated income statement. The most significant item accounted as supply is the purchase of materials. Changes during the period in inventories of materials, goods for resale and other supplies are adjusted in the supplies account.



### ***Staff costs***

Our staff costs include wages, salaries and similar expenses, termination benefits, employer's social security contributions and other welfare expenses. Staff costs are primarily driven by the size of our operations, our geographical reach and customer requirements.

### ***Depreciation and amortization expenses***

Depreciation and amortization expenses relate mainly to the annual depreciation charges on property, plant, equipment and capitalized development expenses. We transfer property, plant and equipment under construction to property, plant and equipment used in operations when the assets in question become operational, from which time depreciation is charged. Property, plant and equipment used in operations are depreciated on a straight-line basis, based on the acquisition or production cost of the assets or their restated value, less their residual value. The land on which buildings and other constructions are located is deemed to have an indefinite lifespan and is therefore not subject to depreciation. Annual depreciation charges on property, plant and equipment are charged to "Depreciation and amortization expenses" in the consolidated income statement over the average estimated useful life of the assets. Capitalized development expenses are generally amortized on a straight-line basis over the estimated useful lives of the projects as from the date the related projects are completed.

### ***Other operating expenses***

Our other operating expenses relate to the rental cost of leased buildings, maintenance and upkeep, other external services, taxes and levies, impairment of accounts receivable and application of non-current provisions.

### ***Net finance income/(cost)***

Net finance income/(cost) primarily consists of finance income, finance costs, net fair value gain/(loss) on financial instruments, exchange differences and impairment and gains/(losses) on disposal of financial instruments.

### ***Profit before taxes***

Profit before taxes primarily includes net impairment loss on non-current assets, profits or losses from disposal of assets, gain/(losses) on disposal of non-current assets, profits from business combinations and profit of companies accounted for using the equity method.

### ***Corporate income tax***

The Company and all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has holdings of 75% or more file consolidated corporation tax returns.

The income tax expense is calculated as the tax payable with respect to the taxable profit for the year, after considering any changes in the assets and liabilities recognized arising from temporary differences and from tax credit and tax loss carry forwards.

We consider that a timing difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base for assets and liabilities is treated as the amount attributed to it for tax purposes. A taxable timing difference is understood to be a difference that will generate a future obligation for us to pay taxes to the related tax authorities. A deductible timing difference is one that will generate a right for us to a refund or to make a lower payment to the related tax authorities in the future.

Tax credits and deductions and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in tax regulations are met, provided that we consider it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within twelve months from the date they are recognized. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in future years.

Deferred tax liabilities are recognized for all taxable temporary differences. In this regard, a deferred tax liability is recognized for the taxable timing differences resulting from investments in subsidiary companies and associate companies, and from holdings in joint ventures, except when we can control the reversal of the timing differences and they are not expected to be reversed in the foreseeable future.

The consolidated companies only recognize deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carry forwards to the extent that it is probable that they will have sufficient future taxable profits against which these assets can be utilized.

Deferred tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability (other than in a business combination) that at the time of recognition affects neither accounting profit nor taxable profit. The deferred tax assets and liabilities recognized are reassessed each year in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

#### ***Consolidated profit for the twelve month period attributable to non-controlling interests***

Our consolidated results include entities in which we have a non-controlling interest. See note 13 to our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014, included elsewhere in this offering memorandum for a description of the entities in which we had a non-controlling interest during the period.

#### **Principal segmental account items**

##### ***Net turnover***

Net turnover refers to the incomes related to the sale of components and the services provided to OEMs in the normal course of business, net of discounts, VAT and other recoverable sales-related taxes.

##### ***Other operating (expenses)/ income, net***

Other operating (expenses)/income, net refers to and includes all expenses necessary to produce the goods sold and the services provided to our customers, excluding financial expenses, impairments on assets and results coming from asset disposals.

##### ***EBITDA***

For segmental purposes, EBITDA is operating profit before depreciation and amortization expenses.

##### ***Depreciation and amortization***

Refers to the amount recognized in our income statement under this concept reflecting the loss of value of the tangible and intangible assets on a straight-line basis over the estimated useful life of the asset.

##### ***Operating Profit/(loss) (EBIT)***

It is the difference between the net turnover and other operating (expenses)/income, net.

## Results of operations of our business

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

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

	Year ended December 31		
	2015	2016	% change
	(in millions of €)		
<b>Consolidated Income Statement of Profit or Loss Data:</b>			
Revenue .....	3,506.2	5,247.3	49.7
Changes in inventories of finished goods and work in progress .....	(0.5)	(7.8)	—
Capital grants and other grants taken to income .....	1.5	1.5	0.0
Other operating income .....	111.4	146.2	31.2
<b>Total operating income.....</b>	<b>3,618.7</b>	<b>5,387.2</b>	48.9
Supplies .....	(2,193.8)	(3,344.4)	52.4
Staff costs .....	(586.5)	(869.5)	48.3
Depreciation and amortization expenses.....	(122.3)	(182.0)	48.8
Change in trade provisions .....	(2.6)	(7.7)	—
Other operating expenses .....	(505.2)	(739.0)	46.3
Less-Own work capitalized .....	57.5	94.1	63.7
<b>Profit for the year from continuing operations .....</b>	<b>265.8</b>	<b>338.7</b>	27.4
Finance income.....	1.5	1.1	(26.7)
Finance costs.....	(55.2)	(63.6)	15.2
Net fair value gain/(loss) on financial instruments .....	2.3	0.6	(73.9)
Impairments and losses on disposal of non-current financial assets .....	—	(0.3)	—
Exchange differences .....	(4.4)	10.1	—
<b>Net finance income/(cost) .....</b>	<b>(55.9)</b>	<b>(52.1)</b>	<b>(6.8)</b>
Gains/(losses) on the loss of significant influence over consolidated investments .....	—	9.7	—
Net impairment loss on non-current assets .....	(5.1)	(10.4)	103.9
Gain/(loss) on disposals of non-current assets .....	(1.6)	(1.5)	(6.3)
Profit of companies consolidated using the equity method.....	16.5	4.0	(75.8)
Impairment and gains/(losses) on the loss of significant influence over investees accounted for using the equity method .....	—	(7.0)	—
<b>Profit before taxes.....</b>	<b>219.8</b>	<b>281.5</b>	<b>28.1</b>
Corporate income tax.....	(64.4)	(86.8)	34.8
<b>Consolidated profit for the twelve month period .....</b>	<b>155.3</b>	<b>194.7</b>	<b>25.4</b>
Attributable to non-controlling interests .....	<b>(17.9)</b>	<b>(17.0)</b>	<b>(5.0)</b>
<b>Attributable to shareholders of the Company .....</b>	<b>137.4</b>	<b>177.6</b>	<b>29.3</b>

### Revenue

Revenue increased by €1,741.1 million, or 49.7%, to €5,247.3 million in the year ended December 31, 2016 from €3,506.2 million in the year ended December 31, 2015. The increase in revenue was primarily attributable to the impact of acquisition of the Magna Interiors Business for a twelve-month period in 2016 compared to a four-month period in 2015 (which represented €1,542.0 million in increased revenue), as well as to the strong performance of our products mainly across NAFTA, Europe and APAC, with revenues increasing by 45.9%, 51.7% and 66.6%, respectively, compared to the year ended December 31, 2015.

Excluding the impact of the acquisition of the Magna Interiors Business, our revenue increased by €199.1 million, or 7.4%, from the year ended December 31, 2015, while the automotive production industry grew by 3.9%. From an OEM perspective, our revenue was positively impacted by significantly higher sales to Tata Motors—Jaguar Land Rover, BMW and General Motors. This increase was offset by currency exchange movements, primarily due to the depreciation of the Mexican peso, the UK pound, the Turkish lira and the Chinese renminbi against the euro.

### ***Other operating income***

Revenues on the sale of project tools increased by €6.4 million, or 19.2%, to €39.7 million in the year ended December 31, 2016 from €33.3 million in the year ended December 31, 2015. This increase was primarily due to an increase in the number of projects which were invoiced at the year end and authorized by our customers. We record the revenue arising from the sale of these tools once the tools have been technically approved and title has been transferred to the customer or when mass production of the products with these tools is underway.

Income from other revenue increased by €28.5 million, or 36.5%, to €106.6 million in the year ended December 31, 2016 from €78.1 million in the year ended December 31, 2015. The increase in other revenue was principally due to the full twelve month effect of the Magna Interiors Business as well as engineering and IT services sales to customers.

### ***Supplies***

Supplies increased by €1,150.6 million, or 52.4%, to €3,344.4 million in the year ended December 31, 2016 from €2,193.8 million in the year ended December 31, 2015. The increase in supplies was primarily attributable to the impact of acquisition of the Magna Interiors Business, which represented €1,040.6 million of such increase.

Excluding the impact of the acquisition of the Magna Interiors Business, our supplies increased by 6.7%, due to increased revenues as a result of increased activity.

### ***Staff costs***

Staff costs increased by €283.0 million, or 48.3%, to €869.5 million in the year ended December 31, 2016 from €586.5 million in the year ended December 31, 2015. The increase in staff costs was primarily attributable to the impact of acquisition of the Magna Interiors Business, which represented €236.1 million in increased staff costs.

Excluding the impact of the acquisition of the Magna Interiors Business, our staff costs increased by 10.7%, due to increased overall activity, which resulted in an increase of our average number of employees by approximately 9,000 individuals, primarily in Europe and in our Headliners and Doors segments, as a result of the strong performance of our business in such regions and segments, respectively.

### ***EBITDA***

EBITDA increased by €132.5 million, or 34.1%, to €520.7 million in the year ended December 31, 2016 from €388.2 million in the year ended December 31, 2015. The increase in EBITDA was primarily attributable to the impact of acquisition of the Magna Interiors Business, which represented €131.8 million of such increase.

Excluding the impact of the acquisition of the Magna Interiors Business, our EBITDA remained stable, primarily due to lower other operating income and higher staff costs, as well as due to the impact of currency exchange movements, primarily due to the depreciation of the Mexican peso, the UK pound, the Turkish lira and the Chinese renminbi against the euro.

EBITDA margin decreased to 9.9% in the year ended December 31, 2016 from 11.1% in the year ended December 31, 2015. The decrease in EBITDA margin was primarily attributable to the impact of acquisition of the Magna Interiors Business, given that margins for cockpits are lower, as our business requires us to purchase certain materials for cockpits from third parties before assembling them in-house and supplying them to our customers for an assembly fee.

### ***Depreciation and amortization expenses***

Depreciation and amortization expenses increased by €59.6 million, or 48.7%, to €182.0 million in the year ended December 31, 2016 from €122.3 million. The increase in depreciation and amortization expenses was attributable in part to the impact of acquisition of the Magna Interiors Business, which represented €52.6 million of such increase.

Excluding the impact of the acquisition of the Magna Interiors Business, depreciation and amortization expenses increased by €7.0 million, due to tangible and intangible assets linked to new programs.

### ***Other operating expenses***

Other operating expenses increased by €233.8 million, or 46.3%, to €739.0 million in the year ended December 31, 2016 from €505.2 million in the year ended December 31, 2015. The increase in other operating expenses was primarily attributable to the Magna Interiors Business, which represented €182.5 million in increased operating expenses.

Excluding the impact of the acquisition of the Magna Interiors Business, our other operating expenses increased by 12.5%, due to increased sales and to overall increased activity with the ramp-up of our Tlaxcala production facility in Mexico, as well as the launch of several new projects in Grupo Antolín-Cambrai, S.A.S., Grupo Antolín-Leamington, Ltd., Grupo Antolín-RYA, S.A.U., Grupo Antolín-Missouri, LLC and Grupo Antolín-India PVT, Ltd.

### ***Profit for the year from continuing operations***

Profit for the year from continuing operations increased by €72.9 million, or 27.4%, to €338.7 million in the year ended December 31, 2016 from €265.8 million in the year ended December 31, 2015. The increase in profit for the year from continuing operations was primarily attributable to the impact of acquisition of the Magna Interiors Business, which represented €79.2 million of such increase. Excluding the impact of the acquisition of the Magna Interiors Business, our profit for the year from continuing operations decreased 2.5%, primarily as a result of an increase in depreciation and amortization expenses linked to the opening/launch of new facilities in Tlaxcala (Mexico).

### ***Net finance income/(cost)***

Net finance cost decreased by €3.8 million, or 6.8%, to €52.1 million in the year ended December 31, 2016 from €55.9 million in the year ended December 31, 2015. The decrease in net finance cost was primarily attributable to higher costs in the year ending December 31, 2015 as a result of financing the acquisition of the Magna Interiors Business.

### ***Corporate income tax***

Corporate income tax increased by €22.4 million, or 34.7%, to €86.8 million in the year ended December 31, 2016 from €64.4 million in the year ended December 31, 2015. The increase in corporate income tax was primarily attributable to increased profit due to increased activity and the acquisition of the Magna Interiors Business, which represented €1.1 million of such increase.

### ***Consolidated profit for the year***

Consolidated profit for the year increased by €39.3 million, or 25.3%, to €194.7 million in the year ended December 31, 2016 from €155.3 million in the year ended December 31, 2015. The increase was primarily attributable to increased revenues, contained costs and the acquisition of the Magna Interiors Business.

### ***Segment results of operations***

#### ***Headliners***

	Year ended December 31,		% change
	2015	2016	
	(new segmentation)		
	(in millions of €)		
<b>Description:</b>			
Net turnover .....	1,696.3	2,084.2	22.9
Other operating (expenses)/income, net.....	(1,514.7)	(1,881.6)	24.2
<b>EBITDA.....</b>	<b>181.6</b>	<b>202.6</b>	<b>11.6</b>
Depreciation and amortization.....	(41.0)	(46.6)	13.7
<b>Operating profit/(loss) (EBIT) .....</b>	<b>140.6</b>	<b>156.0</b>	<b>11.0</b>

*Net turnover.* Net turnover increased by €387.9 million, or 22.9%, to €2,084.2 million in the year ended December 31, 2016 from €1,696.3 million in the year ended December 31, 2015. The increase in net turnover was primarily

attributable to increased revenues in NAFTA and Europe, particularly in our plants in Missouri (United States) related to the “Ford V363” and “F Series” models, Leamington (United Kingdom) related to the “LR Discovery” and “Jaguar XF” model, Pune (India), related to our “Ford B562” model and Eurotrim (Spain), related to our “VS20” and “Renault Megane” models. The increase was offset by adverse currency exchange effects as a result of the appreciation of the euro.

*Other operating (expenses)/income, net.* Net operating expenses increased by €366.9 million, or 24.2%, to €1,881.6 million in the year ended December 31, 2016 from €1,514.7 million in the year ended December 31, 2015. The increase in net operating expenses was primarily attributable to increased sales. Net operating expenses increased at a higher rate than our net turnover for the same period due to tooling and a decrease in other operating income.

*EBITDA.* EBITDA increased by €21.0 million, or 11.6%, to €202.6 million in the year ended December 31, 2016 from €181.6 million in the year ended December 31, 2015. The decrease in EBITDA margin, from 10.7% in 2015 to 9.7% in the year ended December 31, 2016 was primarily attributable to increased operating expenses.

*Depreciation and amortization.* Depreciation and amortization increased by €5.6 million, or 13.7%, to €49.3 million in the year ended December 31, 2016 from €41.0 million in the year ended December 31, 2015. The increase in depreciation and amortization was primarily attributable to increased depreciation and amortization related to our plants in Missouri (United States) and Pune (India).

*Operating profit/(loss) (EBIT).* Operating profit increased by €15.4 million, or 11.0%, to €156.0 million in the year ended December 31, 2016 from €140.6 million in the year ended December 31, 2015. The increase in operating profit was primarily attributable to increased revenues.

## Doors

Description:	Year ended December 31,		
	2015	2016	% change
	(new segmentation)		
	(in millions of €)		
Net turnover.....	1,006.2	1,461.5	45.2
Other operating (expenses)/income, net.....	(879.0)	(1,269.4)	44.4
<b>EBITDA.....</b>	<b>127.2</b>	<b>192.1</b>	<b>51.0</b>
Depreciation and amortization.....	(35.3)	(49.3)	39.7
<b>Operating profit/(loss) (EBIT).....</b>	<b>91.9</b>	<b>142.8</b>	<b>55.4</b>

*Net turnover.* Net turnover increased by €455.3 million, or 45.2%, to €1,461.5 million in the year ended December 31, 2016 from €1,006.2 million in the year ended December 31, 2015. The increase in net turnover was primarily attributable to increased sales to certain of our OEMs, such as General Motors, Fiat-Chrysler, Tata Motors—Jaguar Land Rover and Daimler, as well as increases in production in Tlaxcala (Mexico) for the “Audi Q5”, Grupo Antolín-RYA, S.A.U. (Burgos) for “Renault HFE Kadjar” and Cambrai for the new programs related to “Renault Megane”. This increase was offset by adverse currency exchange effects as a result of the appreciation of the euro.

*Other operating (expenses)/income, net.* Net operating expenses increased by €390.4 million, or 44.4%, to €1,269.4 million in the year ended December 31, 2016 from €879.0 million in the year ended December 31, 2015. The increase in net operating expenses was primarily attributable to increased sales. Net operating expenses increased at a lower rate than our net turnover for the same period, as a result of increased productivity and increased volume of productions of our higher margin products.

*EBITDA.* EBITDA increased by €64.9 million, or 51.0%, to €192.1 million in the year ended December 31, 2016 from €127.2 million in the year ended December 31, 2015. The increase in EBITDA margin, to 13.1% in the year ended December 31, 2016 from 12.6% in the year ended December 31, 2015, was primarily attributable to higher revenues, as well as due to contained operating expenses.

*Depreciation and amortization.* Depreciation and amortization increased by €14.0 million, or 39.7%, to €49.3 million in the year ended December 31, 2016 from €35.3 million in the year ended December 31, 2015. The increase in

depreciation and amortization was primarily attributable to increased amortization expenses in plants in Silesia (Poland) and Tlaxcala (Mexico).

*Operating profit/(loss) (EBIT).* Operating profit increased by €50.9 million, or 55.4%, to €142.8 million in the year ended December 31, 2016 from €91.9 million in the year ended December 31, 2015. The increase in operating profit was primarily attributable to increased revenues, offset by currency exchange movements, as well as due to contained costs.

### Cockpits

	Year ended December 31,		% change
	2015	2016	
	(new segmentation)		
	(in millions of €)		
<b>Description:</b>			
Net turnover.....	324.2	1,095.7	NM
Other operating (expenses)/income, net.....	(327.6)	(1,052.1)	NM
<b>EBITDA.....</b>	<b>(3.4)</b>	<b>43.6</b>	NM
Depreciation and amortization.....	(8.4)	(27.7)	NM
<b>Operating profit/(loss) (EBIT).....</b>	<b>(11.8)</b>	<b>15.9</b>	NM

*Net turnover.* Net turnover increased by €771.5 million, to €1,095.7 million in the year ended December 31, 2016 from €324.2 million in the year ended December 31, 2015. The increase in net turnover was due to the inclusion of twelve full months of operations in 2016 as compared to four months during the prior period, as well as attributable to an increase in the revenues generated in Europe and APAC linked to the numerous projects entered into production phase in late 2015 or early 2016 (such as “Jaguar XF”, “Jaguar XE”, “Jaguar F-Pace”). Revenues generated in North America and APAC increased due to our factories in Changsu (China) and Redditch (United Kingdom) that increased sales by €50.0 million and €360.1 million respectively. Finally, these increases were offset by adverse currency exchange effects as a result of the appreciation of the euro.

*Other operating (expenses)/income, net.* Net operating expenses increased by €724.5 million, to €1,052.1 million in the year ended December 31, 2016 from €327.6 million in the year ended December 31, 2015. The increase in net operating expenses was primarily attributable to the inclusion of twelve full months of operations in 2016 as compared to four months during the prior period, as well as increased sales. Net operating expenses increased at a lower rate than our net turnover for the same period, as a result of contained direct labor and logistics costs, as well as cost savings related to synergies as a result of the integration of the Magna Interiors Business.

*EBITDA.* EBITDA increased by €47.0 million, to €43.6 million in the year ended December 31, 2016 from a negative €3.4 million in the year ended December 31, 2015. The increase in EBITDA was primarily attributable to the twelve full months of operations in 2016 compared to the prior period, as well as productivity improvements, process standardization and integration benefits across numerous facilities, principally Changsu (China) and Redditch (United Kingdom).

*Depreciation and amortization.* Depreciation and amortization increased by €19.3 million, to €27.7 million in the year ended December 31, 2016 from €8.4 million in the year ended December 31, 2015. The increase in depreciation and amortization was primarily attributable to the inclusion of twelve full months of operations in 2016 as compared to four months during the prior period, as well as contained operating expenses and increased sales.

*Operating profit/(loss) (EBIT).* Operating profit increased by €27.7 million, to €15.9 million in the year ended December 31, 2016 from €11.8 million in the year ended December 31, 2015. The increase in operating profit was primarily attributable to the inclusion of twelve full months of operations in 2016 as compared to four months during the prior period, as well as contained operating expenses and increased sales.

## Lighting

Description:	Year ended December 31,		
	2015	2016	% change
	(new segmentation)		
	(in millions of €)		
Net turnover.....	204.8	272.4	33.0
Other operating (expenses)/income, net.....	(171.4)	(224.2)	30.8
<b>EBITDA.....</b>	<b>33.4</b>	<b>48.2</b>	<b>44.2</b>
Depreciation and amortization.....	(10.5)	(14.0)	33.4
<b>Operating profit/(loss) (EBIT).....</b>	<b>22.9</b>	<b>34.1</b>	<b>49.2</b>

*Net turnover.* Net turnover increased by €67.6 million, or 33.0%, to €272.4 million in the year ended December 31, 2016 from €204.8 million in the year ended December 31, 2015. The increase in net turnover was primarily attributable to increased sales in Western Europe and China due to new projects, as lighting business units benefited from increased geographic exposure to Europe and China.

*Other operating (expenses)/income, net.* Net operating expenses increased by €52.8 million, or 30.8%, to €224.2 million in the year ended December 31, 2016 from €171.4 million in the year ended December 31, 2015. The increase in net operating expenses was primarily attributable to increased sales. Net operating expenses increased at a lower rate than our net turnover for the same period, as a result of contained fixed costs.

*EBITDA.* EBITDA increased by €14.8 million, or 44.2%, to €48.2 million in the year ended December 31, 2016 from €33.4 million in the year ended December 31, 2015. The increase in EBITDA was primarily attributable to successful product launches in Europe and China. EBITDA margin increased by 1.4 percentage points, to 17.7% in 2016 from 16.3% in 2015. The increase in EBITDA margin was primarily attributable to contained fixed costs and increased sales.

*Depreciation and amortization.* Depreciation and amortization increased by €3.5 million, or 33.3%, to €14.0 million in the year ended December 31, 2016 from €10.5 million in the year ended December 31, 2015. The increase in depreciation and amortization was primarily attributable to the increasing amortization of capitalized development investments, which we had already in 2012.

*Operating profit/(loss) (EBIT).* Operating profit increased by €11.2 million, or 48.9%, to €34.1 million in the year ended December 31, 2016 from €22.9 million in the year ended December 31, 2015. The increase in operating profit was primarily attributable to contained operating expenses and increased sales.

## Seating

Description:	Year ended December 31,		
	2015	2016	% change
	(new segmentation)		
	(in millions of €)		
Net turnover.....	272.7	331.9	21.7
Other operating (expenses)/income, net.....	(230.9)	(276.7)	19.8
<b>EBITDA.....</b>	<b>41.8</b>	<b>55.2</b>	<b>32.1</b>
Depreciation and amortization.....	(11.6)	(11.1)	(4.3)
<b>Operating profit/(loss) (EBIT).....</b>	<b>30.2</b>	<b>44.1</b>	<b>46.0</b>

*Net turnover.* Net turnover increased by €59.2 million, or 21.7%, to €331.9 million in the year ended December 31, 2016 from €272.7 million in the year ended December 31, 2015. The increase in net turnover was primarily attributable to higher sales in Western Europe and increased production volumes in such region, as a result of increased sales in our factory in Alava (Spain) derived from our Daimler “Vito/Viano” project.



*Other operating (expenses)/income, net.* Net operating expenses increased by €45.8 million, or 19.8%, to €276.7 million in the year ended December 31, 2016 from €230.9 million in the year ended December 31, 2015. The increase in net operating expenses was primarily attributable to increased sales.

*EBITDA.* EBITDA increased by €13.4 million, or 32.1%, to €55.2 million in the year ended December 31, 2016 from €41.8 million in the year ended December 31, 2015. The increase in EBITDA was primarily attributable to the continued success of higher margin products, such as the Daimler “Vito/Viano” seats. EBITDA margin increased by 1.3 percentage points, to 16.6% in 2016 from 15.3% in 2015. The increase in EBITDA margin was primarily attributable to an increase in sales and its positive effect on our fixed cost structure.

*Depreciation and amortization.* Depreciation and amortization decreased by €0.5 million, or 4.3%, to €11.1 million in the year ended December 31, 2016 from €11.6 million in the year ended December 31, 2015. The decrease in depreciation and amortization was primarily attributable to more efficient investments in tangible and intangible assets.

*Operating profit/(loss) (EBIT).* Operating profit increased by €13.9 million, or 46.0%, to €44.1 million in the year ended December 31, 2016 from €30.2 million in the year ended December 31, 2015. The increase in operating profit was primarily attributable to increased sales.

## 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.

	Year ended December 31,		
	2014	2015	% change
	(in millions of €)		
<b>Consolidated Income Statement of Profit or Loss Data:</b>			
Revenue .....	2,225.4	3,506.2	57.6
Changes in inventories of finished goods and work in progress .....	6.3	(0.5)	NM
Capital grants and other grants taken to income .....	1.2	1.5	25.0
Other operating income .....	66.6	111.4	67.3
<b>Total operating income .....</b>	<b>2,299.5</b>	<b>3,618.7</b>	<b>57.4</b>
Supplies .....	(1,375.2)	(2,193.8)	59.5
Staff costs .....	(394.1)	(586.5)	48.8
Depreciation and amortization expenses .....	(91.6)	(122.3)	33.6
Change in trade provisions .....	(0.3)	(2.6)	NM
Other operating expenses .....	(317.1)	(505.2)	59.3
Less-Own work capitalized .....	54.2	57.5	6.1
<b>Profit for the year from continuing operations .....</b>	<b>175.4</b>	<b>265.8</b>	<b>51.6</b>
Finance income .....	1.5	1.5	0.1
Finance costs .....	(43.5)	(55.2)	27.0
Net fair value gain/(loss) on financial instruments .....	1.4	2.3	59.7
Impairments and losses on disposal of non-current financial assets .....	—	—	—
Exchange differences .....	(2.4)	(4.4)	85.1
<b>Net finance income/(cost) .....</b>	<b>(43.0)</b>	<b>(55.9)</b>	<b>30.0</b>
Net impairment loss on non-current assets .....	(7.3)	(5.1)	(29.5)
Gain/(loss) on disposals of non-current assets .....	(0.5)	(1.6)	NM
Profit of companies consolidated using the equity method .....	9.6	16.5	71.4
Impairment and gains/(losses) on the loss of significant influence over investees accounted for using the equity method .....	(0.1)	(0.0)	NM
<b>Profit before taxes .....</b>	<b>134.1</b>	<b>219.8</b>	<b>63.8</b>
Corporate income tax .....	(44.5)	(64.4)	44.7
<b>Consolidated profit for the twelve month period .....</b>	<b>89.7</b>	<b>155.3</b>	<b>73.2</b>
Attributable to non-controlling interests .....	(8.2)	(17.9)	119.5
<b>Attributable to shareholders of the Company .....</b>	<b>81.5</b>	<b>137.4</b>	<b>68.5</b>

## ***Revenue***

Revenue increased by €1,280.8 million, or 57.6%, to €3,506.2 million in 2015 from €2,225.4 million in 2014. The increase in revenue was primarily attributable to the impact of acquisition of the Magna Interiors Business (which represented €813.3 million in increased revenue).

Excluding the impact of the acquisition of the Magna Interiors Business, our revenue increased by €467.5 million, or 21.0%, as a result of the strong performance of our products Europe and NAFTA, the depreciation of the euro against other currencies in which we operate, as well as the contribution of new production facilities, primarily in Missouri (United States) and Valencia (Spain). This increase was slightly offset by a decrease in revenues in Mercosur of 20.2% in 2015, compared to 2014, which was in line with an overall light vehicle production decline in Brazil of 20.4% in 2015 compared to the previous year, as well as due to a depreciation of the Brazilian real against the euro. Our APAC operations continued to expand significantly, with revenues up 69.8% compared to the year ended December 31, 2014. Excluding the impact of the acquisition of the Magna Interiors Business, our APAC revenues would have increased by 30.0% in 2015, compared to 2014, as a result of the revenue contribution of new facilities (including Missouri (United States) and Tlaxcala (Mexico)), as well as due to the positive effect of exchange rates due to the appreciation of the US dollar. From an OEM perspective, our revenue was positively impacted by significantly higher sales to Fiat-Chrysler, the Volkswagen Group and Ford, particularly in Europe and North America.

## ***Other operating income***

Other operating income increased by €44.8 million, or 67.3% to € 111.4 million in 2015 from €66.6 million in 2014. This increase was primarily due to the acquisition of the Magna Interiors Business, which represented €13.8 million of such increase.

Revenues on the sale of project tools increased by €14.8 million, or 80.0%, to €33.3 million in 2015 (of which €6.75 million were attributable to the Magna Interiors Business) from €18.5 million in 2014. This increase was primarily due to an increase in the number of projects which were invoiced at the year end and authorized by our customers. We record the revenue arising from the sale of these tools once the tools have been technically approved and title has been transferred to the customer or when mass production of the products with these tools is underway.

## ***Supplies***

Supplies increased by €818.6 million, or 59.5%, to €2,193.8 million in the year ended December 31, 2015 from €1,375.2 million in the year ended December 31, 2014. The increase in supplies was primarily attributable to the impact of acquisition of the Magna Interiors Business, which represented €546.3 million of such increase.

Excluding the impact of the acquisition of the Magna Interiors Business, our supplies increased by 19.8%, due to increased revenues. However, such increase remained lower than our corresponding increase in revenues for such period excluding the impact of the acquisition of the Magna Interiors Business, due to our increased activities in our Cockpits segment. Our margins for cockpits are lower relative to other products such as instrument panels, as our business model requires us to purchase certain materials for cockpits from third parties before assembling them in-house and supplying it to our customers for an assembly fee.

## ***Staff costs***

Staff costs increased by €192.4 million, or 48.8%, to €586.5 million in the year ended December 31, 2015 from €394.1 million in the year ended December 31, 2014. The increase in staff costs was primarily attributable to the impact of acquisition of the Magna Interiors Business, which represented €148.8 million in increased staff costs.

Excluding the impact of the acquisition of the Magna Interiors Business, our staff costs increased by 11.1%, due to increased overall activity, which resulted in an increase of our average number of employees by approximately 1,000, primarily in Europe and APAC and in our Headliners and Doors segments, as a result of the strong performance of our business in such regions and segments, respectively.

## ***EBITDA***

EBITDA increased by €121.2 million, or 45.4%, to €388.2 million in the year ended December 31, 2015 from €267.0 million in the year ended December 31, 2014. The increase in EBITDA was attributable in part to the impact of acquisition of the Magna Interiors Business, which represented €38.8 million of such increase.

Excluding the impact of the acquisition of the Magna Interiors Business, our EBITDA increased by 30.8%, due to increased sales, relatively unchanged fixed costs and a slight reduction of variable costs, as well as due to the positive effect of exchange rates, which had a significant positive impact on our EBITDA increase in this period.

EBITDA margin decreased to 11.1% in the year ended December 31, 2015 from 12.0% in the year ended December 31, 2014. The slight decrease in EBITDA margin was primarily attributable to the impact of the acquisition of the Magna Interiors Business.

## ***Depreciation and amortization expenses***

Depreciation and amortization expenses increased by €30.7 million, or 33.6%, to €122.3 million in the year ended December 31, 2015 from €91.6 million in the year ended December 31, 2014. The increase in depreciation and amortization expenses was primarily attributable to the impact of the acquisition of the Magna Interiors Business.

Excluding the impact of the acquisition of the Magna Interiors Business, depreciation and amortization expenses increased by €3.1 million, due to tangible and intangible assets linked to new programs.

## ***Other operating expenses***

Other operating expenses increased by €188.1 million, or 59.3%, to €505.2 million in the year ended December 31, 2015 from € 317.1 million in the year ended December 31, 2014. The increase in other operating expenses was attributable in part to the impact of acquisition of the Magna Interiors Business, which represented €94.2 million in increased operating expenses.

Excluding the impact of the acquisition of the Magna Interiors Business, our other operating expenses increased by 29.6%, due to increased sales and to overall increased activity with the ramp-up of production facilities in Missouri (United States), Tlaxcala (Mexico) and Valencia (Spain).

## ***Profit for the year from continuing operations***

Profit for the year from continuing operations increased by €90.4 million, or 51.6%, to €265.8 million in the year ended December 31, 2015 from €175.4 million in the year ended December 31, 2014. The increase in profit for the year from continuing operations was attributable in part to the impact of acquisition of the Magna Interiors Business, which represented €11.2 million of such increase. Excluding the impact of the acquisition of the Magna Interiors Business, our profit for the year from continuing operations increased as a result of higher EBITDA, as well as due to our relatively stable depreciation and amortization expenses.

## ***Net finance income/(cost)***

Net finance cost increased by €12.9 million, or 30.0%, to € 55.9 million in the year ended December 31, 2015 from €43.0 million in the year ended December 31, 2014. The increase in net finance cost was primarily attributable to the increased level of debt arising primarily as a result of the acquisition of the Magna Interiors Business, including finance costs associated to the 2022 Notes and the amended and restated Senior Facilities Agreement.

## ***Corporate income tax***

Corporate income tax increased by €19.9 million, or 44.9%, to € 64.4 million in the year ended December 31, 2015 from €44.5 million in the year ended December 31, 2014. The increase in corporate income tax was primarily attributable to increased profit due to increased activity. The acquisition of the Magna Interiors Business represented € 4.7 million of such increase.

### Consolidated profit for the year

Consolidated profit for year ended December 31, 2016 increased by € 65.6 million, or 73.1%, to €155.3 million in the year ended December 31, 2015 from €89.7 million in the year ended December 31, 2014. The increase was primarily attributable to increased revenues and contained costs, the acquisition of the Magna Interiors Business, represented €1.5 million of such increase.

### Segment results of operations

#### Headliners

	Year ended December 31,		% change
	2014	2015 (historical segmentation)	
	(in million as of €)		
<b>Description:</b>			
Net turnover .....	1,210.4	1,506.0	24.4
Other operating (expenses)/income, net .....	(1,094.2)	(1,333.7)	21.9
<b>EBITDA .....</b>	<b>116.2</b>	<b>172.3</b>	<b>48.3</b>
Depreciation and amortization .....	(34.3)	(36.6)	6.7
<b>Operating profit/(loss) (EBIT) .....</b>	<b>81.9</b>	<b>135.7</b>	<b>65.7</b>

*Net turnover.* Net turnover increased by €295.6 million, or 24.4%, to €1,506.0 million in the year ended December 31, 2015 from €1,210.4 million in the year ended December 31, 2014. The increase in net turnover was primarily attributable to increased revenues in NAFTA and Europe, respectively, partially offset by a decrease revenues in Mercosur. Revenues generated in APAC increased by €40.0 million, partially reflecting the launch of new facilities in China (including in Wuhan), which generated approximately €10.3 million of additional net turnover. Additionally, significant programs started in 2014 such as “Daimler VS20”, “Opel Corsa”, “Volkswagen Passat”, “Ford Transit” and “Ford P552” have ramped up in 2015 leading to higher sales. In addition, the new facility in Missouri (United States), as well as the positive effect of exchange rates due to a stronger US dollar, also contributed to such increase in net turnover.

*Other operating (expenses)/income, net.* Net operating expenses increased by €239.5 million, or 21.9%, to €1,333.7 million in the year ended December 31, 2015 from €1,094.2 million in the year ended December 31, 2014. The increase in net operating expenses was primarily attributable to increased sales. Net operating expenses increased only 21.9% in comparison with revenue increase of 24.4% for the same period.

*EBITDA.* EBITDA increased by €56.1 million, or 48.3%, to € 172.4 million in the year ended December 31, 2015 from €116.2 million in the year ended December 31, 2014. EBITDA margin increased by 1.8 percentage points, to 11.4% in 2015 from 9.6% in 2014. The increase in EBITDA margin was primarily attributable to overall increased sales and to the increased profitability of the new launches in 2015.

*Depreciation and amortization.* Depreciation and amortization increased by €2.3 million, or 6.7%, to €36.6 million in the year ended December 31, 2015 from €34.3 million in the year ended December 31, 2014. The increase in depreciation and amortization was primarily attributable to tangible and intangible assets linked to new programs, the launch of the Missouri (United States) and Wuhan (China) facilities and foreign exchange impact.

*Operating profit/(loss) (EBIT).* Operating profit increased by € 53.8 million, or 65.7%, to €135.7 million in the year ended December 31, 2015 from €81.9 million in the year ended December 31, 2014. The increase in operating profit was primarily attributable to increased revenues and contained costs.

## Doors

	Year ended December 31,		% change
	2014	2015 (historical segmentation)	
	(in millions of €)		
<b>Description:</b>			
Net turnover .....	644.1	780.0	21.1
Other operating (expenses)/income, net.....	(552.0)	(674.4)	22.2
<b>EBITDA</b> .....	<b>92.1</b>	<b>105.5</b>	<b>14.6</b>
Depreciation and amortization.....	(33.2)	(31.7)	(4.5)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>58.9</b>	<b>73.9</b>	<b>25.5</b>

*Net turnover.* Net turnover increased by €135.9 million, or 21.1%, to €780.0 million in the year ended December 31, 2015 from €644.1 million in the year ended December 31, 2014. The increase in net turnover was primarily attributable to a €114.8 million increase in the revenues generated in Europe (linked to the numerous projects entered into production phase in 2014 (such as “VW Passat”, “Citroen Cactus” and “Ford Mondeo”) and early 2015 (such as “Fiat 500” and “Land Rover 550”). This was partially offset by decreased revenues of €4.0 million in Mercosur. Revenues generated in North America and APAC increased by €20.2 million and €4.7 million, respectively, due to our factories in Saltillo (Mexico) and Illinois (USA). Finally, our new factories in Valencia (Spain) and Sanand (India), as well as the effect of the weaker euro against several currencies in the countries in which we operate, had also a positive effect on our net turnover.

*Other operating (expenses)/income, net.* Net operating expenses increased by €122.4 million, or 22.2%, to €674.4 million in the year ended December 31, 2015 from €552.0 million in the year ended December 31, 2014. The increase in net operating expenses was primarily attributable to the increase in revenues. Net operating expenses increased 22.2%, which exceeded our revenue increase of 21.1% for the same period, as a result of increased direct labor and logistics costs in our plant in Tlaxcala (Mexico).

*EBITDA.* EBITDA increased by €13.4 million, or 14.6%, to € 105.5 million in the year ended December 31, 2015 from €92.1 million in the year ended December 31, 2014. EBITDA margin decreased by 0.8 percentage points, to 13.5% in 2015 from 14.3% in 2014. The decrease in EBITDA margin was primarily attributable to an increase in other operating expenses due to the launch of new projects and the Tlaxcala facility in Mexico.

*Depreciation and amortization.* Depreciation and amortization decreased by €1.5 million, or 4.5%, to €31.7 million in the year ended December 31, 2015 from €33.2 million in the year ended December 31, 2014. The decrease in depreciation and amortization was primarily attributable to increased efficiency in investments in tangible and intangible assets, as well as the end of production of some projects.

*Operating profit/(loss) (EBIT).* Operating profit increased by € 15.0 million, or 25.5%, to €73.9 million in the year ended December 31, 2015 from €58.9 million in the year ended December 31, 2014. The increase in operating profit was primarily attributable to increased revenues and contained fixed costs.

## Seats

	Year ended December 31,		% change
	2014	2015 (historical segmentation)	
	(in millions of €)		
<b>Description:</b>			
Net turnover .....	205.0	214.6	4.7
Other operating (expenses)/income, net.....	(177.3)	(184.8)	4.2
<b>EBITDA</b> .....	<b>27.7</b>	<b>29.8</b>	<b>7.6</b>
Depreciation and amortization.....	(9.9)	(9.6)	(3.0)
<b>Operating profit/(loss) (EBIT)</b> .....	<b>17.8</b>	<b>20.2</b>	<b>13.5</b>

*Net turnover.* Net turnover increased by €9.6 million, or 4.7%, to €214.6 million in the year ended December 31, 2015 from € 205.0 million in the year ended December 31, 2014. The increase in net turnover was primarily attributable to favorable evolution of our sales in Western Europe and increased production volumes in such region, as a result of increased sales in our factory in Alava (Spain) derived from our Daimler “Vito/Viano” project.

*Other operating (expenses)/income, net.* Net operating expenses increased by €7.5 million, or 4.2%, to €184.8 million in the year ended December 31, 2015 from €177.3 million in the year ended December 31, 2014. The increase in net operating expenses was primarily attributable to increased revenues.

*EBITDA.* EBITDA increased by €2.1 million, or 7.6%, to € 29.8 million in the year ended December 31, 2014 from €27.7 million in the year ended December 31, 2014. The increase in EBITDA was primarily attributable to the successful launch of higher margin products, such as the Daimler “Vito/Viano” seats. EBITDA margin increased by 0.4 percentage points, to 13.9% in 2015 from 13.5% in 2014. The increase in EBITDA margin was primarily attributable to an increase in sales and its positive effect on our fixed cost structure.

*Depreciation and amortization.* Depreciation and amortization decreased by €0.3 million, or 3.0%, to €9.6 million in the year ended December 31, 2015 from €9.9 million in the year ended December 31, 2014. The decrease in depreciation and amortization was primarily attributable to more efficient investments in tangible and intangible assets as well as strengthening of the Euro versus other currencies.

*Operating profit/(loss) (EBIT).* Operating profit increased by € 2.4 million, or 13.5%, to €20.2 million in the year ended December 31, 2015 from €17.8 million in the year ended December 31, 2014. The increase in operating profit was primarily attributable to increased turnover.

## Lighting

	Year ended December 31,		% change
	2014	2015 (historical segmentation)	
	(in millions of €)		
<b>Description:</b>			
Net turnover.....	164.9	190.3	15.4
Other operating (expenses)/income, net.....	(136.1)	(160.1)	17.6
<b>EBITDA.....</b>	<b>28.8</b>	<b>30.2</b>	<b>4.9</b>
Depreciation and amortization.....	(7.3)	(10.3)	41.1
<b>Operating profit/(loss) (EBIT).....</b>	<b>21.5</b>	<b>19.9</b>	<b>(7.4)</b>

*Net turnover.* Net turnover increased by €25.4 million, or 15.4%, to €190.3 million in the year ended December 31, 2015 from €164.9 million in the year ended December 31, 2014. The increase in net turnover was primarily attributable to increased sales in Western Europe and China due to new projects. Lighting business units benefited from new projects and geographic exposure to Europe and China.

*Other operating (expenses)/income, net.* Net operating expenses increased by €24.0 million, or 17.6%, to €160.1 million in the year ended December 31, 2015 from €136.1 million in the year ended December 31, 2014. The increase in net operating expenses was primarily attributable to higher purchased content and increased direct costs, due to the continued transfer of production to Romania (Sibiu) and the Czech Republic (Hranice).

*EBITDA.* EBITDA increased by €1.4 million, or 4.9%, to € 30.2 million in the year ended December 31, 2015 from €28.8 million in the year ended December 31, 2014. The increase in EBITDA was primarily attributable to successful product launches in Europe and China. EBITDA margin decreased by 1.6 percentage points, to 15.9% in 2015 from 17.5% in 2014. The decrease in EBITDA margin was primarily attributable to an increased cost base.

*Depreciation and amortization.* Depreciation and amortization increased by €3.0 million, or 41.1%, to €10.3 million in the year ended December 31, 2015 from €7.3 million in the year ended December 31, 2014. The increase in depreciation and amortization was primarily attributable to the increasing amortization of capitalized development investments (started in 2012).

*Operating profit/(loss) (EBIT).* Operating profit decreased by € 1.6 million, or 7.4%, to €19.9 million in the year ended December 31, 2015 from €21.5 million in the year ended December 31, 2014. The decrease in operating profit was primarily attributable to operating expenses increasing more than the net turnover.

## Liquidity and capital resources

### Historical cash flows

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

	Year ended December 31,		
	2014	2015	2016
	(in millions of €)		
<b>Consolidated Cash Flow Information</b>			
<b>Cash flows from ordinary operating activities:</b>			
<b>Consolidated profit for the year before taxes</b> .....	<b>134.1</b>	<b>219.8</b>	<b>281.5</b>
<b>Adjustments for:</b>			
Depreciation and amortization expenses .....	91.6	122.3	181.9
Allocation to/(reversal of) current provisions .....	0.3	6.1	31.2
Allocation to/(reversal of) non-current provisions .....	15.2	8.8	47.7
Capital grants and other grants taken to income .....	(1.2)	(1.5)	(1.5)
Finance income and expense .....	44.4	58.2	52.4
Net impairment loss on non-current assets .....	7.3	5.1	10.4
Gain/(loss) on disposal of non-current assets .....	0.5	1.6	1.5
Change in fair value of financial instruments .....	(1.4)	(2.3)	(0.5)
Impairments and losses on disposal of non-current financial assets .....	—	—	0.3
Gains/(Losses) on the loss of significant influence over consolidated investments .....	—	—	(9.7)
Profit of companies accounted for using the equity method .....	(9.6)	(16.5)	(4.0)
Impairments and losses due to loss of significant influence over companies accounted for using the equity method .....	—	—	7.0
<b>Operating profit before movements in working capital</b> .....	<b>281.3</b>	<b>401.5</b>	<b>598.2</b>
(Increase)/decrease in trade and other receivables .....	(254.3)	(113.7)	(106.4)
(Increase)/decrease in inventories .....	(102.0)	(50.5)	(167.9)
(Increase)/decrease in other current assets .....	—	—	—
Increase/(decrease) in trade and other payables .....	133.3	32.5	223.8
Increase/(decrease) in other current liabilities .....	17.2	75.2	24.1
Capital grants received/(repaid), net .....	—	—	—
Payments of provisions .....	(10.3)	(10.5)	(21.7)
Unrealized exchange differences and other items .....	(2.2)	16.2	(22.5)
<b>Cash generated from operations</b> .....	<b>63.0</b>	<b>350.7</b>	<b>527.5</b>
Corporate income tax paid .....	(34.1)	(54.8)	(104.6)
<b>Net cash generated by/(used in) operating activities</b> .....	<b>28.9</b>	<b>295.9</b>	<b>423.0</b>
<b>Cash flows from investing activities:</b>			
<b>Dividends received</b> .....	<b>1.1</b>	<b>2.1</b>	<b>2.0</b>
<b>Proceeds from disposal of investments in:</b>			
Intangible assets .....	0.1	0.1	2.9
Associated companies .....	3.0	—	28.9
Group Companies, net of cash in consolidated companies .....	—	—	22.7
Property, plant and equipment .....	4.0	5.1	4.1
Non-current financial assets .....	1.2	—	0.8
Current financial assets .....	0.7	—	—
Non-current assets held for sale .....	—	—	—
<b>Payments for investments in:</b>			
Associates .....	—	(8.4)	(0.7)
Group companies net of the cash of business combinations .....	(1.3)	(431.6)	(61.4)
Property, plant and equipment .....	(85.9)	(119.1)	(194.2)
Intangible assets .....	(57.6)	(51.8)	(91.0)
Investment property .....	—	(0.1)	—
Non-current financial assets .....	(1.9)	(2.5)	—
Current financial assets .....	—	(1.0)	(0.3)

Non-current assets held for sale .....	(6.8)	—	—
<b>Net cash generated by/(used in) investing activities .....</b>	<b>(143.3)</b>	<b>(607.1)</b>	<b>(286.2)</b>
<b>Cash flows from financing activities:</b>			
<b>Proceeds from/(payments for) equity instruments:</b>			
Acquisition of non-controlling interest's shares .....	(0.3)	(0.1)	—
Returns to non-controlling interests .....	(9.9)	(3.7)	(8.5)
<b>Issue of bonds and/(payments for) financial liabilities:</b>			
Proceeds from syndicated loan and senior secured notes .....	600.0	600.0	—
Repayment of syndicated loan .....	—	(4.5)	(8.9)
Proceeds/(repayment) from syndicated bridging loan .....	(400.0)	—	(10.0)
Proceeds from other bank borrowings, net .....	(33.7)	20.5	(16.5)
Proceeds from/(repayment of) other financial liabilities, net .....	0.3	(24.3)	(71.8)
<b>Other cash flows from financing activities:</b>			
Finance income and expense paid, net .....	(51.4)	(63.0)	(60.5)
Dividends paid and payments on other equity instruments .....	—	(6.0)	(16.0)
<b>Net cash generated by/(used in) financing activities .....</b>	<b>105.0</b>	<b>518.9</b>	<b>(192.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>	<b>(9.5)</b>	<b>207.7</b>	<b>(55.4)</b>
<b>Cash and cash equivalents at beginning of the year .....</b>	<b>163.6</b>	<b>154.2</b>	<b>361.9</b>
<b>Cash or cash equivalents at end of the year .....</b>	<b>154.2</b>	<b>361.9</b>	<b>306.5</b>

#### *Net cash generated by/(used in) operating activities*

Our net cash generated by operating activities was €423.0 million in the year ended December 31, 2016, consisting in part of a consolidated profit for the year before taxes of €281.5 million, depreciation and amortization expenses which totaled €182.0 million, finance and income expenses of €52.4 million, payments of corporate income tax of €104.6 million and an increase in working capital of €26.4 million.

Our net cash generated by operating activities was €295.9 million in the year ended December 31, 2015, primarily attributable to a consolidated profit for the year before taxes of €219.8 million, depreciation and amortization expenses which totaled €122.3 million, finance and income expenses of €58.2 million, payments of corporate income tax of €54.8 million and an increase in working capital of €56.5 million.

Our net cash generated by operating activities was €28.9 million in the year ended December 31, 2014, primarily attributable to a consolidated profit for the year before taxes of €134.1 million, depreciation and amortization expenses which totaled €91.6 million, finance and income expenses of €44.4 million, payments of corporate income tax of €34.1 million and an increase in working capital of €205.8 million. This last figure is partially due to €158.7 million non-recourse receivables we had outstanding under the Factoring Agreement as of December 31, 2013, which was cancelled in March 2014.

#### *Net cash generated by/(used in) investing activities*

Our net cash used in investing activities was €286.2 million in the year ended December 31, 2016, primarily attributable to payments for investments in Group companies that totaled €61.4 million and payments for investments in property, plant and equipment of €194.2 million (corresponding to our new plant in Tlaxcala (Mexico), as well as investments in the expansion of existing facilities operated by Antolin-CIE Czech Republic, s.r.o. and Antolin Liban s.r.o. (Liban), both in the Czech Republic; Antolin Interiors USA, Inc. (Spartanburg) and Antolin Interiors USA, Inc. (Atreum-Howell); Grupo Antolin—Silao, S.A. de C.V. (Mexico); Grupo Antolin Besançon, S.A.S. (France) and Antolin Ebergassing GmbH (Austria)). Proceeds from disposals of investments in associated companies during the year ended December 31, 2016 totaled €28.9 million, mainly as a result of the sale of Company's interest in Ningbo Antolin Huaxiang Auto Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto Parts Co., Ltd. Proceeds from disposals of investments in Group companies during the year ended December 31, 2016 totaled €22.7 million, mainly as a result of the sale of Company's interest in Antolin Burg Design GmbH.

Our net cash used in investing activities was €607.1 million in 2015, primarily attributable to payments for investments in Group companies that totaled €431.6 million as a result of the acquisition of the Magna Interiors Business. Payments for investments in property, plant and equipment reached €119.1 million, corresponding to our new plants in Missouri (United States), Tlaxcala (Mexico), Valencia (Spain) and Sanand (India), as well as investments in the expansion of existing facilities operated by Antolin-CIE Czech Republic, s.r.o., Grupo Antolin-Besançon, S.A.S. (France), Grupo



Antolin-Cambrai, S.A.S. (France), Grupo Antolin-Loire, S.A.S. (France) and Antolin Shanghai Autoparts Co., Ltd. (China). Furthermore, we had €51.8 million invested in intangible assets in 2015, mainly due to development expenses in new projects like “Audi Q5”, “Ford P552-F150”, “PSA K0”, “Ford Galaxy CD390”, “BMW F54” and “Ford C04”. Payments for investments in Associated companies during the year ended December 31, 2015 totaled € 8.4 million mainly as a result of the acquisition of a 50% interest in Dae Yee Intier Co., Ltd., a Korean joint venture that produces mainly instrument panels, as part of the acquisition of the Magna Interiors Business.

Our net cash used in investing activities was €143.3 million in the year ended December 31, 2014, primarily attributable to €85.9 million invested in property, plant and equipment, corresponding to our new plants in Missouri (United States), Sibiu (Romania), Valencia (Spain) and Sanand (India), as well as investments in the expansion of existing facilities operated by CML Innovative Technologies, S.A.S. (France), CML Innovative Technologies, GmbH & Co. KG (Germany), Grupo Antolin-Loire, S.A.S. (France), Grupo Antolin-Turnov s.r.o. (Czech Republic), Grupo Antolin-Aragusa, S.A.U. (Spain) and Grupo Antolin-Silao, S.A. de C.V. (Mexico). Furthermore, we had €57.6 million invested in intangible assets in 2014, mainly due to development expenses in new projects like “Mercedes VS20”, “Ford CD390/391”, “Renault Lago XFD” and “VW Passat B8”. Payments for non-current financial assets during the year ended December 31, 2014 totaled € 1.9 million as a result of a loan granted by the Company to a related entity, maturing in 2018 and bearing annual interest at a variable market rate.

#### ***Net cash generated by/(used in) financing activities***

Our net cash generated by financing activities was €192.1 million the year ended December 31, 2016, primarily attributable to repayments of other financial liabilities of €71.8 million primarily related to payables to the Magna Automotive Group, €60.5 million of finance expenses and €35.4 of scheduled loan and debt repayments.

Our net cash generated by financing activities was €518.9 million in the year ended December 31, 2015, primarily attributable to € 600.0 million aggregate proceeds from the 2022 Notes and the amendment to the Senior Facilities, as well as finance expense paid of €63.0 million.

Our net cash generated by financing activities was €105.0 million in the year ended December 31, 2014, primarily attributable to € 600.0 million in aggregate proceeds from the Senior Facilities and the 2021 Notes, as well as the repayment of €400.0 million repayment of syndicated bridge loan and finance expense paid of €51.4 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, as well as other factors.

Following the issuance of the Notes and the repayment of certain of our long-term indebtedness, including the 2021 Notes, the ADE Facility and certain local debt in connection with the Divestment, our long-term indebtedness primarily consists of (i) the Notes, (ii) the 2022 Notes, (iii) the senior term facility and the revolving credit facility made available under the Senior Facilities Agreement, (iii) certain loans granted to us by Spanish public bodies to finance R&D projects and improve competitiveness and (v) other loans and finance leases. See “Capitalization”.

As of December 31, 2016, the cash and bank balances and other liquid assets amounted to €306.5 million. Additionally we had available revolving credit facilities totaling €258.0 million, of which € 200 million correspond to the revolving credit facility made available under the Senior Facilities Agreement and €58.0 million to other credit lines.

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.

Our “free cash flow” for the year ended December 31, 2016, which we calculate by deducting from our EBITDA of such period our capital expenditures, corporate income tax paid and changes in working capital, amounted to €104.5 million. See “—Working Capital” and “—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 Notes and any future debt may limit our ability to pursue any of these alternatives.

In addition, we have paid dividends to our shareholders of €6 million in 2015 and €16 million in 2016. No dividends were paid in 2014.

We are leveraged and have debt service obligations. We have loans and borrowings of €75.1 million maturing between 2017 and 2028 outstanding as of December 31, 2016. These include (i) €21.1 million of other bank loans or obligations, (ii) €5.5 million in interest-bearing soft loans, (iii) €31.8 million in non-interest bearing soft loans, (iv) €11.3 million in drawn revolving credit facilities and (v) €5.4 million in accrued interest, excluding financial remeasurements.

Regarding soft loans, we had eleven soft loans between Grupo Antolin-Ingeniería, S.A.U., Grupo Antolin-PGA, S.A.U and Grupo Antolin-Aragusa, S.A.U. and CDTI (*Centro para el Desarrollo Tecnológico Industrial*) for an aggregate amount of €8.2 million, which must be repaid in ten installments, falling due between 2014 and 2022 mainly. These include €6.3 million of interest-free soft loans. Additionally, as of December 31, 2016, we have € 28.6 million outstanding in soft loans with the (i) the Ministry of Economy and Competitiveness, and (ii) Ministry of Industry, Tourism and Commerce relating to certain public innovation plans in Spain and Portugal. These include €24.9 million outstanding in interest-free soft loans. Certain of such CDTI and other soft loans will be repaid in connection with the Divestment. See “Capitalization”.

## Working capital

The following table sets forth changes to our working capital during the periods indicated:

	As of December 31,		
	2014	2015	2016
	(in millions of €)		
(Increase)/decrease in trade and other receivables .....	(254.3)	(113.7)	(106.4)
(Increase)/decrease in inventories .....	(102.0)	(50.5)	(167.9)
(Increase)/decrease in other current assets .....	—	—	—
Increase/(decrease) in trade, sundry and other payables .....	133.3	32.5	223.8
Increase/(decrease) in other current liabilities .....	17.2	75.2	24.1

<b>Total (increase)/decrease in working capital .....</b>	<b><u>(205.8)</u></b>	<b><u>(56.5)</u></b>	<b><u>(26.4)</u></b>
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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 materials (mainly textile fabric, plastic injection grain, petroleum-based resins and certain metals, including steel, aluminum and copper) 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 materials, services and fixed assets, 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 increased by €26.4 million in the year ended December 31, 2016 as a result of increased activity. Trade and other receivables increased by €106.4 million and inventories increased by €167.9 million. This was partially offset by a €223.8 increase in trade, sundry and other payables.

Net working capital increased by €56.5 million in the year ended December 31, 2015 as a result of increased activity. Trade and other receivables increased by €113.7 million and inventories increased by €50.5 million. This was partially offset by a €32.5 million decrease in trade, sundry and other payables.

Net working capital increased by €205.8 million in 2014. This increase is principally due to a €254.3 million increase in trade and other receivables. This increase is partially due to €158.7 million non-recourse receivables we had outstanding under the Factoring Agreement as of December 31, 2013. If we include these factored receivables, trade and other receivables would have increased €95.6 million, and net working capital would have increased €47.1 million. In the period between December 1 and December 31 of each calendar year, the factoring occurred on a non-recourse basis. As part of the issuance of the 2021 Notes, the Factoring Agreement was canceled in March 2014. Additionally, in the year ended December 31, 2014 inventories increased by €102 million principally due to increased tooling operations. This was partially offset by a €133.3 million increase in trade, sundry and other payables mainly as a result of increased tooling operations.

Our working capital requirements are mainly related to our inventories as the degree of vertical integration in our company is high.

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 as a result of 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 materials.

## Capital expenditures

The following table sets forth our cash used in investing activities for the periods indicated:

	As of December 31,		
	2014	2015	2016
	(in millions of €)		
Property, plant and equipment.....	(85.9)	(119.1)	(194.2)
Intangible assets .....	(57.6)	(51.8)	(91.0)
<b>Capital expenditures .....</b>	<b>(143.5)</b>	<b>(170.9)</b>	<b>(285.2)</b>
Associated companies .....	—	(8.4)	(0.7)
Group companies.....	(1.3)	(431.6)	(61.4)
Non-current financial assets .....	(1.9)	(2.5)	—
Current financial assets .....	—	(1.0)	(0.3)
Non-current assets held for sale.....	(6.8)	—	—
<b>Payments for investments .....</b>	<b>(153.4)</b>	<b>(614.5)</b>	<b>(347.6)</b>

Payments for investments during the years ended December 31, 2014, 2015 and 2016 totaled €153.4 million, €614.5 million and €347.6 million, respectively. Our capital expenditure consists principally in expenditure on development expenses, property, plant and equipment.

The main investments in property, plant and equipment in the year ended December 31, 2016 correspond to (i) our new plant in Tlaxcala, Mexico and (ii) investments in the expansion of existing facilities, such as Grupo Antolin-Besançon, S.A.S. (France), Antolin Ebergassing GmbH (Austria), Antolin-CIE Czech Republic, s.r.o. (Czech Republic), Antolin Liban s.r.o. (Czech Republic), Grupo Antolin—Silao, S.A. de C.V. (Mexico) and in the Antolin Interiors USA, Inc. facilities in Spartanburg and Atreum-Howell (United States).

Investments in intangible assets in the year ended December 31, 2016 related mainly to development expenses on certain new projects including “PSA K9 Seat”, “Opel E2xx Instrument Panel”, “BMW G32 Door Panel”, “PSA HAB02 Seat”, “VW 416 Door Panel and Headliner”, “Opel Insignia Instrument Panel”, “Mercedes G-class Instrument Panel”, “BMW G29-J29 Instrument Panel”, “BMW G14 Coupé Door Panel” and “Chevrolet C1UC Instrument Panel”.

The main investments in property, plant and equipment in the year ended December 31, 2015 correspond to our new plants in Kansas and Michigan (both in the United States), Tlaxcala (Mexico) and Valencia (Spain), as well as investments in the expansion of existing facilities such as Grupo Antolin-Besançon, S.A.S. and Grupo Antolin-Cambrai, S.A.S., Grupo Antolin-Loire, S.A.S. (all in France), Antolin-CIE Czech Republic, s.r.o., (Czech Republic) and Antolin Shanghai Autoparts Co., Ltd. (China). The main investments in 2014 correspond to our new plants in Missouri (United States), Sanand (India), and Hubei (China), as well as investments in the expansion of existing facilities.

Investments in intangible assets in the year ended December 31, 2015 related mainly to development expenses on certain new projects including “Audi Q5 Panel”, “Ford P552-F150 Pilar”, “PSA K0 Seat”, “Ford Galaxy” CD390 Panel”, “BMW F54 Headliner” and “Ford C04 Panel”. Investments in intangible assets in 2014 related mainly to development expenses on certain new projects including “Mercedes VS20”, “Ford CD390/391”, “Renault Lago XFD” and “VW Passat B8”.

In the year ended December 31, 2015, investments in Group and associated companies, reflect the acquisition of the Magna Interiors Business.

In the year ended December 31, 2014, investments in Group and associated companies, reflect the August 2014 acquisition of the remaining 25% stake in Antolin Avtotechnika Nizhny Novgorod, Ltd. for €0.3 million. The Company now holds 100% of this subsidiary that produces headliners and window regulators for Russian subsidiaries of strategic customers such as Ford, Volkswagen Group, Renault-Nissan and Skoda. Additionally, in September 2014 the Company acquired 100% of Machino Auto Comp, Ltd. (renamed Grupo Antolin Chakan Ltd.), a leading Indian manufacturer of plastic components for the automotive sector for €1.4 million.

In 2017, the Company expects to increase capital expenditures as a result of deferred capital expenditures, from 2016, as well as to drive future growth, particularly with investments in Spartanburg, Silao, Kescemet and Alabama (Overheads), Sterling Heights, Massen, Saltillo (Doors), Besançon, Guangzhou and Bamberg (Lighting) and Tianjin and Straubing (Cockpits).

## Contractual obligations

We have included below contractual commitments providing for payments primarily pursuant to our outstanding financial debt, including the financial obligations arising from the Notes, but excluding financial derivatives and the financial debt associated with (i) the 2021 Notes, (ii) the ADE Facility and (iii) the credit lines and other loans repaid in connection with the Divestment. See “Capitalization”. Based on these assumptions, our *pro forma* consolidated contractual obligations as of December 31, 2016 would be as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
	(in millions of €)			
<b>Contractual Obligations</b>				
Interest bearing loans and borrowings <sup>(1)</sup> .....	1,242.1	29.2	403.1	809.7
Financial leases .....	3.7	1.2	2.5	—
<b>Total Financial Debt</b> .....	<b>1,245.8</b>	<b>30.4</b>	<b>405.6</b>	<b>809.7</b>
Operating leases .....	196.2	38.7	112.5	45.1
Other current liabilities .....	13.5	12.9	0.6	—
<b>Total Operating leases</b> .....	<b>209.7</b>	<b>51.6</b>	<b>113.1</b>	<b>45.1</b>

- (1) Interest bearing loans and borrowings consists of (i) amounts incurred under the Notes, the €400.0 million of 2022 Notes and the €386.6 million outstanding under our Senior Facilities Agreement, (ii) €12.7 million of other bank loans or obligations, (iii) €3.5 million in interest-bearing soft loans, (iv) €23.9 million in non-interest bearing loans, (v) €10.0 million in drawn revolving credit facilities and (vi) €5.3 million in accrued interest, excluding financial remeasurements.

### Off-balance sheet arrangements

There are currently no significant off-balance sheet arrangements.

### Critical accounting policies

Our financial statements and the accompanying notes contain information that is pertinent to this discussion and analysis of our financial position and results of operations. The preparation of financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. For a detailed description of our critical accounting policies, see note 3 to our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 included elsewhere in this offering memorandum.

We have adopted IFRS 10, 11 and 12 with effect from January 1, 2014. Among other things, these new standards eliminate the use of the proportional consolidation method for jointly controlled companies. Certain of our joint arrangements, the terms of which are renegotiated from time to time, may be reclassified as either joint ventures and accounted for using the equity method or be fully consolidated. Any change arising from the application of these new accounting standards would be presentational in nature and will not affect underlying cash flows. Under the Indenture and the indenture for the 2022 Notes, the financial ratios and financial definitions are generally determined in accordance with IFRS as in effect from time to time.

The directors of the Company have assessed the potential impacts of applying these new standards in the future and consider that it may be significant for presenting and analyzing certain items on our consolidated financial statements, although they will not affect the profit and loss attributable to the Company or the net equity attributable to its shareholders.

### Market risks

Our activities are exposed to a number of financial risks: market risk (fair value risk and price risk), credit risk, liquidity risk, exchange risk and interest-rate risk on cash flows. Our global risk management program is focused on the uncertainty of financial markets and seeks to minimize potential adverse effects on our financial performance. We use financial derivatives to hedge against certain risks. Risk management is controlled by our financial department (“**Financial Department**”) in accordance with policies approved by our board of directors (“**Board of Directors**”). Our Financial Department identifies, evaluates and hedges financial risks in close cooperation with our operating units. Our Board of Directors determines policies for the global management of risk, and for specific risk areas such as currency risk, interest rate risk, liquidity risk, risk derived from the use of derivative and non-derivative financial instruments and the investment of cash surpluses.

We are exposed to the risk of changes in market value of the investments held as “available for sale” which are classified under “non-current financial assets” in the consolidated statements of financial position.

The risk deriving from a possible increase in the prices of materials, including the purchase of components used in the production processes, is mitigated by the fact that we operate with our main suppliers under long-term agreements which afford stability in prices. On the other hand, we negotiate with our customers to pass on increases in the prices of certain materials. The terms of agreements with customers have resulted in lower prices, which could reduce our margins. We nevertheless develop improvement programs and tools to offset these decreases with increases in productivity. We also negotiate with our suppliers to help them absorb these price reductions.

### Credit risk

Our customer portfolio is diversified across the major vehicle manufacturing groups, as a result of which there is no particular concentration of credit risk. In the past, motor vehicle manufacturers were deemed not to have a major credit risk. We therefore consider that, in spite of the difficulties facing the motor vehicle sector, the credit ratings of its debtors are sound and

its receivables will be collectable as normal. We have policies for other customers to ensure that they in turn sell to customers who have suitable credit histories.

The credit risk on cash and cash equivalents, financial derivatives and deposits with banks and financial institutions is deemed to be immaterial, as these operations are only entered into with financial institutions with high credit ratings. We have policies for limiting the amount of the risk with any financial institution.

### ***Liquidity risk***

We manage liquidity risk prudently, based on maintaining sufficient cash and negotiable securities, the availability of funding by means of sufficient committed credit facilities and the capacity to liquidate positions in the market. Furthermore, the centralized cash pooling system we have set up allows us to manage financial resources with greater efficiency. Given the dynamic nature of the underlying businesses, our Financial Department aims to keep financing flexible through its use of the Senior Facilities.

### ***Interest rate risks for cash flows and fair value risk***

Given that we do not carry major amounts of interest-earning assets, our operating revenues and cash flows are fairly independent of the variations in market interest rates.

Our interest rate risk stems from our non-current borrowings. Our variable rate borrowings expose us to interest-rate risks for cash flows. Our fixed rate borrowings expose us to fair value interest rate risks at the end of the 2016 reporting period, taking into account financial derivatives contracted, approximately two thirds of borrowings were at fixed interest rates.

We mainly manage the interest rate risk on cash flows using variable to fixed interest rate swaps. These interest rate swaps have the financial effect of converting variable interest rate borrowings into fixed interest rate borrowings. We generally borrow long term at variable interest rates and swaps them for fixed interest rates that are normally lower than those that we would have obtained had we borrowed directly at fixed rates. Under the terms of the interest rate swaps, we undertake to exchange with other parties, at set intervals (normally every six months), the difference between the fixed interest and the variable interest calculated based on the notional amount contracted.

We have carried out a sensitivity analysis for the amounts of the variable interest rate debt at December 31, 2016, taking into account the contractual terms of the funding in force at said date, and concluded that a 0.5% change in interest rates would lead to an increase of approximately €0.5 million in interest expense. This sensitivity analysis did not take into account the debt hedged by the interest rate swaps contracted for a notional amount of €70 million.

We consider that there are no significant differences between the carrying amount and the fair value of financial assets and liabilities.

### ***Foreign currency risks***

Our international expansion and our ever-growing volume of business outside the euro zone expose it to exchange rate risks in currencies such as the Czech crown, the British pound, the Brazilian real, the US dollar or the Mexican peso, which could have an impact on our results. To reduce our exposure to this risk, we avail ourselves of a variety of mechanisms, such as using local suppliers and negotiating with customers and suppliers to hedge against major movements in currencies. We have not entered into any foreign-currency hedge rate agreements or forward contracts.

We have carried out a sensitivity analysis of the key figures in our 2016 income statement, and have concluded that a 5% rise in the euro against currencies such as the Czech crown, the Brazilian real, the US dollar, UK pound and the Mexican peso, would have reduced our revenues by approximately €138.3 million or approximately 2.6%, and our EBITDA would have decreased by approximately €11.8 million.

### ***Commodity risk***

The primary materials used in our business are textile fabrics, plastic injection grain, petroleum-based resins and certain metals, including, steel, aluminum and copper. We are mostly neutral to changes in the price of materials as a result of our pass through arrangements with OEMs, which function as a hedge of our material costs.

## INDUSTRY

*You should read the following discussion together with the sections entitled “Selected Financial and Other Information”, “Risk Factors” and “Forward Looking Statements”.*

### Introduction

The automotive industry designs, develops, manufactures, markets, sells and services motor vehicles which are usually classified into light vehicles and heavy commercial vehicles. The light vehicle segment is comprised of passenger cars, vans and light trucks with a gross vehicle weight of less than six tons, while the heavy commercial vehicle segment consists of vehicles with a gross vehicle weight of greater than six tons.

The automotive production value chain is split between OEMs such as Volkswagen Group, Renault-Nissan and Ford and automotive suppliers, such as Bosch, Continental, Magna and us. Automotive suppliers are then generally further categorized into three different tiers. Tier 1 suppliers such as us sell their products directly to OEMs. Typically these products are larger modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers provide individual components or component groups which in turn typically integrate individual parts produced by a further layer of Tier 3 suppliers. A clear delineation of the suppliers as Tier 1, Tier 2 or Tier 3 is not always possible because suppliers often manufacture and sell numerous products or product groups.

Automotive suppliers are typically further divided into sub-segments based on their components' function within the car. Each of these sub-segments is comprised of various product groups. A typical classification of automotive suppliers by vehicle function could include the following sub-segments: powertrain, body and structural, electronics, interior, transmission, suspension, climate control, wheels and tires, steering, fuel systems, passenger restraints, audio and telematics, exhaust and body glass. There are many different market leaders in the respective market niches. Consequently, a consistent definition of these niche markets does not often exist, and it is very difficult to determine the market position of an individual supplier by using objective criteria.

As an automotive supplier of interior components, our revenue development is linked to the development of automotive production numbers and changes in the content per vehicle for the components we produce.

### Overview of and key trends in the interior components market

We mainly act as a supplier to OEMs in the interior components market. The interior market in the broader sense is comprised by all the products and components that form the cabin interior of the car and surround the driver and passengers. As such, interior components have a direct effect on driver and passenger comfort and safety and therefore are important components that allow OEMs to differentiate between car models. Products typically included in this category are among others: instrument panels, arm and head rests, headliners, door panels, carpeting and floor covers, glove boxes, sun visors, interior panels, power controls, ashtrays, air outlets, handles, sound deadeners and horn pads.

Key trends in the interior market include higher consumer expectations of interior comfort, and likewise the demand for a higher standard of vehicle interior content. According to the J.D. Power and Associates 2012 Initial Quality Study examining consumer purchasing preferences, interior comfort is the second most important purchasing factor influencing vehicle selection. In addition, according to the J.D. Power and Associates 2013 Avoider Study, which examined the reasons consumers do not consider, or avoid, particular models when shopping for a new vehicle, almost 20% of consumers do not consider vehicles with poorly executed interiors. The trend towards higher consumer expectations of interior content increases demand for qualities such as improved fit, finish and craftsmanship in interiors across all vehicle types. We believe OEMs are dedicating a larger portion of total cost per vehicle to interior components as they “upscale” vehicle interiors across their entire portfolio of platforms, from compact to sports utility vehicles to luxury vehicles. Suppliers with advanced design, materials and manufacturing capabilities to deliver a broad suite of interior component products across a wide range of price points should benefit from this continued focus on interior comfort and craftsmanship by both consumers and OEMs.

Additionally, OEMs are driven by regulatory changes and consumer preferences to invest heavily in environmental initiatives such as fuel efficiency, reduced emissions and overall environmental friendliness including recycling. See “—Market and industry trends”. This creates a need for interior components that are lighter-weight, have improved acoustical



performance and are environmentally friendly and will continue to provide an opportunity for differentiation for interior component supplier as OEMs strive to reduce the ecological footprint of their vehicles.

The automotive interior market has undergone substantial supplier rationalization over recent years. In 2008 and 2009, the decline in vehicle production volumes dramatically affected the financial condition of many OEMs and, consequently, many automotive suppliers were forced to either seek bankruptcy protection or liquidate. As a result, significant industry consolidation occurred within the automotive interiors segment. We expect this consolidation to continue as OEMs increasingly look to partner with a small number of global suppliers that have a broad product portfolio, a global manufacturing footprint as well as integrated design, engineering and program management capabilities. As the market continues to recover, we anticipate further consolidation as well-capitalized suppliers continue to vertically integrate their operations and expand geographies and diversify their product offering.

### **Market and industry trends**

The global automotive supplier market is characterized by the following trends and growth factors:

***The market share of low-cost and premium automotive segments are expected to increase at the expense of the mid-market volume segment***

In the long term, the automotive market is expected to shift focus away from mid-market towards low-tech and low-cost vehicles on the one hand and function oriented, innovative vehicles for premium customers on the other. In recent years, the market share of low-cost passenger cars (*i.e.* cars costing less than €7,000) has been increasing, predominantly in China, India, Brazil and Eastern Europe, and sales of small passenger cars are expected to grow further. These cars are mainly manufactured and sold in high-growth countries in APAC, as well as in Brazil and Eastern Europe. Growth in the premium segment is also expected to be driven by emerging markets, including China, India and Africa. Vehicles in the premium segment tend to be more technologically advanced in each sub-segment of automotive components, including the interior components segment.

***Stricter carbon dioxide emission regulations and other regulatory and demand drivers worldwide are forcing OEMs to improve fuel efficiency and environmental friendliness of vehicles***

The development and production of more fuel-efficient vehicles is a key growth trend in the automotive sector. It is driven by consumers' preference to save money on fuel (particularly given rising oil prices) and regulatory factors. Furthermore, increasing social and environmental awareness among end consumers is expected to play a greater role in vehicle purchase decisions. Consequently, OEMs face ongoing pressure to improve the fuel efficiency of their vehicles and thereby reduce carbon dioxide emissions. The regulatory obligation to improve the efficiency of existing technologies and to develop new environmentally friendly technologies, aimed at reducing fuel consumption and a consequent reduction in carbon dioxide emissions, is becoming a key focus for OEMs given stringent carbon dioxide consumption and emission standards throughout the industrial world, including in the European Union, the United States, China and Japan.

The development and production of innovative components and systems contributing to emission reduction is a key growth area in the automotive sector. Many countries have adopted emission regulations which set limits on the amount of pollutants that new vehicles can emit. These regulations limit, in particular, the emission of carbon monoxide, nitrogen oxides, hydrocarbons and particulate matter, all of which are considered harmful to human health. Within the next several years emission limits worldwide are expected to become increasingly restrictive given growing environmental awareness. Regulations have been adopted in both developed and emerging markets; Brazil, India and China, for example, tend to adopt similar regulations a few years after they have been approved in Europe. The emission limits for nitrogen oxides and particulate matters emitted by diesel vehicles are expected to face the most substantial reductions. In the European Union, for example, the regulatory standard Euro 6, which became compulsory for all new passenger cars in 2015, reduced the emission limit of nitrogen oxides for diesel vehicles from 180 mg/km today to 80 mg/km. The tightening of emission regulation worldwide will drive demand for more eco-friendly products, forcing OEMs and suppliers to develop innovative components and systems which comply with the more restrictive emission legislation.

### ***Increasing number of electric and hybrid cars and the emergence of hydrogen powered vehicles***

Consumers are becoming increasingly environmentally conscious and this is affecting their vehicle purchase choice. A rising number of both electric and hybrid vehicles can be observed on the roads, with hybrids being more popular than purely electric vehicles. However, the rates of adoption of these vehicles has so far been relatively slow, largely due to their relatively high price, short driving range and the lack of battery re-charging infrastructure, even in developed countries. Market observers predict that it will be a number of years until battery technology is improved and becomes affordable for mainstream use in automobiles. Moreover, it will also take some time to develop charging stations to support these types of vehicles. Once these obstacles have been overcome, take-up of both hybrid and electric cars is likely to increase. During this stage we are likely to see an increase in the number of automotive suppliers who manufacture electric motors, advanced automotive batteries as well as semiconductors, connectors and sensors which the vehicles will need.

### ***The move to common, global platforms provides strong opportunities for global suppliers, while increasing the pressure to globalize further***

OEMs are increasingly designing vehicle models built on common but variable platforms which can be produced in high volumes. The use of common platforms allows OEMs to increase economies of scale across the value chain, differentiate their products from those of their competitors, expand the number of product segments in which they compete, extend the life of existing automobile platforms and remain responsive to changing lifestyle trends and customer tastes. This trend towards common platforms provides automotive suppliers such as us increased opportunities to supply larger volumes of products and also to benefit from economies of scale. Furthermore, there is an increased dependency on suppliers capable of managing complex projects, which in turn assures the quality standards across geographies globally.

### ***There is strong consolidation pressure among global suppliers driven by evolving OEM requirements***

In order to take advantage of the operational economies of scale across the value chain, OEMs are encouraging consolidation of their supplier-base with an increased focus on large, technically and financially strong global suppliers capable of producing consistent and high-quality products across geographies. The OEMs we supply use a number of factors to determine their suppliers including, among other things, quality, service (including location, service interruptions and on-time delivery), in-house R&D and technological capabilities, overall track record and quality of relationship with the OEM, production capacity, financial stability and price. In recent years, we have noticed that development expertise, an extensive geographical footprint, consistent and high quality production capability and diverse ancillary competencies tend to offset price-sensitivities among OEMs who appreciate the added-value inherent in these other factors.

### ***The regional shift of the automotive industry will continue to intensify with the continuing increase in demand for vehicles in emerging markets***

While vehicle production demands have fluctuated across the global economy in recent years, particularly at the height of the global financial crisis in 2008 and 2009, on a normalized level the demand in emerging economies has generally continued to increase. Industry sources forecast that in the years to 2020 there will be a higher CAGR of sales in Brazil, Russia, India and China and in other emerging economies than that experienced in more mature economies, such as those of Western Europe. In response to this, OEMs continue to develop their presence in these markets, resulting in an increased need for OEMs to establish supplier networks beyond their home markets, including the migration of component and vehicle design, development and engineering activities to certain of these markets. In certain of these markets, such as China, there is already significant demand for new, premium brand vehicle models. Nevertheless, vehicle demand in these emerging economies is predominantly for less advanced models with lower entry-level price points. This increasing local demand of emerging markets has helped boost the local automotive industry in these countries and has attracted investments in manufacturing from North American, European and APAC based automobile manufacturers, through stand-alone investments and joint ventures with local partners. The evolution of volume demand in these markets is in tandem with an evolution of regulatory and industry standards modelled after those set earlier by more mature economies. This trend offers automobile suppliers such as ourselves an opportunity to expand our business with our customers in these emerging markets.

***Increased outsourcing by OEMs is driving a closer relationship with a selected group of suppliers that are acting as development partners***

As OEMs increasingly focus their resources on automobile assembly, they are either maintaining or increasing the levels of production outsourcing to suppliers such as ourselves. As they grow outside of their home markets, they are more inclined to turn to external suppliers for content they might have done in-house. Suppliers such as ourselves can benefit from economies of scale derived from serving various customers that our OEM customers find more difficult to achieve in our product segment when manufacturing abroad. In addition, specialization has led to advances achieved by suppliers such as ourselves in certain technologies, which OEMs find difficult to match in-house in price and quality, thereby increasing outsourcing in these areas, even in mature economies. Furthermore, while know-how is still being developed by suppliers and the design is still controlled by OEMs, there is an increased importance in the collaboration with Tier 1 suppliers.

***OEMs and suppliers increasingly pursue cooperative agreements to achieve scale quickly***

In order to achieve economies of scale and defray developments costs, competing automobile component manufacturers are increasingly entering into cooperative alliances and arrangements relating to shared purchasing of components, joint engine, powertrain and/or platform development and sharing and other forms of cooperation. This cooperation among competing automobile component manufacturers is expected to continue. For example, we have entered into joint ventures in emerging markets to accelerate our international expansion with partners such as Krishna Maruti Limited (belonging to the Krishna Group) in India, NHK Spring (Thailand) Co., Ltd in Thailand, SKT Yedek Parca ve Makina Sanayi ve Ticaret A.S. in Turkey, Changshu Automotive Trim Co., Ltd. in China, Dae Yee Intier Co., Ltd in South Korea and our partner in Plastimat Hungary Kft. in Hungary.

**Automotive production development by region**

Automotive production worldwide grew from 74.3 million vehicles in 2010 to 92.4 million vehicles in 2016 at a CAGR of 3.7%. The following is a brief description of selected historical and forecast light vehicle production in key regions in which we operate, as well as selected annualized growth rates in production. Both historical and forecast data is based on data published by an independent third party provider. There can be no assurance that any of the forecasts presented below will be accurate.

***Europe***

Following the financial crisis in 2008 and 2009, the automotive industry in Europe went through a challenging period with several supplier insolvencies, substantial overcapacity and capacity reduction efforts, as well as reduced investments. Thereafter, Europe experienced a period of growth in automotive production, from 19.1 million vehicles in 2010 to 21.5 million vehicles in 2016, representing a CAGR of 1.9%. Growth during this period was particularly strong in the United Kingdom, which experienced automotive production growth between 2010 and 2016 at a CAGR of 4.7%.

By 2020, automotive production in the region is expected to grow to 23.4 million vehicles, representing a 2016-2020 CAGR of 2.2%. This figure varies from country to country, for example automotive production growth of negative 0.2% is expected in Spain. While domestic demand in Spain remains subdued, local production is mostly designated for export to other European and international markets and benefits from a favorable cost position compared to other Western European markets. This is demonstrated by the fact that seven of the ten best selling cars in Europe in 2016 were at least partially produced in Spain: Volkswagen Group, Renault-Nissan, Ford, Opel, Mercedes-Benz, PSA Group and Audi.

A production shift from Western to Eastern Europe has gradually taken place over the past decade. This trend was reinforced with the introduction of so-called “scrapping schemes” by a number of European countries in 2008 and 2009, including Austria, France, Germany and Spain. The schemes were designed to support the automotive industry during the crisis, and offered “scrappage” premiums to consumers buying a new car, in return for “scrapping” their older cars. The schemes tended to favor smaller, low-cost vehicles, a significant portion of which were produced in Eastern Europe.

***North America***

North American car manufacturers faced significant challenges in the financial crisis, and the US government provided “bail-outs” to Chrysler and General Motors. Subsequently, production volumes rebounded from 11.8 million vehicles

in 2010 to 17.9 million vehicles in 2016, representing a CAGR of 7.1%. This growth was driven by improvement in the broader macroeconomic environment and consumer sentiment, as well as low interest rates. By 2020, automotive production in the region is projected to grow to approximately 19.0 million vehicles, representing a CAGR of 1.5%. A continuing trend in North America is the fast growing European “transplants”, or localization of European OEM production capacity in North America. The potential tax code changes proposed by the Trump administration (border tax adjustments) may have an impact on future growth in the region, although no final measures have been officially agreed so far.

### ***Mercosur***

Automotive production in Mercosur experienced negative growth between 2010 and 2016, decreasing from 3.9 million vehicles in 2010 to 2.5 million vehicles in 2016, representing a CAGR of negative 6.9%. By 2020, automotive production is projected to reach 3.2 million vehicles, representing a CAGR of 6.1%.

Within Mercosur, Brazil is the largest automotive production market. The Brazilian government introduced tariffs and raised the tax on imported cars at the end of 2011, with further measures including tax breaks for OEMs if they did more engineering work in Brazil and used Brazilian automotive suppliers. On the demand side, Brazil introduced tax breaks on vehicles in 2012 to stimulate both sales and production.

### ***APAC***

The key automotive manufacturing countries in the region are China, followed by Japan, South Korea and India. Overall, the crisis had a limited impact on the region, but was more pronounced in Japan and South Korea, with Chinese manufacturing volumes remaining strong through the cycle. Automotive production in Asia (excluding Japan) grew from 27.4 million vehicles in 2010 to 39.1 million vehicles in 2016, representing a CAGR of 6.1%. In India, in particular, automotive production grew from 3.2 million vehicles in 2010 to 4.1 million vehicles in 2016, representing a CAGR of 4.0%. By 2020, automotive production in APAC is projected to reach 45.7 million vehicles, representing a CAGR of 3.9%.

In recent years, China has become a key growth market with a number of OEMs and suppliers establishing production facilities in the country. As a result, automotive production in China grew at a CAGR of 8.0% between 2010 and 2016 (from 16.8 million vehicles in 2010 to 26.6 million vehicles in 2016), and is projected to grow at a CAGR of 3.2% between 2016 and 2020 (to 30.2 million vehicles in 2020). A similar trend is observed in India, where automotive production grew at a CAGR of 4.0% between 2010 and 2016 (from 3.2 million vehicles in 2010 to 4.1 million vehicles in 2016), and is projected to grow at a CAGR of 8.6% between 2016 and 2020 (to 5.7 million vehicles in 2020).

## BUSINESS

### Our Company

We are a leading Tier 1 player in the design, development, manufacturing and supply of automotive interior components, offering multi-technology solutions for overhead systems (or headliners) and soft trim, doors and hard trim, cockpits and center consoles and lighting systems for sale to OEMs. We have a geographically diversified platform of 167 manufacturing plants and JIT assembly and sequencing facilities, as well as 29 TCOs in 26 countries worldwide as of December 31, 2016. We supplied our products globally to the top 15 OEMs by production volume in 2016. We provided components for over 510 different vehicle models and we believe we supplied products for approximately one out of every three vehicles manufactured worldwide. Our product, geographical and customer diversification allows us to take advantage of global growth opportunities, in particular our presence in Eastern Europe, North America, Mercosur and APAC, which in the past has mitigated the impact of regional production fluctuations on our business during economic downturns. We are headquartered in Burgos, Spain, and in 2016 our average number of employees was approximately 27,000.

Our revenue and EBITDA for the year ended December 31, 2016 amounted to €5,247.3 million and €520.7 million, respectively. We are wholly-owned by the Antolín family, who is fully committed to our business.

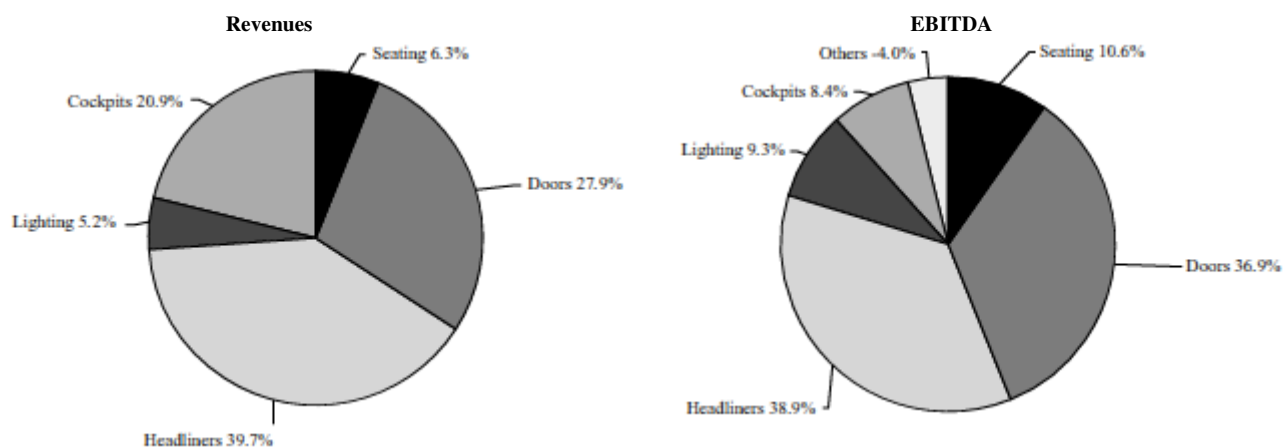
As of December 31, 2016, we organize our activities around five business segments:

- **Headliners:** We believe we are a leader in the manufacturing of headliner modular solutions, incorporating acoustic, safety, panoramic and lighting functionalities. We cover the entire product spectrum for overhead systems, from the headliner substrate to more complex modular systems. We use key technologies for headliner substrates and benefit from full vertical integration, from the core polyurethane foam production to the final assembly of the overhead systems. Furthermore, the incorporation of sunvisors into the overhead system is an important aspect of this business segment. We produce sunvisors in all technologies available in the market, adding a whole range of functionalities to the end product. As part of the integration of the Magna Interiors Business, our soft trim activities, including load floors, package trays, side linings, accessible floor bins and floor coverings, were moved to this business segment. In addition we have a line of acoustic solutions such as deadeners and underbody shields and we produce our own tuft-velour carpets for premium vehicles. Our revenue and EBITDA attributable to our Headliners segment amounted to €2,084.2 million and €202.6 million for the year ended December 31, 2016, respectively, which represented 39.7% and 38.9% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we believe we were a leader in overhead systems, with 27% of the global market share, and in sunvisors, with 37% and 13% market shares of sunvisors in Europe and globally, respectively. In addition, we believe we are a leader in sunvisors in Mercosur, with a market share of 21%. In 2016, the Headliners business segment included 68 facilities.
- **Doors:** We have expertise in the manufacturing and supply of a wide range of door systems such as door panels (including front, rear and sliding door panels), pillars (including upper and lower pillar trim and quarter trim panels), window regulators, rear cargo and lift gate trim. We produce a wide range of specialized plastic parts, some of them with weight reduction and environmentally-friendly properties. We produce an extensive range of door mechanisms, from window regulators to complex modules. We also produce seat latches for specific vehicle platforms. Our revenue and EBITDA attributable to our Doors segment amounted to €1,461.5 million and €192.0 million for the year ended December 31, 2016, respectively, which represented 27.9% and 36.9% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we believe we were a leading producer in Europe with a market share of 23% in door panels, 15% in window regulators and 22% in pillars. We believe we were also a significant producer of door panels and window regulators in the Mercosur region with a 4% market share in door panels and a 14% market share in window regulators. In 2016, the Doors business segment included 49 facilities.
- **Cockpits:** We are a global producer and supplier of cockpit modules, including instrument panels, center consoles and glove boxes, which we design, engineer and manufacture. Our capabilities include design and engineering, styling, tooling, manufacturing, assembly and sequencing and electrical/electronic system integration. The cockpit module plays a key role in defining the driver's experience and it integrates the instrument panel and several control functions such as wiring harness, instrument cluster, air vents, decorative inlays, glove boxes and passenger airbag systems, among others. The instrument panel is a key element of the

cockpit module and is comprised of a sophisticated system of trims, foams, composites and metals. The center consoles are designed and manufactured to operate vehicle functions and store items. The primary technologies and processes involved in the manufacturing of these systems include low pressure and injection molding, compression molding, vacuum forming, slush skins, spray urethane, decorative stitching as well as manual and automated assembly and sequencing. Our revenue and EBITDA attributable to our Cockpits segment amounted to €1,095.7 million and € 43.6 million for the year ended December 31, 2016, respectively, which represented 20.9% and 8.4% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, we were a significant producer in Europe, where we believe we had a market share of 7% in instrument panels. In 2016, the Cockpits business segment included 12 facilities, all of which were originally part of the Magna Interiors Business and which are currently integrated within the Group.

- Lighting:** We believe we were a leading manufacturer of interior automotive lighting components in Europe, with a 30% market share of overhead front consoles in 2016. We believe we have a 15% market share of the overhead front consoles sold globally in 2016. Our lighting product portfolio comprises interior solutions based on LED including overhead consoles, side reading lamps, multi-purpose lamps, ambient lighting, electronics/smart lighting and exterior solutions such as daytime running lamps, center high mounted stop lamps, direction, position and license plate indicators. We are one of the few suppliers which benefit from full vertical integration in the production of lighting components, from the manufacture of plastic parts and lenses, to the electronics and the light function. The potential integration of lighting elements with other interior automotive components increasingly offers synergies with our other business lines as lighting is incorporated in instrument panels, door paneling and overhead systems, allowing us to offer our customers an integrated and innovative range of customized interior solutions, which we believe gives us an additional competitive advantage over other players in our industry. Creating light scenarios and sophisticated atmospheres is one of our main areas of expertise. Our revenue and EBITDA attributable to our Lighting segment amounted to €272.4 million and €48.2 million for the year ended December 31, 2016, respectively, which represented 5.2% and 9.3% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, our Lighting business segment included 8 facilities.
- Seating:** The Seating business segment develops high added value light-weight second and third row seats for MPVs, LCVs and vans. The seating product portfolio comprises in-house developed automatic anchorage seats which are marketed under the Drop&Go brand, fold into floor seats and seats and benches with integrated three point belts. Our revenue and EBITDA attributable to our Seating segment amounted to €331.9 million and €55.2 million for the year ended December 31, 2016, respectively, which represented 6.3% and 10.6% of our total consolidated revenue and EBITDA for that same period, respectively. In 2016, the Seating business segment included 12 facilities. On February 6, 2017, we agreed to sell the Divested Business, which included our Seating segment, to Lear Corporation. See “Summary—Recent Developments” for additional information.

The percentage of revenues and EBITDA derived per business segment for the year ended December 31, 2016 are as follows:



- (1) “Other” is not a primary business segment and its operations support our primary business segments. It is included herein for the purposes of reconciliation and we do not consider it material. “Other” includes a wide range of results generated mainly by Grupo Antolin-Ingeniería, S.A.U., TCOs and consolidated pricing adjustments.

We believe that our financial and operational success and stability have been, and continue to be, driven by our strategic, customer-focused geographical growth and diversified revenue streams, as well as our manufacturing, process, design and technological expertise. We believe that these factors have allowed us to achieve our position as a leading global supplier in the automotive industry, with high strategic importance to many of the largest OEMs.

## **Our Industry**

The automotive industry designs, develops, manufactures, markets, sells and services motor vehicles which are usually classified into light vehicles (passenger cars and light commercial vehicles) and heavy commercial vehicles. The automotive production value chain is split between OEMs, such as Volkswagen Group, Renault-Nissan and Ford and automotive suppliers, such as Bosch, Continental, Magna and us. Automotive suppliers are then generally further categorized into three different tiers. Tier 1 suppliers like us sell their products directly to OEMs. Typically these products are larger modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers provide individual components or component groups which in turn typically integrate individual parts produced by a further layer of Tier 3 suppliers.

Automotive suppliers are typically further divided into sub-segments based on their components’ function within the car. As an automotive supplier of interior components, our revenue is linked to the development of automotive production numbers and changes in the content per vehicle for the components and systems we produce. The interior market in the broader sense is comprised by all the products and systems that form the cabin interior of the car and surround the driver and passengers. As such, interior components have a direct effect on driver and passenger comfort and safety and therefore allow OEMs to differentiate between car models.

As the automotive industry continues to evolve, global trends have developed across the industry that are being driven by a combination of maturing consumer preferences, financial, legal and regulatory requirements and the increasing importance of emerging economies relative to more traditional mature economies. The global automotive production industry is expected to grow by a CAGR of 2.9% between 2016 and 2020, with the Middle East expected to experience the strongest growth closely followed by Africa. After APAC, Europe is the second largest market as of December 31, 2016.

Global trends which will drive future industry growth and the long-term growth potential of the interior component market include:

*Higher consumer expectations of interior comfort:* Increased comfort features in the car selection process is of growing importance for final customers, partially due to the increase in the average age of the population and greater time spent in the vehicle. The trend towards higher consumer expectations of interior comfort increases demand for qualities such as improved fit, finish and craftsmanship in interiors across all vehicle types. We believe OEMs are dedicating a larger portion of total cost per vehicle to interior components as they “upscale” vehicle interiors across their entire portfolio of platforms. Suppliers with advanced design, materials and manufacturing capabilities to deliver a broad suite of interior component products across a wide range of price points should benefit from this continued focus on interior comfort and craftsmanship by both consumers and OEMs. While increased consumer expectations of interior comfort play an important role in certain emerging markets in which we operate, like China and Thailand, other emerging markets, like India, are still lagging behind on this trend.

*Increasing market share of low-cost and premium automotive segments:* In the long term, the automotive market is expected to shift focus away from mid-market towards low-tech and low-cost vehicles on the one hand and function oriented, innovative vehicles for premium customers on the other hand. In recent years, the market share of low-cost passenger cars (*i.e.* cars costing less than €7,000) has been increasing, predominantly in China, India and Brazil, and sales of small passenger cars are expected to grow further. These cars are mainly manufactured and sold in high-growth countries in APAC, as well as in Brazil and Eastern Europe. Growth in the premium segment is also expected to be driven by emerging markets, including China, India and Africa. Vehicles in the premium segment tend to be more technologically advanced in each sub-segment of automotive components, including the interior components segment.

*Sustainability and safety:* The OEMs that we supply, and automobile manufacturers generally, are increasingly focused on weight and emissions reduction in order to meet increasing legal, regulatory and industry-standard requirements in the markets in which they operate, as well as on the safety of passengers, other road users and pedestrians. The development of the regulatory environment is complex and has required automotive suppliers such as ourselves to focus on the design and development of technologies to address the various regulations and to differentiate us from our competitors.

*Globalization of platforms:* OEMs are increasingly designing vehicle models built on common but variable platforms which can be produced in high volumes. The use of common platforms allows OEMs to increase economies of scale across the value chain, differentiate their products from those of their competitors, expand the number of product segments in which they compete, extend the life of existing automobile platforms and remain responsive to changing lifestyle trends and customer tastes. This trend towards common platforms provides automotive suppliers such as us increased opportunities to supply larger volumes of products and also to benefit from economies of scale. Furthermore, there is an increased dependency on suppliers such as us capable of managing complex projects, which in turn assures the quality standards across geographies globally.

*Consolidation of supplier base:* In order to take advantage of the operational economies of scale across the value chain, OEMs are encouraging consolidation of their supplier base with an increased focus on large, technically and financially strong global suppliers capable of producing consistent and high-quality products across geographies. The OEMs we supply use a number of factors to determine their choice of suppliers including, among other things, quality, service (including location, service interruptions and on-time delivery), in-house R&D and technological capabilities, overall track record and quality of relationship with the OEM, production capacity, financial stability and price. In recent years, we have noticed that development expertise, an extensive geographical footprint, consistent and high quality production capability and diverse ancillary competencies tend to offset price-sensitivities among OEMs who appreciate the added-value inherent in these other factors.

*Outsourcing and technological partnership with OEMs:* As OEMs increasingly focus their resources on automobile assembly, they are either maintaining or increasing the levels of production outsourcing to suppliers such as ourselves. As they grow outside of their home markets, they are more inclined to turn to external suppliers for content they might have previously supplied in-house. Suppliers such as us can benefit from economies of scale derived from serving various customers that our OEM customers find more difficult to achieve in our product segment when manufacturing in-house abroad. In addition, specialization has led to advances achieved by suppliers such as ourselves in certain technologies, which OEMs find difficult to match in-house in price and quality, thereby increasing outsourcing in these areas, even in mature economies. Furthermore, while know-how is still being developed by suppliers and the design is still controlled by OEMs, there is an increased importance in the collaboration with Tier 1 suppliers.

*The regional shift of the automotive industry with continuing increase in demand for vehicles in emerging markets:* While vehicle production demands have fluctuated across the global economy in recent years, on a normalized level the demand in emerging economies has generally continued to increase. Industry sources forecast between now and 2020 there will be a higher CAGR of sales in Russia and India and in other emerging economies than that experienced in more mature economies, such as those of Western Europe. In response to this, OEMs continue to develop their presence in these markets, resulting in an increased need for OEMs to establish supplier networks beyond their home markets, including the migration of component and vehicle design, development and engineering activities to certain of these markets. In certain of these markets, such as China, there is already significant demand for new, premium brand vehicle models. Nevertheless, vehicle demand in these emerging economies is predominantly for less advanced models with lower entry-level price points. This increasing local demand in emerging markets has helped boost the local automotive industry in these countries and has attracted investments in manufacturing from North American-, European- and APAC-based automobile manufacturers, through stand-alone investments and joint ventures with local partners. The evolution of volume demand in these markets is in tandem with an evolution of regulatory and industry standards modelled after those set earlier by more mature economies. This trend offers automobile suppliers such as us an opportunity to expand our business with our customers in these emerging markets.

*Growth of cooperative agreements:* In order to achieve economies of scale and delay developments costs, competing automobile component manufacturers are increasingly entering into cooperative alliances and arrangements relating to shared purchasing of components, joint engine, powertrain and/or platform development and sharing and other forms of cooperation. This cooperation among competing automobile component manufacturers is expected to continue. For example, we have entered into joint ventures in emerging markets to accelerate our international expansion with partners such as Krishna Maruti Limited (belonging to the Krishna Group) in India, NHK Spring (Thailand) Co., Ltd in Thailand, SKT Yedek Parca ve Makina



Sanayi ve Ticaret A.S. in Turkey, Changshu Automotive Trim Co., Ltd. in China, Dae Yee Intier Co., Ltd in South Korea and our partner in Plastimat Hungary Kft. in Hungary.

## **Our key strengths**

We believe we have the following competitive strengths:

### ***Strong positions in core markets***

We believe that we are a leader in the design, development, manufacturing and supply of automotive interior components with approximately one out of every three automobiles assembled in the world containing interior parts manufactured by us. In 2016, we believe we were a leader in overhead systems with 27% of the global market share and we believe we achieved a leading position across most regions in overhead systems, with a 39% market share in Europe, 54% market share in the Mercosur area and a 49% market share in North America. Additionally, we are the largest global producer of sunvisors with a 13% market share globally. We believe that our lighting product portfolio was a market leader in Europe in 2016 with a 30% market share in overhead front consoles. In Europe we also have a strong market position in doors and interior plastics. In addition to our strong presence in our established markets, we have a leading position in certain emerging economies. For example, we believe we were the leader in the manufacturing of overhead systems in India, with a market share of 82% in 2016.

Furthermore, we believe we are the fourth largest supplier of automotive interior components, with a leading market share position across product lines including overhead systems, door panels and instrument panels.

Additionally, OEMs face substantial switching costs from operational, technical and logistical perspectives in replacing the supplier of a particular component or system during the life cycle of a specific vehicle model. The supplier of a component for a specific car model is often also appointed for the next generations of that model. This is mostly due to the long lead-time and large investment required to set up the production and supply processes, and to the scale operational efficiencies gained through experience with the lean manufacturing of certain products. We believe that such switching costs and our technological capacities strongly protect our leading market position.

### ***Highly diversified business model***

#### ***Regional diversification***

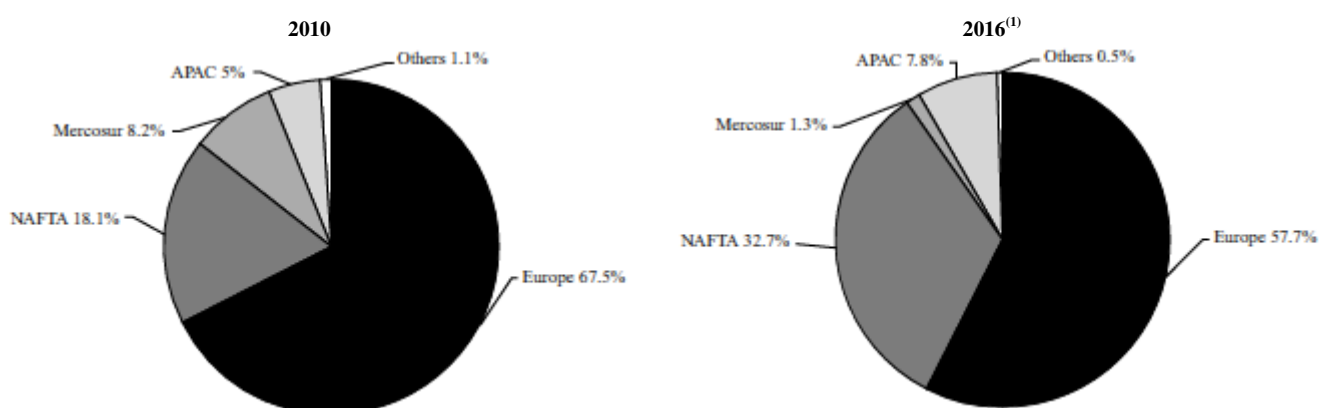
We have a geographically diversified platform of 167 manufacturing plants and JIT assembly and sequencing facilities, as well as 29 TCOs in 26 countries worldwide as of December 31, 2016, of which 12 manufacturing plants and JIT assembly and sequencing facilities, and R&D operations in two additional locations, are part of the Divested Business. In the last few years we have focused our expansion outside our traditional markets in Western Europe and North America into Eastern Europe, APAC and the Mercosur region, where we have been able to capture the increasing demand for our products, in part driven by a significant increase in vehicle production. Our increased efforts in geographic diversification have resulted in a decrease in the percentage of total revenues in Europe from 67.5% in 2010 to 57.7% in 2016, with Spain accounting for only 10.0% of our 2016 revenues as compared to 21.9% in 2010. However, Spain has historically been one of the main hubs of the automotive industry worldwide and is currently the eighth largest production hub worldwide, and consequently we aim to continue to have a relatively significant footprint in Spain, while increasing our presence in other markets.

We are a truly global player who has committed substantial investment to, and has a well-established presence in, growth markets. We believe we are a market leader measured by units of production in many of these markets, which gives us a competitive advantage over other players. Furthermore, our revenues from our APAC operations have increased from €82.2 million in 2010 to €408.1 million in 2016, representing 7.8% of our revenues in 2016.

As part of our customer-focused approach to our expansion strategy, we have proactively coordinated our expansion plans into growth markets with those OEMs we supply. When our OEM customer expands into a new market or location, we determine whether it is in our strategic interest to also open a facility in such location. As of December 31, 2016, we had four production facilities under construction or development, including for Antolin Shelby Inc. (Doors) and Antolin Alabama LLC (Headliners) in the United States and for Tianjin Antolin Automotive Interiors Co. Ltd. (Cockpits) and Chengdu Antolin Automotive Interiors Co. Ltd. (Cockpits) in China. Our strong geographical diversification allows us to take advantage of

global growth opportunities and mitigates the impact of regional demand fluctuations on our business during economic downturns. The charts below show the evolution of our regional diversification as a percentage of our revenues.

### Evolution of regional diversification

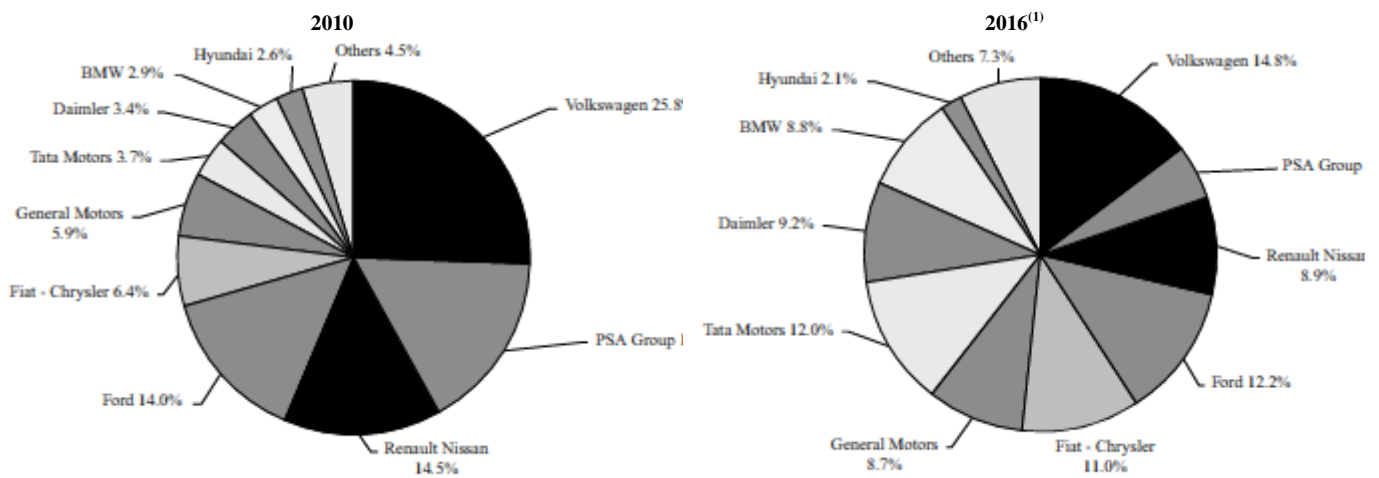


- (1) Following the Divestment, we expect our regional diversification to improve as a result of a reduction of our presence in Europe as compared to other regions, given the Divested Business is predominantly located in Spain and France.

### Customer diversification

Relative to our competitors, we have a well-diversified customer base which, through a successful development strategy, has improved across models and now supplies products globally to the top 15 OEMs by production volume in 2016. Our acquisition of the Magna Interiors Business also enhanced our relationships and presence with premium OEMs such as BMW and Tata Motors—Jaguar Land Rover. Our OEM customers include Volkswagen Group, Ford, Tata Motors—Jaguar Land Rover, Fiat-Chrysler, Daimler and Renault-Nissan, among others. *Our strategic relationships with key customers include Volkswagen FAST, Ford ABF and the PSA Group.* In the year ended December 31, 2016, eight of our OEM customers each represented more than 8% of our total revenues. We have pursued a strategy of customer diversification and continue to develop new global relationships with some of the world's largest OEMs. Additionally, we have a diverse set of customers for each of our products and no single OEM is the largest customer in every one of our business segments. The charts below show the evolution of our customer diversification as a percentage of our revenues.

### Evolution of customer diversification

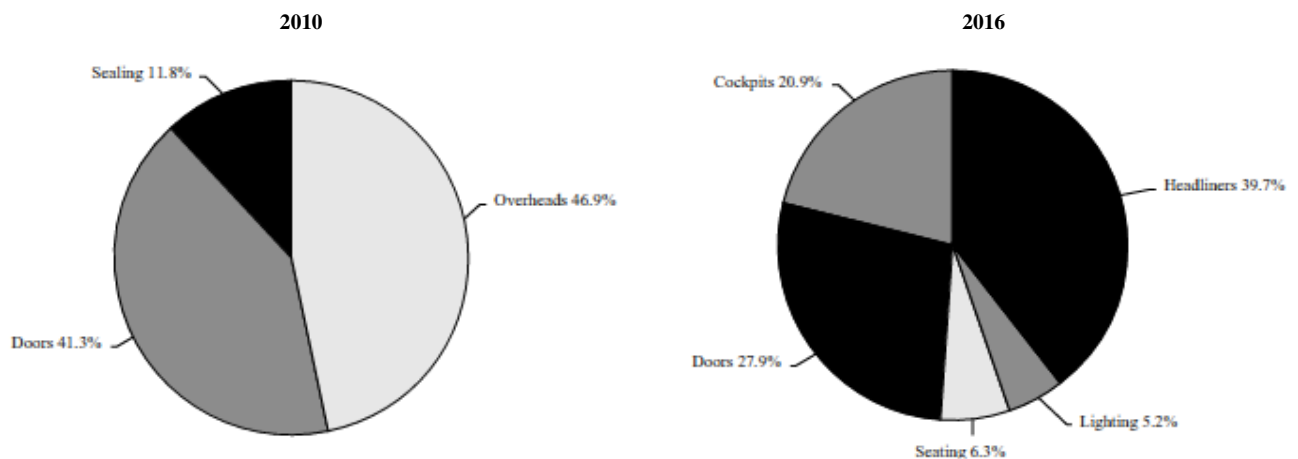


(1) Following the Divestment, we expect our customer diversification profile to remain stable as a percentage of our revenues.

### Product diversification

Our historic product portfolio has been comprised primarily of products in our headliners, doors and interior plastics, seating and, since 2012, lighting segments. In recent years, we have increased our product portfolio, especially in the cockpit modules segment, through the acquisition in 2015 of the Magna Interiors Business from Magna, a global automotive supplier with a leading market position across product lines such as door panels, cockpit systems and instrument panels and floor consoles, for \$597.2 million (approximately €535.2 million). The charts below show the evolution of our product diversification as a percentage of revenues.

### Evolution of product diversification



### Long-standing contractual customer relationships

We have strategic and long-standing relationships with our OEM customers, which are based on many years of successful collaboration. Our scale and ability to develop differentiated solutions for our OEM customers on a global scale are critical to our success and differentiate us from local and regional suppliers of automotive components.

Our global presence enables us to manufacture, assemble and sequence our products in our plants and JIT facilities, which are located close to OEMs around the world. This allows for JIT delivery systems on a global scale and on a consistent and high quality basis, making us a clear choice for global OEMs.

Our well-developed technological capabilities, global manufacturing footprint and proximity to OEMs, operational scale and track record of financial performance enable us to supply products to support an OEM throughout the full product life cycle. Additionally, we often act as a development partner during the initial stages of product development which allow us to recommend and incorporate our products into potential designs well in advance of any formal orders from our OEM customers. Our ability to support the development process of OEMs and work as an outsourcing partner to them all over the world is a significant differentiator, in particular on new product solutions, and would take large investments and a long time to replicate, thereby making us a preferred partner to the leading OEMs in the industry.

Our ability to maintain our competitive advantages and technological leadership has resulted in strong customer relationships and translates into a consolidated customer base with our top five OEM customers representing 59.2% of revenues for the year ended December 31, 2016. The relationships with key customers are long-standing and the sales from our top five OEM customers have grown from €1,261.2 million in 2010 to €3,107.6 million in 2016.

### ***Strong innovation track record***

The automotive industry has a growing focus on innovation, due to continuously increasing customer expectations and the need to meet environmental goals and regulatory requirements. Our commitment to developing innovative and high quality products has defined our approach to our OEM customers. Many of our products are manufactured using state-of-the-art technologies that provide superior safety, comfort and design while also focusing on weight reduction.

Over the last few years we have continuously invested in R&D, and in the year ended December 31, 2016 our total R&D spending amounted to €87.3 million or 1.7% of our revenues. This level of R&D spending allows us to respond to the growing demand and requirements of OEMs for products at the forefront of technical innovation. As of December 31, 2016, we had a dedicated team of more than 1,350 employees in engineering functions throughout R&D, product quality and graphic engineering, supporting our product innovation capabilities, as compared to 550 employees in these functions in 2010.

In light of recent and expected changes in the automotive world we have also included new programs in our innovation strategy to further our competitive advantage and enable us to retain and expand our positions in the market, including: (i) new foaming techniques for light weighting of rigid plastic components and the generation of soft touch surfaces; (ii) innovative high quality aesthetic surfaces using natural materials and natural fabrics for decoration of interior components of vehicle; (iii) structural components based on thermoplastic matrix composites and processing technologies to allow their competitive introduction in automotive applications; (iv) technologies for the integration of lighting functions in vehicle interior components and in their manufacturing processes; (v) implementation of electronic components for providing intelligence to the vehicle interior surfaces; (vi) applications of advanced carbon nanomaterials to improve the performance of polyurethane matrices used in the automotive sector; and (vii) innovative solutions for modularization of components and development of electronic control techniques to improve the performance of new mechanisms.

As a result of our innovation activity, since December 31, 2011, we have completed over 230 patent filings related to over 80 innovations worldwide, such as hard-trim manufacturing technologies, plastic window regulators and plastic multifunctional door parts, headliner manufacturing technologies, finishing and decorating methods, embedded electronics and light effects, safe airbag integration, instrument panels and advanced carbon nanomaterials in a wide variety of presentations and applications.

### ***Attractive market fundamentals***

According to LMC Automotive, global automotive production is forecast to grow by a CAGR of 2.9% in the period between 2016 and 2020, based on the number of units produced globally. The interior components market in which we operate is expected to outperform other sectors in the automotive industry due to the increasing interior component content per vehicle. This trend is driven by growing comfort requirements of consumers and rising technological demands from OEMs related to weight savings and noise and vibration insulation. These demands are driven by emissions reduction requirements and related engine downsizing measures by automotive OEMs with smaller, more technologically complex engines typically causing more noise and vibration.

We are in a strong position to continue to benefit from ongoing consolidation and supplier concentration in our market due to our competitive cost base and resulting strong profitability, worldwide presence, leading technological capabilities and solid financial position. As OEMs continue to introduce global platforms and modular toolkits as a basis for a large number of car models, they are more interested in working with global suppliers with strong development capabilities which can support them across their international operations.

### ***Superior profitability and strong financial track record***

We have consistently achieved strong revenue growth, with a CAGR of 21.4% in the period between 2010 and 2016 and have maintained an EBITDA margin above 9.5% since 2010. Our strong financial performance is the result of our diversified client, product and geographic base as well as our long-standing customer relationships, operational excellence, technological expertise, leading market positions and internationalization strategy. We believe we are well-positioned to sustain our competitive advantages and maintain revenue growth and profitability in the future, while benefitting from favorable trends in our industry. In addition, we have proven our ability to manage our business through economic downturns. During the financial crisis of 2008 and 2009, we sold non-core assets, streamlined production and cut our fixed costs via indirect labor reduction and total organizational restructuring.

We have also proven our ability to effectively integrate, manage and improve the state of new acquisitions, including the acquisition of the Magna Interiors Business. For example, for the year ended December 31, 2016, the EBITDA attributable to the Magna Interiors Business has more than doubled as compared to the EBITDA generated by the Magna Interiors Business for the twelve months ended to March 31, 2015 (ahead of its acquisition by the Group). In addition, the financial performance of our Redditch plant has improved significantly, from a loss-making business at the time of the acquisition of the Magna Interiors Business, to generating a slight positive EBITDA (excluding management fees) for the year ended December 31, 2016.

We have been able to generate cash in downturns due to high profitability and centralized working capital management policies. Our investment strategy has been oriented toward value added products and selected complementary acquisition opportunities. We have at all times retained a prudent approach to preserving cash and maintaining a strong liquidity profile. See “Summary—Summary Financial Data And Other Data”.

Our financial profile has remained strong at all times and our objective is to maintain a cautious financial strategy. Our prudent approach to financial management is strongly supported by our family shareholders.

### ***Experienced management and committed core shareholder***

Our management team has extensive experience in the automotive industry and the majority of our executive committee has been with the Company for more than 20 years, demonstrating a high degree of continuity and commitment in our leadership. Our high operational performance is deeply rooted in our organizational structure and culture. Our current Chief Executive Officer, Jesús Pascual, has been with the Company for over 30 years and took over the role from José Manuel Temiño in 2015 after a long-planned succession.

The management of the Company has always remained focused on building strategic long-term relationships with key customers, producing an innovative and broad range of products and leading our expansion internationally into key growth markets, which include the U.S., the UK and Germany.

Our management team has a demonstrated track record of achieving and maintaining resilient financial performance through the economic cycle even during the 2008-2009 economic crisis. Our successful acquisition of the Magna Interiors Business in 2015 was driven by our management’s identification of the substantial value creation potential of such business.

Our family ownership plays a crucial role in supporting our vision and strategy. Ernesto Antolín, who was appointed the representative of our Chairman on January 31, 2015, having served as Vice-Chairman of Grupo Antolin since 1997, along with María Helena Antolín, who was appointed the representative of our Vice-Chairman and has over 24 years of international experience with Grupo Antolin, and other members of the Antolín family, have been essential to driving our profitable growth strategy.

## **Our strategies**

Our mission is to be a crucial strategic partner for our OEM customers around the world and across the entire spectrum of our product portfolio. The strategies to achieve our mission are based on innovation, flexibility, customer focused growth and further geographic, product and customer diversification, while maintaining the highest levels of customer satisfaction. We intend to achieve this by pursuing the following strategies:

### ***Continue to be an innovation leader through research and development***

Our objective is to be a leading innovator in the automotive interior components industry. High consumer expectations, environmental goals and regulatory changes are three of the main drivers in the automotive market. We are involved in the design of highly innovative cars, as a result of our focus in three main areas:

- *materials and processes:* usage of environmentally-friendly and recyclable/recycled materials and weight reduction to minimize carbon dioxide emissions;
- *industrial flexibility:* innovative manufacturing processes to produce various functions and adapting to meet evolving market demands with minimum investment; and
- *smart interiors:* supporting our customers' brand strategy and enhancing end user experience and perceived quality based on customization without specific investment.

### ***Become a global full-service supplier to OEMs***

We intend to strengthen our position as a Tier 1 supplier for automobile interiors with an extensive production and supply network that can flexibly service our customers on a global basis, providing major OEMs access to our global platform and product portfolio. In addition, we hope to increasingly take on additional responsibilities and activities of OEMs by managing Tier 2 and Tier 3 suppliers, thereby improving the manufacturing and product development efforts of our customers. Our acquisition of the Magna Interiors Business in 2015, who had strong relationships with premium OEMs, including BMW, Tata Motors—Jaguar Land Rover and Daimler, also allowed us to improve our position in the premium segment of the automotive interior industry.

Our approach to project and production management is increasingly focused on integral execution by locating our technical and manufacturing facilities close to the decision-making and manufacturing centers of our customers. Additionally, we aim to ensure engineering benchmarking, continuous improvements in operational excellence and standardization of processes in every country in which we operate. We intend to develop new industrial processes able to produce different products with the same investment. The capacity to produce a broader product portfolio will allow us to provide a better service to the OEMs.

### ***Develop design, engineering and production capacities across low cost countries***

Our objective is to significantly increase our operations in low-cost countries in Eastern Europe, North America as well as in APAC regions. These markets present opportunities to capitalize on growing long-term demand relative to that of more mature economies. We intend to increase our internationalization by both selectively expanding our production capacities in new geographies and also expanding our product portfolio in such low-cost markets in which we already have successful operations.

### ***Expand footprint in the APAC region***

We have increased, and plan to continue to increase our presence in APAC consistently with the development trend of the automotive market in the region. APAC continues to be a significant contributor to margin expansion. Our revenue derived from the APAC region has increased from €82.2 million in the year ended December 31, 2010 to €408.1 million in the year ended December 31, 2016. In the year ended December 31, 2016, revenue in China increased by 76.7% from the year ended December 31, 2015, while the automotive production industry increased by 12.2%.

We believe that we are well positioned to take advantage of growth opportunities in APAC as a result of our existing footprint of high quality production facilities in the region. We intend to capitalize on our current operations and reputation to increase our presence in the region through selective and disciplined investments and partnerships. For example in China, we have two TCOs and we operate 15 sites directly and nine sites together with local partners through our different joint ventures. We have one TCOs and seven operating sites in India, which serve customers including Tata Motors-Jaguar Land Rover, Mahindra, Ford, Fiat-Chrysler, Volkswagen Group, Hyundai, Toyota and General Motors. Furthermore, we have a joint venture with the Krishna Group which supplies Maruti-Suzuki and Honda. In South Korea, we have one TCO and directly operate two sites, and we provide automotive parts to Renault-Samsung in a joint venture with Dongwon Tech.

### ***Successfully continuing to integrate new acquisitions and realizing synergistic opportunities***

Part of our growth strategy involves identifying suitable acquisition candidates in markets where we currently operate, as well as in markets in which we have not previously operated. For example, in 2015 we acquired the Magna Interiors Business and have been continuously focusing on its integration. As of the date of this offering memorandum, the integration has been fully implemented and is achieving results ahead of management expectations. The additional cost savings as a result of the implemented integration consist of: (i) savings arising from consolidation and increased purchasing power vis-à-vis suppliers, (ii) positive results from an increase in management focus, (iii) reduced engineering costs resulting from the reorganization of production processes, and (iv) a decrease in overhead and general expenses related to IT, licensing, certain members of senior management, etc., which we anticipate will generate cost savings of more than €20 million per year. We have outperformed such cost savings targets for the year ended December 31, 2016. For example, the evolution of our Redditch plant has improved significantly, from a loss-making business at the time of the acquisition of the Magna Interiors Business, to generating a slight positive EBITDA (excluding management fees) for the year ended December 31, 2016.

In addition to the acquisition of the Magna Interiors Business, we will also continue to consider future acquisitions from time to time as an opportunity to apply leading technologies to our product portfolio, cross-sell new and existing products to our existing customer base, expand our customer base and enhance our growth profile.

### **Our Products**

Our product portfolio is primarily comprised of overhead systems (or headliners) and soft trim, doors and hard trim, cockpits and center consoles, lighting systems and complete seats and frames. The diversification of our product portfolio has helped us to strengthen our strategic relationships with OEMs, who are able to turn to us for innovative and market leading product solutions across the value chain.

#### ***Headliners***

An overhead system comprises the headliner as well as all the components associated with it. Headliners conceal roof sheet metal, wiring and safety airbags and incorporate interior components, thus improving the perceived quality of the vehicle by the eventual vehicle owner. Our headliner product is a composite material that is affixed to the inside of the metal panel of a vehicle's roof. The headliner is a fundamental aspect of a vehicle's design and functionality and plays an important role in the aesthetics, comfort, safety and acoustics of the vehicle. From the start of our business, our overhead systems have identified us on a global scale as a pioneer in the R&D of such technologies. Overhead systems can be adapted to different configurations, from the simplest headliners through to the most complex modular integration. Our components include: substrate, sunvisors, consoles, lighting, grab handles, air conditioning vents and solar protection systems. We develop technological solutions to account for key factors such as head impact regulations and the integration of fabric and lighting elements. The extensive offer meets the requirements of all segments available in the market.

The sunvisor product is an interior component located above the windshield, designed to protect the driver from the sun. All sunvisors are designed with a hinge that is adjustable to help shade the eyes of drivers and passengers from the glare of sunlight. Some luxury cars are equipped with doubled-shaded sunvisors, allowing the driver/passenger to turn one of the shades toward the side window and the other forwards to the windshield to improve sunlight protection performance. The sunvisor is an interior component with visual, functional and security customer requirements. Due to these last two requirements we invest significantly in concept design and we try to simulate as much as possible to obtain a robust product. The complete validation of a sunvisor is complex and time consuming because of these requirements. One of the most recent pieces of equipment acquired by the Company is the ECE21, which differentiates us from our competitors and allows us to carry out head impact testing, greatly appreciated by our customers.

We have integrated the management of the overhead system, including headliners and mechanical sun protection systems in the new panoramic roofs and windshields.

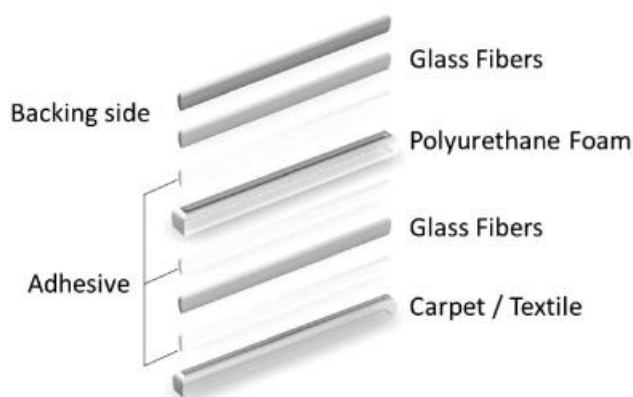
#### *Manufacturing process*

We begin the production process of our headliners by analyzing our customer's requirements as well as the features and components that will be incorporated into the headliner. Our technical departments determine the ideal material construction and technology to produce the headliner at the most competitive cost and our engineering team then builds the detailed 3D specifications of the product. Once the part has been engineered, we begin the manufacturing process.

We manufacture our headliners using two production techniques: thermosetting technology and thermoplastic technology. Thermosetting technology uses a multi-layered composite structure (combining a core of polyurethane foam and layers of adhesive, glass fiber and an aesthetical cover) which is converted into a rigid product using a heating process, while thermoplastic technology uses a board of a fibrous material which is heated in a specialized oven and then pressed into its final shape using a cooling process.

The core material of the headliner is polyurethane foam. Manufacturing the foam is integrated in every production facility allowing us to customize the properties of the foam in accordance with customer specifications to achieve certain density, mechanical and acoustic requirements. The foam is created in large blocks which are then cut down in size to the required dimension and thickness.

Once the foam is cut into the appropriate dimensions, it is coated with adhesive, a catalyst is sprayed over the foam, then two layers of glass fiber are placed on and underneath the foam. Finally, a backing layer, either fleece or paper, is placed on the bottom side and an aesthetical layer, a textile or carpet, is placed on the upper side in order to create the final "sandwich" structure. The graphic below illustrates the final "sandwich" product.



The formed "sandwich" is then transferred into a heated tool to shape the headliner. After forming the headliner, it is trimmed using a pressurized water stream or with special die-cut tooling.

In the thermoplastic stage, our thermoplastic technology processes boards of fibrous materials which are blends of polyester or polypropylene fibers with glass fibers by heating the boards in an infra-red oven and then molding the boards in a cold press while, at the same time, feeding the interior textile finish into the mold. Finally, the part is trimmed by water jet. The thermoplastic lines are fully automatic, reducing labor costs and boosting the competitiveness of this technology.

Following customer and market demands, we have developed different technologies to assemble various components, such as sunroof frames, console frames, fixing or locator features on the back of the headliner. These components can be incorporated during the forming or covering steps or in a specific additional tooling.

Sunvisors are made up of several components and many different materials and processes. The core of the sunvisor is made of injected plastic covered by various materials. The most popular cover is PVC. Other components are assembled to the sunvisor, including plastic fasteners, metallic springs to ensure a good rotational function, vanity mirrors, airbag labels and



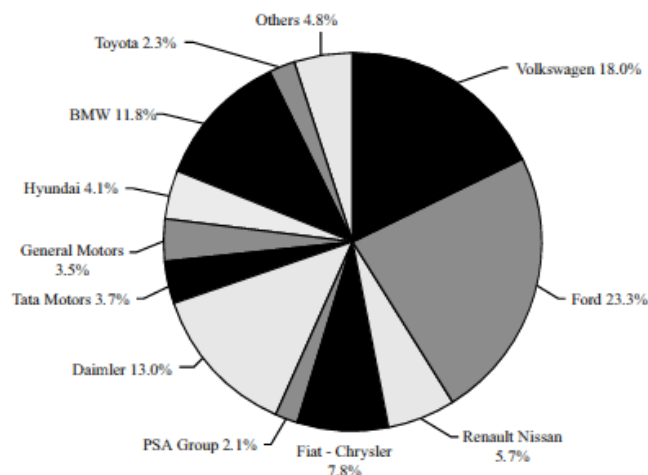
ticket holders. The mirror is one of the most valued components in a sunvisor and there are many varieties: non lighted, lighted with incandescent lamps or new LED generation. The LED mirrors are developed and produced in collaboration with our Lighting segment. The different assembly processes are manual, semi-automatic or fully automatized depending of the concept and the production country. Once we assemble all the components and obtain the finished product we have a standardized and automatic quality control system in all our production lines worldwide to ensure final quality. The sunvisor market is very competitive. To win new business and reduce the quality issues, it is necessary to work on in-house standard components, design guides and standard processes.

The production process for our Headliners segment is spread out across over 68 facilities worldwide.

#### *Customers and competitors*

We sell our overhead systems globally and our main clients are most of the top OEMs in the world, including Ford, Volkswagen Group, Fiat-Chrysler and Renault-Nissan amongst others. Our global footprint in design and industrial capacity is a key factor for obtaining and maintaining our relationships with these OEMs. The chart below shows our customer split for our Headliners segment for the year ended December 31, 2016.

**Customer split for Overheads segment**



The main competitors for our overhead systems are Howa Tramico, IAC, Motus, Industriale SUD, Toyota Boshoku and Yantai Zhenhai, amongst others. The main competitors for our sun visors are Shanghai Daimay, Motus, Toyota Boshoku, Kasai Kogyo, Shanghai Huarte and Yong San, amongst others. The main competitors for our soft trim products are Autoneum, Treves, IAC, HP Pelzer, Borgers and Ideal, amongst others.

#### ***Doors***

Our Doors segment produces door systems (including front, rear and sliding door panels), pillars (including upper and lower pillar trim and quarter trim panels), window regulators, rear cargo and liftgate trim and related components and also assembles complete door modules including components such as door latches, harnesses, loud-speakers and sealing. We also produce seat latches for specific vehicle platforms.

A door panel is the component covering the internal side of a vehicle's door. The door panel hides the door's metal panel and the internal components of the door such as windows regulators, latches and certain wiring and also incorporates electric switches, pull handles and armrests. The door panel brings together numerous different mechanical features and also plays a key feature in the interior design of the vehicle.

A window regulator is the component that moves the window in the door. The main function of the regulator is to move the window through a mechanic actuator engaged by a handle or by an electric motor. We develop and produce window

regulators of any morphology as another component of the door system we offer, all of which satisfy the quality, cost, weight and ease of assembly demands of each client's assembly line and are subject to a rigorous validation processes to offer the very highest standards of reliability. Additionally, we have extensive experience in designing, validating and implementing motors in our window regulator systems. These motors have changed significantly in recent years, from being considered a high-end product to becoming a mass-produced standard in most vehicles. Our motors incorporate an electronic anti-pinch system which enables them to be activated automatically and safely, as well as forming part of the vehicle's electronic communications network. We developed and validated our first plastic window regulator and started production in 2016. It is a significant product improvement, as plastic window regulators are extremely light-weight. We were the first to market a plastic window regulator in Europe.

We have pioneered the introduction of lightweight technologies for injected thermoplastic in the European market, as well as in the use of environmentally-friendly processes and materials. Our techniques for injected plastic trim include chemical foaming injection, which achieves weight reduction in comparison to conventional technology. Additionally, we have developed extrusion compression technology, which allows us to use recycled plastic material from end of life vehicles. We have registered this product under the commercial name Novaform with a first application in 2015. These new products and processes allow our doors and interior plastics segment to continue to grow in our markets.

The finish of a pillar trim can be fabric/leather wrapped or textured resin color matched to be in harmony with the headliner. We develop and test pillars to protect the driver during crash and for easy airbag deployment. Our focus on hard trim activities is on using our innovative ideas to increase the added value of this product line, thereby offering a better product at a competitive price. The most noteworthy features of our hard trim activities are the wide range of materials and technologies we can offer OEMs in conventional plastic covers, laminated parts or textile back injection pillars, with this last core competence focused on premium vehicles.

#### *Manufacturing process*

We begin the production process by analyzing our customer's requirements as well as the features and components that will be incorporated into the door panel. Our technical departments determine the ideal material construction and technology to produce the door panel at the most competitive cost and our engineering team then builds the detailed 3D specifications of the product. Once the part has been engineered, we begin the manufacturing process.

Due to the cutting edge elements of these door panels, the traditional assembly chain is extremely complex. We provide OEMs with a final product which combines technical features with design while at the same time reducing the industrial complexity of the assembly chain.

A door panel is composed of several parts and each of them uses a different technology and production process. The first step of production is generally either injection molding or thermoplastic processing. Injection molding consists of plastic material being melted in order to fill a mold which is then cooled to solidify the panel. Door panels constructed using thermoplastic are produced with a thermoplastic shell, which is heated in an oven or a press machine and a mold.

Once the plastic component is finalized, a variety of covering technologies are utilized to cover the part with leather or fabric. The technologies used for the covering process include vacuum technology, edge wrapping and laser cutting which allows designs to be laser cut into the final product. Once all the individual parts are produced, they must be assembled together. The assembly process can be done in one of our production plants or can be done, totally or just partially, in a JIT facility close to the assembly plant of the customer to reduce logistic cost.

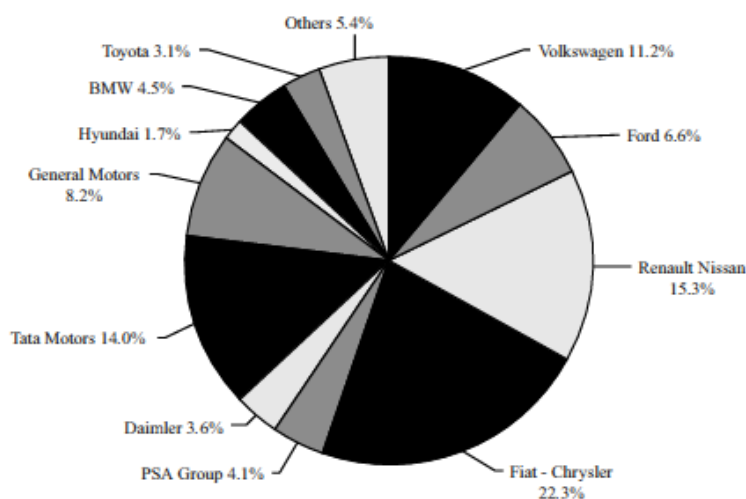
Window regulators are composed of several parts and each of them have a different technology and process of production. We use injection molding and stamping to make most of the individual parts which are then assembled using a variety of techniques including robotic and manual assembly lines.

The production process for our doors and interior plastics segment is spread out across over 49 facilities worldwide. Additionally, in recent years we have set up window regulator production lines in other product manufacturing sites in India, Turkey and Russia.

#### *Customers and competitors*

We sell our doors and interior plastics products in Europe, North America, the Mercosur region and APAC, particularly in China. Our main clients are many of the top OEMs in the world, including Renault-Nissan, Volkswagen Group, Ford, Fiat-Chrysler, BMW, Daimler, Hyundai, Kia and PSA Group, amongst others. Our global footprint in design and industrial capacity is a key factor for obtaining and maintaining our relationships with these OEMs. The chart below shows our customer split for our Doors segment for the year ended December 31, 2016.

**Customer split for Doors segment**



The main competitors for our doors are Faurecia, Yanfeng, Kasai Kogyo, Toyota Boshoku, Hanil e-Hwa, IAC and SMP-Peguform, amongst others. We believe we offer lower engineering costs compared to our competitors. In relation to window regulators, our main competitors are our main competitors are Brose, Hi-Lex, Johnan Seisakusho, Inteva, Kwangjin and Shiroki, amongst others. We are increasing our competitiveness by utilizing our wider manufacturing footprint. In the medium term we believe that our know-how in plastic window regulators and our longer experience in plastic injection will place us in a leading position among our competitors.

## *Cockpits*

We are a global producer and supplier of cockpits modules, which include instrument panels, center consoles and glove boxes. The cockpit module plays a key role in defining the driver's experience and it integrates the instrument panel and several control functions such as HVAC, cross car beam, steering column, wiring harness, instrument cluster, air vents, decorative inlays, glove boxes and passenger airbag systems, among others. Our system integration capabilities allow us to design, engineer, manufacture and assemble these elements and supply complete cockpit systems for OEMs. The focus of this business segment is on innovation, examples of which include lighter materials, integration of electrical connection and increased functions.

The instrumental panel is the dashboard located directly in front of a vehicle's driver, displaying instrumentation and controls for the vehicle's operation. It is a key element of the cockpit module and is comprised of a sophisticated system of trims, foams, composites and metals. We provide a full range of instrument panel offerings to meet OEM design specifications and price points in every vehicle segment, from entry level to premium and luxury vehicles. While designing and manufacturing the instrument panels, our engineers primarily focus on quality, function and decoration, while optimizing the cost/quality ratio. Our vertical integration capabilities also enable us to produce the majority of the components for instrument panel systems, including air distribution ducts, decorative appliques and other plastic trim.

The center consoles are the control-bearing surfaces in the center of the front of the vehicle interior, often beginning in the instrument panel and continuing beneath it, running between the front of the driver and passenger seats. The center consoles complement the instrument panels and have become an increasingly complex part of our Cockpits business segment. Their design in terms of ergonomic, comfort and quality play a significant role in the car interior. Our main focus with respect to center consoles is enabling the operation of vehicle functions and maximizing storage space. We have developed several innovative console features, such as movable consoles or storage areas combined with adjustable armrests. We also employ many of the same features and technologies used in our instrumental panels, such as sewn leather, appliques and air distribution, to ensure interior design continuity.

Our glove boxes are a key element of the instrument panel focusing on functionality. Storage and structural support for the complete system are some of the most noteworthy features of our glove boxes.

This business segment was created in September 2015 following the acquisition of the Magna Interiors Business from Magna, a global automotive supplier of interior products and systems, and is still in the process of being fully integrated into our business. We estimate the integration process to be completed in the calendar year 2018. Our main current capabilities include styling, engineering, tooling, manufacturing, assembly and sequencing and electrical/electronic system integration. In the final stages of the integration process, we expect to also be capable of creating synergies between other business segments such as Lighting. Integration of light into traditional plastic components is a defined target of our OEMs. Assembling own manufactured magnesium cross car beams into the cockpit would be another example.

### *Manufacturing process*

The primary technologies and processes employed in the manufacturing of interior components and systems include low pressure and injection molding, compression molding, vacuum forming, slush skins, spray urethane, leather covering, foaming as well as manual and automated assembly and sequencing.

We manufacture our instrument panels by injection molding of the main structural elements as carrier, warm air duct, center stack, airbag chute and glove box housing. For providing the surface of an instrument panel the processes of vacuum covering and glueing, welding, foaming, hand and semi-automated covering of leather, milling, punching and laser cutting/weakening are performed. Assembly of air vents, bezels, plastic components and decorative trim parts completes the final product. To provide a complete cockpit the following additional modules have to be assembled: cross car beam, wiring harness, climate control unit, steering column, electrical and electronical modules. An electrical end of line test ensures full functional performance of a cockpit before being delivered to the customer.

In order to manufacture our center consoles we begin by injection molding of carrier and structural elements similar to the instrument panel. Process steps of welding, vacuum covering, foaming, leather wrapping and assembly of bezels and decorative trim parts are employed to complete the final product.

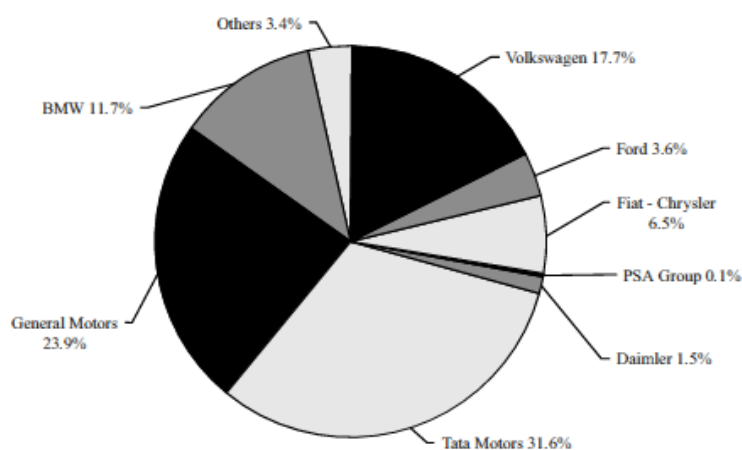
Our glove boxes are manufactured through a combination of injection molding, welding, foaming, covering and final assembly.

The production process is spread out between 12 facilities across China, Czech Republic, Germany, UK and USA, all originally part of the Magna Interiors Business.

#### *Customers and competitors*

We sell our Cockpits products primarily in Europe, North America and APAC, particularly in China. Our main clients are among the top OEMs in the world, including BMW, Tata Motors—Jaguar Land Rover, General Motors, Fiat Chrysler, Daimler and Volkswagen Group, amongst others. Our global footprint in design and industrial capacity is a key factor for obtaining and maintaining our relationships with these OEMs.

**Customer split for Cockpits segment**



The main competitors for our cockpits are Yanfeng, Faurecia, IAC, Draxlmaier, SMP-Peguform and SAS Automotive, amongst others. Our competitive advantages lie in our global reach, innovation, design, our efficient cost structure and our ability to stay ahead of our competitors.

#### ***Lighting***

Creating light scenarios and sophisticated atmospheres is one of our main areas of expertise. We offer complete interior solutions including interior solutions based on LED including overhead consoles, side reading lamps, multi-purpose lamps, ambient lighting, electronics/smart lighting and exterior solutions such as daytime running lamps, center high mounted stop lamps, direction, position and license plate indicators.

As one of the key players in the market, we pay special attention to innovation in this segment, maintaining strong development capabilities, mainly in electronics and optical design. Increasingly, we are seeing an increasing innovation in the market for our products. We now see solid-state LED technology replacing the historic incandescent lighting technology as well as specialized electronics becoming increasingly present in even the simpler products. As the state-of-the-art evolves in each of these product ranges to include more functionality and elevated finish, we are evolving our production processes to match.

#### *Manufacturing process*

As with our other business segments, we begin the production process by analyzing our customer's requirements with regard to interior automotive lighting. Our production capabilities are vertically integrated, mastering the complete industrial process from R&D, conception and tooling to material processing, assembly, packaging and delivery.

The production processes for our lighting segment varies depending on the type of lighting required by our end customers. The manufacturing processes include plastic injection, aluminum coating, ultrasonic and vibration welding, electronics components processing, including PIN insertion for press-fit pin replacement of classical connector technology, wire-to-PCB soldering in the form of hot bar soldering, 100% in-line LED measurements, laser marking, wire stripping, tinning and termination equipment. We also have significant capacity in stamping technology which gives us a strong competitive edge in producing parts that essentially combine the functionality of electrical circuits, connectors and parts supports. Our toolmakers are renowned for their skills in creating complex tools that produce elegant and cost-effective mass production parts.

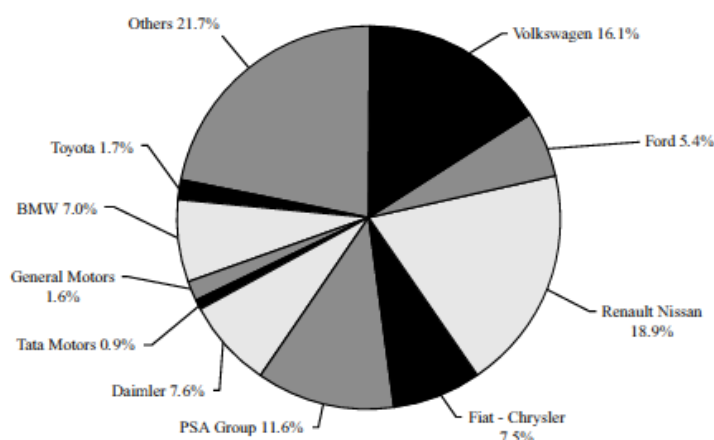
Furthermore, we are now equipped in-house with surface mounted device assembly process equipment in three sites. This enables us not only to be competitive with our offers, but also to stay abreast of the rapid evolution of customer requirements, and complements supply from our traditional subcontractor base.

The production process is spread out between 8 facilities across the UK, France, Germany, Czech Republic, Romania and China.

#### *Customers and competitors*

We sell our interior automotive lighting products primarily in Europe, North America, the Mercosur region and APAC, particularly in China. Our main clients are among the top OEMs in the world, including Renault-Nissan, PSA Group, Volkswagen Group, Fiat-Chrysler, Daimler and BMW, amongst others. Our global footprint in design and industrial capacity is a key factor for obtaining and maintaining our relationships with these OEMs. The chart below shows the customer split for our Lighting segment for the year ended December 31, 2016.

**Customer split for Lighting segment**



The main competitors for our lighting products are Hella, Il-Heung, Olsa and Daesung, amongst others. Our competitive advantages lie in several factors, namely our global reach, innovation, design, our efficient cost structure and our ability to stay ahead of our competitors.

#### ***Seating***

On February 6, 2017, as part of the Divestment, we agreed to sell our Seating business segment to Lear Corporation, subject to anti-trust approvals. See “Summary—Recent Developments” for additional information.

The Seating business segment is centered on the development and manufacture high added value light seats for multi-purpose vehicles, light commercial vehicles and vans. The product portfolio comprises automatic anchorage seats that are sold under the Drop&Go brand, fold into floor seats and seats and benches with integrated three point belts. Metal structures and profiles are also produced with proprietary rolling and stamping technology.

As a result of an intensive program of innovation in the areas of lightweight materials, advanced mechanisms, safety and comfort, these seats, folded and retractable, feature the highest specifications that enhance the flexibility in the distribution of interior space. Furthermore, the integration in clients' supply chains, using sequencing plants close to their assembly lines, allows further diversification in this segment. Seats are produced using magnesium and high strength steel, reducing weight while maintaining design and functionality. As these products offer innovative and tailored made technical solutions for non-standard seats, customers facing complex functionalities and packaging constraints typically reach out in the earliest phases of the project, to start the feasibility analysis of the different interior ideas under study.

### *Manufacturing process*

The focus of the Seating segment is on those processes that create the maximum added value to customers. The production process begins by analyzing the customer's requirements as well as the features and components that will be incorporated into the seats. The technical department determines the ideal material construction and technology to produce the seat at the most competitive cost and the engineering team then builds the detailed 3D specifications of the product. Once the part has been engineered, the manufacturing process begins.

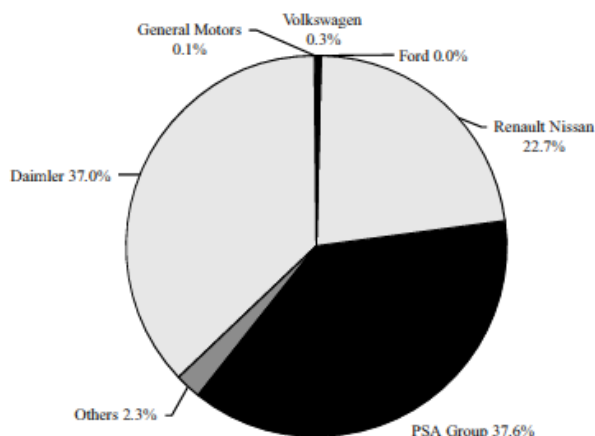
The first step in the manufacturing process is the cutting of sheet metal into the appropriate internal parts of the seat. This process is called stamping and its main advantage is that the final metal part is obtained without any heat treatment or other manufacturing process. A magnesium injection process is then used to create light weight magnesium parts for the inside of the seat. The magnesium and metal parts are then welded, riveted and clinched together using a variety of different technologies that give the seat its final structural form. Finally, the seat is covered with the appropriate fabric and leather and painted as per the OEMs design specifications.

The production process in the Seating segment is distributed between 12 facilities across Spain, France, Portugal, Morocco and the Czech Republic.

### *Customers and competitors*

The Seating products are sold primarily to PSA Group, Daimler, and Renault-Nissan. The chart below shows the customer split for the Seating segment for the year ended December 31, 2016.

**Customer split for Seating segment**



The main competitors in the Seating segment are Lear Corporation, Magna, Faurecia and Adient, amongst others.

### **Suppliers**

We purchase various components and materials for use in our manufacturing processes. All of these components and materials are available from numerous sources and we currently source materials from over 3,700 suppliers of which

approximately 20% make up to 88% of total purchase volumes. We source our key materials from at least two main suppliers of international recognition which enables us to negotiate on more favorable terms and provides us with added price protection. We estimate that approximately 36% of the value of the materials we source come from suppliers chosen by OEMs, which allows us to benefit from their enhanced negotiation power and to be automatically compensated by the applicable OEM for any increase of material costs, other than for increases in material costs in relation to electronic components. In addition, we estimate that approximately 7% of the value of the materials we source come from suppliers who have price transfer agreements directly with our customers where costs of materials outside of certain ranges are passed onto the OEM, thus helping us to minimize the impact of material price fluctuations.

Our main material suppliers in the Overheads segment are BASF and Covestro and we mainly source fabrics for our overhead systems from Lear (Guildford) and Shawmut. We source the plastic resins for our door panels from LyondellBasell, Exxon and Sabic, components for our electric motors from Johnson Electric and steel for use in our Seating segment from SSAB and Gonvarri. For the Cockpits segment, our main suppliers are Hanwha Azdel, Shawmut Corporation and Covestro. For our Lighting segment the main source for electronic PCBA is Hirain.

We conduct permanent monitoring and collaboration with our supply chain, at an international level. Our implementation of the warehouse management system, guarantees accurate supply by suppliers. We work to promote medium and long-term relationships to achieve mutual growth.

### **Customers and Geography**

Relative to our competitors, we have a well-diversified customer base which, through a successful development strategy, has expanded to include the top 15 OEMs by production volume in 2016. In the year ended December 31, 2016, our top five OEM customers accounted for 59.2% of our revenue. The most significant increases since January 1, 2016 have come from Tata Motors-Jaguar Land Rover, General Motors, BMW and Daimler, which accounted for 12.0%, 8.8%, 8.8% and 9.2% of our total revenue respectively, as a result of the strong performance of the European and APAC markets.

We have developed long-standing business relationships with our automotive customers around the world. We work together with our customers along the full value chain, including development, industrial engineering, tooling and manufacturing. Quality assurance programs matching the highest standards underlie our service offering. In emerging economies in particular, our customers are focusing their own resources on vehicle assembly and seek to outsource 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 (i) high-quality products at competitive prices with standardized high-level quality; (ii) innovative solutions for complex projects and (iii) on-time delivery and quality customer service.

Mandates in the automotive OEM business involve long-term production arrangements 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 suppliers, 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.

In addition to being diversified, our customer base is weighted towards premium and financially stable OEMs, meaning that, subject to the stage of the automotive industry cycle and prevailing macroeconomic conditions, our revenue streams are relatively secure.

Our geographical diversification strategy is aligned with the ongoing expansion by OEMs into emerging economies and the consolidation of their existing presence in established markets. As OEMs have sought to establish presence in growth markets and to grow outside of their home markets, we have adapted our geographical diversification strategy to focus less on our presence in Western Europe, which is well established, and more on these growing markets.

While we continue to pursue a measured strategy of geographical diversification, the basis of our technological expertise continues to be Western Europe.



## **Research, Development, Innovation and Intellectual Property**

We operate in a highly competitive and globalized industry and must constantly change and adapt to meet our customer's needs and expectations. We consider innovation and R&D to be key success factors in the differentiation of our products and services from those of our competitors. As of December 31, 2016, we had a dedicated team of more than 1,350 employees in engineering functions throughout R&D, product quality and graphic engineering, supporting our product innovation capabilities, as compared to 550 employees in these functions in 2010.

One of the global trends in the automotive industry is the increased focus on innovative and technologically advanced products that seek to address the parallel concerns of improved safety for passengers and road users and the reduction of weight and emissions. Our commitment to developing innovative, high quality products has defined our approach to our customers. Investment in R&D is one of our main drivers. We pursue innovation in three main areas: (i) materials and processes where we are focused on weight reduction to minimize carbon dioxide emissions and on the use of recyclable and recycled materials; (ii) industry flexibility whereby we are adapting to meet evolving market demands with minimum investment; and (iii) smart interiors whereby we support our customer's brand strategy which is key to perceived quality by end clients. Additionally, we pay special attention to our capabilities as integrator of new vehicle functions such as lighting, electronics and connectivity. Regarding intelligent surfaces we focus on three main aspects (i) decorative applications that allow higher design versatility, resistance to wear and tear, self-cleaning; (ii) lighting integration that allows for higher personalization and functionality; and (iii) electronic integration focused on connectivity, information and sensors, among others.

Pursuant to the integration of the Magna Interiors Business, we conduct certain of our research and development activities through a rigorous process referred to as "innovation development process". This innovation development process involves a multi-stage process aimed at turning ideas into innovations that can ultimately be commercialized. The initial stage of the process is designed to foster generation of ideas and includes, among other things: identification, understanding and analysis of social, digital, demographic, regulatory, industry and other trends which may create demand for, and thus drive development of new automotive technologies, competitive intelligence, technological observation, freedom-to-operate analysis, review of academic research and automotive customer input. Concepts that progress past this initial stage are further evaluated, including with respect to commercialization opportunities; as well as potential risks and challenges to further development. Winning innovations progress through subsequent stages towards product or process realization, validation and, eventually, product launch.

In the year ended December 31, 2016 we invested €87.3 million, or 1.7% of our revenue in R&D. Our innovative products and market leading processes are developed through our targeted R&D platforms across R&D centers throughout Europe, APAC, North America and the Mercosur region.

Underlying our innovative products and processes and in-house capabilities is the maintenance of rigorous quality management and testing systems in all of our manufacturing plants and R&D facilities. Through regular internal audits we are able to ensure that our products and processes are monitored to the highest industry standards. We believe that these competencies and capabilities along the entire value chain give us a competitive advantage over many of the other suppliers.

As a company whose activity strongly relies on its knowledge, experience and the continuous improvement of its products, technologies and procedures, focus on innovation, and the correct management of its industrial property are crucial. According to this, patents are only one of the tools for our global strategy for protecting our technological competitiveness. As a result of our innovation activity, since December 31, 2011, we have filed over 230 patent filings related to over 80 innovations worldwide, such as hard-trim manufacturing technologies, plastic window regulators and plastic multifunctional door parts, headliner manufacturing technologies, finishing and decorating methods, embedded electronics and light effects, safe airbag integration, instrument panels and advanced carbon nanomaterials in a wide variety of presentations and applications. Some of the most important intellectual property we own relates to the patented press hardening processes we utilize in our operations, as well as certain trademarks, including Novaform, GRAnPH, GAQUA, ACM (Advanced Carbon Materials) and Coretech, as well as our brand name, Grupo Antolin.

## **Joint Ventures**

Joint ventures constitute a key aspect of our business strategy and we operate in many countries by means of partnerships with local partners. Joint ventures have historically been a strategic way for us to enter new geographies. While in

some joint ventures we are not the majority shareholder, we nonetheless often exercise operational control over these entities. Below we present a summary of our most significant joint ventures.

*Brazil—Intertrim Ltda.*

On December 1, 1995, we formed Intertrim Ltda. with Luiz Rodovil Rossi, a Brazilian lawyer with experience in the Brazilian automotive business community, to produce overhead systems, namely headliners and sunvisors. As of December 31, 2016, we held a majority of the capital stock of Intertrim Ltda. while Luiz Rodovil Rossi held the minority capital stock. The company is located in Brazil and produces headliners in Caçapava, Brazil and sunvisors in Taubaté, Brazil. The company also has two logistic sites for sequencing and JIT delivery. The company produces parts for Volkswagen Group, PSA Group, Renault-Nissan, Toyota, Honda, Ford and Mitsubishi. As of December 31, 2016, the company employed 304 people.

*China—Changchun Antolin Automotive Interiors Co., Ltd.*

On October 16, 2015, as part of the Magna Interiors Business, we acquired a 60% interest in Changchun Intier Automotive Interiors Co., Ltd. (including its interests in Beijing Intier Automotive Interiors Co. Ltd., representing 100% of its share capital, and in Changchun Intier Automotive Interiors Co. Ltd. Beijing Branch, formed in 2015, representing 100% of its share capital), a joint venture that produces mainly instrument panels and door panels. The remaining interest is held by Changshu Automotive Trim Co., Ltd. The joint venture is located in Changchun, in the province of Jilin and its main customers are the Volkswagen Group and BMW. As of December 31, 2016, Changchun Intier Automotive Interiors Co., Ltd. employed 474 people. In January 2016 Changchun Intier Automotive Interiors Co. Ltd. was renamed Changchun Antolin Automotive Interiors Co., Ltd.; Beijing Intier Automotive Interiors Co. Ltd. was renamed Beijing Antolin Automotive Interiors Co. Ltd.; and Changchun Intier Automotive Interiors Co. Ltd. Beijing Branch was renamed Changchun Antolin Automotive Interiors Co., Ltd. Beijing Branch.

*China—Changshu Antolin Automotive Interiors Co. Ltd.*

On October 16, 2015, as part of the Magna Interiors Business, we acquired a 60% interest in Changshu Intier Automotive Interiors Co., Ltd., a joint venture that produces instrument panels, consoles, door panels, pillars, among other plastic automotive components. The remaining interest is held by Changshu Automotive Trim Co., Ltd. The joint venture is located in Changshu, in the province of Jiangsu and its main customers are Daimler, and General Motors. As of December 31, 2016, Changshu Intier Automotive Interiors Co., Ltd. employed 575 people. In January 2016 Changshu Intier Automotive Interiors Co. Ltd. was renamed Changshu Antolin Automotive Interiors Co. Ltd.

*China—Dongfeng Antolin (Wuhan) Overhead Systems Co., Ltd.*

On December 9, 2014 we entered a joint venture agreement with Dongfeng Visteon Automotive Trim System Co., Ltd. to manufacture automotive overhead systems for certain plants of Dongfeng Renault, Dongfeng PSA, Dongfeng Nissan and Dongfeng Honda. The joint venture is Dongfeng Antolin (Wuhan) Overhead Systems Co., Ltd. and is located in Hubei, China. As of December 31, 2016, the joint venture employed approximately 116 people. Through this joint venture we were able to expand our presence in the eastern region of China and increase our market share in China.

*India—Krishna Grupo Antolín Private Limited*

On February 22, 2004 we entered into an agreement with an Indian company named Krishna Maruti Limited establishing a joint venture to produce automotive headliners and sunvisors within Northern India. Krishna Maruti Ltd. is a part of the Krishna Group, a corporation supplying seating systems, interior systems as well as fuel and exhaust systems for the main OEMs in India. The joint venture is called Krishna Grupo Antolín Private Ltd., and is located in Manesar-Gurgaon, New Delhi, India. It produces components for the main car manufacturers in the country such as Maruti-Suzuki, Honda and M&M. As of December 31, 2016, the Company employed 316 people. The Company has a license agreement with the joint venture for the manufacturing of headliners and sunvisors, in consideration for this it receives a percentage of the sales derived from this joint venture.

*Netherlands—International Door Company B.V.*

On May 4, 2000, the Company and Küster Holding GmbH signed a framework agreement for the management of the manufacturing of window regulator mechanisms and related systems. Under this framework agreement, a Dutch vehicle was incorporated (International Door Company, B.V.) which would cover all of the worldwide business of the Company and Küster Holding GmbH for the manufacturing of window regulators and related systems (except in Spain, France, Germany and Portugal, where both companies would continue operating separately). Currently, International Door Company B.V. holds the following stake in these entities (i) 100% of Iramec Autopeças Ltda. (Brazil), (ii) 100% of Mexican Door Company S. de R.L. de C.V. (Mexico), (iii) 50% of International Door System S. de R.L. de C.V. (Mexico), which has no activity since July 2012 and is currently in the process of liquidation, and (iv) 50% of Slovakian Door Company (Slovakia). Iramec Autopeças Ltda. was incorporated on July 24, 1995 and is mainly focused in the manufacturing of window regulator systems. Its main customers are Volkswagen Group, Ford and PSA Group. Mexican Door Company S. de R.L. de C.V. (Mexico) was incorporated on March 17, 2004 and is mainly focused in the manufacturing of window regulatory systems. Its customers include Grupo Antolín Illinois, Inc., Volkswagen Group, Ford, DGS and Grupo Antolín-Salttillo, S. de R.L. de C.V. Slovakian Door Company, which was incorporated on March 2, 2000, manufactures window regulator mechanisms for Audi, Porsche and Renault/Smart.

*Thailand—NHK Antolin (Thailand) Co., Ltd.*

On October 22, 2012, NHK Antolin (Thailand) Co., Ltd. (“**NHKA**”) was incorporated as a joint venture between NHK Spring (Thailand) Co. Ltd. and the Company, under which each party would own a 50% interest (direct or indirect) in NHKA. NHKA manufactures headliners for the local Thai market and other countries in the APAC region. It is located in Bangpoo Industrial State, Province of Samutprakan, near Bangkok, and produces and delivers headliners for the main car manufacturers in the country including FTM Ford, AAT, Nissan, Honda, General Motors, Isuzu and Mitsubishi. As of December 31, 2016, NHKA employed 111 people. Furthermore, in August 2013, NHKA created NHK Antolín Hemarak, a JIT facility in order to support the components assembly to complete the modules for NHKA, as well as for the in-sequence delivery of the final product to the customer. It is located in the Rayong province, and delivers headliners to Ford, AAT and General Motors. As of December 31, 2016, this entity employed 82 people.

*Turkey—Ototrim Panel Sanayi ve Ticaret, A.S*

On December 15, 1992 we entered into an agreement with SKT Yedek Parca ve Makina Sanayi ve Ticaret A.S., a producer of oil sealants and rubber components for motor vehicles, establishing a joint venture to produce components such as headliners, sunvisors, hard trim, door panels and mechanisms for the main car manufacturers in the country. The joint ventures’ main customers are Ford, Renault-Nissan, Hyundai and PSA Group. As of December 31, 2016, Ototrim Panel Sanayi ve Ticaret A.S. employed 864 people. The Company grants a license to this joint venture for the manufacturing of headliners, door panels, sunvisors and window regulators and, in consideration, it receives an annual percentage of sales derived from this joint venture.

*USA—Grupo Antolín Primera Automotive Systems LLC*

On December 17, 1998, we entered an operating agreement with Crown Automotive Industries LLC, a Michigan based company, to assemble and deliver automotive overhead systems for certain plants of Ford. The joint venture is Grupo Antolín Primera Automotive Systems LLC and is located in Michigan, USA. As of December 31, 2016, the joint venture employed approximately 190 people.

**Property, Plant and Equipment as of December 31, 2016**

<b>Company<sup>(1)</sup></b>	<b>Type</b>	<b>Country</b>	<b>Owned/ Leased</b>	<b>Function</b>
Irauto, S.A. ....	Plant	Argentina	Owned	Overheads & Soft Trim
Antolin Ebergassing GmbH.....	Plant	Austria	Leased	Overheads & Soft Trim
Intertrim Ltda. (Bahia).....	JIT	Brazil	Leased	Overheads & Soft Trim
Intertrim Ltda.....	Plant	Brazil	Owned	Overheads & Soft Trim
Iramec Autopecas, S.A. ....	Plant	Brazil	Owned	Doors & Hard Trim
Trimtec Ltda. ....	Plant/TCO	Brazil	Owned	Doors & Hard Trim
Grupo Antolin-North America, Inc.....	JIT	Canada	Leased	Doors & Hard Trim
Grupo Antolin-North America, Inc.....	JIT	Canada	Leased	Overheads & Soft Trim

Changchun Antolin Automotive Interiors Co., Ltd. ....	Plant	China	Leased	Cockpits & Consoles
Changshu Antolin Automotive Interiors Co., Ltd. ....	Plant	China	Leased	Cockpits & Consoles
Changshu Antolin Automotive Interiors Co., Ltd (Yanyang) .....	JIT	China	Leased	Cockpits & Consoles
Changchun Antolin Automotive Interiors Co., Ltd. (Beijing) .....	Plant	China	Leased	Doors & Hard Trim
Dongfeng Antolin Wuhan Automotive Trim Co. Ltd. ....	JIT	China	Leased	Overheads & Soft Trim
Tianjin Antolin Automotive Trim Co. Ltd. ....	Plant	China	Leased	Doors & Hard Trim
Guangzhou Antolin Lighting Co. Ltd. ....	Plant/TCO	China	Leased	Lighting
Suzhou Antolin Automotive Interiors Co. Ltd. (Suzhou) .....	Plant	China	Leased	Lighting
Antolin Shanghai Autoparts Co. Ltd. (Shanghai) .....	Plant/JIT	China	Leased	Overheads & Soft Trim
Antolin Shanghai Autoparts Co. Ltd. (Changsu) .....	JIT	China	Leased	Overheads & Soft Trim
Antolin Shanghai Autoparts Co. Ltd. (Shenyang) .....	Plant	China	Leased	Overheads & Soft Trim
Antolin Shanghai Autoparts Co. Ltd. (Wuhu) .....	JIT	China	Leased	Overheads & Soft Trim
Antolin Shanghai Autoparts Co. Ltd. (Zhengzhou) .....	JIT	China	Leased	Overheads & Soft Trim
Chongqing Antolin Tuopu Overhead System Co. Ltd. ....	Plant/JIT	China	Leased	Overheads & Soft Trim
Dongfeng Antolin Wuhan Overhead Systems Co. Ltd. ....	Plant	China	Leased	Overheads & Soft Trim
Antolin Shanghai Auto Parts Co., Ltd (Pukou) .....	JIT	China	Leased	Overheads & Soft Trim
Antolin Shanghai Auto Parts Co., Ltd (Yi Zheng) .....	JIT	China	Leased	Overheads & Soft Trim
Guangzhou Antolin Auto-Parts Co. Ltd (Aga) .....	Plant	China	Leased	Overheads & Soft Trim
Guangzhou Antolin Auto-Parts Co. Ltd (Fuzhou) .....	JIT	China	Leased	Overheads & Soft Trim
Hangzhou Antolin Tuopu Overhead System Co. Ltd. ....	Plant/JIT	China	Leased	Overheads & Soft Trim
Antolin (China) Investment Co., Ltd .....	TCO	China	Leased	TCO
Antolin Liban s.r.o. (Liban) .....	Plant	Czech Republic	Owned	Cockpits & Consoles
Antolin Liban s.r.o. (Lipovka) .....	JIT	Czech Republic	Leased	Cockpits & Consoles
Antolin—Cie Czech Republic, s.r.o. ....	Plant	Czech Republic	Leased	Seats & Metals
Grupo Antolin Bohemia, a.s. ....	TCO	Czech Republic	Owned	TCO
Grupo Antolin Bohemia, a.s. (Liberec) .....	Plant	Czech Republic	Leased	Overheads & Soft Trim
Grupo Antolin Bohemia, a.s. (Mlada) .....	JIT	Czech Republic	Leased	Overheads & Soft Trim
Grupo Antolin Hranice, s.r.o. ....	Plant	Czech Republic	Owned	Lighting
Grupo Antolin Ostrava s.r.o. ....	Plant	Czech Republic	Leased	Overheads & Soft Trim
Grupo Antolin Turnov s.r.o. ....	Plant	Czech Republic	Leased	Doors & Hard Trim
Grupo Antolin Turnov s.r.o. (Hnojnik) ....	JIT	Czech Republic	Leased	Doors & Hard Trim
Grupo Antolin Turnov s.r.o. (Mlada) .....	JIT	Czech Republic	Leased	Doors & Hard Trim
Grupo Antolin Turnov s.r.o. (Přisovice) ..	Plant	Czech Republic	Leased	Doors & Hard Trim
Grupo Antolin Besançon, S.A.S. ....	Plant/TCO	France	Owned/Leased	Lighting
Grupo Antolin—Cambrai, S.A.S. ....	Plant/JIT	France	Owned	Doors & Hard Trim
Grupo Antolin—France, S.A.S. ....	TCO	France	Leased	TCO
Grupo Antolin—IGA, S.A.S. ....	Plant	France	Owned	Overheads & Soft Trim
Grupo Antolin—IGA, S.A.S. ....	JIT	France	Leased	Overheads & Soft Trim
Grupo Antolin—Ingénierie Sièges, S.A.S. ....	TCO	France	Owned	TCO
Grupo Antolin—Jarny, S.A.S. ....	Plant	France	Owned	Seats & Metals
Grupo Antolin—Loire, S.A.S. ....	Plant	France	Owned	Seats & Metals
Grupo Antolin—Vosges, S.A.S. ....	Plant/TCO	France	Owned	Overheads & Soft Trim
Antolin Straubing GmbH .....	Plant	Germany	Leased	Cockpits & Consoles

Antolin Massen GmbH .....	Plant	Germany	Owned	Doors & Hard Trim
Antolin Süddeutschland GmbH (Regenstauf) .....	Plant	Germany	Leased	Doors & Hard Trim
Grupo Antolin—Logistik Deutschland GmbH (Emden) .....	JIT	Germany	Leased	Doors & Hard Trim
Grupo Antolin—Logistik Deutschland GmbH (Saarlouis).....	JIT	Germany	Leased	Doors & Hard Trim
Grupo Antolin Bamberg GmbH & Co. KG .....	Plant/TCO	Germany	Owned	Lighting
CML Technologies, GmbH & Co. KG. (Bad Dürkheim).....	Plant/TCO	Germany	Leased	Lighting
Antolin Süddeutschland GmbH (Rastatt).	Plant	Germany	Leased	Overheads & Soft Trim
Grupo Antolin—Logistik Deutschland GmbH (Emden) .....	JIT	Germany	Leased	Overheads & Soft Trim
Grupo Antolin—Logistik Deutschland GmbH (Köln).....	JIT	Germany	Leased	Overheads & Soft Trim
Grupo Antolin—Logistik Deutschland GmbH (Regensburg).....	JIT	Germany	Leased	Overheads & Soft Trim
Grupo Antolin—Logistik Deutschland GmbH (Saarlouis).....	JIT	Germany	Leased	Overheads & Soft Trim
Grupo Antolin—Logistik Deutschland GmbH (Sachsen).....	JIT	Germany	Leased	Overheads & Soft Trim
Grupo Antolin—Logistik Deutschland GmbH (Wolfsburg).....	JIT	Germany	Leased	Overheads & Soft Trim
Antolin Interiors Deutschland GmbH .....	TCO	Germany	Leased	TCO
Antolin Interiors Deutschland GmbH (Grossostheim) .....	TCO	Germany	Leased	TCO
Antolin Interiors Deutschland GmbH (Sindelfingen).....	TCO	Germany	Leased	TCO
Grupo Antolin—Deutschland GmbH (Köln).....	TCO	Germany	Leased	TCO
Grupo Antolin—Deutschland GmbH (Stuttgart) .....	TCO	Germany	Leased	TCO
Grupo Antolin—Deutschland GmbH (Weyhausen) .....	TCO	Germany	Leased	TCO
Antolin Hungary Kft. (Keszketmet).....	Plant	Hungary	Owned	Overheads & Soft Trim
Plastimat Hungary Kft. (Esztergom).....	Plant	Hungary	Owned	Doors & Hard Trim
Grupo Antolin Chakan Private Ltd. ....	Plant	India	Owned	Doors & Hard Trim
Grupo Antolin—India Private Ltd. ....	Plant	India	Owned	Overheads & Soft Trim
Grupo Antolin—India Private Ltd. (Chennai).....	Plant/JIT	India	Owned	Overheads & Soft Trim
Grupo Antolin—India Private Ltd. (Sanand) .....	Plant	India	Leased	Overheads & Soft Trim
Grupo Antolin—India Private Ltd. ....	TCO	India	Owned	TCO
Krishna Grupo Antolin Private, Ltd.....	Plant	India	Owned	Overheads & Soft Trim
Grupo Antolin—Italia, s.r.l. (Caserta) .....	JIT	Italy	Leased	Doors & Hard Trim
Grupo Antolin—Italia, s.r.l. ....	Plant/JIT/TCO	Italy	Owned	Doors & Hard Trim
Grupo Antolin—Japan, Corp. ....	TCO	Japan	Leased	TCO
Antolin Interiors Mexico, S.A. de C.V. (Saltillo) .....	Plant	Mexico	Leased	Doors & Hard Trim
Antolin Interiors Mexico, S.A. de C.V. (Toluca) .....	Plant	Mexico	Leased	Doors & Hard Trim
Gestion Industrial Sonora, S.A. de C.V. ..	Plant	Mexico	Leased	Doors & Hard Trim
Grupo Antolin Tlaxcala S.L. de C.V. ....	Plant	Mexico	Leased	Doors & Hard Trim
Grupo Antolin—Saltillo, S. de R.L. de C.V. ....	Plant	Mexico	Leased	Doors & Hard Trim
Grupo Antolin—Silao, S.A. de C.V. ....	Plant/TCO	Mexico	Owned	Overheads & Soft Trim
Grupo Antolin—Silao, S.A. de C.V. (Derramadero) .....	JIT	Mexico	Leased	Overheads & Soft Trim
Grupo Antolin—Silao, S.A. de C.V. (Hermosillo) .....	JIT	Mexico	Leased	Overheads & Soft Trim
Grupo Antolin—Silao, S.A. de C.V. (Puebla) .....	JIT	Mexico	Leased	Overheads & Soft Trim

Mexican Door Company S. de R.L. de C.V. ....	Plant	Mexico	Leased	Doors & Hard Trim
Antolin Tanger, S.a.r.l. ....	Plant/TCO	Morocco	Owned	Overheads & Soft Trim
Antolin Tanger, S.a.r.l. ....	Plant	Morocco	Leased	Seats & Metals
Grupo Antolin Silesia Sp. z.o.o. ....	Plant	Poland	Owned	Doors & Hard Trim
Grupo Antolin Lusitânia-Componentes Automóvel, S.A. ....	Plant	Portugal	Owned	Doors & Hard Trim
Grupo Antolin Valença-Componentes Automóvel, S.A. ....	Plant	Portugal	Owned	Seats & Metals
Grupo Antolin Valença-Componentes Automóvel, S. L. U. (Palmela) ....	JIT	Portugal	Leased	Overheads & Soft Trim
Grupo Antolin Sibiu, S.R.L. ....	Plant	Romania	Owned	Lighting
Antolin Avtotechnika Nizhny Nóvgorod, Ltd. ....	Plant	Russia	Leased	Overheads & Soft Trim
Grupo Antolin Nizhny Novgorod LLC....	JIT	Russia	Leased	Overheads & Soft Trim
Grupo Antolin—Saint Petersburg LLC ...	Plant	Russia	Leased	Doors & Hard Trim
Antolin Trnava s.r.o. ....	Plant	Slovakia	Leased	Doors & Hard Trim
Grupo Antolin—Bratislava, s.r.o. ....	Plant/JIT	Slovakia	Leased	Overheads & Soft Trim
Grupo Antolin—Bratislava, s.r.o. ....	JIT	Slovakia	Leased	Overheads & Soft Trim
Slovakian Door Company, s.r.o. ....	Plant	Slovakia	Leased	Doors & Hard Trim
Grupo Antolin—South Africa, (PTY) Ltd (Durban) ....	Plant	South Africa	Leased	Overheads & Soft Trim
Grupo Antolin—South Africa, (PTY) Ltd (Rosslyn) ....	Plant/JIT	South Africa	Leased	Overheads & Soft Trim
Grupo Antolin—South Africa, (PTY) Ltd (Uitenhage) ....	TCO	South Africa	Leased	Overheads & Soft Trim
Crea Antolin Co. Ltd ....	Plant	South Korea	Owned	Doors & Hard Trim
Dongwon Technology Ltd. ....	Plant	South Korea	Owned	Doors & Hard Trim
Grupo Antolin Korea Co LLC ....	TCO	South Korea	Leased	TCO
Cidut, S.L. ....	Plant	Spain	Owned	Die-Cut and Molding
Grupo Antolin—Álava, S.A.U. ....	JIT	Spain	Leased	Seats & Metals
Grupo Antolin—Ara, S.A.U. ....	Plant	Spain	Owned	Seats & Metals
Grupo Antolin—Aragusa, S.A.U. ....	Plant	Spain	Leased	Doors & Hard Trim
Grupo Antolin—Aragusa, S.A.U. (Madrid) ....	JIT	Spain	Leased	Doors & Hard Trim
Grupo Antolin—Aragusa, S.A.U. (Valladolid) ....	JIT	Spain	Leased	Doors & Hard Trim
Grupo Antolin—Ardasa, S.A.U. ....	Plant	Spain	Owned	Seats & Metals
Grupo Antolin—Autotrim, S.A.U. ....	Plant	Spain	Owned	Overheads & Soft Trim
Grupo Antolin—Autotrim, S.A.U. (Barcelona) ....	JIT	Spain	Leased	Overheads & Soft Trim
Grupo Antolin—Autotrim, S.A.U. (Valencia) ....	JIT	Spain	Leased	Overheads & Soft Trim
Grupo Antolin—Dapsa, S.A.U. ....	Plant	Spain	Owned	Doors & Hard Trim
Grupo Antolin—Eurotrim, S.A.U. ....	Plant	Spain	Owned	Overheads & Soft Trim
Grupo Antolin—Eurotrim, S.A.U. (Vitoria) ....	JIT	Spain	Leased	Overheads & Soft Trim
Grupo Antolin—Glass, S.A.U. ....	JIT	Spain	Leased	JIT
Grupo Antolin—Ingeniería, S.A.U./Grupo Antolin-Irausa, S.A. ....	TCO	Spain	Owned	TCO
Grupo Antolin—Magnesio, S.A.U. ....	Plant	Spain	Owned	Seats & Metals
Grupo Antolin—Martorell, S.A.U. ....	JIT	Spain	Leased	Seats & Metals
Grupo Antolin—Navarra, S.A.U. ....	Plant	Spain	Leased	Doors & Hard Trim
Grupo Antolin—PGA, S.A.U. ....	Plant	Spain	Leased	Seats & Metals
Grupo Antolin—Plasbur, S.A.U. ....	Plant	Spain	Owned	Doors & Hard Trim
Grupo Antolin—RyA, S.A.U. ....	Plant	Spain	Owned	Doors & Hard Trim
Grupo Antolin—Valplas, S.A.U. ....	Plant	Spain	Owned	Doors & Hard Trim
Grupo Antolin—Vigo, S.A.U. ....	Plant	Spain	Owned	Seats & Metals
NHK Antolin Thailand Co. Ltd. ....	Plant	Thailand	Leased	Overheads & Soft Trim
NHK Antolin Thailand Co. Ltd. ....	JIT	Thailand	Leased	Overheads & Soft Trim
Ototrim Panel Sanayi Ve Ticaret s.a. ....	Plant/TCO	Turkey	Owned	Doors & Hard Trim

Ototrim Panel Sanayi Ve Ticaret s.a. (Aygen) .....	JIT	Turkey	Leased	Doors & Hard Trim
Ototrim Panel Sanayi Ve Ticaret s.a. (Kullar).....	JIT	Turkey	Leased	Doors & Hard Trim
Ototrim Panel Sanayi Ve Ticaret s.a. (Yenikoy) .....	JIT	Turkey	Leased	Doors & Hard Trim
Antolin Interiors UK (Barton) Limited ....	Plant	UK	Leased	Doors & Hard Trim
Antolin Interiors UK (Hartlip) Limited ...	Plant/JIT	UK	Leased	Doors & Hard Trim
Antolin Interiors UK (Hartlip. Birmingham) Limited.....	JIT	UK	Leased	Doors & Hard Trim
Antolin Interiors UK (Hartlip. Speke) Limited .....	JIT	UK	Leased	Doors & Hard Trim
Antolin Interiors UK (Redditch 1) Limited.....	Plant	UK	Leased	Cockpits & Consoles
Antolin Interiors UK (Redditch 2) Limited.....	Plant	UK	Leased	Cockpits & Consoles
Antolin Interiors UK (Redditch 3) Limited.....	JIT	UK	Leased	Cockpits & Consoles
Antolin Interiors UK (Warwick) Limited	TCO	UK	Leased	Cockpits & Consoles
CML Innovative Technologies Limited...	Plant/TCO	UK	Leased	Lighting
Grupo Antolin UK Limited.....	TCO	UK	Leased	TCO
Grupo Antolin Leamington Limited (Solihull) .....	JIT	UK	Leased	Overheads & Soft Trim
Grupo Antolin Leamington Limited (Sunderland).....	JIT	UK	Leased	Overheads & Soft Trim
Grupo Antolin Leamington Limited .....	Plant/JIT	UK	Leased	Overheads & Soft Trim
Antolin Interiors USA, Inc. (Nashville)...	Plant	US	Leased	Cockpits & Consoles
Antolin Interiors USA, Inc. (Spartanburg).....	Plant	US	Leased	Overheads & Soft Trim
Antolin Interiors USA, Inc. (St. Clair).....	Plant	US	Leased	Doors & Hard Trim
Antolin Interiors USA, Inc.(Atreum-Howell) .....	Plant	US	Leased	Cockpits & Consoles
Grupo Antolin Illinois, Inc.....	JIT	US	Leased	Doors & Hard Trim
Grupo Antolin Kentucky, Inc. ....	Plant	US	Owned	Overheads & Soft Trim
Grupo Antolin Kentucky, Inc. (Chattanooga).....	Plant	US	Leased	Overheads & Soft Trim
Grupo Antolin Kentucky, Inc. (Cottondale).....	JIT	US	Leased	Overheads & Soft Trim
Grupo Antolin Kentucky, Inc. (Louisville).....	JIT	US	Leased	Overheads & Soft Trim
Grupo Antolin Michigan, Inc.....	Plant/JIT	US	Leased	Overheads & Soft Trim
Grupo Antolin Michigan, Inc. (Warren) ..	JIT	US	Leased	Overheads & Soft Trim
Grupo Antolin Missouri, LLC .....	Plant	US	Leased	Overheads & Soft Trim
Grupo Antolin North America, Inc. ....	TCO	US	Leased	TCO
Grupo Antolin—Wayne, LLC .....	JIT	US	Leased	Overheads & Soft Trim

(1) Certain companies are part of the Divested Business. See “Summary—Recent Developments”.

The following table sets forth the total number of our plant and JIT facilities and our TCOs, by region as of December 31, 2016:

Region	Plant/JIT	TCO/Plant
Western Europe .....	71	17
Eastern Europe.....	27	2
North America .....	26	2
Mercosur.....	5	1
APAC .....	33	5
Other.....	5	2
<b>Total.....</b>	<b>167</b>	<b>29</b>

## Environmental

We have a strong commitment to environmental issues and the impact of our operations on the environment, including with respect to climate change. We are also committed to maintaining high standards of health and safety, both environmental and general. We have approved a management model, aimed at covering any legal requirements, and which currently applies to each entity in our Group. As of December 31, 2016, we had approximately 100 employees dedicated to environmental issues and approximately 115 employees dedicated to health and safety issues.

As manufacturers of automotive components, the environmental impact generated by us have to be taken into account throughout the life cycle of the vehicle and not only during the manufacturing phase of our parts. For this reason we are committed to adapting and using the best techniques available for our components, as well as including environmental aspects in the design and operation of them. For example, our innovation processes seek weight reduction and make use of biomaterials and natural fibers, our design processes seek new products and production processes centered around efficient use of resources and energy, and we seek out recycling options for the components at the end of their useful life.

Over the past three years, we have had no relevant material environmental issues, actions, claims or liabilities that could have had a significant impact on our equity, financial position or results, and are currently not aware of any such issues, actions, claims or liabilities, excluding the claim in Brazil against our subsidiary Trimtec Ltda. See “—Proceedings”.

As of December 31, 2016, we had achieved environmental certification in accordance with the standard ISO 14001 for 96 companies. The chart below shows a breakdown of our ISO 14001 certifications by region as of December 31, 2016:

Region	ISO14001 Certifications
Europe .....	56
North America .....	18
Mercosur .....	4
Africa-APAC .....	18

Additionally, as of December 31, 2016 we had achieved new energy efficiency certification in accordance with the standard ISO 50001 for five companies in Europe.

Our environmental activities focus on two general areas: (i) environmental management system, based on manuals and procedures common to all the centers defining the measures to ensure strict compliance with current legislation, the rational use of resources and energy and minimizing the generation of waste; and (ii) environmentally sensitive design, where we focus our design of our products with a view to minimizing the environmental impact of the vehicle over its useful life.

## Health and Safety

In terms of health and safety we are aware of the risks in our business and have a policy that ensures that both our employees and those from other companies working on our premises have a safe and healthy working environment.

In accordance with this policy, we use the same criteria when assessing the performance of any company in terms of health and safety and no difference is established between the companies operating in the countries in which we are present.

Our management plan, based on the OHSAS 18001 model, includes the identification and verification of any applicable regulations, as well as the performance of internal audit controls to verify any applicable preventive measures and the level of compliance.

There is also a system of audits which verifies that any measures in health and safety meet with the criteria established in our policies, thereby assuring reliability and comparability among the companies.

## 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, in Trimtec Ltda., our subsidiary in Brazil, we are subject, together with 25 other companies, to two environmental claims derived from the environmental damages created by CBB, who was hired to provide services of incineration and industrial waste disposal for Trimtec Ltda. and other companies. CBB did not perform such services and was abandoning waste in the state of Para, which ended up causing severe environmental damage. The first proceeding, started by citizen action, initially sought Brazilian real 50 million in damages from CBB and each of the companies that had contracted the services of CBB. The second one, a public civil action, initially sought Brazilian Real 53.2 million in damages. We consider the risk derived from these proceedings to be remote. An expert in the assessment and valuation of environmental damage was appointed in connection with the proceedings and is expected to begin the assessment in May 2017.

Furthermore, we are subject to several administrative and judicial tax proceedings in Brazil, of which four proceedings are due to the dispute over certain VAT deductions that we had taken under the exemption for certain manufacturers that applied to us under Brazilian tax law. As of December 31, 2016, we estimate the aggregate potential liability under administrative and judicial proceedings in Brazil amounts to be approximately €16.9 million.

## **Employees**

During 2016 the average number of employees working for us was approximately 27,000, globally, of which 14%, 54%, 2%, and 26% were based in APAC, Europe, the Mercosur region and North America, respectively. The breakdown of our employees by business segment as at December 31, 2016 is as follows: 34% in Headliners, 35% in Doors, 15% in Cockpits, 7% in Lighting, 4% in Seating and 5% in other areas.

Our strategy is to manage 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. This policy allows us to benefit from a number of 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 a country level one.

In addition to this strategy, we try to build open and trusting relations with union representatives at regional level or country level, in order to allow a bi-directional communication channel to provide them with relevant information, but also to understand their real worries and concerns.

During the global economic crisis, we proactively managed our employee requirements while endeavoring to find constructive measures to manage and retain experienced professionals. Given the global nature of our business and operations, the measures implemented required an in-depth analysis of the legal framework of each jurisdiction in which we operate. Our extensive global footprint has also given us a tool to fight the impact of the global economic crisis as it has allowed for increased geographical mobility and provided us with the ability to temporarily balance our resources across different regions, supporting strategic projects with the most skilled and experienced workers.

Where the opportunities have arisen and it has been possible to do so, we have deployed underutilized staffing resources from one area of our business to other areas experiencing increased staffing requirements, for example between 2007 and 2009, we mobilized workers from various Spanish group entities in order to avoid temporary layoffs. In addition, between 2009 and 2011, we used the transfer of employees between different companies of the Group for the purposes of reducing the negative impact of some reductions in the workforce and the closure of some facilities. Furthermore, in 2013, as part of a restructuring, we offered employees the possibility of voluntary transfers from Grupo Antolín-Dapsa, S.A.U. to Grupo Antolín-Plasbur, S.A.U. and the Company.

Where necessary and where the legal and regulatory labor and employment framework in a jurisdiction allows, we have implemented measures such as temporary reduction of the workforce, early retirement programs (as a way to achieve cost reduction in the short term and to reduce the average age of the staff in the medium to long term) and “substitute contracts” which has proven to be an efficient way to manage costs and rejuvenate the workforce, while accommodating the aging population.

## MANAGEMENT

### Board of Directors

The following table sets forth, as of the date of the Issuance, the name and title of each member of the Board of Directors of the Company, together with their representatives (in the case of corporate directors) and is followed by a summary of biographical information of each director or representative (in the case of corporate directors), including their respective ages. The address of the Board of Directors is Ctra. Madrid- Irún Km. 244.9-E09007, Burgos, Spain.

Name	Position
Canea, S.L. (represented by Ernesto Antolín).....	Chairman
Injat, S.L. (represented by María Helena Antolín).....	Vice-Chairman
Jesús Pascual.....	Chief Executive Officer
Agrícola Cinegética San Quirce, S.L.U. (represented by Emma Antolín) .....	Director
Ampaber, S.L.U. (represented by Ana Berta Antolín) .....	Director
Emilio Ontiveros.....	Director
José Manuel Temiño.....	Director

**Ernesto Antolín** (52). Representative of Canea, S.L. (Chairman of the Company) since January 2015. Ernesto Antolín served as Vice-Chairman of Grupo Antolin from 1997 to January 2015. He holds a degree in law (*licenciatura en derecho*) from the University of Burgos, and has obtained several post-graduate degrees from Boston University. He has 27 years of international experience within the automotive industry in the areas of strategy, marketing, industry and business diversification, of which 26 years have been with Grupo Antolin. He also serves as director of several of Grupo Antolin's subsidiary companies.

**María Helena Antolín** (50). Representative of Injat, S.L. (Vice-Chairman of the Company) since 2015. Former representative of Agrícola Cinegética San Quirce, S.L.U. (Executive Director of the Company) from 2009 to January 2015. María Helena Antolín was appointed as Marketing and Corporate Affairs Officer of Grupo Antolin in 2013. She holds a degree in international business and business administration from Eckerd College (Florida) and a Master in Business Administration from Anglia University (United Kingdom) and the Polytechnic University of Valencia. She has over 24 years of international experience with Grupo Antolin in the areas of product quality, industry, human resources and operations. She is a member of the steering committee of Grupo Antolin, member of the board of directors of Iberdrola, S.A., a Spanish utility company, member of the board of directors of the Commission of Social Corporate Responsibility and the Permanent Commission of the "Management Excellence Club" (*Club Excelencia en Gestión*) and Chairwoman of SERNAUTO, the Spanish Association of Equipment Manufacturers and Automotive Components. She also serves as director of several of Grupo Antolin's subsidiary companies.

**Jesús Pascual** (53). Chief Executive Officer of Grupo Antolin since 2015. Mr. Pascual holds a degree in industrial engineering from the Polytechnic University of Burgos, as well as a Master in Business Administration from the European Business School in Burgos. He has over 31 years of international experience in the automotive industry, in the areas of operations and industrial development. Within Grupo Antolin he has held the position of Plant Manager in several factories, as well as Territorial Director for the Iberian Peninsula and Head of the Headliners segment from 2005 until 2013, and the position of Chief Operations Officer from 2013 until 2015. Mr. Pascual is a member of our executive and steering committees. He also serves as director of several of Grupo Antolin's subsidiary companies.

**Emma Antolín** (36). Representative of Agrícola Cinegética San Quirce, S.L.U (Director of the Company) since January 2015. Emma Antolín was appointed as Head of Corporate Social Responsibility of Grupo Antolin in 2007. She holds a degree in Psychology from the Pontifical University of Salamanca, an MBA from IEDE Business School and a Master in Financial Management from IE Instituto de Empresa. She has over ten years of experience with Grupo Antolin in the area of Corporate Social Responsibility. She is a member of the audit committee of Grupo Antolin.

**Ana Berta Antolín** (48). Director of Grupo Antolin since 2011, as representative of Ampaber, S.L.U. She has worked for several years in Grupo Antolin, as well as in other companies of the automotive sector.

**Emilio Ontiveros** (68). Director of Grupo Antolin since 2014. He is founder and Chairman of Afi, Analistas Financieros Internacionales, a financial consultancy. He holds a PhD in Economics and is Professor of Economics and Business Administration at the Universidad Autónoma de Madrid since 1985, where he was Vice Chancellor for four years.

Mr. Ontiveros has also been visiting scholar in Wharton School—University of Pennsylvania. Author and coauthor of several books and numerous articles, he is a contributor in magazines specialized in international economy and finance.

**José Manuel Temiño** (70). Director of Grupo Antolin since 2015 and Chief Executive Officer from 1985 to 2015. José Manuel Temiño holds a degree in mining engineering (*ingeniería de minas*) from the Technical School of Superior Mining Engineers of Madrid (*Escuela Técnica de Ingenieros Superiores de Minas*). Mr. Temiño has 36 years of experience with Grupo Antolin.

## Senior Management

Our senior management team is led by Jesús Pascual, who has spent his entire career at Grupo Antolin, having held numerous positions of responsibility.

The following table sets forth, as of the date of the Issuance, the name and title of each member of the senior management team who does not also serve on the Board of Directors, and is followed by a summary of biographical information of each such member including their respective ages. The address of the Board of Directors is Ctra. Madrid- Irún Km. 244.9-E09007, Burgos, Spain.

Name	Position
Miguel Ángel Vicente.....	Chief Operations Officer and Chief Commercial Officer <sup>(1)</sup>
Cristina Blanco Santo Tomas.....	Chief Financial Officer
Pablo Ruiz .....	General Counsel

- (1) Miguel Marañón (46) has been appointed Chief Commercial Officer of Grupo Antolin and will assume that role (currently being fulfilled by Miguel Ángel Vicente) following the termination of the transition services agreement that Mr. Marañón is completing in connection with the Divestment due to his prior position as head of the Seating segment. Mr. Marañón holds a degree in industrial engineering from the University of Valladolid. He has 20 years of experience with Grupo Antolin, having held several management positions within the Seating segment and being named head of the Seating segment from 2013 to 2017. Once he assumes the role of Chief Commercial Officer, Mr. Marañón will also be a member of our executive committee.

**Miguel Ángel Vicente** (62). Chief Operations Officer and Chief Commercial Officer of Grupo Antolin since April 1, 2017. Previously he served as Chief Commercial Officer of Grupo Antolin since 2013. Mr. Vicente holds a degree in industrial engineering from the ENSAI University in Strasbourg (France), a Master in Business Administration from INSEAD in Fontainebleau (France) as well as a Master's degree in Engines from IFP School in Paris (France). He has 36 years of international experience within the automotive industry, and has worked for companies like Renault-Nissan in the areas of research, engineering, quality, manufacturing and purchasing in France, Mexico and Spain. He has been working for Grupo Antolin for the last 23 years, where he first held the position of Industrial Operations Director. Subsequently, he also held the position of Operations Director in Europe-Mercosur and in North America, and Head of the Doors segment from 2009 to 2013. Mr. Vicente is a member of our executive and steering committees.

**Cristina Blanco Santo Tomas** (43). Chief Financial Officer of Grupo Antolin since 2016. She holds a degree in Business Administration from Universities of Dundee, Scotland and Burgos, Spain and a degree in Economics and Business Administration from UNED. She has 17 years of experience with Grupo Antolin, having held several management positions within the economic and financial division, most recently as the head of financial planning and treasury. Ms. Blanco is a member of our executive and steering committees.

**Pablo Ruíz** (59). General Counsel of Grupo Antolin and Secretary of the Board of Directors of the Company. Mr. Ruiz holds a degree in law (*licenciatura en derecho*) from the University of Valladolid. He has more than 25 years of experience within the automotive industry and is responsible for the legal department of Grupo Antolin. Mr. Ruiz is a member of our steering committee.

## Committees

The Board of Directors may form committees from among its members and members of the management team and charge the committees with the performance of specific tasks. The committees' tasks, authorizations and processes are determined by the Board of Directors. Where permissible by law, important powers of the Board of Directors may also be transferred to the committees. As of December 31, 2016, the Board of Directors had established the following committees:

#### *Executive committee*

The executive committee is responsible for all tasks delegated to it by the Board of Directors, and is composed of the Chief Executive Officer, the Chief Operations/Commercial Officer and the Chief Financial Officer. The executive committee meets on a weekly basis.

#### *Steering committee*

The steering committee is responsible for (i) the presentation of the budget for its approval by the Board of Directors, (ii) approval of projects and innovation plans, (iii) discussion and approval of organizational duties and (iv) human resources, institutional relations and external communication policies. The steering committee is formed, *inter alia*, by the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the General Counsel. The steering committee meets every month.

#### *Audit committee*

The audit committee is responsible for, among others, reporting information on the annual financial statements, as well as on our quarterly financial. In addition, our audit committee proposes the appointment of the external financial auditors to the Board of Directors, and oversees our internal audit services, our financial information reporting process and our internal control systems. The audit committee meets as often as necessary in order to discharge its functions and at least once every three months. The audit committee is composed of Emilio Ontiveros (as president), Jose Manuel Temiño, Emma Antolín, Jesús Pascual and Juan Carlos Martínez (as members) and Pablo Ruiz (as secretary).

#### *Appointments and remuneration committee*

The duties and functions of our appointments and remuneration committee include, among others, the duty to inform our Board of Directors of appointments, re-elections, terminations and remuneration of the Board and its members, as well as upon general remuneration and incentives policy for the Board and senior management. The appointments and remuneration committee meets as often as necessary in order to perform its functions, and at least once every three months. The appointments and remuneration committee is composed of Jose Manuel Temiño (as president), Emilio Ontiveros, Ernesto Antolín, Jesús Pascual and Javier Blanco (as members) and Pablo Ruiz (as secretary).

## SHAREHOLDERS AND CERTAIN TRANSACTIONS

### Shareholders

As of the date of the Issuance, our issued share capital amounts to 37,468,535.47 consisting of 8,023,241 registered shares with a par value of €4.67 each.

Our shareholders are (i) Grupo Antolin HoldCo S.A., a Spanish limited liability company (*sociedad anónima*), which holds 67.4% of the shares of the Company and (ii) Castilfalé Gestión, S.A.U., a Spanish limited liability company (*sociedad anónima*), which holds 32.6% of the shares of the Company. Castilfalé Gestión, S.A.U. is a wholly owned subsidiary of G.A. HoldCo S.A. y Compañía, S.R. Colectiva, which in turn is wholly-owned by the Antolín family through different holding entities (including Grupo Antolin HoldCo S.A.). Grupo Antolin HoldCo S.A. is wholly-owned by the Antolín family through different holding vehicles, including Avot Inversiones, S.L.

Avot Inversiones, S.L. is 100% owned by the Antolín family. The Antolín family has two branches, one for each of the two Antolín brothers who founded Grupo Antolin. Each family branch owns 50% of Avot Inversiones, S.L., holding their shares in Avot Inversiones, S.L. through separate investment vehicles.

The board of Avot Inversiones, S.L. is composed of two members of each branch of the Antolín family and José Manuel Temiño. Mr. Temiño, a Director of the Company, is given a deciding vote in case of deadlock between the two branches of the Antolín family. In February 2013, the Antolín family signed a shareholders' agreement regarding its shareholding in Avot Inversiones, S.L. The Antolín family agreed to a ten year lockup period, in which the sales of shares in Avot Inversiones, S.L. are restricted to certain requirements such as business interest and the maintenance of family-based control over the Company. The shareholders' agreement sets economic sanctions and penalties for any breach of the shareholders' agreement.

### Terms and conditions of transactions with related parties

#### *Transactions with associated companies*

We enter into certain transactions in the ordinary course of business with associated companies. In the period under review our significant transactions with associated companies included €0.9 million with NHKA, related to cross-sales of our products within our Group in the year ended December 31, 2014.

In addition, the Antolín family owns Compras y Logística Burgalesa, S.L.U., a company which manages non-productive material purchases and which primarily serves certain Spanish subsidiaries of our group. This entity had a net turnover of approximately €10.5 million in the year ended December 31, 2016, approximately 96.8% of which derived from sales to the Company and its subsidiaries.

Finally, the Antolín family owns Bodegas Imperiales, S.L., a winery in the area of "Ribera del Duero", devoted to the production and sale of wine. In the year ended December 31, 2016, this entity had a net turnover of approximately €2.1 million, approximately 28% of which derived from sales to the Company and its subsidiaries.

See note 22 to our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014, included elsewhere in this offering memorandum, for additional information regarding transactions with associated companies.

#### *Transactions with Directors*

In the year ended December 31, 2014 we entered into contracts with Injat, S.L. and Canea, S.L., both companies owned by members of the Antolín family, for which we paid €0.6 million and €0.4 million, respectively. The contracts were no longer in force in 2015. Currently, Injat, S.L. and Canea, S.L. provided remunerated services including, among others, (i) orientation and assistance in the commercial development of the Company and its brand both in Spain and internationally; (ii) identification of new projects, markets and areas of expansion; (iii) analysis of adequacy of the real estate structure of the Company to its operating needs and identification of investment opportunities; and (iv) strategic planning such as the identification of threats and opportunities within the Company's industry. The total consideration paid for transactions with directors amounted to €3.0 million in the year ended December 31, 2016.

In the year ended December 31, 2016, we entered into a contract with Asesores Financieros Internacionales, an entity related to a director of the Company, for which we paid €0.1 million. The services provided included general financial advisory, including in relation to analysis of macroeconomic environment, foreign exchange exposure and short term financial policy, among others.

See note 22 to our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014, included elsewhere in this offering memorandum, for additional information regarding transactions with directors.

## DESCRIPTION OF OTHER INDEBTEDNESS

### Senior Facilities Agreement

*The following section contains a summary of certain key terms of the Senior Facilities Agreement, the Intercreditor Agreement, the 2022 Notes and other financing arrangements. This section is intended to be a summary only and does not purport to be a complete or exhaustive description of the topics summarized. Terms not defined in the following section have the meanings given to them in the Senior Facilities Agreement.*

Grupo Antolín-Irausa, S.A. is a party to a senior term and revolving facilities agreement dated March 13, 2014 as amended and/or amended and restated from time to time (the “**Senior Facilities Agreement**”) entered into between, among others, Grupo Antolín-Irausa, S.A. as the company and original borrower (the “**Company**”), the original lenders listed therein and Deutsche Bank AG, London Branch as agent (“**Agent**”) and security agent.

#### *Committed facilities*

The Senior Facilities Agreement provides for committed facilities as set out below:

- a euro term loan facility (“**Facility A**”) in an aggregate amount of €386.6 million, comprising:
  - a tranche of approximately €191.1 million (“**Facility A1**”) with an amortizing repayment profile;
  - a tranche of approximately €195.5 million (“**Facility A2**”) with an amortizing repayment profile; and
- a multi-currency revolving credit facility of €200.0 million (the “**Revolving Credit Facility**”).

Each of Facility A1, Facility A2 and the Revolving Credit Facility has a maturity date of (the “**Maturity Date**”):

- (i) 31 August 2020, if the 2021 Notes have not been repaid, prepaid, purchased, redeemed, defeased or discharged and cancelled in full on or before 31 August 2020; or
- (ii) 31 September 2021, if the 2021 Notes have been repaid, prepaid, purchased, redeemed, defeased or discharged and cancelled on or before 31 August 2020.

#### *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 (as described below) and (b) LIBOR or, in relation to any loan in euro, EURIBOR.

Pursuant to the terms of the Senior Facilities Agreement the margin for Facility A and the Revolving Credit Facility ranges between 1.75% per annum to 1.25% per annum, subject to a margin adjustment mechanism in the Senior Facilities Agreement pursuant to which the margin applicable to Facility A and the Revolving Credit Facility is adjusted upwards or downwards based on the ratio of Net Financial Indebtedness to Adjusted EBITDA in respect of any relevant testing period, as demonstrated in the compliance certificate required delivered with the annual audited and quarterly unaudited financial statements of the Group. While an event of default is continuing under the Senior Facilities Agreement, the applicable margin will be the highest margin applicable to each Facility.

Pursuant to the Senior Facilities Agreement, the Company is obligated to pay certain fees, including an agency and security agent’s fee and a commitment fee in respect of the available but undrawn Revolving Credit Facility commitments.

#### *Guarantees*

Pursuant to the terms of the Senior Facilities Agreement, the Company and certain subsidiaries of the Company (together with the Company, 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, or in the case of the Portuguese Guarantors, in the Intercreditor 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.

The Company is required to ensure that each of its subsidiaries in which it holds directly or indirectly at least 90% of the issued ordinary share capital, and which for the last financial year has (a) earnings before interest, tax, depreciation and amortization (i) calculated on the same basis as EBITDA but on an unconsolidated basis, representing 2.50% or more of the Group's EBITDA; and (ii) (calculated on the same basis as EBITDA but on an unconsolidated basis) greater than €5,000,000; or (b) which has net assets representing 2.50% or more of the Group's net assets (calculated on an unconsolidated 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 agreed security principles and certain limitations specified in the Senior Facilities Agreement and does not apply to a Spanish company established as an *Agrupación de Interés Económico* or a *Sociedad de responsabilidad limitada* or any subsidiary incorporated in Argentina, China, Costa Rica, France, India, Indonesia, Morocco, Romania, South Korea or South Africa.

Any subsidiary of the Company that becomes a guarantor in respect of the Notes is also required to accede to the Senior Facilities Agreement as a guarantor.

#### *Security*

Grupo Antolin HoldCo, S.A. has granted Spanish law pledges over the issued share capital of the Company held by it (comprising 67.4% of the entire issued share capital of the Company) (as extended and/or ratified from time to time, the "**First Share Pledges**").

Castilfalé Gestión, S.A.U. has granted Spanish law pledges over the issued share capital of the Company held by it (comprising 32.6% of the entire issued share capital of the Company) (as extended and/or ratified from time to time, the "**Second Share Pledges**").

The First Share Pledges and the Second Share Pledges secure obligations owed under the Senior Facilities Agreement and related finance documents and the 2022 Notes.

The security created by the First Share Pledges and the Second Share Pledges rank in the order described in the section titled "Intercreditor Agreement" below.

#### *Undertakings*

The Senior Facilities Agreement contains certain negative undertakings that, subject to certain customary and other agreed exceptions, limit the ability of each obligor (and in certain cases, members of the Group) to, among other things:

- incur or allow remaining outstanding financial indebtedness;
- be a creditor in respect of financial indebtedness;
- create or permit to subsist any security over any of its assets;
- issue or allow to remain outstanding any guarantee in respect of any liability or obligation owed to any person;
- declare or pay any dividend or other payment or distribution of any kind on or in respect of any of its shares; and
- make acquisitions of companies, businesses or undertakings.

In addition to the undertakings listed above, the Senior Facilities Agreement contains a number of other customary positive and negative undertakings.

### Financial covenants

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

- the ratio of Adjusted EBITDA to Financial Expenses in respect of each Relevant Period set out in Column 1 below shall not be less than the ratio set out in Column 2 below opposite that Relevant Period:

<b>Column 1 Relevant Period (ending)</b>	<b>Column 2 Interest Cover Ratio</b>
March 31, 2015.....	3.25:1
June 30, 2015.....	3.25:1
September 30, 2015 .....	3.25:1
December 31, 2015.....	3.25:1
March 31, 2016.....	3.50:1
June 30, 2016.....	3.50:1
September 30, 2016 and each Relevant Period thereafter .....	4.00:1

- the ratio of Net Financial Indebtedness as at the end of each Relevant Period set out in Column 1 below to Adjusted EBITDA in respect of such Relevant Period shall not exceed the ratio set out in Column 2 below opposite that Relevant Period:

<b>Column 1 Relevant Period (ending)</b>	<b>Column 2 Adjusted Leverage Ratio</b>
March 31, 2015.....	4.00:1
June 30, 2015.....	4.00:1
September 30, 2015 .....	4.00:1
December 31, 2015.....	4.00:1
March 31, 2016.....	3.75:1
June 30, 2016.....	3.75:1
September 30, 2016 and each Relevant Period thereafter .....	3.50:1

### Repayment

Loans drawn under Facility A are required to be repaid in semi-annual instalments, in accordance with an amortization schedule set out in the Senior Facilities Agreement, with the final repayment instalment due on the Maturity Date. 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 the Maturity Date.

### Prepayments

Subject to certain conditions, the Company or the other borrowers under the Senior Facilities Agreement may voluntarily cancel any available commitments under, or voluntarily prepay any outstanding utilizations of, the Senior Facilities by giving three business days' prior notice to the Agent. Any Facility A loans that are prepaid may not be reborrowed and the relevant commitments will be canceled. Any Revolving Credit Facility utilizations that are prepaid may (subject to the terms of the Senior Facilities Agreement) be reborrowed.

Subject to certain exceptions and/or thresholds, mandatory prepayments of amounts outstanding under the Senior Facilities are required to be made upon the disposal of certain categories of assets, 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 canceled. The Senior Facilities will be automatically canceled and be immediately repayable upon a sale of all or substantially all of the assets of the Group to a third party.

“change of control” for these purposes means the Investors (being the Principals and any Related Party, each as defined in the Senior Facilities Agreement) 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 a general meeting of the Company; (ii) appoint or remove all, or the majority of the directors or equivalent officers of the Company; or (iii) give directions with respect to the operating and financial policies of the Company with which the directors or equivalent officers are obliged to comply; or (b) hold beneficially at least 50.01% of the issued share capital of the Company with voting rights.

#### *Events of default*

The Senior Facilities Agreement contains events of default customary for financings of this nature (with customary and agreed thresholds and carve-outs), the occurrence of any of which will allow the lenders under the Senior Facilities Agreement to cancel available commitments under the Senior Facilities, declare all amounts owed under the Senior Facilities Agreement to be due upon demand and/or demand immediate repayment of all amounts owed under the Senior Facilities Agreement.

#### **Intercreditor Agreement**

The Company (including, in its capacity as the issuer), the SFA Guarantors, the trustee in respect of the 2022 Notes, the Agent, the Security Agent, the lenders under the Senior Facilities Agreement and certain other parties have entered into the Intercreditor Agreement to establish the relative rights of certain of the Group’s creditors including creditors under the Senior Facilities Agreement, the Indenture, the Bilateral Facility (as defined in the Intercreditor Agreement) and any Additional Senior Financings (as defined in the Intercreditor Agreement). Pursuant to a creditor representative accession undertaking dated as of the Issuance Date, the Trustee acceded to the Intercreditor Agreement as a creditor representative of the holders of the Notes to provide that the Notes are treated as “Additional Senior Financing” under and for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement sets out:

- the ranking of the indebtedness under the Senior Facilities Agreement, the 2022 Notes, the Bilateral Facility and any Additional Senior Financing (including, the Notes) (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 (as defined in the Intercreditor Agreement);
- the procedure for enforcement of the Transaction Security and any guarantees granted in favor of the Senior Secured Creditors and the allocation of proceeds resulting from such enforcement;
- the types of disposals permitted under distressed scenarios and the Security Agent’s authority to release the Transaction Security and all obligations of the group owed to the Senior Secured Creditors in case of a distressed disposal;
- the terms pursuant to which intra-Group debt and certain debt owed to equity investors (“**Equity Investor Liabilities**”) will be subordinated; and
- turnover provisions.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety.

#### *Priority of debts*

The Intercreditor Agreement provides that all liabilities owed under the Senior Facilities Agreement, the 2022 Notes, the Bilateral Facility and the Additional Senior Financing (including, the Notes) (including in each case, any liabilities owed pursuant to any guarantees given in respect of such 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 pursuant to the First Share Pledge and Second Share Pledge which security secure the Senior Facility Liabilities, the Senior Secured Notes Liabilities and the Bilateral Facility Liabilities (each term, as defined in the Intercreditor Agreement) *pari passu* and without any preference between them; and
- (b) second, security created pursuant to the First Share Pledges, the Second 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 original date of the First Share Pledges and the Second Share Pledges (each such facility a “Subsequent Ancillary Facility”) in the order of priority in which they are entered into in respect of any Additional Senior Financing Liabilities (as defined in the Intercreditor Agreement, and including, the Notes) and any 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 the 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 (including, the Trustee in its capacity as creditor representative of the holders of the Notes); and (iii) the trustee in respect of the 2022 Notes;
- second, on a *pari passu* and *pro rata* basis to the (i) 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 of the 2022 Notes; (iii) each creditor in respect of the Bilateral Facility (to the extent not repaid as envisaged); 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 (including, the Trustee as creditor representative of the holders of the Notes), 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 Bilateral Facility (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 disposals*

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 HoldCo

(in the case of a disposal of the secured shares) or 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 Company 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 over a certain threshold have agreed to subordinate intra-Group debt to the Senior Secured Debt.

Neither the Company nor any of its 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 the Company nor any other subsidiary 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, the Company 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*

Subject to certain exceptions, if any creditor party to the Intercreditor Agreement (including the Agent, Security Agent, Trustee (as creditor representative on behalf of the holders of the Notes), the trustee of the 2022 Notes, Senior Secured Creditors, creditors in respect of intra-Group debt and creditors in respect of Equity Investor Liabilities) receives or recovers a payment (whether by way of direct payment, set-off or otherwise) except as permitted pursuant to the terms of the Intercreditor Agreement, such creditor shall hold such payment in trust for the Security Agent and promptly pay over such amounts to the Security Agent for application in accordance with the provision described above under “Enforcement and application of proceeds”.

### **2022 Notes**

#### *Overview*

On June 23, 2015, Dutch Finco issued €400.0 million aggregate principal amount of its 5.125% senior secured notes due 2022 (the “**2022 Notes**”). The 2022 Notes are admitted to the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market.

#### *Interest Rate*

The 2022 Notes accrue interest at a rate of 5.125% per annum and mature on June 30, 2022. Interest is payable in cash semi-annually on June 30 and December 30 of each year, commencing December 30, 2015.

### *Prepayments and redemptions*

At any time prior to June 30, 2018, Dutch Finco may redeem all or part of the 2022 Notes at a redemption price equal to 100% of the principal amount of the 2022 Notes redeemed plus a “make whole” premium, plus accrued and unpaid interest and additional amounts, if any.

At any time on or after June 30, 2018, Dutch Finco may redeem all or part of the 2022 Notes at a redemption price (expressed as percentages of principal amount), plus accrued and unpaid interest and additional amounts, if any, at the redemption date. The redemption prices are 102.5625%, 101.2813% and 100.000%, for years 2018, 2019 and 2020 and thereafter, respectively.

At any time prior to June 30, 2018, Dutch Finco may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 105.125% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date provided that at least 60% of the aggregate principal amount of the notes remains outstanding after the redemption.

Dutch Finco may also redeem the 2022 Notes in whole, but not in part, at any time, if changes in tax laws would require the Dutch Finco to pay additional amounts on the 2022 Notes. If Dutch Finco decides to do this, it must pay holders of the 2022 Notes a price equal to the principal amount of the notes plus interest and certain other amounts.

If Dutch Finco experiences specific kinds of changes in control, it may be required to offer to repurchase the 2022 Notes at a redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

### *Guarantee*

The 2022 Notes are guaranteed jointly and severally, on a senior secured basis by each of the Guarantors and the Company. If Dutch Finco cannot make payments on the 2022 Notes when they are due, the Guarantors must make them instead. The laws of certain jurisdictions may limit enforceability of certain guarantees and of the rights to the collateral supporting such guarantees.

### *Certain covenants and Events of Default*

The indenture governing our 2022 Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

- incur additional indebtedness
- create liens;
- pay dividends, redeem capital stock or make certain other restricted payments or investments;
- enter into agreements that restrict dividends from restricted subsidiaries;
- sell assets, including capital stock of restricted subsidiaries;
- engage in transactions with affiliates; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions and will be suspended with respect to the 2022 Notes if and when, and for so long as, the 2022 Notes are rated investment grade.

In addition, the indenture governing our 2022 Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our 2022 Notes also contains certain customary events of default.

## Existing Debt Facilities

We have loans and borrowings of €75.1 million maturing between 2017 and 2028 outstanding as of December 31, 2016. These include (i) €21.1 million of other bank loans or obligations, (ii) €5.5 million in interest-bearing soft loans, (iii) €31.8 million in non-interest bearing soft loans, (iv) €11.3 million in drawn revolving credit facilities and (v) €5.4 million in accrued interest, excluding financial remeasurements.

We have eleven soft loans between Grupo Antolin- Ingenieria, S.A.U., Grupo Antolin-PGA, S.A.U and Grupo Antolin-Aragusa, S.A.U. and CDTI (*Centro para el Desarrollo Tecnológico Industrial*) for an aggregate amount of €8.2 million, which must be repaid in ten installments, falling due between 2014 and 2022 mainly. These include €6.3 million of interest-free soft loans.

These loans contain certain restrictive covenants like negative covenants or limitations on guarantees.

A number of the Company's subsidiaries are holders of state subsidies. These subsidies have been granted by resolutions of (i) the Ministry of Economy and Competitiveness; (ii) the Ministry of Industry, Energy and Tourism. The legal framework of the subsidies is comprised of state level general plans, designed to encourage and develop the technological investigation and innovation activities in certain fields, such as the automotive industry. These general plans are then executed by the above mentioned Ministries through orders, creating programs and sub-programs that specify and fix the total amounts and conditions by which the subsidies are being granted to the companies through specific resolutions.

These subsidies provide loans (some of which are interest-free) and financial support that have been awarded to the companies of the group on the grounds of certain legal requirements, among others, compliance with the objectives of the subsidy program or special corporate and financial information requirements.

As of December 31, 2016, we have €28.6 million outstanding in soft loans with the (i) the Ministry of Economy and Competitiveness, and (ii) Ministry of Industry, Tourism and Commerce relating to certain public innovation plans in Spain and Portugal. These include €24.9 million outstanding in interest-free soft loans. Certain of these CDTI and other soft loans have been repaid in connection with the Divestment. See "Capitalization".

## DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading “Certain Definitions.” In this description, the word “Company” refers only to Grupo Antolín-Irausa, S.A. and not to any of its subsidiaries, the word “HoldCo1” refers to Grupo Antolin HoldCo, S.A.U. and the word “HoldCo2” refers to Castilfale Gestión, S.A.U.

The Company will issue €400.0 million aggregate principal amount of senior secured notes due 2024 (the “Notes”) under an Indenture (the “Indenture”) dated the Issue Date, among itself, the Guarantors (as defined below), Deutsche Trustee Company Limited, as the trustee (in such capacity, the “Trustee”), Deutsche Bank AG, London Branch, as Security Agent, Deutsche Bank AG, London Branch, as paying agent, and Deutsche Bank Luxembourg S.A., as transfer agent and registrar, in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. See “Notice to Investors.” The terms of the Notes are subject to the provisions of the Indenture.

The proceeds of the issuance of the Notes will be used by the Company, together with cash on hand, to redeem the €400.0 million 4.75% Senior Secured Notes due 2021 issued by Grupo Antolin Dutch B.V. and to pay fees, costs and expenses incurred in connection with the Transactions (as defined below), in each case as set forth in this offering memorandum under the caption “Use of Proceeds.”

The Notes are obligations of the Company and are guaranteed by the Guarantors.

The following description is a summary of the material provisions of the Indenture and certain provisions of the Intercreditor Agreement. It does not restate the Indenture or the Intercreditor Agreement in their entirety. We urge you to read the Indenture because it, along with the Intercreditor Agreement, and not this description, defines your rights as a holder of the notes. Copies of the Indenture and the Intercreditor Agreement are available upon request as set forth under “Where You Can Find More Information.” Certain defined terms used in this description but not defined below under “—Certain Definitions” have the meanings assigned to them in the Indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to trade on the Euro MTF Market of that exchange. The Company may also choose to list on another recognized stock exchange.

For purposes of any covenant summarized herein, any reference to an amount in “€” shall mean, in respect of any amount in any currency other than euro, the Euro Equivalent thereof.

### Brief Description of the Notes, the Note Guarantees and the Intercreditor Agreement

The Notes are guaranteed by the Guarantors as of the Issue Date and may, in the future, be guaranteed by further of the Company’s Restricted Subsidiaries (each such guarantee, a “Note Guarantee”). A Note Guarantee given by a Guarantor may be released in certain circumstances described herein.

#### *The Notes*

The Notes will:

- be general secured senior obligations of the Company;
- rank *pari passu* in right of payment with all existing and future unsecured Indebtedness of the Company that is not subordinated to the Notes, including its guarantee of the Existing Notes;
- rank senior in right of payment to any and all future obligations of the Company that are subordinated to the Notes;



- be structurally subordinated to all Indebtedness, other obligations and claims of holders of preferred stock of the Company's subsidiaries that are not Guarantors;
- be effectively subordinated to all of the Company's existing and future obligations that are secured by property or assets of the Company, to the extent of the value of the property or assets securing such obligations, unless such property or assets also secure the Notes on an equal and ratable or priority basis; and
- be fully and unconditionally guaranteed by the Guarantors, as described under "*The Note Guarantees*"; subject to the guarantee limitations described herein and in "*Risk Factors—Risks related to the Notes*."

As of December 31, 2016, after giving pro forma effect to the Transactions (as defined herein), we would have had total Indebtedness, including the Notes, of €1,232.5 million. See "*Use of Proceeds*" and "*Capitalization*".

### The Note Guarantees

Each Note Guarantee will:

- be a senior unsecured obligation of each Guarantor;
- rank *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated to that Guarantor's Note Guarantee, including the Existing Notes;
- rank senior in right of payment to any future Indebtedness of that Guarantor that is subordinated in right of payment to that Guarantor's Note Guarantee;
- be effectively subordinated to that Guarantor's existing and future obligations that are secured by property or assets of such Guarantor to the extent of the value of the property or assets securing such obligations unless such property or assets also secure the Notes on an equal and ratable or priority basis;
- be structurally subordinated to all existing and future obligations of any of that Guarantor's subsidiaries that do not guarantee the Notes; and
- be subject to limitations described herein and in "*Risk Factors—Risks related to the Notes*."

As of the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries". However, under the circumstances described below under the subheading "*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". The Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture.

Not all of our Subsidiaries will initially guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any non-guarantor Subsidiaries, these Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Guarantors will consist of certain of the Company's subsidiaries incorporated in Austria, Czech Republic, Germany, Mexico, Portugal, Slovakia, Spain, the United Kingdom and the United States, which guarantee the Notes from the Issue Date; *provided, however*, that the Company will use its best efforts to cause the guarantee of Antolin Ebergassing GmbH to be delivered on or before June 30, 2017. The guarantee of the Notes by any Guarantor incorporated in Portugal is not included in the Indenture but is granted as part of the Intercreditor Agreement. The Guarantors include both operating companies and various intermediate holding companies. As of and for the year ended December 31, 2016 on a pro forma basis assuming completion of (i) the issuance of the Notes, (ii) the repayment or repurchase of the 2021 Notes, (iii) the repayment of the ADE Facility, and (iv) the closing of the Divestment and the repayment of certain local debt associated therewith (collectively, the "*Transactions*"), the Guarantors (including Antolin Ebergassing GmbH, but excluding subsidiaries sold in connection with the Divestment), together with the Company, represented approximately 64.3% of our pro forma total consolidated assets, approximately 66.2% of our pro forma consolidated EBITDA and approximately 66.9% of our pro forma consolidated revenue. As of the twelve months ended December 31, 2016 on a pro forma basis assuming completion of the

Transactions, the Company's subsidiaries that do not guarantee the Notes would have had approximately €17.8 million of Indebtedness outstanding.

In addition, pursuant to the covenant entitled "*—Additional Note Guarantees*", subject to certain exceptions, any Restricted Subsidiary (i) that after the Issue Date is or becomes a Material Subsidiary (except for Restricted Subsidiaries which are Material Subsidiaries at the Issue Date but not initial Guarantors and Restricted Subsidiaries that are not 90% or more owned by the Company) or (ii) that guarantees certain Indebtedness of other entities, will also be required to become a Guarantor.

The Note Guarantees are joint and several obligations of the Guarantors. The obligations of the Guarantors will be contractually limited under the applicable Note Guarantee to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. In addition, the guarantees of Grupo Antolín Lusitânia-Componentes Automóvel, S.A. under the Indenture, the Existing Notes Indenture and the Senior Credit Facilities is limited to an aggregate of €17.8 million. See "*Risk Factors—Certain of the Guarantees will be limited to a specified amount and each of the Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses.*" For a description of such limitations, see "*Risk Factors—Risks related to the notes—The Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses*" and "*Risk Factors—Risks related to the notes—The granting of guarantees by Spanish companies is restricted by Spanish law*". See also "*Risk Factors—Risks related to the notes—Fraudulent conveyance laws may limit your rights as a holder of notes*".

#### **Release of Note Guarantees**

The Note Guarantee of a Guarantor will be released:

- (1) in connection with any direct or indirect sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or any Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture, and all obligations of the Guarantor with respect to Indebtedness under the Senior Credit Facilities are also released;
- (2) in connection with any sale directly or indirectly through the sale of a parent company of such Guarantor, of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or any Restricted Subsidiary, if the sale complies with the "Asset Sale" provisions of the Indenture, and all obligations of the Guarantor with respect to Indebtedness under the Senior Credit Facilities are also released;
- (3) if the Company designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (4) upon legal defeasance or covenant defeasance or discharge of the Notes as described under the captions "*—Defeasance*" and "*—Satisfaction and Discharge*";
- (5) as described under the caption "*—Amendment, Supplement and Waiver*";
- (6) in the case of a Note Guarantee granted pursuant to the covenant entitled "*—Additional Note Guarantees*", upon the discharge of the Indebtedness or the release and discharge of the guarantee that gave rise to the obligation to guarantee the Notes; or
- (7) in accordance with an enforcement action pursuant to the Intercreditor Agreement and any Additional Intercreditor Agreement.

See "*—Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*".

Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of Subsidiaries that are not Guarantors, including trade creditors, secured creditors and creditors holding debt and guarantees

issued by those Subsidiaries that are not Guarantors, and claims of preferred equityholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Company and the Guarantors, including the holders of the Notes. The Notes and each Notes Guarantee will therefore be effectively subordinated to creditors (including trade creditors) and preferred equityholders (if any) of Subsidiaries of the Company. Although the Indenture will limit the incurrence of Indebtedness by Subsidiaries that are not Guarantors, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock”.

## Security

### *The Collateral*

Pursuant to the Security Documents, the Notes have been secured by a third ranking pledge over all of the shares of capital stock of the Company held by HoldCo1 and a third ranking pledge over the shares of capital stock of the Company held by HoldCo2 (together with any additional property or assets securing the Notes or the Note Guarantees pursuant to the covenant described below under “—Additional Note Guarantees,” the “Collateral”). Pursuant to the terms of the Intercreditor Agreement, recoveries received upon enforcement over Collateral will be applied (subject to certain claims of the Trustee, Deutsche Trustee Company Limited, as trustee under the Existing Notes (the “Existing Notes Trustee”), the Security Agent, the Facility Agent under the Senior Credit Facilities and costs and expenses related to the enforcement of the Collateral) *pro rata* in repayment of liabilities in respect of (i) obligations under the Indenture and the Notes, (ii) obligations under the indenture of the Existing Notes dated June 23, 2015 (the “Existing Notes Indenture”) and the Existing Notes (iii) obligations under the Senior Credit Facilities and (iv) any other Indebtedness of the Company and the Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture, the Existing Notes Indenture and the Intercreditor Agreement.

The pledge over the shares of capital stock of the Company held by HoldCo1 and by HoldCo2 was executed within 30 days from the Closing Date. The Company has agreed to take all necessary actions to perfect and make effective the security interest in favor of the Security Agent (for the benefit of the holders of the Notes, among others) in the Collateral pursuant to the Security Documents and to the terms of the Intercreditor Agreement as soon as practicable.

Subject to certain conditions, including compliance with the covenant described under “—Certain Covenants—Liens”, the Company is permitted to pledge or cause its Subsidiaries to pledge the Collateral in connection with future incurrence of Indebtedness, including issuances of Additional Notes, permitted under the Indenture on a *pari passu* basis with the then outstanding Notes. The Collateral can also be released from the Liens of the Security Documents under certain circumstances. See “—Release of Security Interests” below.

### *Administration of Collateral and Enforcement of Liens*

The Collateral will be administered by a Security Agent pursuant to the terms of the Security Documents and the Intercreditor Agreement for the benefit of all holders of the Existing Notes, the Notes and the finance parties under the Senior Credit Facilities and certain other future secured creditors pursuant to the Intercreditor Agreement. For a description of the Intercreditor Agreement, see “Description of Other Indebtedness—Intercreditor Agreement”.

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the HoldCo1’s or HoldCo2’s bankruptcy and various limitations on enforcement contained in the Intercreditor Agreement. See “Risk Factors—Risks related to the Notes—The enforcement of the Collateral may be restricted by Spanish law,” “Risk Factors—Risks related to the Notes—Fraudulent conveyance laws may limit your rights as a holder of notes” and “Risk Factors—Risks related to the Notes—Local insolvency laws may not be as favorable to you as the insolvency laws of another jurisdiction with which you may be more familiar.”

The rights of the holders of the Notes with respect to the Collateral must be exercised by the Security Agent. Since the holders of the Notes are not a party to the Security Documents, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Security Agent. The Security Agent will agree to any release of the security interest created by the Security Documents in accordance with terms of the Indenture and the Intercreditor Agreement without requiring any consent of the holders of the Notes. Subject to the

terms of the Intercreditor Agreement, the holders of the Notes will, in certain circumstances, share in or have the ability to direct the Trustee to direct the Security Agent to commence enforcement action under the Security Documents. However, in enforcing the Liens provided for under the Security Documents, the Security Agent will take direction from the Trustee (subject to the terms of the Intercreditor Agreement). Please see “*Description of Other Indebtedness—Intercreditor Agreement*”.

Subject to the terms of the Security Documents, until the acceleration of amounts due under the Notes in accordance with the Indenture, HoldCo1 and HoldCo2 will be entitled to exercise any and all voting rights in a manner which does not materially adversely affect the validity or enforceability of the Liens created under the Security Documents or the value of the Collateral and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distribution (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

The value of the Collateral securing the Notes and the Existing Notes may not be sufficient to satisfy the Company’s obligations under the Notes and the obligations of the Guarantors under their Note Guarantees, and the Collateral may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other future incurrences of Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

No appraisals of the Collateral have been prepared by or on behalf of the Company or the Guarantors in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy the amounts due on the Notes or the Note Guarantees. By its nature, all of the Collateral is likely to be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

The Security Documents will be governed by Spanish law and will be subject to the jurisdiction of the Spanish courts.

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent (i) to perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, powers and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each holder of the Notes will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

### ***Release of Security Interests***

All of the Liens granted under the Security Documents will be automatically and unconditionally released in accordance with the terms and conditions in the Indenture upon Legal Defeasance or Covenant Defeasance as described under “*—Legal Defeasance and Covenant Defeasance*”, if all obligations under the Indenture are discharged in accordance with the terms of the Indenture or as otherwise permitted in accordance with the Indenture, including but not limited to the covenants under “*—Certain Covenants—Impairment of Security Interest*”, the Security Documents and the Intercreditor Agreement.

The Liens on the Collateral granted in the Security Documents will be released:

- (1) to the extent that such Collateral is sold, directly or indirectly, or otherwise disposed of pursuant to an enforcement of the security over such Collateral under the applicable Security Document(s) in accordance with the Intercreditor Agreement;
- (2) as described under “*—Amendment, Supplement and Waiver*”; or

- (3) as otherwise provided in the Intercreditor Agreement.

The Security Agent will take all reasonable action required to effectuate any release of Collateral securing the Notes, in accordance with the provisions of the Indenture and the Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the holders or any action on the part of the Trustee (unless action is required by it to effect such release).

### ***Intercreditor Agreement***

On the Issue Date, the Trustee will accede to the Intercreditor Agreement as described under “*Description of Other Indebtedness—Intercreditor Agreement*”. The Collateral will be administered by a Security Agent pursuant to the terms of the Security Documents and the Intercreditor Agreement for the benefit of all holders of the Existing Notes, the Notes and the finance parties under the Senior Credit Facilities and certain other future secured creditors pursuant to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, recoveries received upon enforcement over Collateral will be applied (subject to certain claims of the Trustee, the Existing Notes Trustee, the Security Agent, the Facility Agent under the Senior Credit Facilities and costs and expenses related to the enforcement of the Collateral) *pro rata* in repayment of liabilities in respect of (i) obligations under the Indenture and the Notes, (ii) obligations under the Existing Notes Indenture and the Existing Notes (iii) obligations under the Senior Credit Facilities and (iv) any other Indebtedness of the Company and the Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture, the Existing Notes Indenture and the Intercreditor Agreement.

The Trustee, the Existing Notes Trustee and the creditors under the Senior Credit Facilities and the other secured parties under the Intercreditor Agreement have, and by accepting a Note, each holder of a Note will be deemed to have, irrevocably appointed Deutsche Bank AG, London Branch as Security Agent to act as its security agent under the Intercreditor Agreement, the Notes, the Indenture, and the Security Documents (together, the “*Finance Documents*”). The Trustee, the Existing Notes Trustee and the creditors under the Senior Credit Facilities and the other secured parties under the Intercreditor Agreement will have, and by accepting a Note, each holder of a Note will be deemed to have, irrevocably authorized the Security Agent to perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other Finance Documents, together with any incidental rights, power and discretions.

### **Additional Notes**

From time to time, subject to compliance with the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*” and “—*Certain Covenants—Liens*,” the Company is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer’s Certificate delivered by the Issuer to the Trustee (“*Additional Notes*”):

- (1) the title of such Additional Notes;
- (2) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to the Indenture;
- (3) the date or dates on which such Additional Notes will be issued and will mature;
- (4) the rate or rates at which such Additional Notes shall bear interest and, with respect to Additional Notes with floating interest, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

- (7) in the case of Additional Notes with a floating interest date, the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;
- (8) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and
- (9) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this “Description of the Notes”, references to “Notes” shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may also be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to such initial Notes. However, in order for any Additional Notes to have the same ISIN or common code, as applicable, as the Notes initially issued on the Issue Date, such Additional Notes must be fungible with the initial Notes for U.S. federal income tax purposes.

### **Principal, Maturity and Interest and Payment of Notes**

The Company will issue Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. For so long as the Notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market, the Company will publish a notice of any change in these denominations in accordance with the requirements of such rules. The Notes will mature on April 30, 2024.

Interest on the Notes will accrue at the rate of 3.25% per annum and will be payable semi-annually in arrears on April 30 and October 30, commencing on October 30, 2017. The Company will make each interest payment to the holders of record on the Business Day immediately preceding the relevant interest payment date. The reimbursement price of the Notes at maturity will be 100% of the principal amount then outstanding.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Each interest period shall end on (but not include) the relevant interest payment date.

### **Methods of Receiving Payments on the Notes**

The Company will pay all principal, interest, premium, and Additional Amounts, if any, on the Global Notes (as defined below) at the corporate trust office or agency of the Paying Agent (as defined below). All payments on the Global Notes were made by wire transfer of immediately available funds to an account of the holder of the Global Notes in accordance with instructions given by the holder.

The rights of the holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of such delay.

Payments of principal of, and premium, if any, on each Note in definitive registered form (“*Definitive Registered Notes*”) will be made by transfer on the due date to an account maintained by the payee pursuant to details provided by the holder or, if requested by the holder, by check, in each case against presentation and surrender (or, in the case of partial payment only, endorsement) of the relevant Definitive Registered Note at the office of any Paying Agent. Payments of interest in respect of each Definitive Registered Note will be made by transfer on the due date to an account maintained by the payee (the holder and account details of which appear on the register of holders at the close of business on the relevant record date) or, if requested by the holder, by check mailed on the relevant due date (or if that is not a Business Day, the immediately succeeding

Business Day) to the holder (or to the first named of joint holders) of the Definitive Registered Note appearing on the register of holders at the close of business at the address shown on the register of holders on such record date. Payments in respect of principal of, premium, if any, and interest on Definitive Registered Notes are subject in all cases to any tax or other laws and regulations applicable in the place of payment but without prejudice to the provisions under the headings “—*Optional Tax Redemption*” and “—*Additional Amounts*”. The Paying Agent may require payment of a sum sufficient to cover any transfer tax or similar governmental charge in connection with any payment transfer instructions received by the Paying Agent. Definitive Registered Notes, if issued, will only be issued in registered form.

### **Paying Agent and Registrar for the Notes**

The Company will maintain one or more paying agents (each, a “*Paying Agent*”) for the Notes in the City of London, United Kingdom. The initial Paying Agent is Deutsche Bank AG, London Branch. The initial Transfer Agent is Deutsche Bank Luxembourg, S.A. The Transfer Agent is responsible for, among other things, facilitating any transfers or exchanges of beneficial interests in different global notes between holders.

The Company also will maintain one or more registrars (each a “*Registrar*”). The initial Registrar is Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on Definitive Registered Notes on behalf of the Company.

The Company may change the Paying Agent, the Transfer Agent or the Registrar without prior notice to the holders. For so long as the Notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market, the Company will publish a notice of any change of Paying Agent, Transfer Agent or Registrar in accordance with the requirements of such rules.

### **Form of Notes**

The Notes have been issued in the form of global notes in registered form and will be issued in minimum denominations of €100,000 principal amount and integral multiples of €1,000. The Notes are serially numbered. In no event will Definitive Registered Notes in bearer form be issued. See “*Book-Entry, Delivery and Form*”.

### **Additional Amounts**

All payments made by the Company or any Guarantor (each a “*Payor*”) on the Notes or under or with respect to any Note Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, levies, imposts, assessments or similar governmental charges (including penalties, additions to tax, and interest related thereto) (“*Taxes*”) unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) Spain or any political subdivision or governmental authority thereof or therein having power to tax;
- (2) any jurisdiction from or through which payment on the Notes or a Note Guarantee is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which any Payor is incorporated or organized or otherwise resident or doing business for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “*Relevant Taxing Jurisdiction*”),

will at any time be required from any payments made with respect to the Notes or any Note Guarantee, including payments of principal, redemption price, interest or premium (if any), the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by each beneficial owner of the Notes or the Note Guarantee, as the case may be, after such withholding or deduction by any applicable withholding agent (including any such deduction or withholding from such Additional Amounts), equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable with respect to:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction, (including any Tax imposed as a result of a holder or beneficial owner being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in, the Relevant Taxing Jurisdiction (such as, for the avoidance of doubt, the Personal Income Tax, the Corporate Income Tax or the Non-resident Income Tax imposed by Spain as a result of such holder or beneficial owner being resident or doing business in Spain)), other than a connection resulting from the mere acquisition, ownership or disposition of such Note or enforcement of rights under or in respect of such Note or any Note Guarantee or the receipt of payments under or in respect of such Note or any Note Guarantee;
- (2) any Taxes that would not have been so imposed if the holder or the beneficial owner of a Note had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by applicable law, regulation, administrative practice or treaty of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in “—*Selection and Notice*”) by the Payor or any other Person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made), but, in each case, only to the extent the holder or beneficial owner is legally eligible to make such declaration or other claim or filing;
- (3) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);
- (4) any Taxes that are payable otherwise than by withholding in respect of a payment of the principal of, premium, if any, interest or any other amounts under or with respect to the Notes or any Note Guarantee;
- (5) any estate, inheritance, gift, sales, transfer, property or similar Taxes;
- (6) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another Paying Agent in the United Kingdom or a member state of the European Union;
- (7) any Spanish Taxes imposed or withheld on payments to the holder or the beneficial owner of the Notes or Note Guarantees as a result of a failure by the Paying Agent to deliver to the Company in a timely manner a duly executed and completed Payment Statement from the Paying Agent, pursuant to Law 10/2014 and regulations approved by Royal Decree 1065/2007, as amended, and any implementing legislation or regulation;
- (8) any Taxes imposed on, or on a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporate Income Tax if the taxing authorities of the Kingdom of Spain determine that the Notes do not comply with exemption requirements specified in any applicable tax law, or its judicial or administrative interpretation, including the ruling of the General Directorate of Taxation (*Dirección General de Tributos*) dated July 27, 2004, or any legislation or regulation implementing or complying with, or introduced in order to conform to, such applicable law or such ruling, which law, ruling, legislation or regulation requires a withholding to be made;
- (9) any withholding or deduction required to be made from a payment pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), as of the Issue Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), or any regulations or official interpretations thereof, any similar law or any fiscal or regulatory legislation, rule or practices adopted pursuant to any intergovernmental agreement between a non-U.S. jurisdiction and the



United States implementing the foregoing or any agreements entered into pursuant to current Section 1471(b)(1) of the Code (or any amended or successor version described above); or

- (10) any combination of (1) through (9) above.

In addition, no Additional Amounts shall be paid with respect to any payment to any holder who is a fiduciary or a partnership (or any other entity treated as a partnership for applicable tax purposes) or other than the beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership (or any other entity treated as a partnership for applicable tax purposes) or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly, but only if there is no material cost or commercial or legal restriction to transferring the Notes to such beneficiary, settlor, member or beneficial owner.

The applicable withholding agent will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts or other documentary evidence, which is reasonably satisfactory to the Trustee (or holder), of the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such evidence to the Trustee (or a holder upon request). The Payor will attach to each piece of documentary evidence a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per € 1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and will be made available at the offices of the Paying Agent located in Luxembourg if the Notes are then listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any Note Guarantee is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. Each such Officer's Certificate shall be relied upon until receipt of a further Officer's Certificate addressing such matters.

Wherever in the Indenture, the Notes, any Note Guarantee or this "Description of the Notes" there are mentioned, in any context:

- (1) the payment of principal,
- (2) purchase prices in connection with a purchase of Notes,
- (3) interest, or
- (4) any other amount payable on or with respect to the Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes which arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration or enforcement of any Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or any payments under or with respect to the Notes or any Note Guarantee.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which such successor is incorporated, organized, doing business or otherwise considered to be a resident for tax purposes, or any jurisdiction from or through which such successor (or

its paying agent) makes any payment under or with respect to the Notes or any Note Guarantee and, in each case, any political subdivision or governmental authority thereof or therein having the power to tax.

### Optional Redemption

At any time prior to April 30, 2020, at the option of the Company, the Company may, upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes, on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 103.250% of the principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the redemption date, with the Net Cash Proceeds of one or more Equity Offerings; *provided that*:

- (1) at least 60% of the aggregate principal amount of Notes issued under the Indenture remain outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries); and
- (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

After April 30, 2020, at the option of the Company, the Company may redeem all or a part of the 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 Notes redeemed, to the applicable redemption date, if redeemed during the twelve month period beginning on April 30 of the years indicated below:

Year	Percentage
2020 .....	101.6250%
2021 .....	100.8125%
2022 and thereafter .....	100.0000%

In addition, the Company may on or prior to April 30, 2020, upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes, at its option on one or more occasions redeem all or a portion of the Notes (which includes Additional Notes, if any) at a redemption price equal to the sum of:

- (1) 100% of the principal amount thereof, plus
- (2) accrued and unpaid interest, if any, to the redemption date, plus
- (3) the Applicable Premium at the redemption date, subject to the right of holders of record on the relevant record date to receive interest due on any interest payment date occurring on or prior to the redemption date.

Any redemption and notice of redemption may be, at the Company's discretion, subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the Company effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption by the Company.

### Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

## Optional Tax Redemption

The Company may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Company determines that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined above) which change or amendment is publicly announced and becomes effective after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date); or
- (2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date);

the Company is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new Paying Agent in accordance with the third paragraph under "*Paying Agent and Registrar for the Notes*" or payment through a Guarantor).

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 180 days prior to the earliest date on which the Company would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee (a) an Officer's Certificate stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply *mutatis mutandis* to any successor to the Company.

## Repurchase at the Option of Holders

### *Change of Control*

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase. Within 30 days following any Change of Control, the Company will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes and the related Note Guarantees as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The relevant Paying Agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of €100,000 or, if greater, an integral multiple of €1,000.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require the Company to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer. The Company also will not be required to make a Change of Control Offer following a Change of Control if it has theretofore issued a redemption notice in respect of all of the Notes in the manner and in accordance with the provisions described under “—*Optional Redemption*” and thereafter purchases all of the Notes pursuant to such notice.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain. In addition, it should be noted that recent case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, issuers may nevertheless avoid triggering a change of control under a clause similar to clause (4) of the definition of “Change of Control”, if the outgoing directors were to approve the new directors for the purpose of such change of control clause. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Company to make an offer to repurchase the Notes as described above.

Subject to the covenants described below, the Company could enter into certain transactions, including acquisitions, refinancings or other recapitalizations which, though not constituting a Change of Control under the Indenture, could increase the amount of outstanding debt or otherwise affect the Company's capital structure or credit ratings. In addition, we may not be able to finance the payments required for a Change of Control Offer. See “*Risk Factors—Risks related to the notes—We may not have the ability to raise the funds necessary to finance a change of control offer*”.

The provisions of the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

## **Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange, in compliance with the requirements, if any, of the principal national securities exchange on which the Notes are listed as certificated to the Trustee by the Company; or
- (2) as required by law or mandatory requirements, rules or regulations of the relevant Clearing System or by such method as the Trustee deems fair and appropriate.

No Notes may be redeemed in part such that the remainder of the Note is less than €100,000 in aggregate principal amount. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

In addition, so long as the Notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market and its rules so require, all notices to holders of the Notes will also be supplied to the Luxembourg Stock Exchange and are expected to be published at *www.bourse.lu*. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. In the case of Definitive Registered Notes, notices will be mailed to holders of the Notes by first class mail at their respective addresses as they appear on the records of the Registrar. If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. Notices given by publication will be deemed given on the first date on which publication is made. Notices given by first class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

For the Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution of the aforesaid mailing.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note and will be collectible at the office of the Paying Agent. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption. If the redemption date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to holders of the Notes whose Notes will be subject to redemption by the Company.

## **Prescription**

Claims against the Company or any Guarantor for the payment of principal of, or interest, premium, or Additional Amounts, if any, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of seven years, in the case of principal, or five years, in the case of interest, premium or Additional Amounts, if any, from the applicable original payment date therefor.

## **Certain Covenants**

### ***Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with

any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or Subordinated Shareholder Debt, (B) dividends or distributions to the Company or any of its Restricted Subsidiaries and (C) *pro rata* dividends or distributions made by a Subsidiary that is not a Wholly Owned Restricted Subsidiary to minority stockholders (or owners of any equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any Parent Company;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value (x) any Indebtedness that is subordinated in right of payment to the Notes or the Note Guarantees, except a payment of interest or principal at the Stated Maturity thereof or (y) any Subordinated Shareholder Debt; or
- (4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

- (1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and
- (2) the Company would, after giving pro forma effect to such Restricted Payment (including the application thereof) as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness (other than Permitted Debt) pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*"; and
- (3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after January 1, 2016 (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), and (11) of the next succeeding paragraph), is less than the sum, without duplication, of:
  - (a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from January 1, 2016 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such aggregate Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*
  - (b) 100% of the aggregate net cash proceeds and Fair Market Value of property, assets or marketable securities received by the Company since January 1, 2016 as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock or Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company or from Subordinated Shareholder Debt or Excluded Contributions), *plus*
  - (c) 100% of any dividends or distributions (including payments made in respect of loans or advances) received by the Company or a Restricted Subsidiary of the Company after January 1, 2016 from an Unrestricted Subsidiary of the Company or a Permitted Joint Venture (excluding any dividends or distributions of any Chinese Venture), to the extent that such dividends or distributions were not otherwise included in Consolidated Net Income of the Company for such period (and *provided* that such dividends or distributions are not included in the calculation of that amount of Permitted Investments permitted under clause (10) of the definition thereof), *plus*

- (d) to the extent that any Unrestricted Subsidiary of the Company is redesignated as a Restricted Subsidiary after January 1, 2016, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation, *plus*
- (e) to the extent that any Restricted Investment that was made after January 1, 2016 is sold for cash or otherwise liquidated or repaid for cash or Cash Equivalents (including, without limitation, any sale for cash or other Cash Equivalents of an Equity Interest in an Unrestricted Subsidiary), the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any), *plus*
- (f) 100% of the cash received by the Company since January 1, 2016 in connection with the incurrence of any Subordinated Shareholder Debt.

The preceding provisions will not prohibit:

- (1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the Indenture;
- (2) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any Restricted Subsidiary or of any Equity Interests of the Company or any Parent Company by conversion into (in the case of subordinated Indebtedness) or in exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or Subordinated Shareholder Debt or from the substantially concurrent contribution of equity capital to the Company; *provided* that the amount of any such Net Cash Proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (3)(b) of the preceding paragraph;
- (3) the defeasance, redemption, repurchase or other acquisition or retirement of subordinated Indebtedness of the Company or any Guarantor with the Net Cash Proceeds from an incurrence of Permitted Refinancing Indebtedness in respect of such subordinated Indebtedness;
- (4) Any Restricted Payment made by exchange for, or out of the proceeds of the substantially concurrent sale of, Equity Interests of the Company (other than Disqualified Stock) or a substantially concurrent cash capital contribution received by the Company from its shareholders; *provided, however*, that the Net Cash Proceeds from such sale or cash capital contribution shall be excluded from clause (3)(b) of the preceding paragraph;
- (5) the repurchase, redemption or other acquisition for value of Equity Interests of any non-Wholly Owned Restricted Subsidiary of the Company if, as a result of such purchase, redemption or other acquisition, the Company increases its percentage ownership, directly or indirectly through its Restricted Subsidiaries, of such non-Wholly Owned Restricted Subsidiary;
- (6) the repurchase, redemption or other acquisition for value of Equity Interests of the Company or its Restricted Subsidiaries representing fractional shares of such Equity Interests in connection with a merger, consolidation, amalgamation or other combination of the Company or any such Restricted Subsidiary;
- (7) following the first Public Offering of the Company's ordinary shares or the ordinary shares of any Parent Company, the payment by the Company of, or loans or advances, dividends or distributions to any Parent Company to pay dividends on the ordinary shares of the Company or any Parent Company, in an amount not to exceed in any fiscal year the greater of (A) an amount equal to 3.0% of the Market Capitalization; *provided* that after giving pro forma effect to the payment of such amount the Leverage Ratio shall be no greater than 3.0 to 1.0 and (B) 6% per annum of the net cash proceeds received by the Company in any Public Offering or contributed in cash to the Company's ordinary shares with the net cash proceeds of any such Public Offerings by any Parent Company;
- (8) loans or advances made to employees, officers or directors (not including the Permitted Holders) in amounts not exceeding €10.0 million at any time outstanding;

- (9) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Equity Interests in (a) the Company or any Restricted Subsidiary (including any options, warrants or other rights in respect thereof) held by any current or former employee, director, officer, member of management or consultant (or members of their respective Immediate Family) of the Company or any Restricted Subsidiaries or (b) the Company held by any Parent Company if the proceeds are to be used to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value of Equity Interests of such Parent Company (including any options, warrants or other rights in respect thereof) held by any current or former employee, director, officer, member of management or consultant (or members of their respective Immediate Family) of the Company or any Restricted Subsidiaries, in either case pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; provided that the aggregate amount of all such purchased, repurchased, redeemed, defeased, acquired, cancelled or retired Equity Interests may not exceed €20 million;
- (10) the declaration and payment of dividends to, or the making of loans to, any Parent Company in amounts required for such Parent Company to pay (i) franchise and similar taxes, and other fees and expenses, required to maintain such Parent Company's corporate existence and (ii) consolidated, combined or similar foreign, federal, state and local income and similar Taxes, to the extent such income Taxes are attributable to the income, revenue, receipts, capital or margin of the Company and the Restricted Subsidiaries and, to the extent of the amount actually received from the Company's Unrestricted Subsidiaries, in amounts required to pay such Taxes to the extent attributable to the income of such Unrestricted Subsidiaries; provided that in each case the amount of such payments in any fiscal year does not exceed the amount that the Company, the Restricted Subsidiaries and the Company's Unrestricted Subsidiaries (to the extent described above) would be required to pay in respect of foreign, federal, state and local Taxes for such fiscal year had the Company, the Restricted Subsidiaries and the Company's Unrestricted Subsidiaries (to the extent described above) been a standalone taxpayer (separate from any such Parent Company) for all fiscal years ending after the Issue Date;
- (11) Restricted Payments made with the proceeds of Excluded Contributions;
- (12) Restricted Payments pursuant to clause (f) of the second paragraph under "*—Transactions with Affiliates*";
- (13) other Restricted Payments made after the Issue Date in an amount (measured on the date each such Restricted Payment was made and without giving effect to subsequent changes in value) when taken together with all other Restricted Payments made pursuant to this clause (13) not to exceed €40 million (*provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause*); and
- (14) Restricted Payments provided that for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of such Restricted Payment, on a pro forma basis, the Company and its Restricted Subsidiaries on a consolidated basis would have had a Leverage Ratio of no more than 1.75 to 1.00;

*provided, however*, that after giving effect to any Restricted Payment referred to in clauses (5), (7), (8), (9), (13) and (14) of this paragraph, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the responsible financial or accounting officer of the Company. The determination of such responsible financial or accounting officer will be final and conclusive.

#### ***Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to



(collectively, “*incur*”) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Company and any Restricted Subsidiary may incur Indebtedness, the Company or any Restricted Subsidiary may incur Acquired Debt and the Company may issue Disqualified Stock and any Restricted Subsidiary may issue shares of preferred stock, if the Fixed Charge Coverage Ratio for the Company’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued would have been at least 2.5 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four-quarter period; *provided* that a Restricted Subsidiary of the Company that is not a Guarantor may incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to this paragraph solely to the extent that the Non-Guarantor Leverage Ratio for the Company’s most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been no greater than 1.00 to 1.00, as determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if such Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence by the Company or its Restricted Subsidiaries of any of the following items of Indebtedness (collectively, “*Permitted Debt*”):

- (1) the incurrence by the Company and any Restricted Subsidiary of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed €500 million;
- (2) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;
- (3) the incurrence (a) by the Company of Indebtedness represented by the Notes to be issued hereby (but not including any Additional Notes) and (b) by the Company, the Guarantors and any future Guarantors of Indebtedness represented by a Note Guarantee (including Note Guarantees of Additional Notes incurred in compliance with the Indenture);
- (4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, sale and leaseback transactions or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of (a) €75 million and (b) 2.5% of Total Assets at any time outstanding;
- (5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3) or (5) of this paragraph;
- (6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:
  - (a) if the Company or any Guarantor is the obligor on such Indebtedness and the creditor is not a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect, in any bankruptcy, insolvency or winding up of such obligor, to its Note Guarantee and, in the case of the Company, its obligations under the Indenture, as applicable, and
  - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a

Restricted Subsidiary of the Company will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

- (7) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk or currency risk (i) with respect to any floating rate or non-euro denominated Indebtedness that is permitted by the terms of the Indenture to be outstanding or (ii) for non-speculative purposes in the ordinary course of business;
- (8) the guarantee by the Company or any of the Guarantors (subject to compliance with the covenant “—*Additional Note Guarantees*”) of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the guarantee must be expressly subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness being guaranteed;
- (9) the incurrence by the Company or any Restricted Subsidiary of Indebtedness in connection with one or more standby letters of credit or performance bonds issued by the Company or a Restricted Subsidiary in the ordinary course of business or pursuant to self-insurance obligations and, in each case, not in connection with the borrowing of money or the obtaining of advances or credit;
- (10) the incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from agreements providing for indemnification or adjustment of purchase price or from guarantees or letters of credit securing any Obligations of the Company or any Restricted Subsidiary pursuant to such agreements, incurred in connection with the sale or other disposition of any business, assets or Restricted Subsidiary of the Company, other than guarantees or similar credit support by the Company or any Restricted Subsidiary of Indebtedness incurred by any Person acquiring such business, assets or subsidiary; *provided* that the maximum Indebtedness permitted by this clause (10) in respect of any such sale or other disposition of any business, assets or subsidiary shall not exceed the Net Cash Proceeds from such sale or other disposition;
- (11) the incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from guarantees to suppliers, lessors, licensees, contractors, franchisees or customers and incurred in the ordinary course of business;
- (12) the incurrence by the Company or any Restricted Subsidiary of Indebtedness in respect of any obligations under workers’ compensation laws and similar legislation;
- (13) Indebtedness incurred pursuant to the factoring of Receivables arising in the ordinary course of business pursuant to customary arrangements; *provided*, that either (a) no portion of such Indebtedness has, directly or indirectly, contingent or otherwise, recourse to any property or assets of the Company or any of its Restricted Subsidiaries (other than the Receivables that are the subject of the factoring), or (b) if such Indebtedness has recourse to any property or assets of the Company or any of its Restricted Subsidiaries, only the portion of such Indebtedness that is not recourse to any property or assets of the Company or any of its Restricted Subsidiaries (other than Receivables that are the subject of the factoring) may be considered as “Permitted Debt” under this clause (13);
- (14) the incurrence by the Company or any Restricted Subsidiary of guarantees of Indebtedness of Permitted Joint Ventures in an amount not to exceed the greater of (x) €35 million and (y) 1.0% of Total Assets;
- (15) Indebtedness, Disqualified Stock or preferred stock of Persons that are acquired by the Company or any Restricted Subsidiary of the Company or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or a Restricted Subsidiary of the Company in accordance with the terms of the Indenture; *provided* that such Indebtedness, Disqualified Stock or preferred stock are not incurred or issued in connection with such acquisition, merger, consolidation, amalgamation or other combination, and, after giving effect to such acquisition, merger, consolidation, amalgamation or other combination, either:

- (a) the Company or such Restricted Subsidiary would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence, of this covenant; or
  - (b) the Fixed Charge Coverage Ratio of the Company is no less than immediately prior to such acquisition, merger, consolidation, amalgamation or other combination; and
- (16) the incurrence by the Company or any Restricted Subsidiary of additional Indebtedness (including Acquired Debt) in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (16), not to exceed €100 million.

To the extent any Restricted Subsidiary that is not a Guarantor is a joint obligor with respect to any Indebtedness, the entire amount of such Indebtedness shall be considered Indebtedness of a Restricted Subsidiary that is not a Guarantor for purposes of this covenant.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided* that, in each such case, that the amount thereof is included in Consolidated Interest Expense of the Company as accrued or paid in accordance with the definition of such term.

The incurrence by an Unrestricted Subsidiary of the Company of Non-Recourse Debt will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided, however*, that if any such Indebtedness ceases to be Non-Recourse Debt of such Unrestricted Subsidiary, such Indebtedness shall be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of the Company that was not permitted by this covenant.

For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (16) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable, to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

For purposes of determining compliance with any euro denominated restriction on the incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided* that (1) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro denominated restriction will be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (2) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (3) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euros, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

## ***Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind upon any of its assets or property (including Capital Stock of Restricted Subsidiaries), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or senior in right of payment to, in the case of Liens with respect to subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) as otherwise set forth under “—*Security—Release of Security Interests*”.

## ***Dividend and Other Payment Restrictions Affecting Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Company or any of its Restricted Subsidiaries;
- (2) make loans or advances to the Company or any of its Restricted Subsidiaries; or
- (3) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements governing Existing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;
- (2) the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, the Security Documents or any agreement related to the Transactions, and any notes and guarantees in connection with the subsequent issuance of debt securities in accordance with and on terms no less onerous than the Indenture;
- (3) applicable law or regulation or the terms of any license, authorization, concession or permit to engage in a Permitted Business;
- (4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;
- (5) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

- (6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (4) of the second paragraph of the covenant entitled “—*Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*”;
- (7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;
- (9) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of the covenant entitled “—*Liens*” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (10) customary provisions in joint venture agreements, asset sale agreements, stock sale agreements, sale leaseback agreements and other similar agreements;
- (11) provisions that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or other contract entered into in the ordinary course of business;
- (12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and
- (13) any agreement or instrument (A) relating to any Indebtedness or preferred stock of a Restricted Subsidiary of the Company permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*” (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Senior Credit Facilities as in effect on the Issue Date (as determined in good faith by the Company) or (ii) if the encumbrances and restrictions are not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company) and either (x) the Company determines that such encumbrance or restriction will not adversely affect the Company’s ability to make principal and interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness, (B) constituting an intercreditor agreement on terms substantially equivalent to the Intercreditor Agreement or (C) relating to any loan or advance by the Company to a Restricted Subsidiary of the Company subsequent to the Issue Date; *provided* that with respect to this clause (13) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Senior Credit Facilities, the Security Documents and the Intercreditor Agreement (as in effect on the Issue Date).

### ***Merger, Consolidation or Sale of Assets***

The Company may not, directly or indirectly: (1) consolidate or merge with or into another Person; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person; unless:

- (1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made (the “*Surviving Entity*”) is a corporation organized or existing under the laws of (i) Spain, (ii) any other member of the European Union that has adopted the euro as its national currency, (iii) the United Kingdom or (iv) the United States, any state of the United States or the District of Columbia;

- (2) the Surviving Entity (if other than the Company) assumes all the obligations of the Company under the Notes, the Indenture, the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, pursuant to agreements satisfactory to the Trustee;
- (3) immediately after giving effect to such transaction no Default or Event of Default exists or would exist; and
- (4) the Company or the Surviving Entity, as the case may be, will:
  - (a) on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, either (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant entitled “—*Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*” or (ii) the Fixed Charge Coverage Ratio of the Company (or, if applicable, the Surviving Entity) would equal or exceed the Fixed Charge Coverage Ratio of the Company immediately prior to giving effect to such transaction; and
  - (b) deliver to the Trustee an Officer’s Certificate and an Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and any supplemental indenture comply with this covenant and the Indenture, and, if the Company is not the surviving entity, that the accession agreement executed in connection therewith is the legally valid and binding obligation of the Successor Entity enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

In addition, the Company may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. This “—*Merger, Consolidation or Sale of Assets*” covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of the Guarantors. Notwithstanding clause (4)(a) of the foregoing, the Company or any Guarantor may merge with an Affiliate solely for the purpose of reincorporating the Company or such Guarantor in another jurisdiction to realize tax or other benefits.

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Guarantor, unless:

- (1) immediately after giving effect to that transaction, no Default or Event of Default exists; and
- (2) either:
  - (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under the Indenture and its Note Guarantee pursuant to a supplemental indenture satisfactory to the Trustee and the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;
  - (b) the net proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture; or
  - (c) in any transaction between (i) the Company or a Guarantor and (ii) a Restricted Subsidiary that is not a Guarantor, the Company or such Guarantor is the surviving Person or the Restricted Subsidiary is the surviving Person and assumes all of the obligations of the Company or such Guarantor under the Indenture and its Note Guarantee, as applicable, pursuant to a supplemental indenture satisfactory to the Trustee.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

### ***Transactions with Affiliates***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an “*Affiliate Transaction*”) involving aggregate payments or consideration in excess of €10.0 million, unless:

- (1) the Affiliate Transaction is on terms no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of € 25 million, a resolution of the Board of Directors of the Company set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with clause (1) above; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of € 50 million, an opinion that such transaction or series of transactions is fair to the holders from a financial point of view, or is not less favorable than could reasonably be expected to be obtained at the time in an arm’s length transaction with a Person who was not an Affiliate of the Company, which opinion shall be issued by an independent accounting, appraisal or investment banking firm of international or national standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (a) transactions between or among (i) the Company and/or (ii) its Restricted Subsidiaries;
- (b) transactions with a Person (including any joint venture or equity investee) that is an Affiliate of the Company or a Restricted Subsidiary solely because the Company or a Restricted Subsidiary owns an Equity Interest in such Person;
- (c) payment of reasonable director’s and other fees to, indemnities provided on behalf of, and expenses (including expense reimbursement, employee benefit and pension expenses) relating to, officers, directors, employees or consultants of the Company or its Parent Company or the Company’s Subsidiaries and payments of benefits and salaries to employees of the Company or its Subsidiaries in the ordinary course of business;
- (d) issuances or sales of Equity Interests of the Company (other than Disqualified Stock) or Subordinated Shareholder Debt to Affiliates of the Company;
- (e) Permitted Investments or Restricted Payments that are permitted by the provisions of the Indenture described above under the caption “—*Restricted Payments*” (other than Permitted Investments described in clauses (3), (10), (11)(i), (13) and (15) of the definition of “Permitted Investments”); and
- (f) performance of any agreement of the Company or a Restricted Subsidiary as in effect on the Issue Date and disclosed in the Offering Memorandum under “*Shareholders and Certain Transactions*” and any amendment after the Issue Date (so long as such amendment is not disadvantageous to the holders of the Notes in any material respect) to any such agreement (except as covered by clause (e) hereof).

### ***Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock issued or sold or otherwise disposed of;
- (2) at least 75% of the consideration (excluding by way of relief from, or by any other Person assuming responsibility for, any liabilities contingent or otherwise) received in the Asset Sale (except to the extent the Asset Sale is a Permitted Asset Swap) by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents.

For purposes of this provision, each of the following will be deemed to be cash:

- (a) any liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability;
- (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days of the receipt thereof, to the extent of the cash or Cash Equivalents received in that conversion; and
- (c) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, as determined in good faith by an officer of the Board of Directors of the Company, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed €50 million (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company may apply those Net Cash Proceeds, if any, at its option:

- (1) (i) to repay, repurchase, prepay or redeem (a) Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Company or an Affiliate of the Company) or Indebtedness which is secured by a Lien on such asset or (b) Indebtedness of the Company or any other Restricted Subsidiary incurred under Credit Facilities pursuant to clause (1) of the second paragraph of the covenant entitled "*Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*" that is secured by a Lien on the Collateral; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (i)(a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased, or (ii) to prepay, repay or purchase *Pari Passu* Indebtedness; *provided* that the Company shall redeem, repay or repurchase *Pari Passu* Indebtedness pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the holders of the Notes to purchase their Notes in accordance with the provision set forth below for an Asset Sale Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such *Pari Passu* Indebtedness;
- (2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
- (3) to make a capital expenditure;



- (4) to acquire other long-term assets (other than Indebtedness or Capital Stock) that are used or useful in a Permitted Business;
- (5) to enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (2), (3) or (4) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned 360 day period; or
- (6) any combination of the foregoing.

Pending the final application of any Net Cash Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Cash Proceeds in any manner that is not prohibited by the Indenture. Notwithstanding the foregoing provisions of this covenant, the Company and the Restricted Subsidiaries will not be required to apply any Net Cash Proceeds in accordance with this covenant except to the extent that the aggregate Net Cash Proceeds from all Asset Sales which is not applied in accordance with this covenant exceeds €20 million.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute “*Excess Proceeds*.” When the aggregate amount of Excess Proceeds exceeds € 20 million, the Company will make an Asset Sale Offer to all holders of Notes, and the Company will make any required offer to purchase *Pari Passu* Indebtedness containing similar asset sale provisions, to purchase the maximum principal amount of Notes and such *Pari Passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *Pari Passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *Pari Passu* Indebtedness to be purchased on a *pro rata* basis. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Company that is within the Asset Sale Offer period. Upon completion of each Asset Sale Offer the amount of Excess Proceeds will be reset at zero. To the extent any portion of Net Cash Proceeds payable in respect of the Notes are denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which the Notes are denominated that is actually received by the Company upon converting such portion into such currency.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes and the related Note Guarantees pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached their respective obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Company or, if required by applicable law, the shareholders of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be an Investment made as of the time of such designation and will either reduce the amount available for Restricted Payments under the first paragraph of the covenant entitled “*Restricted Payments*” or reduce the amount available for future Investments under one or more clauses of the definition of Permitted Investments, as the Company shall determine. That designation will only be permitted if such Investment would be permitted at that time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company or, if required by applicable law, the shareholders of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

### ***Additional Note Guarantees***

The Company shall, within 60 days after the audited financial statements of the Company become available for each financial year of the Company beginning with the financial year ending December 31, 2017, cause any Restricted Subsidiary that after the Issue Date is or becomes a Material Subsidiary (except for any Restricted Subsidiary which was a Material Subsidiary at the Issue Date but was not an initial Guarantor, any Restricted Subsidiary that is already a Guarantor, or any Restricted Subsidiary as to which the Company and its Restricted Subsidiaries do not own, directly or indirectly, greater than 90% of the Capital Stock) to execute and deliver a supplemental indenture providing for the Note Guarantee by such Restricted Subsidiary on the same terms as the Note Guarantees granted by the other Guarantors hereunder.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market, the Company will publish a notice of such additional guarantees in accordance with the requirements of such rules.

The Company will not permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee the payment of any other Credit Facilities or other Public Debt of the Company or any Guarantor unless such incurrence is permitted by the covenant entitled “—*Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*”, and such Restricted Subsidiary (if not already a Guarantor) simultaneously executes and delivers a supplemental indenture and supplemental intercreditor agreement pursuant to which such Restricted Subsidiary will guarantee payment of the Notes on the same terms and conditions as those set forth in the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement and which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s guarantee of such other Credit Facilities or other Public Debt; *provided* that no such additional Note Guarantee need be provided in respect of Credit Facilities or other Public Debt of the Company or any Guarantor (i) that does not exceed €50 million, in the aggregate with all other Credit Facilities or other Public Debt described under this clause (i), (ii) if the guarantee of such Indebtedness is pursuant to a regulatory requirement and such Credit Facilities or other Public Debt is owed to a regulatory body, or (iii) if such Credit Facilities or other Public Debt is guaranteed by such Restricted Subsidiary on the Issue Date and such Restricted Subsidiary is not a Guarantor.

The Company shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that (A) such Note Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or a Restricted Subsidiary; (2) any liability for the officers, directors or shareholders of such Restricted Subsidiary; (3) any cost, expense, liability or obligation (including any Tax) other than reasonable out of pocket expenses and other than reasonable governmental or regulatory filing fees; and (4) a requirement under applicable law, rule or regulation to obtain or prepare financial statements or financial information of such Person to be included in any required filing with a legal or regulatory authority that the Company is not able to obtain or prepare through measures reasonably available to the Company, (B) such Restricted Subsidiary is incorporated in any jurisdiction located in Argentina, China, Costa Rica, France, India, Indonesia, Morocco, Romania, South Africa or South Korea or (C) an inconsistency with the Intercreditor Agreement or the Agreed Security Principles.

Each additional Note Guarantee will be limited as necessary to recognize certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purposes, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the preceding paragraphs of this covenant, any Note Guarantee by a Restricted Subsidiary will provide by its terms that it will be automatically and unconditionally released and discharged when (i) the Indebtedness that gave rise to the obligation to guarantee the Notes is discharged, (ii) in the case of any Note Guarantee granted as contemplated under the third paragraph of this covenant as a result of a Restricted Subsidiary guaranteeing other Credit Facilities or Public Debt, when such other Indebtedness is released and discharged, or (iii) otherwise under the circumstances described above under the caption “—*Brief Description of the Notes, the Note Guarantees and the Intercreditor Agreement—The Note Guarantees*.” The terms, provisions and limitations related to the Note Guarantees will be included in the Indenture.

### ***Impairment of Security Interest***

The Company shall not and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to

the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except that the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement *provided, however*, that (a) nothing in this provision shall restrict the release or replacement of any security interests in compliance with the terms of the Indenture as described under “—*Security—Release of Security Interests*” and (b) any Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, if contemporaneously with any such action, the Company delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the Person granting such security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release and replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the security so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens, in each case, not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Company complies with the requirements of this covenant, the Trustee and/or the Security Agent (as the case may be) shall (subject to customary protections and indemnifications) consent to any such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from the holders of the Notes.

#### ***Suspension of Certain Covenants when Notes Rated Investment Grade***

If on any date following the Issue Date, (1) two of the following three are satisfied: (i) the Notes are rated Baa3 or better by Moody’s, (ii) the Notes are rated BBB– or better by S&P or (iii) the Notes are rated BBB– or better by Fitch (or, if either Moody’s, S&P or Fitch ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Company as a replacement agency so that the Notes are so rated by at least two such credit rating agencies); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this offering memorandum will be suspended and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

- (1) “—*Certain Covenants—Restricted Payments*”;
- (2) “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*”;
- (3) “—*Certain Covenants—Dividend and Other Payment Restrictions Affecting Subsidiaries*”;
- (4) clause (4) of the first paragraph of the covenant described under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”;
- (5) “—*Certain Covenants—Transactions with Affiliates*”;
- (6) “—*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*”; and
- (7) “—*Certain Covenants—Additional Note Guarantees*”.

During any period that the foregoing covenants have been suspended, the Company’s Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption “—*Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*” or the second paragraph of the definition of “Unrestricted Subsidiary”.

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated “Restricted Payments” covenant will be made as if the “Restricted Payments” covenant had been in effect since the Issue Date except that no default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended. On the rating decline date, all Indebtedness incurred during the suspension period will be classified, at the Company’s option, as having been incurred pursuant to the first paragraph of the covenant described under the caption “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*” or one or more of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be incurred thereunder as of the rating decline date and after giving effect to Indebtedness incurred prior to the suspension period and outstanding on the rating decline date). To the extent that such Indebtedness would be so permitted to be incurred under the first two paragraphs of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*”, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified under clause (2) of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*”.

The Company shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of the Notes of such event.

## Reports

The Company will post on its website and furnish to the Trustee and holders the following reports:

- (1) within 120 days after the end of the Company’s fiscal year beginning with the fiscal year ending December 31, 2017, annual reports containing a level of detail that is comparable in all material respects to the offering memorandum relating to the Offering Memorandum and the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and cash flow of the Company for the three most recent fiscal years, including appropriate footnotes to such financial statements, and the report of the independent auditors on the financial statements; (b) pro forma income statement and balance sheet information, together with summary explanatory footnotes, for any acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates if the consolidated revenues, EBITDA or assets of the Person to which such acquisition or disposition relates, represent greater than 20% of the consolidated revenues, EBITDA or assets of the Company and its Subsidiaries on a pro forma basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless pro forma information has been provided in a previous report pursuant to clause (2) below (*provided* that an acquisition, disposition or recapitalization that has occurred fewer than 30 days prior to the last day of the completed fiscal year as to which such annual report relates shall be reported in the next interim report provided pursuant to this covenant); (c) to the extent relating to annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) material risk factors and material recent developments (*provided* that, in the case of cash flow numbers, these need only be provided as an audited footnote to the financial statements referred to above);
- (2) within (i) 60 days following the end of the first and third fiscal quarters in each fiscal year of the Company and (ii) 75 days following the end of the second quarter in each fiscal year of the Company, all quarterly financial statements containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) pro forma income statement and balance sheet information, together with summary explanatory footnotes, for any acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly

report relates if the consolidated revenues, EBITDA or assets of the Person to which such acquisition or disposition relates, represent greater than 20% of the consolidated revenues, EBITDA or assets of the Company and its Subsidiaries on a pro forma basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless pro forma information has been provided in a previous report pursuant to clause (1) or (2) below (*provided* that an acquisition, disposition or recapitalization that has occurred fewer than 30 days prior to the last day of the completed fiscal quarter as to which such quarterly report relates shall be reported in the next interim report provided pursuant to this covenant); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

- (3) promptly after the occurrence of a material acquisition, disposition, restructuring, senior management or board of directors changes or change in auditors, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared on a consistent basis for the periods presented and the financial statements required under clause (1) may be presented in the same format as in the Offering Memorandum; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable International Financial Reporting Standards, present earlier periods on a basis that applied to such periods, subject to the provisions of the Indenture. No report need include separate financial statements or financial data for any Guarantors or non-guarantor Subsidiaries of the Company; *provided* that the annual report in clause (1) shall include a statement of the aggregate percentage of the consolidated EBITDA of the Company represented by the Guarantors.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in the operating and financial review of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company will furnish to the holders, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Following the initial Public Offering and the listing of ordinary shares of the Company or any Parent Company on a recognized European or United States stock exchange, the requirements of (1), (2) and (3) above shall be considered to have been fulfilled if the relevant entity listing its Capital Stock complies with the reporting requirements of such stock exchange.

#### **Additional Intercreditor Agreements**

At the request of the Company, in connection with the incurrence by the Company or its Restricted Subsidiaries of any Indebtedness permitted to be secured under the Indenture, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders (*provided* that the Trustee and the Security Agent shall have received an Officer's Certificate and an Opinion of Counsel to that effect)); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent, as the case may be, under the Indenture or the Intercreditor Agreement.

At the direction of the Company and without the consent of holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement; (2) increase the amount or types of Indebtedness covered by any such agreement that may be incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes); (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional

Intercreditor Agreement; (4) secure the Notes (including Additional Notes); (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or other Indebtedness permitted to be secured by the Indenture; or (6) make any other change to any such agreement that does not adversely affect the holders in any material respect (*provided* that the Trustee and the Security Agent shall have received an Officer's Certificate and an Opinion of Counsel to that effect). The Company may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent, in the opinion of the Trustee or the Security Agent, or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Intercreditor Agreement or Additional Intercreditor Agreement.

Each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or an Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

### Events of Default and Remedies

Each of the following is an Event of Default:

- (1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, the Notes;
- (2) default in payment when due at maturity, upon redemption, upon repurchase, upon declaration or otherwise, of the principal of, or premium, if any, on the Notes;
- (3) failure by the Company or any of its Subsidiaries to comply with the provisions described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";
- (4) failure by the Company or any of its Subsidiaries for 30 days after written notice to comply with the provisions described under the captions "*—Repurchase at the Option of Holders*" and "*—Certain Covenants*" (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and a failure to comply with the provisions described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" described in clause (3) above);
- (5) failure by the Company or any of its Subsidiaries for 60 days after written notice to comply with any of the other agreements in the Indenture;
- (6) default under any mortgage, Indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:
  - (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or
  - (b) results in the acceleration of such Indebtedness prior to its express maturity;

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €40 million or more;

- (7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments (which are not covered by insurance as to which a claim has been submitted and the insurer has not disclaimed or indicated an intent to disclaim responsibility for the payment thereof) aggregating in excess of €40 million, which judgments are not paid, discharged or stayed for a period of 60 days;

- (8) except as permitted by the Indenture, any Note Guarantee of any Significant Subsidiary of the Notes shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor shall deny or disaffirm in writing its obligations under its Note Guarantee;
- (9) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the relevant Security Documents, the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) for any reason other than satisfaction in full of all obligations of the Company and its Subsidiaries under the Indenture or the release of any such security interest in accordance with the Security Documents, the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, or the Indenture or any security interest created pursuant to the Indenture and the Security Documents shall be declared invalid or unenforceable or the Company shall assent in writing that any such security interest is invalid or unenforceable or any pledgor disaffirms in writing its obligations under the Security Documents and any such Default continues for 10 days;
- (10) default under any other Indebtedness that is secured by the Collateral if such default results in the creditors under such Indebtedness commencing an enforcement action of their security rights over the Collateral; and
- (11) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary.

However, a default under clauses (4), (5) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (4), (5) or (6), the Company does not cure such default within the time specified in clauses (4), (5) or (6), as applicable, of this paragraph after receipt of such notice.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under “—*Events of Default and Remedies*” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest, or Additional Amounts.

The holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or Additional Amounts on, or the principal of, the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default that would give either the Trustee or the holders of at least 25% or more in aggregate principal amount of Notes then outstanding the right to declare the Notes immediately due and payable, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

If a Default occurs for a failure to deliver a required certificate in connection with another default (an “*Initial Default*”) then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action. Any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled “—*Certain Covenants—Reports*” or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery within the 30 day period contemplated by clause (4) of the first paragraph under this caption “—*Events of Default and Remedies*” of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws of the United States.

### **Legal Defeasance and Covenant Defeasance**

The Company may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of any of the Guarantors discharged with respect to their Note Guarantees (“*Legal Defeasance*”) except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, and Additional Amounts, if any, on such Notes when such payments are due from the trust referred to below;
- (2) the Company’s obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company’s and any Guarantor’s obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and any Guarantors released with respect to certain covenants that are described in the Indenture (“*Covenant Defeasance*”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under “—*Events of Default and Remedies*” will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit or cause to be deposited with the Trustee, in trust, for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations, or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of, or interest and premium, and Additional Amounts, if any, on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the United States Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the



applicable United States federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;
- (6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made or caused to be made by the Company with the intent of preferring the holders over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and
- (7) the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

### **Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market and the rules of this exchange so require, the Company will inform the Luxembourg Stock Exchange and publish a notice of any such amendment, supplement or waiver at [www.bourse.lu](http://www.bourse.lu).

Without the consent of holders of at least 90% of the aggregate principal amount of then outstanding Notes affected (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), an amendment or waiver may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenant described above under the caption "*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*");
- (3) reduce the rate of or change the time for payment of interest on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest, premium, or Additional Amounts, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a

majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, premium, or Additional Amounts, if any, on the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by the covenant described above under the caption “—*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*”);
- (8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture;
- (9) release the security interest granted for the benefit of the holders of the Notes in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement or as otherwise permitted by the Indenture; or
- (10) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company and the Guarantors and the Trustee and the other parties thereto may amend or supplement the Indenture, the Notes or the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of Definitive Registered Notes;
- (3) to provide for the assumption of the Company’s or a Guarantor’s obligations to holders in the case of a merger or consolidation or sale of all or substantially all of the Company’s or such Guarantor’s assets;
- (4) to make such changes as are necessary to provide for the issuance of Additional Notes in compliance with the covenants described herein (including for the issuance of Additional Notes denominated in a currency different from the currency of the initially issued Notes), or to add guarantees in favor of the Notes;
- (5) to mortgage, pledge, hypothecate or grant security interest in favor of the Security Agent to the extent necessary to grant a security interest for the benefit of any Person; *provided that* the granting of such security interest is not prohibited by the Indenture and the covenant described under “—*Certain Covenants—Impairment of Security Interest*” is complied with;
- (6) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents, the Note Guarantees or the Notes;
- (7) to add additional assets or property as Collateral;
- (8) to evidence and provide the acceptance of the appointment of a successor Trustee or Security Agent under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (9) as provided under “—*Additional Intercreditor Agreements*”;
- (10) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes;

- (11) to confirm and evidence the release, termination, discharge or retaking of any guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement; or
- (12) to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officer's Certificate.

For purposes of determining whether holders of the requisite aggregate principal amount of Notes of a series have taken any action under the Indenture, the aggregate principal amount of any series of Notes will be deemed to be the Euro Equivalent of the aggregate principal amount of such Notes as of (i) such date (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by holders of the requisite aggregate principal amount of such Notes has been certified to the Trustee by the Company (if no such record date has been set).

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by clause (10) above, it shall only be necessary for the supplemental indenture to be duly authorized and executed by the Company, such additional Guarantor and the Trustee.

## **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
  - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
  - (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable European Government Obligations, or a combination of cash in euros and non-callable European Government Obligations, in an aggregate amount as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, Additional Amounts, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;
- (3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and
- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **Concerning the Trustee**

If the Trustee becomes a creditor of the Company or any Guarantor, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign. If the Trustee becomes the owner or pledgee of the Notes it may deal with the Company with the same rights it would have if it were not the Trustee, Paying Agent, Registrar or such other agent.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations can be read into the Indenture against the Trustee. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

### **Judgment Currency**

Any payment on account of an amount that is payable in euros, (each a "*Required Currency*") which is made to or for the account of any holder of a Note in lawful currency of any other jurisdiction (the "*Other Currency*") whether as a result of any judgment or order or the enforcement thereof or the realization of any security or the liquidation of any of the Company or any Guarantor shall constitute a discharge of the Company's or such Guarantor's obligation under the Indenture, the Notes or, the Note Guarantees, as the case may be, only to the extent of the amount of the Required Currency which such holder could purchase in the New York foreign exchange markets with the amount of the Other Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first day (other than a Saturday or Sunday) on which banks in New York, are generally open for business following receipt of the payment first referred to above. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder, the Company or such Guarantor, as the case may be, shall indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture, the Notes or the Note Guarantees, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of a Note from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

### **Consent to Jurisdiction and Service of Process**

The Indenture will provide that the Company and each Guarantor will appoint Grupo Antolín-North America, Inc. as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any federal or state court located in the City of New York and will submit to such jurisdiction.

### **Additional Information**

Anyone who receives this offering memorandum may obtain a copy of the Indenture without charge at the registered office of the Company and at the offices of the Paying Agent, Deutsche Bank AG, London Branch.

### **Governing Law**

The Indenture, the Notes and the Note Guarantees are governed by the laws of the State of New York.

## Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“*Acquired Debt*” means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of any natural Person, any Immediate Family Member of such Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” shall have correlative meanings.

“*Applicable Premium*” means, with respect to a Note at any redemption date, the greater of (a) 1% of the principal amount of such Note at such time and (b) the excess of (A) the present value at such time of (i) the redemption price of such Note on April 30, 2020 (such redemption price being described in the table appearing in the second paragraph under the caption “—*Optional Redemption*” exclusive of any accrued interest to such redemption date), plus (ii) any required interest payments due on such Note through and including April 30, 2020 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Bund Rate plus 50 basis points, over (B) the principal amount of such Note, as calculated by the Company or other Person appointed by the Company for this purpose. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Paying Agent, the Registrar or the Transfer Agent.

“*Asset Sale*” means:

- (1) the sale, lease, conveyance or other disposition of any assets, other than sales of inventory in the ordinary course of business; *provided* that the sale, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—*Repurchase at the Option of Holders—Change of Control*” and/or the provisions described above under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*” and not by the provisions of “—*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*”; and
- (2) the issuance of Capital Stock in any of the Company’s Restricted Subsidiaries or the sale by the Company or any of its Restricted Subsidiaries of Capital Stock in any of their respective Restricted Subsidiaries.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €20 million;
- (2) a transfer of assets between or among the Company and its Restricted Subsidiaries;
- (3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to another Restricted Subsidiary of the Company;

- (4) the sale, lease, assignment or sublease of equipment, inventory, accounts receivable or other assets in the ordinary course of business;
- (5) the sale or other disposition of cash or Cash Equivalents;
- (6) a Restricted Payment that is permitted by the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”;
- (7) a Permitted Investment;
- (8) a disposition of surplus, obsolete or worn-out equipment or any assets or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries in the ordinary course of business;
- (9) the grant of licenses and sublicenses of intellectual property rights and software to third parties in the ordinary course of business and the transfer or disposal to third parties of any intangible assets derived from the research and development of products of the Company in the ordinary course of business;
- (10) the disposal or abandonment of intellectual property that is no longer economically practicable to maintain or which is no longer required for the business of the Company and its Restricted Subsidiaries;
- (11) sales or dispositions of Receivables in connection with any factoring transaction arising in the ordinary course of business pursuant to customary arrangements; *provided* that any Indebtedness incurred in relation thereto is permitted to be incurred by clause (13) of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”;
- (12) a disposition by way of the granting of a Permitted Lien or foreclosures on assets;
- (13) the loss, disposal or abandonment of assets in connection with tooling in the ordinary course of business of the Company or its Restricted Subsidiaries;
- (14) a disposition by way of the granting of a Lien permitted by the covenant described above under the caption “—*Certain Covenants—Liens*,” including Permitted Liens;
- (15) the foreclosure, condemnation, abandonment or any similar action with respect to any property or other assets and any surrender or waiver of contract rights, or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (16) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (17) sales or other dispositions of assets received by the Company or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Company or any Restricted Subsidiary; and
- (18) the disposition of assets to a Person providing services in relation to such assets, including in connection with any services which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person.

“Associate” means (i) any Person engaged in a Permitted Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Permitted Business entered into by the Company or any Restricted Subsidiary of the Company.

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to

acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership; and
- (3) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Bund Rate*” means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “*Comparable German Bund Issue*” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to April 30, 2020, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to April 30, 2020; *provided, however*, that, if the period from such redemption date to April 30, 2020 is less than one year, a fixed maturity of one year shall be used;
- (2) “*Comparable German Bund Price*” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “*Reference German Bund Dealer*” means any dealer of German Bundesanleihe securities appointed by the Company in good faith; and
- (4) “*Reference German Bund Dealer Quotations*” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the relevant date.

“*Business Day*” means a day (other than a Saturday or Sunday) on which banks and financial institutions are open in New York, London, Madrid, Burgos and Luxembourg.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP, as in effect on the Issue Date.

“*Capital Stock*” means:

- (1) in the case of a corporation, ordinary shares, preferred stock, corporate stock, share capital, acciones, participaciones or other participation in the share capital of such corporation;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“Cash Equivalents” means:

- (1) (a) euros or U.S. dollars or, (b) in respect of any Restricted Subsidiary of the Company, its local currency;
- (2) securities or marketable direct obligations issued by or directly and fully guaranteed or insured by the government of a member of the European Union, the United States, Canada, Switzerland or Japan having maturities of not more than twelve months from the date of acquisition;
- (3) certificates of deposit and eurodollar time deposits with maturities of twelve months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding twelve months and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of €500 million;
- (4) repurchase obligations and reverse repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper having at the time of acquisition thereof at least P-1 by Moody’s or at least A-1 by S&P and in each case maturing within twelve months after the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a ranking of “A” or higher from S&P or “A2” or higher from Moody’s;
- (7) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (6) of this definition;
- (8) other instruments customarily utilized for high quality investments that can be readily monetized without material risk of loss in the good faith judgment of a responsible financial or accounting officer of the Company or any of its Restricted Subsidiaries; and
- (9) indebtedness issued by Persons with a rating of at least “A” by S&P and “A2” by Moody’s, in each case with maturities of 12 months or less from the date of acquisition.

“Change of Control” means the occurrence of any of the following:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to another “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a “person” that is controlled by one or more Permitted Holders);
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company, except as part of a merger, a consolidation, or a sale, assignment, transfer conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries permitted under “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”;
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as defined in clause (1) above) or any “group” (as that term is used in Section 14(d) of the Exchange Act), other than the Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured, by voting power rather than number of shares; or
- (4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.



“*Chinese Venture*” means any or all of Changchun Antolin Automotive Interiors Co., Ltd., Changshu Antolin Automotive Interiors Co., Ltd. and Dongfeng Antolin (Wuhan) Overhead Systems Co., Ltd. (together in each case with any subsidiary interests then held) from and after the date on which any of them has ceased to be a Restricted Subsidiary and any remaining Investment therein is permitted in reliance on clause (16) of the definition of Permitted Investments.

“*Clearstream*” means Clearstream Banking, *société anonyme* as currently in effect or any successor securities clearing agency.

“*Consolidated EBITDA*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus (without duplication to the extent reflected in the calculation of Consolidated Net Income):

- (1) provision for taxes or other similar payments based on income or profits, property taxes, annual fees or other duties or taxation on activities of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus
- (2) Consolidated Interest Expense of such Person and its Restricted Subsidiaries, changes in fair value in financial instruments and exchange gains and losses, for such period, to the extent that any such expense was deducted in computing such Consolidated Net Income; plus
- (3) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; minus
- (4) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business; plus
- (5) costs and expenses associated with the offering and sale of the Notes,

in each case, on a consolidated basis and determined in accordance with GAAP.

“*Consolidated Interest Expense*” means, with respect to any Person for any period, the sum, without duplication, of (1) the consolidated interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, Additional Amounts, non-cash interest payments, the interest component of any deferred payment obligations (which shall be deemed to be equal to the principal of any such payment obligation less the amount of such principal discounted to net present value at an interest rate (equal to the interest rate on one-year EURIBOR at the date of determination) on an annualized basis), the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net payments (if any) pursuant to Hedging Obligations), (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period (but excluding such interest on Subordinated Shareholder Debt that was capitalized during such period), (3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such guarantee or Lien is called upon) and (4) all dividend payments on any series of preferred stock of such Person or any of its Restricted Subsidiaries, in each case, on a consolidated basis and in accordance with GAAP.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided that*:

- (1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person, or a Restricted Subsidiary of the Person;

- (2) for the purposes of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation (based, for purposes of Spanish legal reserve requirements, on the reserve status as of the determination thereof at the most recent meeting of stockholders of the applicable Restricted Subsidiary) applicable to that Restricted Subsidiary or its stockholders, unless, in each case, such restriction has (a) been legally waived, or (b) constitutes a restriction described in clauses (1), (2), (9), (10), (11) and (13) of the second paragraph of the covenant “*Dividend and Other Payment Restrictions Affecting Subsidiaries*”;
- (3) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition will be excluded;
- (4) the cumulative effect of a change in accounting principles shall be excluded;
- (5) any net after tax gain or loss (a) realized in connection with any disposal of assets other than in the ordinary course, disposal of businesses and the disposal of any securities by the Company or any of its Restricted Subsidiaries or the extinguishment or forgiveness of any Indebtedness, or (b) arising from discontinued operations, shall be excluded;
- (6) any goodwill or other intangible asset amortization or impairment charge, shall be excluded;
- (7) any extraordinary, exceptional, unusual or non-recurring gain, loss, change or expense, or charges in reserves in respect of any restructuring, redundancy or severance, shall be excluded;
- (8) the impact of any capitalized interest (including accreting or pay-in-kind interest) on any Subordinated Shareholder Debt, shall be excluded;
- (9) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non cash deemed finance charges in respect of any pension liabilities or other provisions shall be excluded;
- (10) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write off or forgiveness of Indebtedness shall be excluded;
- (11) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations shall be excluded;
- (12) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies shall be excluded; and
- (13) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary shall be excluded.

For purposes of clause (2) above, the net income of a Restricted Subsidiary that could have or actually distributed such net income to the relevant Person shall be included in such net income.

“*Consolidated Net Indebtedness*” means, with respect to any Person, (1) the sum of the aggregate outstanding Indebtedness of that Person and its Restricted Subsidiaries as of the relevant date calculation less (2) the sum of (a) the amount

of cash and Cash Equivalents plus (b) the aggregate amount of non-interest bearing Indebtedness and loans and grants from public authorities of that Person and its Restricted Subsidiaries, in each case that would be stated on the balance sheet of such Person and its Restricted Subsidiaries as of such date, in each case, on a consolidated basis in accordance with GAAP.

“*Consolidated Net Non-Guarantor Indebtedness*” means (1) the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries as of the relevant date of calculation less (2) the sum of (a) the aggregate outstanding Indebtedness incurred solely by the Company and/or a Guarantor as of the relevant date of calculation, plus (b) the amount of cash and Cash Equivalents to the extent held by the Restricted Subsidiaries of the Company who are not Guarantors. Consolidated Net Non-Guarantor Indebtedness will be determined on the basis of the balance sheet of the Company and its Restricted Subsidiaries as of such date on a consolidated basis in accordance with GAAP and without regard for any Indebtedness of the Company or a Restricted Subsidiary owed to the Company or a Restricted Subsidiary. For the avoidance of doubt, to the extent any Restricted Subsidiary that is not a Guarantor is a joint obligor with respect to any such Indebtedness, Consolidated Net Indebtedness shall not be reduced by the amount of such Indebtedness pursuant to this definition.

“*Continuing Directors*” means, as of any date of determination, any member of the Board of Directors of the Company who:

- (1) was a member of such Board of Directors on the Issue Date; or
- (2) was nominated for election or elected to such Board of Directors with the approval of either (a) a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election or (b) the Principals and their respective Related Parties for so long as they own more than 50% of the Voting Stock of the Company.

“*Credit Facilities*” means, one or more debt facilities or commercial paper facilities, in each case with banks, other institutional lenders or governmental lending agencies providing for revolving credit loans, bonds, notes, debt securities, term loans, Receivables financing (including through the sale of Receivables to such lenders or to special purpose entities formed to borrow from such lenders against such Receivables) or letters of credit, including the Senior Credit Facilities, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time by such debt facilities or commercial paper facilities and, in each case, including all agreements, indentures, instruments, purchase agreements and documents executed and delivered pursuant to or in connection with the foregoing (including any letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “*Credit Facilities*” shall include any agreement or instrument (i) changing the maturity of any Indebtedness incurred thereunder, (ii) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by an officer or the Board of Directors of the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*”.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 365 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the

occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”.

“*Divested Business*” means to Grupo Antolín-Ara, S.A.U., Grupo Antolín-Ardasa, S.A.U., Grupo Antolín-Álava, S.A.U., Grupo Antolín-Vigo, S.A.U., Grupo Antolín-PGA, S.A.U., Grupo Antolín-Martorell, S.A.U., Grupo Antolín-Magnesio, S.A.U., Grupo Antolín-Valença-Componentes Automóvel, S.A., Midtown Invest, S.L., Grupo Antolín-Loire S.A.S., Grupo Antolin Ingenierie, S.A.S., Grupo Antolin Jarny, S.A.S., 70% of Antolín-CIE Czech Republic, s.r.o. and certain assets of Antolin Tanger, S.A.R.L., collectively.

“*Divestment*” means the sale of the Divested Business pursuant to the sale and purchase agreement dated February 6, 2017 by and among the Company and certain of its affiliates, as sellers, to Lear Corporation and some of its affiliates, as buyers.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means any public or private sale of Equity Interests (other than Disqualified Stock) of the Company or a Parent Company whereby the Company or a Parent Company receives gross proceeds, together with the gross proceeds received by the Company or a Parent Company in any prior public or private sale of such Equity Interest, of not less than €100 million, other than public offerings with respect to common stock of the Company or a Parent Company registered on Form S-8 but, in the case of any such offering by a Parent Company, only to the extent the net cash proceeds thereof are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Company.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than the euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euros with the applicable foreign currency as quoted by Reuters at approximately 11:00 a.m. (New York City time) on the date not more than two Business Days prior to such determination. For purposes of determining whether any Indebtedness can be incurred (including Permitted Debt), any Investment can be made or any transaction described in the “—*Certain Covenants—Transactions with Affiliates*” covenant can be undertaken (a “*Tested Transaction*”), the Euro Equivalent of such Indebtedness, Investment or transaction described in the “—*Certain Covenants—Transactions with Affiliates*” covenant shall be determined on the date incurred, made or undertaken and, in each case, no subsequent change in the Euro Equivalent shall cause such Tested Transaction to have been incurred, made or undertaken in violation of the Indenture.

“*Euroclear*” means Euroclear Bank SA/NV, or any successor security clearing agency.

“*European Government Obligations*” means direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is pledged.

“*Event of Default*” has the meaning set forth under “—*Events of Default and Remedies*”.

“*Exchange Act*” means the U.S. Exchange Act of 1934, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds and/or the Fair Market Value of property other than cash, (a) contributed to the ordinary equity of the Company or any Restricted Subsidiary or (b) received by the Company from the sale (other than to a Restricted Subsidiary of the Company or pursuant to any management equity plan or share option plan or any other management or employee benefit plan or arrangement of the Company or its Restricted Subsidiaries, as the case may be) of Equity Interests (other than Disqualified Stock) of the Company, in each case, designated as Excluded Contributions pursuant to an Officer’s Certificate, executed at or prior to the date such capital contribution is made or the date such Equity Interests are sold, in each case which, for the avoidance of doubt, are excluded from the calculation set forth in clause (3) of the first paragraph under “—*Certain Covenants—Restricted Payments*”.

“Existing Indebtedness” means Indebtedness in existence on the Issue Date.

“Existing Notes” means the €400.0 million 5.125% Senior Secured Notes due 2022 issued by Grupo Antolín Dutch B.V., a wholly-owned finance subsidiary of the Company

“Fair Market Value” means, with respect to any asset or property, the price which could be negotiated in an arm’s length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. For purposes of “—Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries” and “—Certain Covenants—Restricted Payments”, the Fair Market Value of property or assets other than cash which involves an aggregate amount in excess of €30 million, shall be set forth in a resolution approved by at least a majority of the Board of Directors of the Company set forth in an Officer’s Certificate delivered to the Trustee. Except as otherwise provided herein, and for the purposes of “—Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries” and “—Certain Covenants—Restricted Payments,” for all other purposes of the Indenture, Fair Market Value will be determined in good faith by the responsible accounting or financial officer of the Company, whose determination will be final and conclusive.

“Fitch” means Fitch Ratings.

“Fixed Charge Coverage Ratio” means with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Consolidated Interest Expense of such Person for such period. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “Calculation Date”), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the pro forma calculation of Consolidated Interest Expense shall not give effect to any Permitted Debt (as defined in “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock”) incurred on the date of determination or to any discharge on the date of determination of any Indebtedness to the extent such discharge results from the proceeds of Permitted Debt.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions that have been made by the specified Person or any of its Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be given pro forma effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such reference period shall be calculated on a pro forma basis, but without giving effect to clause (2) of the proviso set forth in the definition of Consolidated Net Income;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of or the operations of which are substantially terminated prior to the Calculation Date, shall be excluded;
- (3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the specified Person or any of its Subsidiaries following the Calculation Date; and
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period; and any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company and may include pro forma expenses and cost reductions and cost synergies that have occurred or are reasonably expected to occur in the good faith judgment of a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness). For purposes of this definition, whenever pro forma effect is to be given to any Indebtedness incurred pursuant to a revolving credit facility, the amount outstanding on the date of such calculation will be computed based on (1) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which the facility was outstanding or (2) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation. Interest on Indebtedness that may optionally be determined at an interest rate based on a prime or similar rate, a euro interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen or, if none, then based upon such optional rate chosen as the relevant Person may designate.

“GAAP” means International Financial Reporting Standards promulgated by the International Accounting Standards Board and as adopted by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that (i) at any date after the Issue Date the Company may make an irrevocable election to establish that “GAAP” shall mean GAAP as in effect on a date that is on or prior to the date of such election and (ii) GAAP in respect of the accounting for operating leases shall mean GAAP in respect of operating leases in accordance with GAAP as at the Issue Date.

“*guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

“*Guarantors*” means each of Grupo Antolín Bamberg GmbH & Co. KG, Grupo Antolín Deutschland, GmbH, Grupo Antolín Logistik Deutschland, GmbH, Grupo Antolín-North America, Inc., Grupo Antolín-Kentucky, Inc., Grupo Antolín Illinois, Inc., Grupo Antolín Michigan, Inc., Antolin Interiors USA, Inc., Grupo Antolín Missouri, LLC, Grupo Antolín-Autotrim, S.A.U., Grupo Antolín-Dapsa, S.A.U., Grupo Antolín-Ingeniería, S.A.U., Grupo Antolín-Navarra, S.A.U., Grupo Antolín-Eurotrim, S.A.U., Grupo Antolín-Glass, S.A.U., Grupo Antolín-Plasbur, S.A.U., Grupo Antolín-RyA, S.A.U., Grupo Antolín-Aragusa, S.A.U. Grupo Antolín-Silao, S.A. de C.V., Grupo Antolín-Saltillo S. de R.L. de C.V., Grupo Antolín Lusitânia-Componentes Automóvel, S.A., Antolin Interiors Mexico, S.A. de C.V., Grupo Antolín UK Limited, Antolin Interiors UK, Limited Grupo Antolín Leamington, Limited, Grupo Antolín Bohemia, a.s., Grupo Antolín-Bratislava, s.r.o., Grupo Antolín Ostrava s.r.o., Grupo Antolín Turnov s.r.o., Antolin Ebergassing GmbH (which will accede as a Guarantor on or before June 30, 2017) and any other Restricted Subsidiary that guarantees the Notes from time to time; *provided*, in each case, that a Guarantor shall cease to be a Guarantor upon release of its Note Guarantee in accordance with the terms of the Indenture.

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements; and
- (2) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or foreign exchange rates.

“*Immediate Family*” has the meaning specified in Rule 16a-1(e) of the Exchange Act;

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person:

- (A) the principal and premium amount of any indebtedness of such Person, whether or not contingent:
  - (1) in respect of borrowed money;

- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or, without duplication, reimbursement agreements in respect thereof, except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of incurrence);
- (3) in respect of banker's acceptances;
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property which deferred purchase price is due more than twelve months after taking delivery and title thereof (but not including, for the purpose of calculating the Fixed Charge Coverage Ratio, any amount deemed to represent interest pursuant to the definition of Consolidated Interest Expense); or
- (6) representing any Hedging Obligations entered into in connection with currency exchange rate or interest rate hedging (the amount of any such indebtedness to be equal at any time to the net payments that would be payable by such Person at such time under the Hedging Obligation at its scheduled termination date),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP.

- (B) In addition, the term "Indebtedness" shall include all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any indebtedness of any other Person (to the extent guaranteed by such Person).
- (C) Notwithstanding the foregoing, in no event shall the following constitute Indebtedness: (i) advances paid by customers in the ordinary course of business for services or products to be provided or delivered in the future, (ii) deferred taxes, (iii) post-closing payment adjustments in connection with the purchase of any business to which a seller may be entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter, (iv) any contingent obligation in respect of workers' compensation claims, early retirement obligations, obligations in respect of severance or retirement or pension fund contributions, (v) contingent obligations in the ordinary course, (vi) operating leases, (vii) obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, performance bond, advance payment bonds, surety bonds, completion or performance guarantees or similar transactions, to the extent that such letters, bonds, guarantees or similar credit transactions are not drawn upon, (viii) obligations of any other Person except as provided by (B) above, and (ix) Subordinated Shareholder Debt.

The amount of any Indebtedness outstanding as of any date shall be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and
- (2) the principal amount of the Indebtedness in the case of any other Indebtedness.

The amount of Indebtedness of any Persons at any time in the case of a revolving credit facility shall be the total amount of funds borrowed and then outstanding.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated March 14, 2014, between, amongst others, the Company, the Guarantors, the trustee in respect of the Existing Notes, the Security Agent and the lenders under the Senior Credit Facilities, as amended from time to time.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of other extensions of credit, loans (including the maintenance of current accounts, cash accounts, and the extension of guarantees or other obligations), advances (other than advances to suppliers in the ordinary course of business or to customers in the ordinary course of business that are recorded as Receivables) or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet (excluding the footnotes) prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the last paragraph of the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”. The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investment held by the acquired Person in such third Person in an amount determined as provided in the last paragraph of the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”.

“*Issue Date*” means the date of the Indenture.

“*Leverage Ratio*” means for any Person as of any date of determination, the ratio of (x) Indebtedness as of such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of that Person are available. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Leverage Ratio is made (the “*Leverage Ratio Calculation Date*”), then the Leverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Leverage Ratio:

- (1) acquisitions that have been made by the specified Person or any of its Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Leverage Ratio Calculation Date shall be given pro forma effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such reference period shall be calculated on a pro forma basis, but without giving effect to clause (3) of the proviso set forth in the definition of Consolidated Net Income;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of or the operations of which are substantially terminated prior to the Leverage Ratio Calculation Date, shall be excluded;
- (3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the specified Person or any of its Subsidiaries following the Calculation Date; and
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period; and any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting



officer of the Company and may include pro forma expenses and cost reductions and cost synergies that have occurred or are reasonably expected to occur in the good faith judgment of a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness). For purposes of this definition, whenever pro forma effect is to be given to any Indebtedness incurred pursuant to a revolving credit facility, the amount outstanding on the date of such calculation will be computed based on (1) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which the facility was outstanding or (2) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation. Interest on Indebtedness that may optionally be determined at an interest rate based on a prime or similar rate, a euro interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen or, if none, then based upon such optional rate chosen as the relevant Person may designate.

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding ordinary shares of the entity conducting the Public Offering on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing price per ordinary share for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Material Subsidiary*” means any Restricted Subsidiary (a) whose operating profit less depreciation, amortization and impairment losses calculated on a basis consistent with Consolidated EBITDA and excluding intra-group items is greater than (x) €5 million and (y) 2.5% of the Consolidated EBITDA of the Company and its Subsidiaries or (b) whose Total Assets excluding intra-group items exceed 2.5% of the Total Assets of the Company and its Subsidiaries, in each case, determined by reference to the most recently available audited accounts delivered to the Trustee pursuant to the Indenture; *provided, however*, that in the event that the corresponding definition contained in the Existing Notes and the documentation governing the Senior Credit Facilities has been amended to remove clause (b), or all such debt has been repaid in full with Indebtedness which does not contain a requirement for future entities to guarantee such debt as a result of a test based on assets, Material Subsidiary shall not include any Restricted Subsidiary which is a Material Subsidiary solely by reason of clause (b) hereof. A determination by a responsible accounting or financial officer of the Company that a Restricted Subsidiary is or is not a Material Subsidiary shall in the absence of manifest error be final and conclusive.

“*Moody’s*” means Moody’s Investors Service, Inc.

“*Net Cash Proceeds*” means (a) the aggregate proceeds in cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash in cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP and (b) with respect to any issuance or sale of Capital Stock or Permitted Refinancing Indebtedness, the proceeds of such issuance or sale in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary), net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultants’ and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“*Net Income*” means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends.

“*Non-Guarantor Leverage Ratio*” means the Leverage Ratio, but calculated by replacing Indebtedness in clause (x) of such definition with Consolidated Net Non-Guarantor Indebtedness.

“*Non-Recourse Debt*” means Indebtedness:

- (1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity (except for any such right that would arise pursuant to Existing Indebtedness or Credit Facilities including any refinancing in respect thereof permitted by the Indenture); and
- (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Offering Memorandum*” means the offering memorandum in relation to the Notes dated April 6, 2017.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one authorized legal or financial officer of such Person.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

“*Parent Company*” means any corporation, association or other business entity that beneficially owns greater than 50% of the Capital Stock of the Company and of which the Company is a Subsidiary.

“*Pari Passu Indebtedness*” means Indebtedness of the Company or any Guarantor or any guarantor if such guarantee ranks equally in the right of payment to the Note Guarantees which, in each case, is secured by Liens on assets of the Company or any Guarantor.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*”.

“*Permitted Business*” means the automobile and other transportation vehicles parts and components manufacturing business and other businesses necessary for and incident to, connected with, ancillary or complementary to, arising out, or developed or operated to permit or facilitate the conduct of the automobile and other transportation vehicles parts and components manufacturing business, that are either (A) directly related to the operation of an automobile and other transportation vehicles parts and components manufacturing business, or (B) unrelated to the operation of an automobile and other transportation vehicles parts and components manufacturing business but not in excess, on a pro forma basis, of 20% of the Fair Market Value of the Total Assets of the Company and its Subsidiaries, taken as a whole.

“*Permitted Collateral Liens*” means (1) Liens on the Collateral (a) arising by operation of law or that are described in one or more of clauses (5), (8), (9), (11), (14), (17) and (27) of the definition of “Permitted Liens” or (b) that are Liens granted to cash management banks securing cash management operations and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the Liens on the Collateral; (2) Liens on the Collateral to secure Indebtedness of the Company or any of its Restricted Subsidiaries that is permitted to be incurred under clauses (1), (8) (to the extent such

guarantee is in respect of Indebtedness otherwise permitted to be secured and is specified in this definition of “Permitted Collateral Liens”) and (16) of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”, (3) Liens on the Collateral to secure (a) Hedging Obligations incurred under clause (7) of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*” and (b) the Existing Notes incurred under clause (2) (including any Permitted Refinancing Indebtedness in respect thereof), in each case of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”; (4) Liens on the Collateral securing the Notes on the Issue Date and any Permitted Refinancing Indebtedness in respect thereof and the related Note Guarantees of the Notes or such Permitted Refinancing Indebtedness in respect thereof; (5) Liens on the Collateral securing Indebtedness incurred under the first paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”; *provided* that in the case of this clause (5), after giving pro forma effect to such incurrence on that date and the application of the proceeds thereof, the Secured Leverage Ratio of the Company and its Restricted Subsidiaries shall be no greater than 3.5 to 1.0.

“*Permitted Holders*” means, collectively, (a) the Principals and any Related Party thereof and (b) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture.

“*Permitted Investments*” means:

- (1) any Investment in the Company or a Restricted Subsidiary of the Company;
- (2) any Investment in Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary of the Company; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;
- (4) any Investment made as a result of the receipt of non-cash consideration including Replacement Assets from an Asset Sale (or a transaction excepted from the definition of Asset Sale) that was made pursuant to and in compliance with the covenant described above under the caption “—*Certain Covenants—Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries*”;
- (5) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or Subordinated Shareholder Debt;
- (6) Receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;
- (7) loans and advances to, and guarantees of loans or advances to, employees in the ordinary course of business and on terms consistent with past practice, including without limitation, travel, relocation and other like advances;
- (8) lease, utility and other similar deposits in the ordinary course of business;
- (9) Hedging Obligations, which transactions or obligations are incurred in compliance with “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock or Preferred Stock*”;

- (10) Investments made after the Issue Date having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding not to exceed (i) the greater of (x) €50 million and (y) 1.5% of Total Assets plus (ii) an amount equal to 100% of the dividends or distributions (including payments received in respect of loans and advances) received by the Company or a Restricted Subsidiary from a Permitted Joint Venture (excluding any dividends or distributions from any Chinese Venture) (which dividends or distributions are not included in the calculation in clauses (3)(a) through (3)(e) of the first paragraph of the covenant described under “—*Certain Covenants—Restricted Payments*” and dividends and distributions that reduce amounts outstanding under clause (i) hereof); *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of “Permitted Investments” and not this clause;
- (11) (i) guarantees not prohibited by the covenant described under “*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*” and (ii) (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (12) any Investment existing on the Issue Date or Investments in Permitted Joint Ventures pursuant to commitments or agreements in existence on the Issue Date and in each case disclosed in the Offering Memorandum;
- (13) any Investments in Permitted Joint Ventures made after the Issue Date, not exceeding, in aggregate, an amount equal to 7.5% of Total Assets of the Company and its Subsidiaries, taken as a whole;
- (14) any Investment in the Notes;
- (15) Investments in Associates in an aggregate amount when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed an amount equal to 5.0% of Total Assets of the Company and its Subsidiaries, taken as a whole; and
- (16) any Investment in Changchun Intier Automotive Interiors Co., Ltd. and Changshu Intier Automotive Interiors Co., Ltd. (together in each case with any subsidiary interests then held) at the time it ceases to be a Subsidiary.

“*Permitted Joint Venture*” means (a) any corporation, association or other business entity (other than a partnership) that is not a Restricted Subsidiary and that, in each case, is engaged primarily in a Permitted Business and of which at least 20% of the total equity and total Voting Stock is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof and (b) any partnership, joint venture, limited liability company or similar entity that is not a Restricted Subsidiary and that, in each case, is engaged primarily in a Permitted Business and of which at least 20% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are at the time of determination, owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise.

“*Permitted Liens*” means:

- (1) Liens on assets of the Company and any Restricted Subsidiary securing Indebtedness and other Obligations under Credit Facilities incurred pursuant to clause (1) of the second paragraph under the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock or Preferred Stock*” in a principal amount not exceeding €25 million;
- (2) Liens in favor of the Company or a Restricted Subsidiary (but not, in the case of a Restricted Subsidiary that is not a Guarantor, Liens in favor of such Restricted Subsidiary over the assets of a Guarantor);

- (3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;
- (4) Liens on property existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such acquisition;
- (5) Liens to secure the performance of statutory or regulatory requirements, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
- (6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*” covering only the assets acquired with such Indebtedness;
- (7) Liens securing Permitted Refinancing Indebtedness of secured Indebtedness incurred by the Company or a Restricted Subsidiary permitted to be incurred under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured the Indebtedness being refinanced;
- (8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (9) Liens, pledges and deposits incurred in connection with workers’ compensation, unemployment insurance and other types of statutory obligations;
- (10) any Lien that is a Permitted Collateral Lien, or a Lien favor of the Notes and the Note Guarantees, including the Liens created pursuant to the Security Documents;
- (11) Liens in favor of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;
- (12) Liens arising out of put/call agreements with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (13) Liens securing Indebtedness incurred under clause (7) of the second paragraph under the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”;
- (14) easements, rights-of-way, municipal and zoning ordinances, utility agreements, reservations, encroachments, restrictions and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of the Company or any of its Restricted Subsidiaries;
- (15) Liens on cash or Cash Equivalents set aside at the time of the incurrence of any Indebtedness, to the extent such cash or Cash Equivalents refund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (16) Liens on assets of Unrestricted Subsidiaries that secure Non-Recourse Debt of Unrestricted Subsidiaries;
- (17) Liens imposed by law, such as carriers’, landlords’, warehousemen’s, suppliers’, and mechanics’ Liens and other similar Liens, on the property of the Company or any Restricted Subsidiary arising in the ordinary course of business;

- (18) Liens on property of the Company or any Restricted Subsidiary pursuant to conditional sale or title retention agreements;
- (19) Liens on property of the Company or any Restricted Subsidiary arising as a result of immaterial leases of such property to other Persons;
- (20) deposit arrangements entered into in connection with acquisitions or in the ordinary course of business excluding arrangements for borrowed money;
- (21) Liens of the Company or any Restricted Subsidiary of the Company with respect to Obligations that do not exceed 5.0% of the Total Assets of the Company and its Subsidiaries, taken as a whole, at any one time outstanding;
- (22) Liens existing on the Issue Date;
- (23) Liens on the Capital Stock and assets of a Permitted Joint Venture that secure the Indebtedness of such a Permitted Joint Ventures;
- (24) Liens in respect of factoring of Receivables arising in the ordinary course of business pursuant to customary arrangements; *provided* that any Indebtedness incurred in relation thereto is permitted to be incurred by clause (13) of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”;
- (25) Liens on any proceeds loan made by the Company in connection with any future incurrence of Indebtedness (other than Additional Notes) permitted under the Indenture (without any requirement to secure the Notes with a Lien on such proceeds loan);
- (26) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (27) banker’s Liens, rights of set off or similar rights and remedies as to deposit accounts, cash pooling arrangements, net balance or balance transfer agreements, Liens arising out of judgments or awards not constituting an Event of Default and notices and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (28) Liens to secure Indebtedness incurred under the first paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*” by a Restricted Subsidiary of the Company that is not a Guarantor; *provided* that any such Lien shall extend only to the property or assets of such Restricted Subsidiary of the Company that is not a Guarantor;
- (29) Liens on escrowed proceeds from the issuance of Indebtedness for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest or premium or discount on such Indebtedness (or any costs related to the issuance of such Indebtedness) and are held in an escrow account or similar arrangement to be applied for such purpose; and
- (30) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (29); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder.

“*Permitted Refinancing Indebtedness*” means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;
- (3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes or any Note Guarantee, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes or the Note Guarantee (as applicable) on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and
- (4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; *provided* that the Company and any Guarantor may incur refinancing Indebtedness in respect of the Company, any Guarantor, or any Restricted Subsidiary.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

“*Principals*” means Pilar Arribas Casado, Ernesto Antolín Arribas, Ana Berta Antolín Arribas, José Antolín Toledano, Colette Judith Granet Estienne, María Helena Antolin Raybaud, Emma Antolín Granet and José Antolín Granet.

“*Public Debt*” means any bonds, debentures, notes or other indebtedness of a type that could be issued or traded in any market where capital funds (whether debt or equity) are traded, including private placement sources of debt and equity as well as organized markets and exchanges, whether such indebtedness is issued in a public offering or in a private placement to institutional investors or otherwise.

“*Public Offering*” means any Equity Offering; *provided* that such Equity Offering is an offering of ordinary shares of the Company or any Parent Company following which at least 20% of the total issued and outstanding shares of the Company or any Parent Company not owned by a Permitted Holder are listed on an exchange and/or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act, to professional market investors or similar Persons).

“*Receivable*” means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with GAAP.

“*Related Party*” means:

- (1) any Immediate Family member of any Principal; or
- (2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist the Principals and/or such other Persons referred to in the immediately preceding clause (1).

“*Replacement Assets*” means, with respect to any Asset Sale by the Company or a Restricted Subsidiary, consideration received in the form of:

- (1) properties and assets (other than cash or any common stock or other security) that will be used in a Permitted Business by the Company or a Restricted Subsidiary; or

- (2) Capital Stock of any Person (i) that will become, be merged into, be liquidated into or otherwise combined or amalgamated with, on or within 90 days of the date of acquisition thereof, a Restricted Subsidiary, if such Person is engaged in a Permitted Business or (ii) that is or that will become a Restricted Subsidiary engaged in a Permitted Business upon the date of acquisition thereof.

“*Restricted Investment*” means an Investment other than a Permitted Investment.

“*Restricted Subsidiary*” of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

“*SEC*” means the U.S. Securities and Exchange Commission or any successor thereto.

“*S&P*” means Standard and Poor’s Rating Group.

“*Secured Leverage Ratio*” means the Leverage Ratio of the Company and its Restricted Subsidiaries, but reducing Indebtedness in clause (x) of such definition by an amount equal to all Indebtedness of such Person and its Restricted Subsidiaries that is not secured by a Lien on the Collateral.

“*Securities Act*” means the U.S. Securities Act of 1933 and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Agent*” means any Person acting as security agent with respect to the Collateral pursuant to the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement or such successor security agent as may be appointed thereunder.

“*Security Documents*” means each security agreement, pledge agreement, assignment or other document under which a security interest is granted to secure the payment and performance when due of the Company and/or the Guarantors under the Notes, the Note Guarantees and the Indenture, as the case may be.

“*Senior Credit Facilities*” means the senior term and revolving facilities agreement dated March 13, 2014 (as amended and restated on June 23, 2015 and further amended and restated on October 26, 2016) entered into between, among others, the Company, as the company and original guarantor, various subsidiaries of the Company as original guarantors, the original lenders listed therein, Deutsche Bank AG, London Branch as agent and security agent, as the same may be further amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part).

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Shareholder Debt*” means, collectively, any debt of the Company issued to and held by any direct or indirect Parent Company or one or more shareholders of a Parent Company or any Permitted Holder or Affiliate thereof, that:

- (1) does not mature or require any cash amortization, redemption or other cash repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through the conversion or exchange of any such security or instrument into Capital Stock (other than Disqualified Stock) of the Company or for any indebtedness meeting the requirements of this definition);



- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Restricted Subsidiaries and is not guaranteed by any Restricted Subsidiary of the Company;
- (5) does not restrict the payment of amounts due in respect of the Notes or compliance by the Company with its obligations under the Notes and the Indenture;
- (6) does not contain any covenants (financial or otherwise), as applicable, other than a covenant to pay such Subordinated Shareholder Debt; and
- (7) is fully subordinated and junior in right of payment to the Notes pursuant to the Intercreditor Agreement or to subordination, payment blockage and enforcement limitation terms which taken as a whole are no less favorable in any material respect to the holders of the Notes than those contained in the Intercreditor Agreement as in effect on the Issue Date,

*provided, however*, that any event or circumstance that results in such funding ceasing to qualify as Subordinated Shareholder Debt, such funding shall constitute an incurrence of Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such funding since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

“*Subsidiary*” means, with respect to any specified Person:

- (1) any corporation, association or other business entity (a) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); or (b) where that Person or one or more of the Subsidiaries of that Person (or a combination thereof) have the right to appoint or remove a majority of its board of directors or equivalent administration, management or supervisory body; or (c) where such Person or one or more of the Subsidiaries of that Person (or a combination thereof) has the right to exercise a dominant influence (which must include the right to give directions with respect to operating and financial policies of that corporation, association or other business entity which its directors are obliged to comply with whether or not for its benefit) over such corporation association or other business entity, or by virtue of a control contract which is in writing and is authorized by its articles (or equivalent) and is permitted by its law of incorporation; or (d) which is a member of such Person’s Group and such Person controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in such corporation, association or other business entity or the rights under its constitution to direct the overall policy of such corporation, association or other business entity or alter the terms of its constitution; and
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

For the purposes of this definition, a subsidiary shall include any person the shares or ownership interests in which are subject to a security interest and where the legal title to the shares or ownership interests so secured are registered in the name of the secured party or its nominee pursuant to such security interest.

“*Total Assets*” means, as of the date of determination, with respect to any Person, the consolidated total assets of such Person as shown on its most recent available balance sheet prepared in accordance with GAAP, after giving pro forma effect to

take into account any assets acquired or disposed of since the date of the Person's latest balance sheet and any anticipated acquisitions which have become subject to a definitive purchase agreement or contract.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a board resolution, but only to the extent that such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;
- (3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and
- (4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of the board resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*", the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*", calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person and one or more Wholly Owned Restricted Subsidiaries of such Person.

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Notes issued to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A (the “**Rule 144A Global Notes**”) will in each case be represented by one or more global Notes in registered form without interest coupons attached and the Notes issued to non-US persons outside the United States in reliance on Regulation S under the U.S. Securities Act (the “**Regulation S Global Notes**”) will initially in each case be represented by one or more global Notes in registered form without interest coupons attached. The Rule 144A Global Notes together with the Regulation S Global Notes are collectively referred to as the “**Global Notes**”. The Global Notes have been deposited with a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the “**Restricted Book-Entry Interests**”) and ownership of interests in the Regulation S Global Notes (the “**Unrestricted Book-Entry Interests**”) and, together with the Restricted Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear or Clearstream or persons that hold interests through such participants.

Euroclear or Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream and their participants. The laws of some jurisdictions, including some states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear or Clearstream, as applicable, will be considered the sole holder(s) of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear or Clearstream and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders under the Indenture. Neither we nor the Trustee will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) will be made by us to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will distribute such payments to participants in accordance with their procedures. Payments of all such amounts will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made by any applicable law or regulation or otherwise as described under “Description of the Notes—Additional Amounts”, then, to the extent described under “Description of the Notes—Additional Amounts”, such Additional Amounts will be paid as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that payments by participants to owners of Book-Entry Interests held through those participants will be governed by standing customer instructions and customary practices. Under the terms of the Indenture, we and the Trustee will treat the registered holder of the Global Notes (*e.g.* Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Trustee nor any of our or the Trustee’s agents have or will have any responsibility or liability for:

- (1) any aspect of the records of Euroclear or Clearstream or of any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;

- (2) Euroclear or Clearstream or any participant or indirect participant; or
- (3) the records of the common depositary.

### **Currency of payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such Notes through Euroclear or Clearstream in Euro.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream reserve the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants.

### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes bear a legend to the effect set forth in “Transfer Restrictions”. Book-Entry Interests in the Global Notes are subject to the restrictions on transfers and certification requirements discussed under “Notice to Investors”.

Transfer of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to such transfer restrictions.

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any Unrestricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Definitive Registered Notes**

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes only:

- (1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act and a successor is not appointed by us within 90 days; or
- (2) if Euroclear or Clearstream so requests following an Event of Default under the Indenture.

### **Information concerning Euroclear and Clearstream**

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such

participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with Euroclear or Clearstream participants, either directly or indirectly.

### **Trustee's Powers**

In considering the interests of the holders of the Notes, while title to the Notes is registered in the name of a nominee for a clearing system, the Trustee may have regard to any information provided to it by that clearing system as to the identity (either individually or by category) of its account holders with entitlements to Notes and may consider such interests as if such account holders were the holders of the Notes.

### **Enforcement**

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture to the extent of the principal amounts of their interests in Notes set out in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

## TAXATION

*If you are a prospective investor, you should consult your tax advisor on the possible tax consequences of buying, holding or selling any Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussions that follow do not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to you. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of the Offering Memorandum. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.*

### **Certain United States Federal Income Tax Consequences to U.S. Holders**

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquires our Notes upon original issuance at their “issue price” (the first price at which a substantial amount of Notes is sold to investors for cash, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

For purposes of this summary, a “U.S. holder” means a beneficial owner of a Note that is, for United States federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the “**Code**”), and applicable United States Treasury regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes, does not address any United States federal taxes other than United States federal income taxes (such as estate or gift taxes or the Medicare tax on certain investment income) and does not deal with any foreign, state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, investors in partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. holders whose “functional currency” is not the U.S. dollar; or
- alternative minimum tax consequences, if any.

If an entity treated as a partnership for United States federal income tax purposes holds our Notes, the tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership considering an investment in our Notes, you should consult your own tax advisors.

**If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**

### ***Payments of Interest***

Subject to the foreign currency rules discussed below, interest on a Note generally will be taxable to you as ordinary income at the time it is paid or accrued in accordance with your regular method of accounting for United States federal income tax purposes. In addition to interest on the Notes (without reduction for any foreign tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such tax withheld.

You may be entitled to deduct or credit any foreign tax withheld, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest on a Note (including any additional amounts) generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income or, in the case of certain U.S. holders, general category income. You generally will be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding availability of the foreign tax credit under your particular circumstances.

If you use the cash basis method of accounting for United States federal income tax purposes, you will be required to include in income (as ordinary income) the United States dollar value of the euro interest payment, determined by translating the euro received at the spot rate in effect on the date such payment is received, regardless of whether the payment is in fact converted into United States dollars. You will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but you may have exchange gain or loss attributable to the actual disposition of the euro so received.

If you use the accrual method of accounting for United States federal income tax purposes, you may determine the amount of income recognized with respect to the euro interest payment in accordance with either of two methods. Under the first method, which will apply unless you elect to use the second method described below, you will be required to include in income (as ordinary income) for each taxable year the United States dollar value of the euro-denominated interest that has accrued during such year, determined by translating such interest into United States dollars at the average spot rate of exchange for the period or periods (or portions thereof) in such taxable year during which such interest accrued. Under the second method, you may elect to translate interest income into United States dollars at the spot rate on (i) the last day of the interest accrual period; (ii) the last day of the taxable year for any portion of any accrual period ending on the last day of such taxable year; or (iii) the date the interest payment is received, if such date is within five business days of the end of the accrual period. This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the United States Internal Revenue Service (the “**IRS**”). You should consult your own tax advisor as to the advisability of making the above election.

Upon receipt of an interest payment on a Note (including amounts received upon the sale, exchange, retirement, redemption or other taxable disposition of a Note attributable to accrued but unpaid interest), a U.S. holder using the accrual method will recognize foreign currency exchange gain or loss in an amount equal to the difference, if any, between the United States dollar value of such payment (determined by translating the euro received at the spot rate in effect on the date of receipt) and the United States dollar value of the interest previously included in income with respect to such payment, regardless of whether the payment is in fact converted into United States dollars at such time. Any such foreign currency exchange gain or loss generally will be treated, for United States foreign tax credit purposes, as United States source ordinary income or loss, and generally will not be treated as an adjustment to interest income or expense.

### ***Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes***

Subject to the foreign currency rules discussed below, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference, if any, between the amount realized upon

such sale, exchange, retirement, redemption or other taxable disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as interest income as described above in “—Payments of Interest”) and your adjusted tax basis in the Note.

Your adjusted tax basis in a Note will generally be your United States dollar cost for the Note. If you purchased your Note with euros, your United States dollar cost generally will be the United States dollar value of the euros paid for such Note determined at the spot rate at the time of purchase. If your Note is sold, exchanged, retired, redeemed or otherwise disposed of in a taxable transaction for euros, then your amount realized generally will be the United States dollar value of the euros received based on the spot rate in effect on the date of such sale, exchange, retirement, redemption or other taxable disposition. However, if you are a cash method taxpayer and the Notes are traded on an established securities market, the amount realized generally will be the United States dollar value of such euros received based on the spot rate in effect on the settlement date of the sale. An accrual method taxpayer may elect the same treatment with respect to the sale of Notes traded on an established securities market, provided that the election is applied consistently to all debt instruments held by such U.S. holder. Such election cannot be changed without the consent of the IRS. An accrual method taxpayer that does not make the foregoing election will recognize foreign currency exchange gain or loss (taxable as ordinary income or loss) if there are exchange rate fluctuations between the disposition date and the settlement date.

Subject to the foreign currency rules discussed below, any gain or loss recognized generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, retirement, redemption or other taxable disposition, you have held the Note for more than one year. Long term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss realized by you on the sale, exchange, retirement, redemption or other taxable disposition of a Note would generally be treated as United States source gain or loss.

A portion of any gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Any exchange gain or loss generally will be treated as ordinary income or loss and generally will be treated as United States source gain or loss for United States foreign tax credit purposes. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in euros on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference, if any, between (i) the United States dollar value of the principal amount determined at the spot rate on the date of the sale, exchange, retirement, redemption or other taxable disposition of the Note (or, possibly, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of disposition, if the Note is treated as traded on an established securities market for United States federal income tax purposes) and (ii) the United States dollar value of the principal amount determined at the spot rate on the date you purchased the Note. The amount of exchange gain or loss (including with respect to any accrued interest) will be limited to the amount of overall gain or loss realized on the disposition of the Note.

#### ***Exchange Gain or Loss with Respect to Foreign Currency***

On a sale or other taxable disposition of euros, you generally will recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of United States dollars, or the fair market value in United States dollars of any other property, received by you in such disposition and (ii) your tax basis in the euros. Your tax basis in any euros received as interest on, or on the sale, exchange, retirement, redemption or other taxable disposition of, a Note will be the United States dollar value thereof at the spot rate in effect on the date the euros are received.

Any gain or loss recognized by you on a sale, or other taxable disposition of euros generally will be ordinary income or loss and generally will be United States source gain or loss for United States foreign tax credit purposes.

#### ***Reportable Transactions***

Applicable United States Treasury regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the applicable United States Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note to the extent that such sale, exchange, retirement, redemption or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a Note, you should consult your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes,



including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement) as part of your United States federal income tax return.

### ***Backup Withholding and Information Reporting***

Generally, information reporting requirements will apply to all payments of interest on, and the proceeds from a sale, exchange, retirement, redemption or other disposition of, a Note paid to you, unless you are an exempt recipient (such as a corporation). Additionally, if you fail to provide your taxpayer identification number or to certify that you are not subject to backup withholding, you may be subject to backup withholding with respect to the foregoing amounts.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against your United States federal income tax liability, if any, provided the required information is timely furnished to the IRS.

### ***Foreign Financial Asset Reporting***

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by United States financial institutions), by attaching a complete IRS Form 8938 (Statement of Specified Foreign Financial Assets) to their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes, including the significant penalties for non-compliance.

### ***Taxation in the Kingdom of Spain***

The following is a general description of certain Spanish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Spain or elsewhere, or to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Holders or prospective holders of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of the Notes and receiving payments of interest, principal or other amounts under the Notes. The discussions below are included for general information purposes only.

This summary is based on law and regulations applicable generally in Spain which are in effect as of the date of the Offering Memorandum and is subject to any changes that can be enacted after that date. Special rules may apply in specific areas or regions within Spain. Prospective investors should seek specific advice in this regard.

#### ***Tax residency***

The Issuer is a company incorporated under the Laws of Spain and is regarded as resident for tax purposes in Spain.

#### ***Applicable law***

The information below has been prepared in accordance with the applicable Spanish tax legislation in effect as of the date of the Offering Memorandum, including the following most relevant laws and regulations:

- (a) General application:
  - Additional Provision One of Law 10/2014, of 26 June 2014 on the ordering, supervision and solvency of credit institutions (“**Law 10/2014**”)
  - Regulations of the procedures for the application, administration and inspection of taxes, approved by Royal Decree 1065/2007 (“**Royal Decree 1065/ 2007**”), of July 27, 2007, as amended
- (b) For individuals who are resident for tax purposes in Spain (“**Spanish resident individuals**”) and therefore are subject to the Personal Income Tax (“**PIT**”) (*Impuesto sobre la Renta de las Personas Físicas*):

- Law 35/2006 of November 28, 2006, on the Personal Income Tax (PIT) and on the partial amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended (“**PIT Law**”), as amended
  - PIT regulations, approved by Royal Decree 439/2007 of March 30, 2007, as amended
  - Law 19/1991 of June 6, 1991 on the Net Wealth Tax (*Impuesto sobre el Patrimonio*), as amended
  - Law 29/1987, of December 18, 1987 on the Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*), as amended
- (c) For legal entities that are resident for tax purposes in Spain (“**Spanish resident entities**”) and are therefore subject to the Corporate Income Tax (“**CIT**”) (*Impuesto sobre Sociedades*):
- Law 27/2014, of 27 November 2014 on Corporate Income Tax (CIT), as amended
  - CIT regulations approved by Royal Decree 634/2015, of July 10, as amended
- (d) For individuals and entities who are not resident for tax purposes in Spain (“nonresident holders”) and are therefore subject to the Non-Resident Income Tax (“**NRIT**”) (*Impuesto sobre la Renta de No Residentes*):
- Non-Resident Income Tax Law, consolidated text approved by Royal Legislative Decree 5/2004, of March 5, 2004, as amended
  - NRIT regulations approved by Royal Decree 1776/2004 of July 30, 2004, as amended
  - Law 19/1991 of June 6, 1991 on the Net Wealth Tax, as amended
  - Law 29/1987, of December 18, 1987 on the Inheritance and Gift Tax, as amended

### ***Indirect taxation***

Whatever the nature and residence of the holders of the Notes, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e., Transfer Tax and Stamp Duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September 1993, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December 1992 regulating such tax.

### ***Tax rules for Notes listed on a regulated market, on a multi-lateral trading facility or on any other organized market on any interest payment date***

#### ***Spanish resident individuals***

##### ***Personal Income Tax***

In the case of Spanish resident individuals, both interest periodically received and income derived from the transfer or redemption of the Notes constitute a return on investment obtained from the lending of capital in accordance with the provisions of Section 25 of the PIT Law, and therefore will form part of the savings income tax base and will be taxed at the applicable rates, currently ranging from 19.0% to 23.0%.

In the case of Spanish resident individuals, no withholding on account of PIT will be imposed on payments of interest by the Issuer or the Principal Paying Agent or on income derived from the redemption of the Notes by the Issuer or the Principal Paying Agent, provided that certain requirements are met (including that the Principal Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement). See “—Compliance with certain requirements in connection with income payments”.

Notwithstanding the above, in the case that the Notes held by Spanish resident individuals are deposited with a Spanish resident entity or individual or with a permanent establishment in Spain of a nonresident entity acting as depositary or collecting agent, interest collected under the Notes and income obtained upon the redemption of the Notes may be subject to withholding tax at the applicable rate, currently 19%. Income obtained upon the transfer of the Notes may also be subject to this withholding. In any event, the individual holder may credit the withholding against his or her final PIT liability for the relevant tax year.

#### *Net Wealth Tax*

Spanish resident individuals whose net worth is above €700,000 and who hold Notes on the last day of any year will be subject to Spanish Net Wealth Tax for such year at rates currently ranging from 0.2% to 2.5% of the average market value of the Notes during the last quarter of such year. The minimum exempt amount and the tax rates may vary among the different autonomous communities of Spain.

#### *Inheritance and Gift Tax*

Spanish resident individuals who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax at rates currently ranging from 7.65% to 81.6% for 2017, although the final tax rate may vary depending on any applicable regional tax rules.

#### *Disclosure obligation for assets held abroad*

Notes held by Spanish resident individuals deposited with or managed by non-resident entities shall be subject to the general obligation to disclose information regarding assets located outside Spain.

#### ***Spanish resident entities***

##### *Corporate Income Tax*

In the case of Spanish resident entities, both interest periodically received and income derived from the transfer or redemption of the Notes are subject to CIT at the current general flat tax rate—currently 25% or the special tax rate that may apply to certain taxpayers (such as banks, which are subject to a tax rate of 30%).

In the case of Spanish resident entities, no withholding on account of CIT will be imposed on payments of interest by the Issuer or the Principal Paying Agent or on income derived from the redemption of the Notes by the Issuer or the Principal Paying Agent, provided that certain requirements are met (including that the Principal Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement). See “—Compliance with certain requirements in connection with income payments”.

Notwithstanding the above, in the case that the Notes held by Spanish resident entities are deposited with a Spanish resident entity or individual or with a permanent establishment in Spain of a nonresident entity acting as depositary or collecting agent, interest collected under the Notes and income obtained upon the redemption of the Notes may be subject to withholding tax at the applicable rate (currently 19%). Income obtained upon the transfer of the Notes may also be subject to this withholding. However, there is no obligation to withhold on income obtained by Spanish resident entities (which, for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial instruments issued by Spanish resident entities—as is the case of the Notes—placed and traded in organized markets in OECD countries. We will make an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Euro MTF. However, there are no assurances that the Notes will be, or will remain, listed and admitted to trade on the Euro MTF.

Amounts withheld, if any, may be credited by corporate investors against their final CIT liability.

#### *Disclosure obligation for assets held abroad*

Notes held by Spanish resident entities deposited before or managed by non-resident entities shall be subject to the general obligation to disclose information regarding assets located outside Spain.

## ***Nonresident holders***

### ***Non-resident Income Tax***

#### ***Nonresident holders acting through a permanent establishment in Spain***

If the Notes form part of the assets of a permanent establishment in Spain of a nonresident holder, the tax rules applicable to income deriving from such Notes are, generally, the same as those set out above for Spanish resident entities. See “—Spanish resident entities”. Ownership of the Notes by a nonresident holder will not in itself create a permanent establishment in Spain.

#### ***Nonresident holders not acting through a permanent establishment in Spain***

Both interest periodically received and income derived from the transfer or redemption of the Notes obtained by nonresident holders which do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met (including that the Principal Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement). See “—Compliance with certain requirements in connection with income payments”.

If the Principal Paying Agent for any reason fails to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, the Issuer will withhold Spanish withholding tax at the then-applicable rate (currently 19%) on such payment. In this case nonresident holders are entitled to a refund of the amount withheld, with no need for any action on their part, if the Principal Paying Agent provides the Issuer with a duly executed and completed Payment Statement no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, following the 20<sup>th</sup> calendar day of the month immediately following the relevant payment date, the nonresident holder may apply to the Spanish tax authorities for any refund to which it may be entitled. The application may be filed within four years following the last day on which the Issuer may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form, (ii) proof of ownership and (iii) a certificate of residence issued by the tax authorities of the country of tax residence of the nonresident holder, among other documents. Nonresident holders are advised to consult their own tax advisors regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

#### ***Net Wealth Tax***

Nonresident holders who are individuals (“nonresident individuals”) are subject to Spanish Net Wealth Tax, which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

Nonresident individuals who are residents of a European Union member state and do not obtain income from the Notes through a permanent establishment in Spain will be exempt from Spanish Net Wealth Tax regarding the holding of the Notes. Furthermore, holders of the Notes who benefit from a tax treaty for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the country of residence of the holder of the Notes will not be subject to Spanish Net Wealth Tax.

If the provisions of the foregoing paragraph do not apply, nonresident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above €700,000 and who hold Notes on the last day of any year would be subject to Spanish Net Wealth Tax for such year at the applicable rates—currently ranging from 0.2% to 2.5%—on the average market value of the Notes during the last quarter of such year. However, nonresident individuals who are resident in an EU or European Economic Area member state may apply the rules approved by the autonomous region where the largest value of assets and rights is located.

Nonresident holders which are legal entities (“nonresident entities”) are not subject to the Spanish Net Wealth Tax.

### *Inheritance and Gift Tax*

Nonresident individuals who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax, at rates currently ranging from 7.65% to 81.6%, although the final tax rate may vary depending on any applicable regional tax rules.

However, if the nonresident individual is a tax resident of a country which has entered with Spain into a treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax the provisions of the relevant treaty will apply.

Nonresident entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax, but such acquisitions will be subject to NRIT, without prejudice to the provisions of any applicable tax treaty for the avoidance of double taxation on income entered into by Spain. In general, tax treaties for the avoidance of double taxation on income provide for the taxation of this type of income exclusively in the country of tax residence of the beneficiary.

### ***Compliance with certain requirements in connection with income payments***

As described under “—Spanish resident individuals— Personal Income Tax”, “—Spanish resident entities—Corporate Income Tax” and “—Nonresident holders—Non-resident Income Tax”, provided the conditions set forth in additional provision 1 of Law 10/2014 and in the Regulations approved by Royal Decree 1065/ 2007 are met, income paid in respect of the Notes by the Issuer or the Principal Paying Agent will not be subject to Spanish withholding tax. For these purposes, “income” includes interest paid on the Notes or the amount of the difference, if any, between the aggregate redemption price paid upon the redemption of the Notes (or a portion thereof) and the aggregate principal amount of such Notes.

Such conditions include the following:

- a) The Notes must be admitted to listing on a regulated market, on a multi-lateral trading facility or on any other organized market. We believe the Notes will comply with this requirement.
- b) The Notes must originally be registered in a clearing system, which, in the case of resident individuals, must be located outside Spain. We believe the Notes will comply with this requirement.
- c) At the time of each relevant payment date the Principal Paying Agent must submit to the Issuer a duly executed and completed Payment Statement including the following information:
  - (i) identification of the Notes,
  - (ii) payment date,
  - (iii) total amount of income to be paid on the relevant payment date, and
  - (iv) total amount of income corresponding to Notes held through each clearing system.

Additional information would have to be included in the Payment Statement if the clearing system in which the Notes are originally registered were located in Spain.

In light of the above, the Issuer and the Principal Paying Agent will enter into a paying agency agreement which, among other things, will provide for the timely provision by the Principal Paying Agent of a duly executed and completed Payment Statement in connection with each income payment under the Notes.

***Tax rules for Notes not listed on a regulated market, on a multi-lateral trading facility or on any other organized market on any interest payment date***

***Withholding on account of PIT, NRIT and CIT***

If the Notes are not listed on a regulated market, on a multi-lateral trading facility or on any other organized market on any date on which income in respect of the Notes will be paid (i.e., either a date on which interest is payable on the Notes or a date on which the Notes are transferred or redeemed), payments of income to holders of the Notes in respect of the Notes will be subject to Spanish withholding tax at the then-applicable rate (currently, 19%) except in the case of holders of the Notes which are (A) residents of a European Union member state other than Spain and that obtain such income either directly or through a permanent establishment located in another European Union member state; provided that such holders of the Notes (i) do not obtain such income on the Notes through a permanent establishment in Spain and (ii) are not resident of, are not located in, nor obtain income through, a tax haven according to the Spanish legislation and the criteria set forth by the Spanish tax authorities from time to time; or (B) resident for tax purposes in a country which has entered into a tax treaty for the avoidance of double taxation with Spain which provides for a full exemption from Spanish tax or a reduced withholding tax rate with respect to income payable to any holder of the Notes.

Individuals and entities that may benefit from such exemptions or reduced tax rates should apply directly to the Spanish tax authorities for any refund to which they may be entitled.

***Tax rules for payments made by the Guarantors***

Although there is no precedent or regulation on this matter, the Spanish tax authorities might take the position that the Guarantors have effectively assumed the obligations of the Issuer under the Notes (whether contractually or by any other means) and, therefore, the Spanish tax authorities may take the position that payments made by the Guarantors should be subject to the same tax rules set out for payments made by the Issuer.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “**Similar Laws**”), and entities whose underlying assets are considered to include “plan assets” of such plans, accounts and arrangements pursuant to ERISA or otherwise (each, a “**Plan**”).

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “**ERISA Plan**”) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to the fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

### Prohibited Transaction Laws

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest”, within the meaning of Section 3(14) of ERISA, or “disqualified persons”, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and/or the Code.

The acquisition and/or holding of the Notes by an ERISA Plan with respect to which the Issuer, a Subsidiary Guarantor or an Initial Purchaser is a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued Prohibited Transaction Class Exemptions (“**PTCEs**”) that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of ERISA Plans considering acquiring and/or holdings the Notes in reliance on these or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that any class exemption or any other exemption will be available with respect to any particular transaction involving the Notes, or that if an exemption is available, it will cover all aspects of any particular transaction.

### Representation

Accordingly, by acceptance of a Note or any interest therein, each purchaser and holder will be deemed to have represented and warranted that either (i) it is not acquiring or holding the Notes (or any interest therein) with the assets of a Plan or (ii) the acquisition and holding of the Notes (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly

important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.



## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated the date of the Offering Memorandum, we have agreed to sell to the Initial Purchasers, for whom Deutsche Bank AG, London Branch is acting as representative, on a several and not joint basis, the following respective principal amount of Notes:

<b>Initial Purchasers</b>	<b>Principal amount of Notes (€)</b>
Deutsche Bank AG, London Branch.....	242,418,000
Banco Bilbao Vizcaya Argentaria, S.A.....	24,243,000
Banco Santander, S.A. ....	24,243,000
BNP Paribas.....	24,243,000
Société Générale .....	24,243,000
Banca March, S.A.....	12,122,000
Banco de Sabadell, S.A.....	12,122,000
Bankia, S.A.....	12,122,000
Bankinter, S.A. ....	12,122,000
CaixaBank, S.A. ....	12,122,000
<b>Total.....</b>	<b><u>400,000,000.00</u></b>

The Initial Purchasers may make offers and sales through certain affiliates of the Initial Purchasers. One or more of the Initial Purchasers may sell through affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions in which they are not otherwise permitted.

Banco Bilbao Vizcaya Argentaria, S.A. is not a broker-dealer registered with the SEC participating in the offering exclusively in reliance on Regulation S of the Securities Act of 1933 and will not be offering or selling notes in the U.S. or to U.S. citizens or residents.

Banco Santander, S.A. is not a broker-dealer registered with the SEC and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. Any offers and sales into the United States by Banco Santander, S.A. will only be made through one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

Banca March, S.A. is only participating in the Issuance outside the United States under Regulation S of the Securities Act. Banca March, S.A. is not a registered broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

Banco de Sabadell, S.A. is only participating in the Issuance outside the United States under Regulation S of the Securities Act. Banco de Sabadell, S.A. is not a registered broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

Bankinter, S.A. is only participating in the Issuance outside the United States under Regulation S of the Securities Act. Bankinter, S.A. is not a registered broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

CaixaBank, S.A. is only participating in the Issuance outside the United States under Regulation S of the Securities Act. CaixaBank, S.A. is not a broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

In the purchase agreement, subject to the conditions thereof, the Initial Purchasers have agreed to purchase the Notes at a discount from the price indicated on the cover page of this offering memorandum and to resell such Notes to purchasers as described herein. See “Notice to Investors”. The Issuance by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers’ right to reject any order in whole or in part. After the Issuance, the issue prices and other selling terms may from time to time be varied by the Initial Purchasers. The purchase agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is subject to, among other conditions, the delivery of certain legal opinions by our counsel.

The purchase agreement provides that the Issuer and the Guarantors, on one hand, and the several Initial Purchasers, on the other hand, will indemnify each other against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the other may be required to make in respect thereof. In order to facilitate the Issuance, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the prices of the Notes. Specifically, the Initial Purchasers may over allot in connection with the Issuance, creating a short position in the Notes for their own accounts. In addition, to cover overallocments or to stabilize the prices of the Notes, the Initial Purchasers may bid for, and purchase, Notes in the open market. Finally, the Initial Purchasers may reclaim selling concessions allowed to a trustee or dealer for distributing the Notes in the Issuance if the Initial Purchasers repurchase previously distributed Notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given that active public markets or other markets will develop for the Notes or as to the liquidity of the trading market for the Notes.

The Issuer and the Guarantors have agreed that they will not offer, sell, contract to sell or otherwise dispose of any of their debt securities or any debt securities of our subsidiaries similar to the Notes during the period beginning on April 6, 2017 and ending on the date that is 90 days following the Issue Date without the prior written consent of Deutsche Bank AG, London Branch.

The Notes and the related Guarantees have not been and will not be registered under the Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to QIBs in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Issuance, an offer or sale of such Notes within the United States by a dealer that is not participating in the Issuance may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Notes are new securities for which there are currently no markets. An application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Euro MTF. However, there are no assurances that the Notes will be, or will remain, listed and admitted to trade on the Euro MTF. Further, the Issuer cannot assure you that the initial prices at which the Notes will sell in the market after the Issuance will not be lower than the initial issue prices or that active trading markets for the Notes will develop and continue after completion of the Issuance. The Initial Purchasers have advised us that they currently intend to make a market for the Notes. However, the Initial Purchasers are not obligated to do so, and may discontinue any market making activities with respect to the Notes at any time without notice. In addition, market making activities are subject to the limits imposed by the Exchange Act, and may be limited. Accordingly, the Issuer cannot assure you as to the liquidity of, or trading markets for, the Notes.

Each Initial Purchaser has represented and agreed that this offering memorandum is directed solely at:

- (i) persons who are outside the United Kingdom;
- (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
- (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; and
- (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated,

(all such persons in (i), (ii), (iii) and (iv) above together being referred to as “**relevant persons**”).

Any investment or investment activity to which this offering memorandum relates will only be available to and will only be engaged with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum.

Certain of the Initial Purchasers or their respective affiliates that have a lending relationship with us routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, the Initial Purchasers and their affiliates may acquire the Notes for their own proprietary account.

The Initial Purchasers may also impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the representative has repurchased Notes sold by or for the account of such purchaser in stabilizing or short covering transactions.

The Initial Purchasers or their respective affiliates have engaged in, and may in the future engage in, investment banking, financial advisory, consulting, commercial banking and other commercial dealings, including as acting as hedge counterparties with us, our principal shareholders or our affiliates. In addition, the Initial Purchasers or their respective affiliates have lending relationships with us, our principal shareholders or our affiliates including pursuant to bilateral loan facilities, multilateral and/or syndicated loan facilities, guarantee, overdraft or cash management facilities and other forms of credit lines. They have received, and expect to receive, customary fees, commissions and expense reimbursements for these transactions. Each of the Initial Purchasers or their respective affiliates are lenders and/or agents under the Senior Facilities Agreement. One or more of the Initial Purchasers or their respective affiliates may hold 2021 Notes and receive proceeds from the Issuance.

Delivery of the Notes was made to investors on April 21, 2017, which was the ninth business day following the date of the Offering Memorandum (such settlement being referred to as “T+9”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date of pricing of the Notes or the next five succeeding business days were required, by virtue of the fact that the Notes initially settle in T+9, to specify an alternative settlement arrangement at the time of such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

## TRANSFER RESTRICTIONS

The Issuer has not registered the Notes under the Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are only to be offered and sold to:

- (1) QIBs in compliance with Rule 144A under the Securities Act; and
- (2) in offers and sales that occur outside the United States to foreign purchasers, that is, purchasers who are not U.S. persons.

The term “**foreign purchasers**” includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust, in offshore transactions meeting the requirements of Rule 903 of Regulation S. We use the terms “**offshore transaction**”, “**U.S. person**” and “**United States**” with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed to have represented and agreed as follows:

- (1) You understand and acknowledge that the Notes have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.
- (2) You are not our “**affiliate**” (as defined in Rule 144), you are not acting on our behalf and you are either:
  - (a) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or
  - (b) not a “**U.S. person**” as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that neither the Issuer, the Initial Purchasers nor any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.
- (4) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of these Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of these Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or

any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the “**Resale Restriction Termination Date**”) only:

- (a) to us;
- (b) pursuant to a registration statement which has been declared effective under the Securities Act;
- (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A;
- (d) pursuant to offers and sales to non-U.S. persons occurring outside the United States within the meaning of Regulation S; or
- (e) pursuant to any other available exemption from the registration requirements of the Securities Act,

subject in each of the foregoing cases to any requirement of law that the disposition of the seller’s property or the property of an investor account or accounts be within the seller or account’s control, and in compliance with any applicable state securities laws.

The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. You acknowledge that the Issuer, the Trustee and the registrar reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) above prior to the end of the 40-day distribution compliance period within the meaning of Regulation S or pursuant to clause (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and other information satisfactory to us, the Trustee and the registrar.

Each purchaser acknowledges that each note will contain a legend substantially in the following form:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE THAT IS, [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WERE THE OWNERS OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE “RESALE RESTRICTION TERMINATION DATE”), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER, THE TRUSTEE AND THE REGISTRAR SHALL

HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR PURSUANT TO CLAUSE (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THAT AN OPINION OF COUNSEL, CERTIFICATIONS AND OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE TRUSTEE AND THE REGISTRAR IS COMPLETED AND DELIVERED BY THE TRANSFEROR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION”, “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT”.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - (a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and
  - (b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
    - (i) you have sole investment discretion; and
    - (ii) you have full power to make the foregoing acknowledgements, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.
- (4) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the “distribution compliance period” (as defined below), you shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act. The “**distribution compliance period**” means the 40-day period following the Issue Date for the Notes.
- (5) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “Plan of Distribution”.
- (6) Either (i) you are not acquiring or holding the Notes (or any interest therein) with the assets of (a) an employee benefit plan that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “**Similar Laws**”), or (c) an entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement described in clause (a), (b) or (c) pursuant to ERISA or otherwise, or (ii) the acquisition and holding of the Note (or any interest therein) will not result in

a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

## **LEGAL MATTERS**

Certain legal matters in connection with the Issuance have been passed upon for the Issuer by Simpson Thacher & Bartlett LLP, as to matters of US federal and New York State law and by J&A Garrigues, S.L.P. as to matters of Spanish law. Certain legal matters in connection with the Issuance have been passed upon for the Initial Purchasers by Cahill Gordon & Reindel (UK) LLP as to matters of US federal and New York State law and by Clifford Chance, S.L.P. as to matters of Spanish law.

## **INDEPENDENT AUDITORS**

Our consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 included in this offering memorandum, have been audited by Deloitte, S.L., independent auditors, as stated in their unqualified reports appearing herein on pages F-208, F-108 and F-3 of this offering memorandum.

## **WHERE YOU CAN FIND MORE INFORMATION**

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

- (a) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (b) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (c) except as provided pursuant to (a) above, no person has been authorized to give any information or to make any representation concerning the Notes other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144A(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, as amended, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, as amended, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer.



## ENFORCEABILITY OF CIVIL LIABILITIES

### Spain

The Issuer and some of the Guarantors are organized under the laws of Spain with limited liability. The controlling shareholders of the Company, and the directors and the executive officers of the Company and the other Guarantors organized under the laws of Spain are non-residents of the United States and a significant portion of the assets of such persons are located outside the United States. As a result, in order to enforce in Spain a judgment entered in another jurisdiction, the service of process on such persons or the Company or the other Guarantors organized under the laws of Spain must be made in accordance with the Law 29/2015, of July 30, on international judicial cooperation in civil matters (*Ley 29/2015, de 30 de julio, de cooperación jurídica internacional en materia civil*) (the “**ILCC Law**”) and the Law of Civil Procedure (*Ley de Enjuiciamiento Civil*) (the “**LEC 2000**”). An investor may also experience difficulty in effecting service of process on or enforcing judgments against such persons or the Company or the other Guarantors organized under the laws of Spain based on civil liability provisions of the U.S. Federal and state securities laws or other laws.

We have been advised by our Spanish counsel that the United States and Spain are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments. In the absence of any such treaty such judgment will be recognized and enforced in Spain provided that none of the circumstances set forth in article 46 of the ILCC concur in them:

- that the judgment is contrary to Spanish public policy (“*orden público*”);
- that the judgement has been rendered by clearly breaching the rights of defence of any of the parties and, in particular, if the judgement has been rendered by default of the defendant (“*en rebeldía*”) it would be deemed to breach his rights of defence if the defendant was not regularly and timely notified to enable him to defend himself properly;
- that the subject matter in respect of which the judgement has been rendered falls within the exclusive jurisdiction of the Spanish courts or, in any other matters, if the foreign court jurisdiction does not have a reasonable connection with the dispute;
- that the foreign judgement is incompatible with other Spanish judgements;
- that the foreign judgement is incompatible with another country’s judgement which meets the requirements to be enforceable in Spain; or
- that there is an ongoing proceeding between the same parties and dealing with the same subject which was opened before a Spanish court prior to the opening of the proceedings before the foreign court.

According to Article 3.2 of ILCC Law the Spanish Government may deny cooperation with other state’s authorities if there has been a reiteration refusal of cooperation or a legal prohibition of providing cooperation by such other state’s authorities provided that the Spanish Government passes a Royal Decree for these purposes.

The enforcement of any judgments in Spain will be subject to article 54.4 of the ILCC Law and, among others, the following formal requirements: (a) documents in a language other than Spanish must be accompanied by a translation into Spanish (translator’s fees will be payable); (b) certain professional fees are required for the verification of the legal authority of a party litigating in Spain if needed; (c) the payment of certain court fees and (d) the procedural acts of a party litigating in Spain shall be directed by an attorney at law and the party shall be represented by a court agent with the exception of enforcements of judgments issued in a proceeding in which such direction and representation is not needed. In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Notes.

Pursuant to Article 54 of LEC 2000 the parties to an agreement are entitled to clearly submit to one judge (*juzgado*) or court (*tribunal*) (provided that under the Spanish Procedural Law and the Spanish Judicial Law (*Ley 6/1985, de 1 de Julio, Orgánica del Poder Judicial*) the relevant judge or court is competent to solve the corresponding dispute); therefore such article does not cover the validity of nonexclusive jurisdiction clauses, at least for conflicts between different Spanish courts.

The Issuer and the Guarantors have agreed that any suit, action or proceeding arising out of or based upon the Indenture, the Notes or the Guarantees may be instituted in any federal or state court located in New York City, and the Issuer and the Guarantors have appointed Grupo Antolin-North America, Inc. as their agent for service of process in any such suit, action or proceeding.

## LISTING AND GENERAL INFORMATION

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Euro MTF.
2. So long as the Notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF and the rules of such exchange shall so require, copies of our Articles of Association and the Indenture governing the Notes are available free of charge at the specified office of the Listing Agent in Luxembourg referred to in paragraph 6 below. So long as the Notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF and the rules of such exchange shall so require, copies of all of our annual financial statements and those for all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of such Listing Agent in Luxembourg referred to in paragraph 6 below.
3. We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.
4. Save as disclosed herein, there has been no material adverse change in our consolidated financial position since December 31, 2016.
5. Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.
6. We have appointed Deutsche Bank Luxembourg S.A. as our Transfer Agent in Luxembourg. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the Luxembourg Wort) or on the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). The Transfer Agent in Luxembourg will act as intermediary between the holders of the Notes and us and as long as the Notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF and the rules of such exchange shall so require, we will maintain a transfer agent in Luxembourg. The office of the Transfer Agent in Luxembourg is at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.
7. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The ISIN numbers for the Notes sold pursuant to Rule 144A and the Notes sold pursuant to Regulation S are XS1598245782 and XS1598243142, respectively. The Common Codes for the Notes sold pursuant to Rule 144A and the Notes sold pursuant to Regulation S are 159824578 and 159824314, respectively.
8. The Issuer is incorporated in Spain under tax identification number A-09092305 and with its registered office at Ctra. Madrid-Irún km. 244,8 E09007, Burgos, Spain. The telephone number of the Issuer is +34 947 47 77 00. The Issuer was incorporated on November 5, 1987 with an initial paid up capital of 1,000,000.00 pesetas (approximately EUR 6,010.121).
9. We may from time to time and depending on our liquidity position, market conditions and other factors, repurchase our debt, including the 2022 Notes and the Notes.
10. The offering and issuance of the Notes and the execution of the Indenture has been authorized by a resolution of the Issuer's Board of Directors passed at a meeting of the Issuer's Board of Directors held on March 17, 2017.
11. As of the date of the issuance of the Notes and other than as otherwise disclosed in this offering memorandum, the Company has no definitive material investment plans that are not in the ordinary course of its business.
12. Each of the Guarantors are engaged in the principal activity of supply, production, manufacture and sale of interior automobile components. The table below sets out the registered office address of each Guarantor:

Subsidiary Guarantor	Country	Registered Office
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<b>Subsidiary Guarantor</b>	<b>Country</b>	<b>Registered Office</b>
GRUPO ANTOLÍN-BOHEMIA, A.S.	Czech Republic	U Nísy 108, 463 31Chrastava (Liberec)
GRUPO ANTOLÍN OSTRAVA, S.R.O.	Czech Republic	Na Rovince 917, PSC 720 00 (Ostrava)
GRUPO ANTOLÍN TURNOV, S.R.O.	Czech Republic	Průmyslová 3000 511 01 (Turnov)
GRUPO ANTOLIN BAMBERG GMBH & CO. KG	Germany	Kirschäckerstr. 9, 96052 Bamberg
GRUPO ANTOLIN DEUTSCHLAND GMBH	Germany	An der Klanze 4 D-38554, Weyhausen
GRUPO ANTOLIN LOGISTIK DEUTSCHLAND GMBH	Germany	Schanzenstrasse 27, 51063, Cologne
GRUPO ANTOLÍN-SILAO, S.A. DE C.V.	Mexico	Avda. Ingenieros, 51, Parque Industrial Silao (Silao)
GRUPO ANTOLÍN-SALTILLO S. DE R.L. DE C.V.	Mexico	Jesús Valdez Sánchez Km. 8.52, Parque Industrial de Arteaga, Coahuila, C.P. 25350
GRUPO ANTOLÍN LUSITÂNIA—COMPONENTES AUTOMÓVEL, S.A.	Portugal	Zona Industrial Polo 2 – Freguesia de Campos 4920-247 – Vila Nova de Cerveira
GRUPO ANTOLÍN VALENÇA—COMPONENTES AUTOMÓVEL, S.U.L.	Portugal	Lote 3.2, Alto da Forca e Bragadelas, freguesia de Gandra, concelho de Valença
GRUPO ANTOLÍN-BRATISLAVA, S.R.O.	Slovakia	Opletalova 73, 841 07 Bratislava- Devínska Nová Ves
GRUPO ANTOLÍN-ÁLAVA, S.A.U.	Spain	CIF ES-A-01335934 - I. Calle Pedro Asúa 69-Bajo (Vitoria –Álava)
GRUPO ANTOLÍN-ARAGUSA, S.A.U.	Spain	Monte de la Abadesa Parque Empresarial, (Burgos)
GRUPO ANTOLÍN-ARA, S.A.U.	Spain	CIF ES-A-09004664 C/ López Bravo nº 71 Pol. Ind. Villalonquéjar
GRUPO ANTOLÍN-ARDASA, S.A.U.	Spain	C/ López Bravo s/n Pol. Industrial de Villalonquéjar (Burgos).
GRUPO ANTOLÍN-AUTOTRIM, S.A.U.	Spain	Carretera Madrid-Irún km. 244,8 (Burgos)
GRUPO ANTOLÍN-DAPSA, S.A.U.	Spain	C/ Alcalde Martín Cobos s/n (Pol. Ind. Gamonal Villimar, Burgos).
GRUPO ANTOLÍN-EUROTREM, S.A.U.	Spain	Carretera Madrid-Irún, km. 244,8 (Burgos)
GRUPO ANTOLÍN-GLASS, S.A.U.	Spain	Carretera Madrid-Irún, km. 244,8 (Burgos)
GRUPO ANTOLÍN-INGENIERÍA, S.A.U.	Spain	Carretera Madrid-Irún, km. 244,8 (Burgos)
GRUPO ANTOLÍN-MARTORELL, S.A.U.	Spain	Carretera Madrid-Irún, km. 244,8 (Burgos)
GRUPO ANTOLÍN-NAVARRA, S.A.U.	Spain	Poligono Industrial Arazuri Orcoyen Calle D (Parcela 3.1.) 31170 Arazuri. (Navarra)
GRUPO ANTOLÍN-PGA, S.A.U.	Spain	Polígono Industrial De “As Gandaras”, Parcela R (Mitad Norte), 36400, Porriño (Pontevedra)
GRUPO ANTOLÍN-MAGNESIO, S.A.U.	Spain	CIF ES-A-09441916 - Ctra. Madrid-Irún Km. 244,8 (Burgos)
ANTOLIN INTERIORS MÉXICO, S.A. DE C.V	Mexico	Ave. Industria Automotriz 1402, Parque Industrial el Coecillo, Toluca 50071, México
GRUPO ANTOLÍN-PLASBUR, S.A.U.	Spain	C/ Condado de Treviño nº 21, Polígono Industrial de Villalonquéjar. (Burgos)
GRUPO ANTOLÍN-RYA, S.A.U.	Spain	Carretera Madrid-Irún, km. 244,8 (Burgos)
GRUPO ANTOLÍN-VIGO, S.A.U.	Spain	CIF ES-A-09431750 Ctra. Madrid-Irún Km. 244,8 (Burgos)
ANTOLIN INTERIORS UK, LTD.	United Kingdom	Limited Apollo Way Tachbrook Park Warwick CV34 6RW, UK

<b>Subsidiary Guarantor</b>	<b>Country</b>	<b>Registered Office</b>
GRUPO ANTOLÍN-LEAMINGTON, LTD.	United Kingdom	Tachbrook Park Drive. Leamington Spa, Warwick, Warwickshire, CV346RH
GRUPO ANTOLÍN-UK, LTD.	United Kingdom	Tachbrook Park Drive, Leamington Spa, Warwick, Warwickshire, CV346RH
ANTOLIN INTERIORS USA, INC.	United States	1700 Atlantic Blvd, Auburn Hills MI 48326, USA
GRUPO ANTOLIN MISSOURI, LLC	United States	1700 Atlantic Blvd, Auburn Hills, Michigan 48326
GRUPO ANTOLÍN-NORTH AMERICA, INC.	United States	1700 Atlantic Blvd., Auburn Hills, MI-48307 Michigan
GRUPO ANTOLÍN-KENTUCKY, INC.	United States	1700 Atlantic Blvd., Auburn Hills, MI-48307 Michigan
GRUPO ANTOLÍN-ILLINOIS, INC.	United States	1700 Atlantic Blvd., Auburn Hills, MI-48307 Michigan
GRUPO ANTOLÍN-MICHIGAN, INC.	United States	1700 Atlantic Blvd., Auburn Hills, MI-48307 Michigan

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## **Grupo Antolin-Irausa, S.A. and Subsidiaries**

### **Auditor's Report**

Consolidated Financial Statements for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with Consolidated Directors' Report for 2016

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Grupo Antolin-Irausa, S.A.:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES, which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

The directors of Grupo Antolin-Irausa, S.A. (*"the Parent"*) are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Grupo Antolin-Irausa, S.A. and Subsidiaries (*"the Group"*) in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (*identified in Note 2 to the accompanying consolidated financial statements*) and for such internal control as the directors 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations 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 judgement, 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 by the Parent's directors of the consolidated financial statements 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 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grupo Antolin-Irausa, S.A. and Subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Grupo Antolin-Irausa, S.A. and subsidiaries.

DELOITTE, S.L.  
Registered in ROAC under no. S0692



Rodrigo Cabrejas Sanz

30 March 2017



## **Grupo Antolin-Irausa, S.A. and Subsidiaries**

**Consolidated Financial Statements for the  
year ended 31 December 2016, together with  
Consolidated Directors' Report for 2016**

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*



## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016 AND 2015 (NOTES 1 TO 6)

(Thousands of Euros)

ASSETS	31/12/2016	31/12/2015	EQUITY AND LIABILITIES	31/12/2016	31/12/2015
<b>NON-CURRENT ASSETS:</b>			<b>EQUITY (Notes 13 and 14):</b>		
Intangible assets (Note 7)-	497,132	501,089	<b>CAPITAL AND RESERVES-</b>	622,831	460,395
Goodwill	156,566	180,162	Share capital	37,469	37,469
Other intangible assets	340,566	320,927	Additional paid-in capital	72,578	72,578
Property, plant and equipment (Note 8)	808,388	739,603	Reserves-	335,148	212,932
Investment property	4,670	4,691	Other reserves of the Parent	111,213	75,123
Investments in companies accounted for using the equity method (Note 1)	20,907	61,138	Reserves in fully or proportionally consolidated companies	209,569	109,613
Non-current financial assets (Note 9)	8,570	9,777	Reserves in companies accounted for using the equity method	14,366	28,196
Deferred tax assets (Note 20)	87,643	85,599	Profit attributable to the Parent	177,636	137,416
Non-current assets	1,427,310	1,401,897	<b>ADJUSTMENTS FOR CHANGES IN VALUE-</b>	(67,403)	(28,178)
			Hedging operations	(2,031)	(2,287)
			Exchange differences	(60,550)	(22,955)
			Other	(4,822)	(2,936)
			Net equity attributable to the Parent	555,428	432,217
			<b>NON-CONTROLLING INTERESTS</b>	65,330	60,053
			Total net equity	620,758	492,270
			<b>NON-CURRENT LIABILITIES:</b>		
			Grants (Note 15)	6,473	7,698
			Non-current provisions (Note 16)	111,852	85,028
			Non-current financial liabilities-	1,261,695	1,272,650
			Bank loans, debentures and other marketable securities (Note 17)	1,225,999	1,233,827
			Derivatives (Note 18)	3,155	4,048
			Other financial liabilities (Note 19)	32,541	34,775
			Deferred tax liabilities (Note 20)	47,369	65,267
			Total non-current liabilities	1,427,389	1,430,643
			<b>CURRENT LIABILITIES:</b>		
			Current provisions (Note 16)	33,643	20,717
			Current financial liabilities-	55,870	223,140
			Bank loans, debentures and other marketable securities (Note 17)	38,146	64,542
			Other financial liabilities (Note 19)	17,724	158,598
			Current payables to Group and associated companies (Notes 20 and 22)	169	2,325
			Trade and other payables-	1,352,834	1,132,190
			Trade, sundry and other payables	1,240,023	1,021,821
			Current tax liabilities (Note 20)	20,995	22,985
			Other taxes and Social Security contributions (Note 20)	91,816	87,384
			Other current liabilities (Note 25)	149,580	125,466
			Total liabilities	1,592,096	1,503,838
<b>CURRENT ASSETS:</b>			<b>TOTAL EQUITY AND LIABILITIES</b>	3,640,243	3,426,751
Non-current assets held for sale (Note 3-g)	6,960	6,706			
Inventories (Note 10)	825,381	674,506			
Trade and other receivables-	1,067,173	979,770			
Trade receivables	988,334	894,255			
Associates (Note 22)	2,887	3,534			
Other receivables (Note 11)	86,531	93,713			
Provisions	(10,579)	(11,732)			
Group and associated companies (Note 20)	4,645	-			
Other current financial assets (Note 9)	2,308	2,003			
Cash and bank balances (Note 12)	306,466	361,869			
Total current assets	2,212,933	2,024,854			
<b>TOTAL ASSETS</b>	3,640,243	3,426,751			

The accompanying consolidated Notes 1 to 27 are an integral part of the consolidated statement of financial position at 31 December 2016.



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED INCOME STATEMENT

#### FOR THE YEARS ENDED

31 DECEMBER 2016 AND 2015 (NOTES 1 TO 6)

(Thousands of Euros)

	2016	2015
<b>CONTINUING OPERATIONS:</b>		
Revenue (Note 21)	5,247,318	3,506,226
Changes in inventories of finished goods and work in progress	(7,795)	(495)
Capital grants and other grants taken to income (Note 15)	1,468	1,542
Other operating income (Note 21)	146,246	111,436
<b>Total operating income</b>	<b>5,387,237</b>	<b>3,618,709</b>
Supplies (Note 21)	(3,344,432)	(2,193,750)
Staff costs (Note 21)	(869,533)	(586,507)
Depreciation and amortisation expenses	(181,951)	(122,349)
Change in trade provisions	(7,692)	(2,619)
Other operating expenses (Note 21)	(738,998)	(505,178)
Less-Own work capitalised	94,112	57,514
<b>Total operating expenses</b>	<b>(5,048,494)</b>	<b>(3,352,889)</b>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>338,743</b>	<b>265,820</b>
Finance income	1,108	1,476
Finance costs	(63,598)	(55,239)
Net fair value gain/(loss) on financial instruments (Note 18)	553	2,298
Impairments and losses on disposal of non-current financial assets (Note 9)	(250)	-
Exchange differences	10,095	(4,396)
<b>NET FINANCE INCOME</b>	<b>(52,092)</b>	<b>(55,861)</b>
Gains/(losses) on the loss of significant influence over consolidated investments (Note 2-g)	9,660	-
Net impairment loss on non-current assets (Notes 7 and 8)	(10,387)	(5,156)
Gain/(loss) on disposal of non-current assets (Notes 7 and 8)	(1,534)	(1,575)
Profit of companies accounted for using the equity method (Note 1)	4,045	16,524
Impairments and losses due to loss of significant influence over companies accounted for using the equity method (Note 1)	(6,968)	-
<b>PROFIT BEFORE TAXES</b>	<b>281,467</b>	<b>219,752</b>
Corporate income tax (Note 20)	(86,815)	(64,439)
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>194,652</b>	<b>155,313</b>
Profit after tax for the year from discontinued operations	-	-
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>194,652</b>	<b>155,313</b>
Profit attributable to non-controlling interests (Note 13)	(17,016)	(17,897)
Profit attributable to the Parent	177,636	137,416
<b>Earnings per share (Note 14) (Euros)-</b>		
From continuing operations:		
Basic	22.14	17.13
Diluted	22.14	17.13

The accompanying consolidated Notes 1 to 27 are an integral part of the consolidated income statement for the year ended 31 December 2016.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR

### THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (NOTES 1 TO 6)

(Thousands of Euros)

	2016	2015
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (I)</b>	<b>194,652</b>	<b>155,313</b>
Items to be reclassified to consolidated profit or loss-		
- From cash flow hedges (Notes 13 and 18)	(856)	1,081
- Exchange differences (Note 13)	(34,895)	10,222
- Actuarial gains and losses (Notes 13 and 16)	(1,886)	707
- Tax effect (Note 13)	214	(270)
<b>TOTAL INCOME RECOGNISED DIRECTLY IN EQUITY (II)</b>	<b>(37,423)</b>	<b>11,740</b>
Transfers to the consolidated income statement-		
- Exchange differences (Note 13)	(5,918)	-
- From cash flow hedges (Notes 13 and 18)	1,197	(566)
- Tax effect (Note 13)	(299)	177
<b>TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT IN THE YEAR (III)</b>	<b>(5,020)</b>	<b>(389)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR (I+II+III)</b>	<b>152,209</b>	<b>166,664</b>
Attributable to the Parent	138,411	150,940
Attributable to non-controlling interests	13,798	15,724

The accompanying consolidated Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2016.

**GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (NOTES 1 TO 6)**

	Thousands of Euros											
	Share Capital	Share Premium	Reserves				Profit Attributable to the Parent	Adjustments for Changes in Value			Non-controlling Interests	Total Shareholders' Equity
			Other Reserves of the Parent		Reserves in Full or Proportionally Consolidated Companies	Reserves in Companies Accounted for Using the Equity Method		Hedging Operations	Exchange Differences	Other		
Closing balance 2014	37,469	72,578	7,635	69,504	35,402	24,913	81,529	(2,709)	(35,320)	(3,643)	26,212	313,370
Adjustments for changes in accounting policy 2014	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to correct errors 2014	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2015	37,469	72,578	7,635	69,504	35,402	24,913	81,529	(2,709)	(35,320)	(3,643)	26,212	313,370
Consolidated recognised income and expense	-	-	-	-	-	-	137,416	422	12,365	707	15,754	166,664
Allocation of profit for the year ended 31 December 2014:	-	-	-	-	-	-	(77,545)	-	-	-	-	-
- To Reserves	-	-	-	-	67,905	9,640	(3,984)	-	-	-	-	(3,984)
- To Dividends (Note 13)	-	-	-	-	-	-	-	-	-	-	-	(2,016)
Dividend distributed against reserves (Note 13)	-	-	-	(2,016)	6,305	(6,305)	-	-	-	-	21,798	21,798
Increase in net equity following a business combination (Note 5)	-	-	-	-	-	-	-	-	-	-	(52)	(52)
Acquisition of non-controlling interests' shares	-	-	-	-	-	-	-	-	-	-	(3,659)	(3,659)
Contributions from non-controlling interests and dividends, net (Note 13)	-	-	-	-	-	(52)	-	-	-	-	-	(51)
Other movements	-	-	-	-	1	-	-	-	-	-	-	-
Closing balance 2015	37,469	72,578	7,635	67,488	109,613	28,196	137,416	(2,287)	(22,955)	(2,936)	60,053	492,270
Adjustments for changes in accounting policy 2015	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to correct errors 2015	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2016	37,469	72,578	7,635	67,488	109,613	28,196	137,416	(2,287)	(22,955)	(2,936)	60,053	492,270
Consolidated recognised income and expense	-	-	-	-	-	-	177,636	256	(37,595)	(1,886)	13,798	152,209
Allocation of profit for the year ended 31 December 2015:	-	-	-	-	-	-	(121,416)	-	-	-	-	-
- To reserves	-	-	1,800	4,904	99,194	15,518	(16,000)	-	-	-	-	(16,000)
- To Dividends (Note 4)	-	-	-	-	-	-	-	-	-	-	-	(8,521)
Contributions from non-controlling interests and dividends, net (Note 13)	-	-	-	-	-	-	-	-	-	-	-	-
Retirements due to loss of significant influence over companies accounted for using the equity method (Notes 1 and 2)	-	-	-	29,386	-	(29,386)	-	-	-	-	-	-
Other movements	-	-	-	-	762	38	-	-	-	-	-	800
Closing balance 2016	37,469	72,578	9,435	101,778	209,569	14,366	177,636	(2,031)	(69,550)	(4,872)	45,330	626,759

The accompanying consolidated Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2016.



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

**GRUPO ANTOLIN-IRAUSA, S.A.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2016 AND 2015 (NOTES 1 TO 6)**

(Thousands of Euros)

	2016	2015
<b>1. CASH FLOWS FROM ORDINARY OPERATING ACTIVITIES:</b>		
Consolidated profit for the year before taxes	<b>281,467</b>	<b>219,752</b>
Adjustments for-		
Depreciation and amortisation expenses	181,951	122,349
Allocation to/(reversal of) current provisions	31,240	6,114
Allocation to/(reversal of) non-current provisions	47,736	8,788
Capital grants and other grants taken to income (Note 15)	(1,468)	(1,542)
Finance income and expense	52,395	58,159
Net impairment loss on non-current assets	10,387	5,156
Gain/(loss) on disposal of non-current assets (Notes 7 and 8)	1,534	1,575
Change in fair value of financial instruments	(553)	(2,298)
Impairments and losses on disposal of non-current financial assets (Note 9)	250	-
Gains/(losses) on the loss of significant influence over consolidated investments (Note 2-g)	(9,660)	-
Profit of companies accounted for using the equity method (Note 1)	(4,045)	(16,524)
Impairments and losses due to loss of significant influence over companies accounted for using the equity method (Note 2-g)	6,968	-
<b>Operating profit before movements in working capital</b>	<b>598,202</b>	<b>401,529</b>
(Increase)/decrease in trade and other receivables	(106,408)	(113,703)
(Increase)/decrease in inventories	(167,872)	(50,489)
Increase/(decrease) in trade and other payables	223,777	32,518
Increase/(decrease) in other current liabilities	24,114	75,181
Payments of provisions	(21,731)	(10,503)
Unrealised exchange differences and other items	(22,534)	16,216
<b>Cash generated from operations</b>	<b>527,548</b>	<b>350,749</b>
Corporate income tax paid	(104,592)	(54,815)
<b>Net cash generated by/(used in) operating activities</b>	<b>422,956</b>	<b>295,934</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Dividends received (Note 1)	<b>1,992</b>	<b>2,112</b>
Proceeds from disposal of investments in-		
Associates (Notes 1 and 2-g)	28,883	-
Group companies, net of cash in consolidated companies (Note 2-g)	22,704	-
Intangible assets	2,856	121
Property, plant and equipment	4,108	3,158
Non-current financial assets	808	-
Payments for investments in-		
Associates (Note 1)	(684)	(8,433)
Group companies, net of cash in business combinations (Note 5)	(61,377)	(431,615)
Property, plant and equipment	(194,153)	(119,137)
Intangible assets	(91,004)	(51,805)
Investment property	(38)	(51)
Non-current financial assets	-	(2,485)
Current financial assets	(305)	(1,016)
<b>Net cash generated by/(used in) investing activities</b>	<b>(286,210)</b>	<b>(607,151)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from/(payments for) equity instruments-		
Acquisition of non-controlling interests' shares	-	(52)
Returns to non-controlling interests (Note 13)	(8,521)	(3,659)
Proceeds from/(payments for) financial liabilities-		
Issue of bonds and syndicated loan, nominal (Note 17)	-	600,000
Repayment of syndicated loan (Note 17)	(8,898)	(4,500)
Repayment of loan "RDI & CONVERGENCE" Project (Note 17)	(10,000)	-
Proceeds from/(repayment of) other bank borrowings, net	(16,465)	20,510
Proceeds from/(repayment of) other financial liabilities, net	(71,763)	(24,345)
<b>Other cash flows from financing activities-</b>		
Finance income and expense paid, net	(60,502)	(63,035)
<b>Dividends paid and payments on other equity instruments (Note 13)</b>	<b>(16,000)</b>	<b>(6,000)</b>
<b>Net cash generated by/(used in) financing activities</b>	<b>(192,149)</b>	<b>518,919</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(55,403)</b>	<b>207,702</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>361,869</b>	<b>154,167</b>
<b>CASH OR CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)</b>	<b>306,466</b>	<b>361,869</b>

The accompanying consolidated Notes 1 to 27 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2016.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## **GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### **(1) DESCRIPTION OF THE GROUP**

##### **Parent and Group activities-**

Grupo Antolin-Irausa, S.A. (*hereinafter referred to as "the Parent"*) was set up on 5 November 1987, as "*Grupo Antolin, S.A.*" Subsequently, on 1 November 1993, it adopted its current name "*Grupo Antolin-Irausa, S.A.*" Its registered office is in Burgos, Carretera Madrid-Irún, km. 244.8.

##### *Corporate purpose of the Parent-*

The corporate purpose of Grupo Antolin-Irausa, S.A. is to manufacture, sell, process, import and export products relating to the car industry and similar products, as well as to acquire holdings or controlling interests in other companies engaging in business activities relating to said industry.

##### *Activities of the Group-*

Grupo Antolin-Irausa, S.A. (*hereinafter "the Group" or "Grupo Antolin"*) heads an international group made up of companies that engage basically in manufacturing and selling automobile components.

##### *Ownership of the Group-*

At 31 December 2016 and 2015 all the share capital of the Parent was held directly or indirectly by Avot Inversiones, S.L., a company whose registered offices are in Burgos and whose owners are members of the Antolin family (see Note 13).

##### **Subsidiary companies-**

"Subsidiary companies" are defined as those companies over which the Group has control. In accordance with IFRS 10, an investor controls an investee if, and only if, the following three conditions are met:

- it has power over the investee;
- it receives, or has the right to receive, variable returns from its investment;
- it has the ability to use its power to affect the amount of these returns.

The Parent assesses if it controls an investee when events or circumstances indicate that changes apply to one or more of the cited conditions.

Set out below is the most significant information at 31 December 2016 about the subsidiary companies which have been included in the consolidated annual financial statements for 2016 as "*fully consolidated companies*".

**Companies in which Grupo Antolin-Irausa, S.A. has a direct shareholding-**

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
Grupo Antolin-Aragusa, S.A.U.	Burgos	Automobile components	100.00	12,127
Grupo Antolin-Autotrim, S.A.U.	Burgos (Plant: Almussafes)	Automobile components	100.00	1,328
Grupo Antolin-Dapsa, S.A.U.	Burgos	Automobile components	100.00	3,039
Grupo Antolin-Eurotrim, S.A.U.	Burgos	Automobile components	100.00	10,197
Grupo Antolin-Gestión de Inversiones, S.L.U.	Burgos	Holding company	100.00	241,861
Grupo Antolin-Glass, S.A.U.	Burgos	Provision of services	100.00	10,328
Grupo Antolin-Ingeniería, S.A.U.	Burgos	Technical studies	100.00	18,537
Grupo Antolin-Navarra, S.A.U.	Pamplona	Automobile components	100.00	3,316
Grupo Antolin-Plasbur, S.A.U.	Burgos	Automobile components	100.00	1,862
Grupo Antolin-RyA, S.A.U.	Burgos (Plant: Valladolid)	Automobile components	100.00	5,704
Grupo Antolin-Valplas, S.A.U.	Burgos (Plant: Sollana-Valencia)	Automobile components	100.00	12,300
ASH Reciclado de Techos, S.L.	Burgos	Recycling industrial waste	100.00	3,830
Midtown Invest, S.L.	Madrid	Holding company	100.00 (d)	79,211
Cidut, S.L.	Burgos	Automobile components	50.00 (a)	370
Keyland Sistemas de Gestión, S.L.	Burgos	Provision of services	50.00 (a)	250
Grupo Antolin-Lusitânia, S.A.	Vila Nova (Portugal)	Automobile components	100.00	2,658
Grupo Antolin-Valença Componentes Automóvel, Soc. Unipessoal, Lda.	Valença do Minho (Portugal)	Automobile components	100.00	1,400
Grupo Antolin-France, S.A.S.	Saint-Etienne (France)	Holding company and Technical services and sales	92.56 (b)	196,974
Grupo Antolin-Amsterdam, B.V.	Amsterdam (Netherlands)	Holding company	100.00	2,427
Grupo Antolin-Holland, B.V.	Amsterdam (Netherlands)	Holding company	100.00	75,645
Grupo Antolin-Dutch, B.V.	Amsterdam (Netherlands)	Financial company	100.00	2,000
Broomco (3051), Ltd.	Bury St Edmunds (United Kingdom)	Holding company	100.00	-
Grupo Antolin-UK, Ltd.	Essex (United Kingdom)	Technical services and sales	100.00	766
Alba Speziallampen Holding, GmbH	Bamberg (Germany)	Holding company	100.00	89,409
Grupo Antolin-Autoform, GmbH & Co. KG	Saal Donau (Germany)	Automobile components	74.32 (b)	29,624
Grupo Antolin-Deutschland, GmbH	Weyhausen (Germany)	Technical services and sales	100.00	1,292
Grupo Antolin-Logistik Deutschland, GmbH	Cologne (Germany)	Automobile components	100.00	6,279
Grupo Antolin-Italia, S.r.l.	Milan (Italy)	Automobile components	100.00	7,210
Grupo Antolin-Bohemia, a.s.	Chrastava (Czech Republic)	Automobile components	100.00	42,235
Grupo Antolin-Ostrava, s.r.o.	Ostrava (Czech Republic)	Automobile components	100.00	3,400
Grupo Antolin-Turnov, s.r.o.	Turnov (Czech Republic)	Automobile components	100.00	6,415
Antolin-CIE Czech Republic, s.r.o.	Hranická (Czech Republic)	Automobile components	70.00	4,189
Antolin Czech Republic, s.r.o.	Prague (Czech Republic)	Automobile components	100.00 (d)	7
Grupo Antolin-Bratislava, s.r.o.	Bratislava (Slovakia)	Automobile components	100.00	704
Grupo Antolin-Saint Petersburg	Saint Petersburg (Russia)	Automobile components	100.00	46,535
Antolin Avtotechnika Nizhny Nóvgorod, Ltd.	Nizhny Nóvgorod (Russia)	Automobile components	100.00	9,798
Antolin Tanger, S.A.R.L.	Tangiers (Morocco)	Automobile components	100.00	21,100
Grupo Antolin-South Africa, Ltd.	Port Elizabeth (South Africa)	Automobile components	100.00	12,475
Gestión Industrial de Sonora, S.A. de C.V.	Hermosillo (Mexico)	Provision of services	99.99 (b)	151
Grupo Antolin-Salttillo, S. de R.L. de C.V.	Salttillo (Mexico)	Automobile components	99.99 (b)	10,832
Grupo Antolin-Silao, S.A. de C.V.	Silao (Mexico)	Automobile components	70.82 (b)	31,501
Grupo Antolin-Tlaxcala S. de R.L. de C.V.	Tlaxcala (Mexico)	Automobile components	100.00	24,035
Intertrim, Ltda.	Caçapava (Brazil)	Automobile components	85.28	17,806
Trimtec, Ltda.	Caçapava (Brazil)	Automobile components	100.00	113,747
Grupo Antolin-India PVT, Ltd.	Pune (India)	Automobile components	99.99 (b)	25,069
Grupo Antolin-Japan, Co.	Tokyo (Japan)	Technical services and sales	100.00	691
Grupo Antolin-Korea, L.L.C.	Suwon-si (South Korea)	Technical services and sales	100.00	350
Chongqing Antolin Tuopu Overhead System Co., Ltd.	Chongqing (China)	Automobile components	61.00	1,084
Dongfeng Antolin (Wuhan) Overhead Systems, Co., Ltd.	Wuhan (China)	Automobile components	51.00	1,479
Antolin China Investment Co., Ltd.	Beijing (China)	Holding company	100.00 (c)	99,767
Antolin Liban, s.r.o.	Liban (Czech Republic)	Automobile components	100.00 (c)	5,925
Antolin Austria Holding, GmbH	Ebergassing (Austria)	Holding company	100.00 (c)	10,288
Antolin Hungary, Kft.	Helvécia (Hungary)	Automobile components	100.00 (c)	6,535
Antolin Trnava, s.r.o.	Trnava (Slovakia)	Automobile components	100.00 (c)	5,709
Antolin Interiors Mexico, S.A. de C.V.	Salttillo (Mexico)	Automobile components	100.00 (c)	66,461
Gestión Industrial de Toluca, S.A. de C.V.	Toluca (Mexico)	Provision of services	100.00 (c)	2,491
Gestión Industrial de Arteaga, S.A. de C.V.	Arteaga (Mexico)	Provision of services	100.00 (c)	792
Antolin Interiors UK, Ltd.	Warwick (United Kingdom)	Automobile components	100.00 (c)	183,481
Silesia Plastic, Sp. zo.o.	Wrocław (Poland)	Automobile components	100.00	15,494
				<b>1,590,490</b>

**Companies in which the Group has a shareholding via other consolidated companies-**

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Company in which the Group has a shareholding via Grupo Antolin-Glass, S.A.U.-</b> Grupo Antolin-Autoform, GmbH & Co. KG	Saal Donau (Germany)	Automobile components	25.68 (b)	10,179
<b>Companies in which the Group has a shareholding via Midtown Invest, S.L.-</b> Grupo Antolin-Álava, S.A.U. Grupo Antolin-Ara, S.A.U. Grupo Antolin-Ardasa, S.A.U. Grupo Antolin-Magnesio, S.A.U. Grupo Antolin-Martorell, S.A.U. Grupo Antolin-PGA, S.A.U. Grupo Antolin-Vigo, S.A.U.	Vitoria Burgos Burgos Burgos Burgos (Plant: Martorell) Porriño (Pontevedra) Burgos (Plant: Vigo)	Automobile components Automobile components Automobile components Automobile components Automobile components Automobile components Automobile components	100.00 100.00 100.00 100.00 100.00 100.00 100.00	2,731 27,603 12,069 8,312 3,808 10,857 13,829
<b>Company in which the Group has a shareholding via Grupo Antolin-Ingeniería, S.A.U.-</b> Grupo Antolin-India PVT, Ltd. Gestión Industrial de Sonora, S.A. de C.V. Grupo Antolin-Salttillo, S. de R.L. de C.V.	Pune (India) Hermosillo (Mexico) Hermosillo (Mexico)	Automobile components Provision of services Automobile components	0.01 (b) 0.01 (b) 0.01 (b)	- - -
<b>Company in which the Group has a shareholding via Grupo Antolin-India PVT, Ltd.-</b> Grupo Antolin-Chakan, Ltd.	Delhi (India)	Automobile components	100.00	5,972
<b>Companies in which the Group has a shareholding via Grupo Antolin-Holland, B.V.-</b> Grupo Antolin-France, S.A.S.	Saint-Etienne (France)	Holding company and Technical services and sales	7.44 (b)	15,802
Grupo Antolin-Silao, S.A. de C.V. Grupo Antolin-Leamington, Ltd.	Silao (Mexico) Kent (United Kingdom)	Automobile components Automobile components	29.18 (b) 100.00	14,237 50,906
<b>Companies in which the Group has a shareholding via Grupo Antolin-Amsterdam, B.V.-</b> Ototrim Panel Sanayi ve Ticaret, A.S.	Bursa (Turkey)	Automobile components	50.00 (a)	2,413
<b>Companies in which the Group has a shareholding via Grupo Antolin-Gestión de Inversiones, S.L.U.-</b> Grupo Antolin-North America, Inc.	Detroit (United States)	Technical services and sales	100.00	232,000
<b>Companies in which the Group has a shareholding via Grupo Antolin-North America, Inc.-</b> Grupo Antolin-Kentucky, Inc. Grupo Antolin-Michigan, Inc. Grupo Antolin-Illinois, Inc. Grupo Antolin-Missouri, LLC Antolin Interiors USA, Inc.	Kentucky (United States) Marlette (United States) Troy (United States) Clayton (United States) Troy (United States)	Automobile components Automobile components Automobile components Automobile components Automobile components	100.00 100.00 100.00 100.00 100.00 (c)	20,033 12,495 2,649 1,501 85,758
<b>Companies in which the Group has a shareholding via Antolin Interiors USA, Inc.-</b> Antolin Lighting, LLC (formerly, Interlink, LLC)	Auburn Hills (United States)	Automobile components	100.00 (c)	7,897
<b>Companies in which the Group has a shareholding via Antolin Lighting, LLC (formerly, Interlink, LLC)-</b> Suzhou Antolin Automotive Interiors Co., Ltd.	Kunshan Jiangsu (China)	Automobile components	100.00 (c)	1,868
<b>Companies in which the Group has a shareholding via Grupo Antolin-Kentucky, Inc.-</b> Grupo Antolin-Primera Automotive Systems, LLC	Wayne (United States)	Automobile components	49.00 (a)	18
<b>Companies in which the Group has a shareholding via Grupo Antolin-France, S.A.S.-</b> Grupo Antolin-IGA, S.A.S. Grupo Antolin-Vosges, S.A.S. Grupo Antolin-Ingénierie Sièges, S.A.S. Grupo Antolin-Loire, S.A.S. Grupo Antolin-Cambrai, S.A.S. Grupo Antolin-Jarny, S.A.S. Grupo Antolin-Besançon, S.A.S.	Henin Beaumont (France) Rupt-Sur-Moselle (France) Roche La Moliere (France) Roche La Moliere (France) Paris (France) Jarny (France) Besançon (France)	Automobile components Automobile components Technical studies Automobile components Automobile components Automobile components Automobile components	100.00 100.00 100.00 100.00 100.00 100.00 100.00	57,953 53,196 1,821 47,100 81,864 12,400 65,000

Continued

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Companies in which the Group has a shareholding via Keyland Sistemas de Gestión, S.L. (in which the Group has a 50% holding)-</b> Keyland Mexico, S. de R.L. de C.V.	Mexico D.F. (Mexico)	Provision of services	100.00 (a)	-
<b>Companies in which the Group has a shareholding via International Door Company, B.V. (in which the Group has a 50% holding)-</b> Iramec Autopeças, Ltda. Mexican Door Company, S. de R.L. de C.V.	Caçapava (Brazil) Mexico D.F. (Mexico)	Automobile components Automobile components	100.00 (a) 100.00 (a)	1,300 7,866
<b>Company in which the Group has a shareholding via Broomco (3051), Ltd.-</b> CML Innovative Technologies, Ltd.	Bury St Edmunds (United Kingdom)	Lighting products	100.00	7,982
<b>Company in which the Group has a shareholding via Alba Speziallampen Holding, GmbH-</b> Grupo Antolin-Hranice, s.r.o. CML Technologies, GmbH & Co. KG Grupo Antolin-Bamberg, GmbH & Co. KG Antolin Interiors Deutschland, GmbH Antolin Massen, GmbH Antolin Süddeutschland, GmbH Antolin Straubing, GmbH	Hranice (Czech Republic) Bad Dürkheim (Germany) Bamberg (Germany) Munich (Germany) Massen-Niederlausitz (Germany) Regenstauff (Germany) Straubing (Germany)	Automobile components Lighting products Automobile components Automobile components Automobile components Automobile components Automobile components	100.00 100.00 100.00 100.00 (c) 100.00 (c) 100.00 (c) 100.00 (c)	116 9,711 30,660 431 13,988 21,695 25,492
<b>Companies held by Antolin Austria Holding, GmbH-</b> Antolin Ebergassing, GmbH	Ebergassing (Austria)	Automobile components	100.00 (c)	39,248
<b>Companies in which the Group has a shareholding via Grupo Antolin-Besançon, S.A.S. -</b> Grupo Antolin-Sibiu, S.R.L. Grupo Antolin-Guangzhou Lighting Co., Ltd.	Sibiu (Romania) Guangzhou (China)	Automobile components Automobile components	100.00 100.00	1,306 1,310
<b>Companies in which the Group has a shareholding via Antolin China Investment Co., Ltd.-</b> Antolin Shanghai Auto-Parts Co., Ltd. Guangzhou Antolin Auto-Parts Co., Ltd. Changchun Antolin Automotive Interiors Co., Ltd. Changshu Antolin Automotive Interiors Co., Ltd. Shenyang Antolin Auto Parts Co., Ltd.	Shanghai (China) Guangzhou (China) Changchun (China) Changshu (China) Liaoning (China)	Automobile components Automobile components Automobile components Automobile components Automobile components	100.00 100.00 60.00 (c) 60.00 (c) 100.00 (d)	35,096 10,698 39,452 18,586 2,186
<b>Companies in which the Group has a shareholding via Changchun Antolin Automotive Interiors Co., Ltd. (in which the Group has a 60% holding)-</b> Beijing Antolin Automotive Interiors Co., Ltd.	Beijing (China)	Automobile components	100.00 (c)	479
<b>Company in which the Group has a shareholding via Antolin Hungary, Kft.-</b> Plastimat Hungary, Kft.	Esztergom (Hungary)	Automobile components	74.00 (c)	6,951
<b>Company in which the Group has a shareholding via Antolin Tanger, S.A.R.L.-</b> Gold Set, S.A.R.L.A.U.	Tangiers (Morocco)	Automobile components	100.00	1
<b>Company in which the Group has a shareholding via Chongqing Antolin Tuopu Overhead System Co., Ltd. (in which the Group has a 61% holding)-</b> Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS) Harbin Antolin Tuopu Overhead System Co. Ltd.	Hangzhou (China) Harbin (China)	Automobile components Automobile components	100.00 100.00 (d)	398 137
				<b>1,137,360</b>

- (a) These companies, in which the Group has a direct or indirect holding of 50% or less, have been included in the consolidated financial statements as "fully consolidated companies", because the Group has control over them.
- (b) As indicated in the tables above, the Group has direct or indirect shareholdings in the share capital of these subsidiary companies, bringing the total holding in their capital up to 100%.
- (c) Companies acquired or incorporated in 2015 as part of the operation to acquire the interior components business unit of the international Magna Automotive group (see Note 2-g).
- (d) Companies acquired or incorporated in 2016.

The following additions or retirements from the scope of consolidation took place during 2016:

- The consolidated subsidiaries Shenyang Antolin Auto Parts Co., Ltd. and Harbin Antolin Tuopu Overhead System Co., Ltd, both of them in China, were incorporated and Czech company Molafis Business, s.r.o., now called Antolin Czech Republic, s.r.o., and Spanish company Midtown Invest, S.L.U. were acquired. The latter two companies were acquired from third parties and are effectively inactive.
- The group sold to a third party its 100% holding in the subsidiary Antolin-Burg Design, GmbH and dissolved Keyland USA, Inc.

#### ***Financial year of the subsidiary companies-***

The financial year of all the subsidiary companies, like that of the Parent, is the same as the calendar year, except for the Indian subsidiaries, whose financial year ends on 31 March. For the Indian companies in the process of being incorporated into the scope of consolidation, the financial statements for the 12 month period from 1 January 2016 to 31 December 2016 have been used, for the remaining companies the individual financial statements for the year ended 31 December 2016 have been used. The figures in the tables above correspond to the financial position at 31 December 2016. The financial position of the subsidiaries is stated in their individual financial statements.

#### ***Audit of the individual annual financial statements of the subsidiary companies-***

The individual annual financial statements for 2016 of most of the subsidiary companies are audited by Deloitte or by other auditors. Set out below are the subsidiary companies whose annual financial statements are examined by auditors other than Deloitte:

Company	Audited by
Mexican Door Company, S. de R.L. de C.V.	KPMG
Gestión Industrial de Sonora, S.A. de C.V.	KPMG
Grupo Antolin-Kentucky, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Michigan, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Illinois, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Primera Automotive Systems, LLC	Urbach Hacker Young International, LLP
Grupo Antolin-Missouri, Inc.	Urbach Hacker Young International, LLP
Antolin Interiors USA, Inc.	Urbach Hacker Young International, LLP
Chongqing Antolin Tuopu Overhead System Co., Ltd.	BDO China Li Xin Da Hua
Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS)	BDO China Li Xin Da Hua
Antolin China Investment Co., Ltd.	Shanghai Tangzhan Certified Public Accountants LLP
Beijing Antolin Automotive Interiors Co., Ltd.	BDO China Shu Lun Pan Certified Public Accounts LLP
Changchun Antolin Automotive Interiors Co., Ltd.	BDO China Shu Lun Pan Certified Public Accounts LLP
Changshu Antolin Automotive Interiors Co., Ltd.	BDO China Shu Lun Pan Certified Public Accounts LLP
Guangzhou Antolin Auto-Parts Co., Ltd.	GuangZHou HuaDu CPA, Ltd.
Grupo Antolin Guangzhou Lighting Co, Ltd.	Mazars
Grupo Antolin-Hranice, s.r.o.	Chebska Auditorska spol. s.r.o.
Grupo Antolin-Sibiu, S.R.L.	T&T Audit, S.R.L.
Plastimat Hungary, Kft.	RSM AUDIT Hungary Zrt.
Antolin Avtotechnika Nizhny Nóvgorod, Ltd.	Gruppa Financy LLC, Nexia Finance Group

#### ***Associates and joint ventures-***

"Associates" are defined as companies where the Group has powers to exercise a significant influence.

The Company has the power to participate in financial and operating policy decisions but does not have control or joint control.

IFRS 11 defines a joint venture (as opposed to a joint operation as described in the next section of this Note) as an agreement under which the controlling parties ("joint venturers") have rights to the net assets of the company. Joint control is the contractually agreed sharing of control and requires all substantive decisions to be unanimously agreed by all parties sharing joint control.

The Group's holdings in Associates and joint ventures (accounted for in consolidated financial statements for 2016 and 2015 using the equity method), and the corresponding carrying amounts recognised under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position at 31 December 2016 and 2015, are as follows:

Company	Registered Office	Activity	Percentage of Group's Holding		Thousands of Euros	
			At 31/12/15	At 31/12/16	Carrying Amount at 31/12/15	Carrying Amount at 31/12/16
<b>Companies in which Grupo Antolin-Irausa, S.A. has a direct shareholding-</b>						
Dongwon Technology Co., Ltd.	Kyoung-Nam (South Korea)	Automobile components	30.00	30.00	4,596	6,266
NHK Antolin (Thailand) Co., Ltd.	Samutprakarn (Thailand)	Automobile components	50.00	50.00	479	705
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	Ningbo (China)	Automobile components	50.00	- (a)	33,017	-
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	Yangzhou (China)	Automobile components	50.00	- (a)	8,752	-
Krishna Grupo Antolin Private, Ltd.	Chandigarh (India)	Automobile components	50.00	50.00	4,587	5,026
Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd.	Wuhan (China)	Automobile components	49.00	49.00	369	1,013
CREA-Antolin Co., Ltd.	Ansan (Korea)	Automobile components	50.00	50.00	7,157	5,831
<b>Companies in which the Group has a shareholding via International Door Company, B.V.-</b>						
Slovakian Door Company, s.r.o	Bratislava (Slovakia)	Automobile components	25.00	25.00	1,684	1,601
International Door Systems, S.R.L. de C.V.	Hermosillo (Mexico)	Automobile components	25.00	25.00	265	234
<b>Companies in which the Group has a shareholding via Grupo Antolin-Amsterdam, B.V.-</b>						
Irauto, S.A.	Buenos Aires (Argentina)	Automobile components	50.00	50.00	232	231
					<b>61,138</b>	<b>20,907</b>

(a) In August 2016 the Group sold to the other shareholder its 50% holdings in the share capital of Associates Ningbo Antolin Huaxiang Auto-Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd.

Movements in 2016 and 2015 recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position were as follows:

2015

	Thousands of Euros
<b>Balances at 31 December 2014</b>	<b>43,745</b>
Profit of companies accounted for using the equity method	16,524
Additions on the incorporation or acquisition of companies and contributions effected	8,433
Retirement of Silesia Plastic, Sp. zo.o., which is now fully consolidated	(7,328)
Exchange differences	2,153
Dividends	(2,112)
Other	(277)
<b>Balances at 31 December 2015</b>	<b>61,138</b>

2016

	Thousands of Euros
<b>Balances at 31 December 2015</b>	<b>61,138</b>
Profit of companies accounted for using the equity method	4,045
Additions on the incorporation or acquisition of companies and contributions effected (a)	684
Reduction in price of acquisitions in 2015 (b)	(784)
Retirements due to disposal (c)	(35,851)
Exchange differences	(5,810)
Dividends (d)	(1,992)
Other	(523)
<b>Balances at 31 December 2016</b>	<b>20,907</b>

- (a) During 2016 the parent subscribed to the proportional part of a capital increase (*amounting to 684 thousand euros*) corresponding to its investment in Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd.
- (b) As part of the operation to acquire the interior components business unit of the international Magna Automotive group in 2015, the Group acquired 50% of the share capital of Korean company CREA-Antolin Co., Ltd. for an initial price of 6,446 thousand euros, adjusted in 2016.
- (c) This amount corresponds to the carrying amount of the investments in Ningbo Antolin Huaxiang Auto-Parts Co., Ltd. and in Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd. on the date they were sold. This transaction generated a loss of 6,968 thousand euros, which the Group recorded as part of the balance recognised under "Impairment and gains/(losses) on the loss of significant influence over investments accounted for using the equity method" in the accompanying consolidated income statement for 2016.
- (d) During 2016 the group received dividends from the Associates Dongwon Technology Co., Ltd., Krishna Grupo Antolin Private, Ltd. and CREA-Antolin Co., Ltd., totalling 346, 121 and 1,525 thousand euros, respectively. During 2015 the Group received dividends from Silesia Plastic, Sp. z o.o. (*then a joint venture*) and Dongwon Technology Co., Ltd., totalling 2,112 thousand euros. All these dividends were recognised as a reduction in the carrying amount of the investment.

### ***Financial year and audit of the individual annual financial statements of Associates and joint ventures included in the scope of consolidation-***

The financial year of Associates and joint ventures is the same as the calendar year, except for Krishna Grupo Antolin Private, Ltd., whose financial year ends on 31 March. For Krishna Grupo Antolin Private, Ltd., the financial statements for the 12 month period from 1 January 2016 to 31 December 2016 have been used, for the remaining companies the individual financial statements for the year ended 31 December 2016 have been used. Some of the aforementioned annual financial statements are currently being examined by the following auditors:

Company	Audited by
Dongwon Technology Co., Ltd.	PriceWaterhouseCoopers
NHK Antolin Thailand Co., Ltd.	PricewaterhouseCoopers ABAS Ltd.
CREA-Antolin Co., Ltd.	Ernst & Young
Slovakian Door Company, s.r.o.	BDR, spol. s r.o.
Irauto, S.A.	Alberto A. Gonzales

### **Joint operations-**

IFRS 11 defines a joint operation as an agreement under which the parties (*"joint operators"*) have rights to the assets and obligations for the liabilities of the agreement. Joint control is the contractually agreed sharing of control and requires all substantive decisions to be unanimously agreed by all parties sharing joint control.



Following an assessment by the Group, the only investment which is deemed a joint operation is International Door Company, B.V., a holding company registered in Amsterdam (Netherlands), in which the Parent has a 50% holding (*this holding cost 2,158 thousand euros*). The other 50% is held by Küster Holding, GmbH. This investment is proportionally consolidated.

The figures for assets and liabilities, and the net turnover and the result for the year ended 31 December 2016 contributed by this joint venture are not significant compared to the figures for consolidated totals of the Group.

## **(2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION STANDARDS**

### ***a) True and fair view-***

In accordance with Final Provision Eleven of Law 62/2003 on Tax, Administrative and Social Order Measures, of 30 December, companies with holdings are required to draw up consolidated annual financial statements and directors' reports. At year end none of the companies in the Group have issued shares that are listed on an official market of any member State of the European Union. They may therefore opt to present their consolidated annual financial statements for the years beginning from 1 January 2005 in accordance with Spanish accounting standards or in accordance with the International Financial Reporting Standards adopted by the European Union. Accordingly, Grupo Antolin-Irausa, S.A. decided to apply voluntarily, for the first time in the financial year 2007, said International Financial Reporting Standards adopted by the European Union for drawing up its consolidated annual financial statements.

The consolidated annual financial statements for 2016, which were prepared from the individual accounting records of the Parent and of the companies included in consolidation (*listed in Note 1*), are presented in accordance with the International Financial Reporting Standards adopted by the European Union (*hereinafter referred to as "IFRS-EU"*) and, accordingly, give a true and fair view of the Group's consolidated net worth, consolidated financial position at 31 December 2016, and results of operations, changes in consolidated equity and cash flows that have taken place during the year then ended.

These consolidated annual financial statements for 2016 have been prepared by the Parent's Directors and will be submitted to the Annual General Meeting of Shareholders of the Parent for approval. They are expected to be approved unchanged.

The consolidated financial statements for 2015 were approved by the General Meeting of Shareholders of the Parent held on 23 May 2016.

### ***b) Adopting new standards and interpretations issued-***

Grupo Antolin's consolidated annual financial statements for the financial years to 31 December 2016 and 2015 have been drawn up in accordance with International Financial Reporting Standards, in accordance with the terms of Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002, taking into account all mandatory accounting principles, standards and measurement bases with a material impact and the alternatives permitted under the standards in this respect.

### ***Standards and interpretations in force in 2016-***

In 2016, the following new accounting standards have come into force and have been taken into account when drawing up the consolidated annual financial statements for 2016:

<b>Standards, amendments and interpretations:</b>		<b>Mandatory Application for Financial Years Beginning on or After:</b>
<i>Approved for use in the European Union</i>		
Amendment to IAS 19: Defined benefit plans: employee contributions	The amendment was issued to allow these contributions to be deducted from the cost of the service in the financial period in which they arise if certain requirements are met.	1 February 2015 (*)
IFRS Annual Improvements 2010-2012 Cycle	Minor amendments to a collection of standards.	1 February 2015 (*)
Amendment to IAS 16 and IAS 38: Acceptable Methods of Depreciation and Amortisation	Clarification of the acceptable methods for depreciating property, plant and equipment and intangible assets, excluding revenue-based methods.	1 January 2016
Amendment to IFRS 11: Accounting for acquisitions of interests in joint operations	Accounting for the acquisition of an interest in an existing joint operation that is a business.	1 January 2016
Amendment to IAS 16 and IAS 41: Bearer plants	Bearer plants will be carried at cost rather than fair value.	1 January 2016
IFRS Annual Improvements 2012-2014 Cycle	Minor amendments to a collection of standards.	1 January 2016
Amendment to IAS 27: Equity method in separate financial statements	Allows the equity method to be used in the separate financial statements of an investor.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities	Clarifications on the investment entities consolidation exception.	1 January 2016
Amendments to IAS 1: Disclosure initiative	Various clarifications on disclosures ( <i>materiality, aggregation, note structure, etc.</i> ).	1 January 2016

(\*) The effective date for these standards per the IASB was 1 July 2014.

The impact of applying these interpretations and amendments in these consolidated annual financial statements was not material.

### ***Standards and interpretations issued not in force-***

The most significant standards, changes and interpretations that had been published by the IASB at the date on which these financial statements were prepared but had not yet come into force, either because their effective date is later than the date of the consolidated annual financial statements, or because they have not yet been endorsed by the European Union, are as follows:

Standards, amendments and interpretations:		Mandatory Application for Financial Years Beginning on or After:
<i>Approved for use in the European Union</i>		
IFRS 15: Revenues from contracts with customers (issued in May 2014)	New standard on the recognition of revenues (replacing IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)	1 January 2018
IFRS 9 Financial instruments (issued in July 2014)	Replaces IAS 39 requirements for the classification, measurement and derecognition of financial assets and liabilities, hedge accounting and accounting for impairments.	1 January 2018
<i>Not approved for use in the European Union</i>		
<i>New standards:</i>		
Clarifications to IFRS 15 (issued in April 2016)	Concerning the identification of performance obligations, principal versus agent considerations, the concession of licences and the recognition of revenue over time or at a point in time, and some clarifications on transition rules	1 January 2018
IFRS 16, Leases (issued in January 2016)	Replaces IAS 17 and related interpretations. The new standard introduces a single lessee accounting model requiring all leases to be reported on the balance sheet (with some limited exceptions), as currently applies to finance leases (recording depreciation against the right-of-use asset and a financial expense for the amortised cost of the liability)	1 January 2019
<i>Amendments and/or interpretations:</i>		
Amendment to IAS 7 Disclosure initiative (issued in January 2016)	Introduces additional disclosure requirements to improve the information provided to users	1 January 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealised losses (issued in January 2016)	Clarification of principles established for the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IFRS 2 Classification and measurement of share-based payments (issued in June 2016)	Narrow scope amendments to clarify the accounting for cash-settled share-based payment transactions, the classification of share-based payments settled net of tax withholdings, and some aspects of the modifications affecting types of share-based payment transactions	1 January 2018
Amendment to IFRS 4 Insurance contracts (issued in September 2016)	Allows entities issuing contracts within the scope of IFRS 4 the option of applying IFRS 9 ("the overlay approach") or a temporary exemption	1 January 2018
Amendment to IAS 40 Reclassification of investment property (issued in December 2016)	The amendment clarifies that assets may only be transferred to, or from, investment property when there is evidence of a change in use	1 January 2018
IFRS Annual Improvements 2014-2016 (issued in December 2016)	Minor amendments to a collection of standards (various dates)	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration (issued in December 2016)	This interpretation establishes the "transaction date" for the purposes of determining the exchange rate to be applied to transactions that include advance consideration in a foreign currency	1 January 2018
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (issued in September 2014)	Clarification on the treatment of gains and losses on these operations when the contribution constitutes a business or an asset.	No date set

None of the aforementioned standards was applied prior to the mandatory effective date in 2016.

The Group has begun to assess the potential impacts of applying these standards in the future. A first analysis shows that they should have no material effect on its consolidated financial statements, with the exception of IFRS 16 Leases (applicable from 1 January 2019, the main change being a single method for accounting for leases so that all leases, with some limited exceptions, will be recognised as financed purchases, i.e. in accordance with the current treatment of finance leases) and, to a lesser extent, IFRS 15 Revenues from contracts with customers (applicable from 1 January 2018).

Specifically, based on initial assessments, the application of IFRS 16 Leases will result in the recognition in the consolidated statement of financial position of intangible assets and payables on leases of approximately 210 million euros.

**c) Functional currency-**

The consolidated annual financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates. Foreign operations are recorded in accordance with the policies described in Notes 2-f and 3-L.

**d) Comparative information-**

In accordance with the requirements of IAS 1, the information set out in these Notes to the consolidated financial statements relating to 2015 is presented, for the purposes of comparison, with the figures for 2016.

As disclosed in Note 6, a reorganisation of the Group's units and business segments was carried out, with effect from 1 January 2016. To help in the understanding and interpretation of the Group's activities, therefore, the segment information reported for the financial year ended 31 December 2015 for comparative purposes in Note 6 has been amended to bring it in line with the new business segment definitions and structure. For this reason, the aforementioned comparative information included in said Note to the consolidated financial statements does not match the segment information reported in the consolidated financial statements for the year ended 31 December 2015 which were approved by the General Meeting of Shareholders of the Parent. The remaining figures for 2015 that are presented in the consolidated annual financial statements for 2016 do not vary from the figures set out in the consolidated annual financial statements for 2015, which were approved by the General Meeting of Shareholders of the Parent held on 23 May 2016.

There have been no major changes in the accounting policies that affect 2016 and 2015. Neither have any corrections of errors relating to prior years been made, nor have any major changes been made in the accounting estimates that affect these financial years or that are likely to affect future financial years.

**e) Responsibility for the information provided and estimates made-**

The information set out in these consolidated annual financial statements for 2016 is the responsibility of the Directors of the Parent.

The consolidated results and the calculation of consolidated net assets are sensitive to the accounting principles, policies, measurement criteria and estimates used by the Parent's Directors in the preparation of the consolidated annual financial statements. The main accounting principles and policies and measurement criteria used are disclosed in Note 3.

In preparing the annual financial statements for 2016 estimates made by senior management (*subsequently ratified by the Parent's Directors*) have been used on occasion to measure certain assets, liabilities, revenues, expenses and commitments that are recorded therein. Principally, these estimates, made based on the best information available, refer to:

- The assessment of possible impairment losses on certain assets.
- The measurement of goodwill.
- The useful life of property, plant and equipment, intangible fixed assets and investment property.
- The classification of leases as operating or financial leases.
- The market value of certain financial instruments.
- The fair value of certain unlisted assets.
- The amount of the provisions.
- The application of deferred tax assets.
- The capacity to exercise control in some consolidated companies and the timing thereof.

Although these estimates were made based on the best information available at 31 December 2016 for the events being analysed, future events may make it necessary to revise these estimates (*upward or downward*) in coming years. Any such changes would be applied prospectively, and the effects of the change in estimate would be taken to the consolidated income statement in the years affected, as provided for in IAS 8.

## **f) Consolidation standards-**

### *Subsidiary companies-*

The individual annual financial statements of the “*subsidiary companies*” have been fully consolidated with those of the Parent and, therefore:

1. ALL major balances and transactions between the fully consolidated companies and material gains or losses on internal operations not carried out with third parties have been eliminated on consolidation.
2. In the consolidation process adjustments and reclassifications have been made so as to bring the accounting principles and policies used by the subsidiary companies into line with those used by the Parent.
3. When a subsidiary is acquired, its assets, liabilities and contingent liabilities are recorded at their fair values at the acquisition date. Any excess of the acquisition price over the fair values of the identifiable net assets acquired is recognised in “Intangible assets-Goodwill”. Negative differences are taken directly to income on the acquisition date.
4. The share of profit or loss and net changes in subsidiaries' equity attributable to non-controlling interests is calculated based on the voting rights existing at that time, excluding any potential exercisable or convertible rights. Any loss attributable to the non-controlling interests over and above the carrying amount of said non-controlling interests is charged to the holdings of the Parent, except when the non-controlling interests are under a binding obligation to cover part or all of the losses and provided that they are able to make the necessary additional investment.
5. The equity and results of the subsidiary companies attributable to non-controlling interests are presented in consolidated net equity, under “Non-controlling interests”, in the consolidated statement of financial position, and under “Profit attributable to non-controlling interests” in the consolidated income statement, respectively.
6. Changes in the net worth of the consolidated subsidiary companies since they were acquired that cannot be attributed to changes in the percentage held are recorded under “Equity-Reserves-Reserves of fully and proportionally consolidated companies” in the consolidated statement of financial position.
7. The results generated by subsidiary companies acquired during the year are included in the consolidated income statement only from the date of acquisition to the year end. Similarly, the results of subsidiary companies disposed of during the year are included in the consolidated income statement only as from the beginning of the year to the date of disposal.
8. Acquisitions from non-controlling shareholders of their holdings in subsidiary companies in which the Group already had effective control of the companies and which, therefore, lead only to an increase in the Group's percentage holding in these companies, are treated, for the purposes of consolidation, as operations with equity instruments. The balance recorded under “Non-controlling interests” is therefore reduced and consolidated reserves are restated for the difference between the value of the consideration paid by the Group and the amount by which the balance recognised under “Non-controlling interests” has been changed. No “Goodwill” whatsoever is recorded for this operation.

The annual financial statements of the subsidiary companies used in the consolidation process refer to the same reporting date and cover the same period as those of the Parent.

*Associates and joint ventures-*

"Associates" and "joint ventures" are stated in the consolidated annual financial statements using the equity method, i.e. the investment is recorded originally at cost and the carrying amount is later increased or reduced so as to recognise the Group's share in the profit and loss of the year recorded by the investee company, after the date of acquisition. The Group thus recognises in its consolidated income statement for the year its proportional share in the profit and loss of the associate or joint venture. Dividends received from associates and joint ventures reduce the carrying amount of the investment. It may also be necessary to make adjustments to record any changes that may occur in the proportional holding in the associate or joint venture as a result of any changes in net equity that it may not have taken to income in the year. Gains and losses on transactions with associates and joint ventures are eliminated in proportion to the Group's investment in them.

*Joint operations-*

The annual financial statements of investee companies classified as "joint ventures" are proportionally consolidated, i.e. recognising the assets, rights and obligations and the income and expenses of these companies in proportion to the Group's holding in these companies.

*Translation of annual financial statements of foreign companies included in the scope of consolidation-*

The statements of financial position and income statements of the foreign companies included in the scope of consolidation denominated in currencies other than the euro were translated to euros using the *closing rate method*. All the assets, rights and obligations of these companies were translated to euros at the year-end exchange rates. Their share capital and reserves were translated at their historical exchange rates. To counteract seasonal effects, the income statement items of these companies were translated to euros at the average exchange rates for the year, based on the volume of transactions performed in each period.

The exchange differences arising from the application of these methods are taken to equity under "Remeasurements-Exchange differences" in the consolidated statement of financial position, net of the portion of these differences corresponding to non-controlling interests, which is taken to equity under "Non-controlling interests" in the consolidated statement of financial position. Such exchange differences are recognised as income or as expense in the year in which the investment is made or divested.

**g) Changes in the scope of consolidation-**

*2016:*

The main changes to the Group's scope of consolidation in 2016 corresponded to the following operations:

- The jointly controlled company Antolin-Burg Design, GmbH, S.L. was removed from the scope of consolidation in 2016 following the sale to a third party the Group's shares in the capital of said company, representing 100% of its share capital. The assets and liabilities of Antolin-Burg Design, GmbH at 31 December 2015 were as follows:

	Thousands of Euros
<b>ASSETS-</b>	
Non-current assets:	
Goodwill (Note 7)	3,658
Other intangible assets (Note 7)	174
Property, plant and equipment (Note 8)	4,625
Non-current financial assets	149
Current assets	
Inventories	3,336
Trade and other receivables	4,157
Cash and cash equivalents	322
<b>Total assets</b>	<b>16,421</b>
<b>LIABILITIES-</b>	
Non-current liabilities:	
Non-current provisions (Note 16)	(1,278)
Other non-current payables	(98)
Current liabilities:	
Current provisions (Note 16)	(250)
Other current payables	(1,095)
Trade and other payables, and others	(1,143)
<b>Total liabilities</b>	<b>(3,864)</b>
<b>Net assets and liabilities</b>	<b>12,557</b>

The revenues, expenses and results attributable to Antolin-Burg Design, GmbH, disclosed by type in the consolidated income statement for the year ended 31 December 2015 (*corresponding to the period between 1 September, the date on which the Group acquired this company, and 31 December 2015*), are as follows:

Description	Thousands of Euros
Net turnover	10,098
Other operating income	363
Supplies	(4,551)
Staff costs	(3,384)
Depreciation and amortisation	(238)
Other operating expenses	(1,830)
<b>Operating income</b>	<b>458</b>
Finance income and expense	(33)
Gain/(loss) on disposal of non-current assets	-
<b>Profit before taxes</b>	<b>425</b>
Corporate income tax	(124)
<b>Profit attributable to the Parent in the year</b>	<b>301</b>

The revenues and expenses, and consequently the results, of Antolin-Burg Design, GmbH in the period from the start of 2016 and the date on which said company was sold, and the net movements in its assets and liabilities in the same period, were not material.

The consideration received on this operation, comprised 18,500 thousand euros corresponding to the sale price and 4,526 thousand euros corresponding to the recovery of accounts receivable maintained by the Group with said company, generating a net profit of 9,660 thousand euros, which the Group recorded under "Gains/(losses) on the loss of significant influence over consolidated investments" in the accompanying consolidated income statement for 2016.

- In 2016 the associates Ningbo Antolin Huaxiang Auto-Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd. were removed from the scope of consolidation as a result of the sale of the Group's 50% holdings in the share capital of these companies to the other shareholder. The consideration received on this operation amounted to 28,883 thousand euros, generating a loss of 6,968 thousand euros which the Group recorded as part of the balance recognised under "Impairment and gains/(losses) on the loss of significant influence over investments accounted for using the equity method" in the accompanying consolidated income statement for 2016.

The following additional changes occurred to the Group's scope of consolidation in 2016, with no material impact on the consolidated annual financial statements:

- The subsidiaries Shenyang Antolin Auto Parts Co., Ltd. and Harbin Antolin Tuopu Overhead System Co., Ltd., incorporated by the Group in China, the Czech company Molafis Business, s.r.o. (*currently Antolin Czech Republic, s.r.o.*), and the Spanish company Midtown Invest, S.L.U. were added to the group. The latter two companies were acquired from third parties and are effectively inactive.
- The subsidiary company Keyland USA, Inc. was dissolved in the year.

#### 2015:

The main changes to the Group's scope of consolidation in 2015 were as follows:

- The acquisition by Grupo Antolin of the interior components business unit of the international Magna Automotive group came into effect on 31 August 2015 (*except for some companies where the operations came into effect for accounting purposes from 30 September 2015*), for a total cost of 535 million euros (*the final amount was agreed in the first quarter of 2016 as at 31 December 2015 negotiations were still continuing with the seller concerning certain items. The final amount agreed, however, did not differ materially from the estimated amount at the end of the 2015 reporting period*). This division had an annual turnover of around 2,000 million euros and employed more than 12,000 people. The operation was effected by means of the acquisition of businesses and/or production plants from the aforementioned business by various Grupo Antolin companies, some of which were newly incorporated in 2015. The acquired business was fully consolidated in the consolidated financial statements, except for the Group's investment in a joint venture which is accounted for using the equity method (see Note 5). In the latter part of 2015 the Group changed the names of the acquired companies. The current names are detailed in Note 1.

As previously mentioned, in 2015 the Group incorporated a number of companies including Antolin Liban, s.r.o., Antolin Trnava, s.r.o., Antolin Austria Holding, GmbH and Antolin China Investment Co., Ltd., through which it effected the purchase of some of the companies and plants acquired from the international Magna Automotive group.

- Following a number of agreements reached in late December 2015, the Group has increased its investment in the share capital of Silesia Plastic, Sp. zo.o. from 50% to 100%. The original 50% shareholding was recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position at 31 December 2014. The cost of this increased investment was approximately 10 million euros and, as a result of this operation, Silesia Plastic, Sp. zo.o. was incorporated in the scope of consolidation on 31 December 2015 (see Note 5).
- The Chinese companies Dongfeng Antolin (Wuhan) Overhead Systems, Ltd. and Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd. were incorporated in the first half of 2015. The Group holds 51% and 49% of the share capital of these companies, having paid in 767 thousand euros and 737 thousand euros, respectively, in that year.



During 2015 the Group subscribed to a capital increase by ASH Reciclado de Techos, S.L., and subsequently acquired shares in the company, paying in a combined total of 1,082 thousand euros. As a result of this capital increase, the Group's holding in this company increased from 96.43% to 100%.

In 2015 no companies left the Group's scope of consolidation.

**h) Definition of the Group for the purposes of preparing consolidated annual financial statements-**

Although Grupo Antolin-Irausa, S.A. is directly and indirectly controlled by Avot Inversiones, S.L. (see Notes 1 and 13), these consolidated annual financial statements correspond to the group of subsidiary companies headed by Grupo Antolin-Irausa, S.A. All companies belonging to this Group have been included in these consolidated financial statements, being understood to refer to all the companies making up a single decision-making unit, in accordance with Article 42 of the Commercial Code. No company has been excluded.

Avot Inversiones, S.L. is a holding company controlled by the Antolín family whose principal assets are direct and indirect equity investments in Castilfalé Gestión, S.A.U. and Grupo Antolin-Holdco, S.A. (*holding companies whose main activity is to hold shares in Grupo Antolin-Irausa, S.A.*). Consequently, the other companies in the Parent Group headed by Avot Inversiones, S.L. contributed little or no assets, turnover or profit to the consolidated financial statements of said Group for the year ended 31 December 2016.

With regard to Grupo Asuari Inversor, S.L. the parent of a group of companies also controlled by the Antolín family and therefore associated with Grupo Antolin, the Directors and legal advisers of the Parent consider that the companies do not form a decision-making unit nor are they managed on a unified basis, as their activities are distinct and independent and the commercial and financial relationships between them are not significant, there being no common activity.

**(3) ACCOUNTING PRINCIPLES, POLICIES AND MEASUREMENT CRITERIA**

In preparing the consolidated financial statements for 2016 the following accounting principles and policies and measurement criteria were applied:

**a) Going-concern principle-**

In recent financial years the Group has reported profits and generated significant financial resources in the course of its operations. Although the global economic and financial situation will continue to affect the Group's performance in 2017, the major car manufacturers are forecasting that production levels will be around 2.3% higher than in 2016, growth is forecast in some regions. According to the latest estimates, therefore, the output of the worldwide automobile industry will continue to grow between 2016 and 2019.

The Parent's Directors consider that, following the addition of the interior components business unit acquired from the international Magna Automotive group in 2015, Grupo Antolin is a more diversified corporation that will be better able to cope with the vagaries of the market. The Group has added new products to its portfolio, strengthening and expanding its presence in the main automobile markets and improving its range. The Group's technological know-how and its global presence in terms of products, customers and markets will also enable it to strengthen its market position and take a considerable share of the market in all segments of the sector (*from the most basic models to premium vehicles*). Subsequent to the end of the 2016 reporting period, the Group has decided to sell its "Seats and Metal" business unit (see Note 26). This strategic decision reflects the Group's vision for growth and leadership in the medium and long term, and is taken in response to the increasingly competitive nature of the

automobile industry and, in particular, the interior components manufacturing sector. The operation is in line with the Group's growth strategy, which will focus its activities on those businesses which have larger market shares and an established global presence and in which the Group plans to make substantial investments in coming years.

The Parent's Directors consider that the financial and economic measures taken in recent years, and those planned for the coming year, will make a positive contribution to ensuring that the Group continues to grow and meet its profit targets.

The consolidated annual financial statements for 2016 have accordingly been prepared on a going-concern basis.

**b) Goodwill and negative goodwill on first consolidation-**

Business combinations are accounted for using the acquisition method, which requires the identifiable assets acquired and liabilities assumed (*including any contingent liabilities*) to be measured at their fair values at the acquisition date, provided said fair value can be reliably measured. The assets and liabilities recognised by the Group will be those received and assumed, respectively, as a result of the operation, irrespective of whether these assets and liabilities were previously not recognised in the annual financial statements of the investee because they did not meet the criteria for recognition in said financial statements.

Any positive difference between the acquisition cost of the Group's holdings in the capital of the subsidiary companies and the fair values of the identifiable net assets acquired is recognised as "Goodwill". Negative differences are taken directly to income on the acquisition date.

"Goodwill" is only recorded when it has been acquired for a consideration and represents, therefore, advance payments made by the acquiring entity for the future economic benefits deriving from the assets of the acquired entity that are not individually and separately identifiable and recognisable.

In accordance with IFRS 3, goodwill is not amortised but is reviewed for impairment (*i.e. a reduction in the recoverable amount of the "Goodwill" to below its carrying amount*) at the end of each reporting period and any impairment is charged to "Net impairment losses on non-current assets" in the consolidated income statement. Impairment losses relating to "Goodwill" cannot subsequently be reversed.

The recoverable value of goodwill is measured as the higher of fair value less costs to sell and value in use, understood as the present value of expected future cash flows from the investment. The Group's Directors apply the following methodology to test goodwill, other intangible assets and property, plant and equipment for impairment (see Notes 7 and 8):

- The recoverable amount is calculated for each cash generating unit, although wherever possible individual, item-by-item impairment calculations are performed on property, plant and equipment.
- The Group's Directors regularly prepare a business plan for each cash generating unit, broken down by market and activity, covering a period of at least five years. An annual budget is also prepared each year for the following financial year. The main components of said plan and budget are:
  - Results forecasts.
  - Investment and working capital forecasts.
- Other variables influencing the calculation of recoverable value are:
  - The discount rate to be applied, i.e. the weighted average cost of capital. The main factors affecting this are the cost of the liabilities and specific risks related to the assets.

- The growth rate applied to cash flows to extrapolate them beyond the period covered by budgets and forecasts, up to five financial years.

Forecasts are prepared on the basis of past experience and the best available estimates in line with externally obtained information.

The business plans thus prepared are reviewed and approved by the Parent's Board of Directors.

If an impairment loss must be recognised for a cash generating unit to which all or part of the goodwill has been assigned, first the carrying amount of the goodwill corresponding to the cash generating unit will be reduced. If the impairment is greater than the amount of goodwill carried, the remaining assets of the cash generating unit will be reduced, in proportion to their carrying amount, up to the highest of their fair value less costs to sell, value in use, and zero.

No impairment loss to goodwill was recorded at the end of the 2016 reporting period. At the end of the 2015 reporting period an impairment loss to the goodwill of a subsidiary company of 1,500 thousand euros was recognised under "Net impairment loss on non-current assets" in the consolidated income statement for the year ended 31 December 2015.

"Goodwill" recognised in the consolidated statement of financial position at 31 December 2016 corresponds basically to the consolidated subsidiary companies and plants acquired in 2015 from the international Magna Automotive group and other companies forming part of the "Lighting" business acquired from the "CML Innovative Technologies" group in 2012, the consolidated subsidiary company Silesia Plastic, Sp. zo.o. acquired in 2015 and other non-material goodwill recognised in previous financial years (see Notes 2-g, 5 and 7).

### **c) Other intangible assets-**

Intangible assets are defined as identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed in-house by the consolidated companies. Only intangible assets whose cost can reasonably be objectively estimated and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are stated initially at acquisition or production cost and subsequently at cost less any accumulated amortisation and impairment losses.

#### *Development expenses-*

The costs incurred in each development project are capitalised when the following conditions are met:

- The development cost of the asset can be assessed reliably.
- The costs are specifically itemised for each project and correspond to an identifiable asset.
- The Group can prove that the project is technically viable.
- The project is likely to generate profits in the future.

Development expenses incurred using the Group's own resources are recorded (*by type*) in the consolidated income statement, while development expenses for projects which meet the above conditions are debited to "Development expenses" in the consolidated statement of financial position and credited to "Own work capitalised" in the consolidated income statement.

Capitalised development expenses are in practically all cases amortised on a straight-line basis over the estimated useful lives of the projects as from the date the related projects are completed.

Development expenses relate mainly to the costs incurred in this connection by the consolidated subsidiary Grupo Antolin-Ingeniería, S.A.U. and the Group's other research and development centres. Research expenses are taken directly to income in the financial year in which they are incurred.

*Software and other intangible assets-*

Other intangible assets with a finite useful life are amortised accordingly, using criteria similar to those used for property, plant and equipment. Specifically, "Computer software" is written off over a period of 5 years as from when it starts to be used.

When accounting for the business combinations involving the "Lighting" business acquired from the "CML Innovative Technologies" group in 2012 and the companies and plants acquired in 2015 from the international Magna Automotive group, "Customer relations" in the automobile industry was identified as an intangible asset, on the basis that one of the Group's aims in carrying out said operation was to develop new services and products in this sector. This intangible asset has been measured at its fair value determined using the multi-period excess earnings (MPEE) method, based on calculating the operating cash flows generated for the acquired company by the asset, net of any expenses charged for the assets involved in generating said cash flows. These cash flows are discounted using the weighted average cost of capital (*between 8.3% and 12.9% for the "Lighting" segment, plus a 2% spread to reflect the intangible nature of the asset, and between 8.1% and 15.6% for the companies and plants acquired from the international Magna Automotive group*). The remaining useful life of these intangible assets was estimated to be 7 years for the 2012 operation and between 2 and 7 years for the 2015 operation, over which periods they will be amortised.

The annual amortisation expense for intangible assets with finite useful lives is charged to "Depreciation and amortisation expense" in the consolidated income statement.

*Impairment losses-*

The consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Net impairment losses on non-current assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment for own use.

**d) Property, plant and equipment-**

Property, plant and equipment include the assets that the Group has for its current or future use in producing or supplying goods and services or for administrative purposes and which are expected to be used for more than one financial year. Property, plant and equipment are stated on the consolidated statement of financial position at their acquisition or production cost, adjusted or revalued, whenever applicable, in accordance with applicable legal provisions, or at their "fair value" as determined by independent experts on the date of transition to "IFRS-EU" (*1 January 2006*), which amount is recorded as an attributed cost, less accumulated depreciation and any impairment losses.

The cost of extensions, modernisations or improvements that increase the productivity, capacity or efficiency or prolong the useful life of an asset are capitalised as an increase in the cost of said asset.

Borrowing costs directly attributable to building or developing property, plant and equipment that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready to become operational. In cases where financing has been received specifically for building said assets, the amount of the interest and other financial expense capitalised reflects the actual costs incurred during the period, less income earned from temporarily reinvesting the financing that has not yet been invested in the qualifying assets. Where the financing

received is of a general nature, the amount of interest capitalised is calculated using a rate based on the weighted average of the interest costs applicable to the average unrepaid financing in the year excluding financing for specific purposes. However, the capitalisation of interest is suspended during the periods when the construction work is at a standstill, provided that such periods are not particularly long. In 2016 and 2015, the Group has not capitalised any financial expense as an increase in the carrying amount of "Property, plant and equipment".

Upkeep and maintenance expenses for property, plant and equipment for own use are expensed in the year they are incurred.

The Group transfers PP&E under construction to PP&E used in operations when the assets in question become operational, from which time depreciation is charged.

Property, plant and equipment used in operations are depreciated on a straight-line basis, based on the acquisition or production cost of the assets or their restated value, less their residual value. The land on which buildings and other constructions are located is deemed to have an indefinite lifespan and is therefore not subject to depreciation. Annual depreciation charges on property, plant and equipment are charged to "Depreciation and amortisation expense" in the consolidated income statement over the average estimated useful life of the assets, as indicated below:

Type of Asset	Years of Estimated Useful Life
<b>Buildings and other constructions</b>	20 to 50
<b>Plant and machinery-</b>	
Machinery	5 to 12.5
Plant	6 to 25
<b>Other plant, tools and furniture-</b>	
Tools, dies and moulds	2 to 6
Office furniture and equipment	5 to 10
<b>Other property, plant and equipment-</b>	
Transport equipment	5 to 10
Computer hardware	4 to 5

Reviews are made at regular intervals of the estimated useful life of property, plant and equipment for own use in order to identify any significant changes therein. If any such changes are identified, the relevant adjustment is made to the depreciation charged to the consolidated income statements in future years based on the new useful lives.

At the end of each reporting period, the consolidated companies test for any internal or external signs that the recoverable amount of their property, plant and equipment is less than the carrying amount. If so, the carrying amount is reduced to the recoverable value and the future charges for depreciation are adjusted in proportion to their adjusted carrying amount and their new remaining useful life if it was also necessary to re-estimate this. Any such reduction in the carrying amount of property, plant and equipment for own use is charged to "Net impairment losses on non-current assets" in the consolidated income statement.

Similarly, whenever there are signs that the value of an impaired tangible asset has recovered, the consolidated companies reverse impairment losses recognised in prior years, crediting "Net impairment losses on non-current assets" in the consolidated income statement and adjusting future depreciation charges accordingly. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset.

**e) Investment property-**

Investment property comprises land, buildings or other constructions held to earn rents or for capital appreciation upon disposal due to future increases in their respective market prices. At 31 December 2016, this included a factory (*land and buildings*) in Almussafes (Valencia), to be operated under a lease, and other properties.

The same methods of valuation, depreciation, and for estimating their respective useful lives and for recording any impairment losses are used as for property, plant and equipment for own use.

**f) Accounting for Leasing operations-**

Leases are classified as "finance leases" whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as "operating leases".

*Finance Leases-*

During 2016 and 2015 the Group has not signed any lease agreement as a lessor which might be classified as a finance lease.

In finance lease transactions where the Group acts as lessee, the cost of the leased assets is recognised in the consolidated statement of financial position according to the nature of the leased assets and, simultaneously, a liability for the same amount is also recognised. That amount will be the lower of the fair value of the leased assets and the present value at the start of the lease of the minimum payments agreed, including the purchase option if there are no reasonable doubts as to its exercise. This calculation will not include contingent payments, the cost of services and the taxes payable by the lessor. The total financial cost of the contract is taken to the consolidated income statement in the years it accrues, applying the "effective interest rate method" (as defined in paragraph j) below). Contingent rentals are recognised as expenses in the year incurred.

Assets recorded for operations of this type are depreciated following a similar policy to that applied to property, plant and equipment as a whole, in accordance with the nature of the asset.

*Operating Leases-*

In operating leases, the lessor retains ownership of the asset leased and substantially all the risks and benefits of ownership of the asset.

Whenever the Group acts as lessor, the cost of acquiring the assets leased is stated in "Investment property". Depreciation is charged on these assets in accordance with the policies adopted for similar PP&E items for own use, and the revenues from the lease contracts are released to the consolidated income statement on a straight-line basis.

Whenever the Group acts as lessee, the lease expenses, including any incentives that may be granted by the lessor, are charged to the consolidated income statement on a straight-line basis.

**g) Non-current assets held for sale-**

Assets which are highly likely to be sold, in their present condition, within one year from the end of the reporting period are recorded under this heading in the consolidated statement of financial position. The carrying amount of these assets is, therefore, expected to be recovered via their selling price rather than from their ongoing use. Assets classified as "Non-current assets held for sale" are stated at the lower of their carrying amount when they are classified as such and their fair value net of their estimated cost to sell. Amortisable intangible assets and depreciable PP&E are not amortised or depreciated while classified as held for sale.

In 2016 and 2015 the Group held land in Tangiers (Morocco) acquired in 2014 classified under “Non-current assets held for sale”. Based on assessments made by an independent expert and offers recently received, the fair value of this building is at least equal to its carrying amount. It is expected to be sold over the next twelve months.

#### **h) Inventories-**

The Group values its inventories as follows:

- Raw materials and other supplies, packaging and containers, replacement parts, sundry materials, add-on parts and stocks for resale are valued at the lower of cost applying the weighted average price method, and net realisable value.
- Finished goods, semi-finished goods and work-in-process are stated at the lower of real average production cost (raw and other materials used, labour and direct and indirect manufacturing expenses) and net realisable value.
- Tools for new projects, which are developed and manufactured by the Group to be sold later on to its customers, are stated at the lower of either the costs incurred to manufacture them, as and when they are incurred, and their estimated realisable value.

Net realisable value corresponds to the estimated selling price less the estimated costs of completing the products and the costs to be incurred in marketing, selling and distribution.

Obsolete, defective or slow-moving inventories have been reduced to their realisable value. The Group recognises the appropriate valuation adjustments as an expense when the net realisable value of inventory is lower than its acquisition or production cost.

#### **i) Trade receivables and customer advances-**

Trade receivables do not accrue interest and are carried at their nominal amount. However, a provision is set up for impairment losses on trade receivables when there is objective evidence that the amounts receivable cannot be collected.

Customer advances received prior to recognising the sale of the corresponding assets (*specifically tools for projects*), are recorded in current liabilities under “Trade and other payables” in the consolidated statement of financial position (see Note 3-r).

#### **j) Financial Instruments-**

##### *Definitions-*

A “*financial instrument*” is a contract representing a financial asset for one entity and, simultaneously, a financial liability or equity instrument for another.

An “*equity instrument*” is any contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A “*financial derivative*” is a financial instrument the value of which changes in response to changes in an observable market variable (*such as an interest rate, exchange rate, the price of a financial instrument or a market index*), where the initial investment is very low compared to other financial instruments with similar responses to changes in market conditions and which is, as a general rule, settled on a future date.

The operations referred to below are not treated for accounting purposes as financial instruments:

- Shareholdings in associates.
- Rights and obligations arising from employee benefit schemes.
- Rights and obligations originating in insurance contracts.
- Contracts and obligations relating to employee remuneration based on equity instruments.

*Recording financial instruments for the first time-*

Financial instruments are recorded for the first time in the consolidated statement of financial position when the Group becomes party to the contract that originates them, in accordance with the terms thereof. Specifically, debt instruments are recorded as from the date the effective legal right to receive or the effective legal obligation to pay arise, respectively. Financial derivatives are, as a general rule, recorded on the date they are contracted.

Operations to sell and buy financial assets in the form of conventional contracts, defined as contracts where the reciprocal obligations of the parties must be fulfilled by a deadline set under the regulations or conventions of the market, and may not be settled as differences, are recorded as from the date the benefits, risks, rights and duties of ownership pass to the acquiring party. Depending on the type of financial asset bought or sold, this may be the contract date or the settlement or delivery date.

*Derecognition of financial instruments-*

A financial asset is derecognised in the following circumstances:

- The contractual rights regarding the cash flows it generates have expired; or
- the financial asset is transferred and the risks and benefits of the financial asset are substantially transferred, or, even when they are not transferred or substantially withheld, control over the financial asset is transferred.

The Group assigns without recourse a portion of its receivables to various financial institutions. As this involves transferring part of the risks and benefits of the assets and control thereof, the Group directly reduces its trade receivables by the amount of the receivables assigned to the financial institutions and does not, therefore, recognise any financial liability in this connection. At 31 December 2016 and 2015 the Group had no outstanding receivables assigned without recourse to financial institutions.

Financial liabilities are derecognised from the consolidated statement of financial position when the obligations that have generated them have been discharged.

*Fair value of financial instruments-*

The "fair value" of a financial instrument on a particular date is defined as the amount at which it could have been exchanged at that date between knowledgeable parties in arm's length transactions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

When there is no market price for a specific financial instrument, fair value is estimated on the basis of recent arm's length transactions in similar instruments and, if there are none, using measurement models that have been sufficiently verified by the international financial community, bearing in mind the specific nature of the instrument to be valued and, in particular, the different types of risk associated with it.



Specifically, the fair value of the financial derivatives traded on organised, transparent, deep markets included in trading portfolios is deemed to be their daily listed price and if, for exceptional reasons, their listed price cannot be determined on a particular date, the methods used to state them are similar to those used for stating derivatives contracted OTC.

The fair value of OTC derivatives or derivatives traded in shallow markets or markets where there is little transparency, is deemed to be the sum of the future cash flows originating in the instrument, discounted as at the valuation date ("*present value*" or "*theoretical closing*"), using methods recognised by financial markets ("*net present value*", "*options pricing systems*", etc.).

For financial reporting purposes, measurements of fair value are classified under three levels according to the extent to which the inputs applied are observable and according to how significant said inputs are for the entire measurement:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in active markets for similar assets or liabilities (*not included within Level 1*), quoted prices for identical or similar assets or liabilities in markets that are not active, and techniques based on measurement models for which all the significant inputs that are derived from or corroborated by observable market data.
- Level 3 inputs are generally unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in measurement models are a significant part of the fair value of the assets and liabilities.

#### *Amortised cost of financial instruments-*

"*Amortised cost*" is deemed to be the cost of acquiring a financial asset or liability, adjusted up or down, depending on the case, for repayments of principal and interest payments and, adjusted up or down, depending on the case, for the part taken to the consolidated income statement, using the "*effective interest rate*" method, of the difference between the initial amount and the repayment value of said financial instrument. The amortised cost of financial instruments also includes any impairment adjustments recognised.

The "*effective interest rate*" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. For fixed-rate financial instruments, the effective interest rate coincides with the rate of interest established in the contract at the time of acquisition, adjusted as necessary for any commissions or fees which should be included in the calculation of this effective interest rate. For floating interest rate financial instruments, the effective interest rate is estimated in a similar fashion as for fixed interest rate operations, and is recalculated on every contractual interest rate adjustment date of the operation, taking into account the changes in the effective future cash flows of the instruments.

#### *Classification and valuation of financial assets and liabilities-*

Financial liabilities are classified in the consolidated statement of financial position into the following categories:

##### *Financial assets-*

- Financial assets held for trading: assets acquired with the intention of selling them in the short term, or which form part of a portfolio of identified and jointly managed financial instruments for which there is evidence that action has recently been taken to make short-term profits, and derivatives that have not been designated as hedges.

- Investments held to maturity: assets yielding income of a determinable amount and maturing on a fixed date, where the Company states its intent and ability to maintain these assets under its control until their maturity. This category does not include loans or receivables from third parties.
- Loans and receivables generated by the Group: financial assets originated by the Group in exchange for providing cash flow, assets or services directly to a debtor. They are stated at "amortised cost".
- Available-for-sale financial assets: securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments, and equity instruments held by the Group in companies that are not subsidiary or associate companies or joint ventures.

Held-for-trading and available-for-sale financial assets are stated at fair value at subsequent statement dates. Gains and losses arising from changes in fair value of traded securities are taken to income in the year. In the case of available-for-sale investments, gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time any cumulative gains or losses previously recognised in equity are taken to income in the year.

Held-to-maturity investments, loans and accounts receivable generated by the Group are stated at amortised cost, and accrued interest income is taken to the consolidated income statement using the "effective interest rate". Amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the amount on maturity, minus any reduction for impairment or default.

#### *Financial Liabilities-*

Financial liabilities are classified in accordance with the content of the contractual arrangements. The main financial liabilities held by the consolidated companies are held-to-maturity financial liabilities that are stated at amortised cost.

Bank loans and overdrafts: interest bearing liabilities that are stated at the amount received net of direct issue costs. Financial expenses, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method and any portion of such expenses that is not settled in the period in which they arise is added to the carrying amount of the instrument.

Trade payables, which accrue no interest, are recorded at their nominal value.

#### *Equity-*

Equity instruments are classified in accordance with the content of the contractual arrangements. The amounts received for equity instruments issued by the Parent are recognised in consolidated equity, net of the direct issue costs.

### **k) Financial derivatives and accounting for hedges-**

The Parent's bank borrowings expose the Group to interest-rate risk (see Note 17). To hedge against this exposure, the Group uses derivatives, essentially "Interest Rate Swaps" (IRS). The Group does not use derivative financial instruments for speculative purposes.

The Group classifies such financial instruments, provided they meet the requirements laid down by IAS 39 in this regard, as hedges in a cash flow hedge relationship. Under IAS 39, to qualify as an accounting hedge, a financial derivative must be used to hedge against one of the three types of risk listed below:

1. “*Fair-value hedges*”: exposure to changes in fair value of a recognised asset or liability due to changes in price, interest rate and/or foreign exchange rate affecting the position or balance to be covered.
2. “*Cash-flow hedges*”: exposure to variability in estimated cash flows generated from financial assets, liabilities and commitments or from highly probable forecast transactions.
3. “*Hedging of net investments in foreign operations*”.

In addition, hedges must effectively eliminate the risk inherent in the hedged item or position during the entire term planned for the hedge, and it must be formally documented that the financial derivative was arranged specifically to be used as a hedge for certain balances or transactions.

Under IAS 39, all financial instruments must be recognised as an asset or a liability on the statement of financial position, at their fair value, and any changes in this value must be taken to profit and loss for the year, except in those cases where, having opted for “hedge accounting”, the effective portion of the hedging relationship must be recorded under net equity (“*cash-flow hedges*” and “*hedges of net investment in foreign subsidiaries*”).

Hedge accounting, when applied, is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. Any cumulative gain or loss on the hedging instrument that has been recognised in equity shall remain in equity until the forecast transaction occurs. When the hedged transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in equity shall be reclassified from equity to the consolidated income statement.

As at 31 December 2016 and 2015, the Group treated said derivatives as cash flow hedges and therefore subject to “hedge accounting”, recognising changes in the fair value of the effective portion of the hedge in consolidated net equity (see Notes 13 and 18).

***l) Balances and transactions denominated in foreign currencies-***

The Group uses the euro as its working currency. Consequently, operations in non-euro currencies are considered to be denominated in foreign currency and are recorded at the exchange rates prevailing on the dates of the operations. Gains or losses on transactions denominated in foreign currencies are taken to the consolidated income statement as and when they occur.

At the year end, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rate prevailing at the end of the reporting period. Any resulting gains or losses are recognised directly in the consolidated income statement.

***m) Provisions and contingencies-***

Provisions are current obligations of the Group, arising as a result of past events, the nature of which is clearly specified as at the date of the consolidated annual financial statements, but whose amount and/or reversal date are uncertain and the reversal of which will probably result in an outflow of resources embodying economic benefits.

Contingent liabilities are possible obligations of the Group, arising as a result of past events, which depend on whether or not one or more events beyond the Group's control occur in the future. They include the Group's current obligations whose settlement will probably not require an outflow of resources embodying economic benefits, or where a sufficiently reliable estimate of the amount of the obligation cannot be made.

Provisions are recognised in the consolidated statement of financial position wherever it is more likely than not that an outflow of resources will be required to settle the obligation. Contingent liabilities are not recognised in the consolidated statement of financial position, but rather, whenever applicable, are disclosed in the Notes to the financial statements.

Provisions are measured using the best information available of the expenditures required to settle the obligation and are reviewed and adjusted at the end of each reporting period to reflect the current best estimate. They are used to meet the specific obligations for which they were originally recognised and are fully or partially reversed when those obligations cease to exist or are reduced.

The value of these provisions corresponds to the current value of the best estimate possible of the amount necessary to cancel or transfer the obligation, recording the adjustments made from updating said provisions as financial costs as they accrue. Specifically, the liabilities recorded under "Current provisions" in the consolidated statement of financial position at 31 December 2016 correspond to provisions made to cover losses which certain consolidated subsidiary companies acquired in 2015 are expected to incur to comply with contracts signed prior to the end of the reporting period and whose costs will exceed the expected returns generated. The provision was made when the liabilities in respect of the contracts arose for the affected companies. In most cases this was prior to their acquisition by the Group (see Note 16).

The provisions deemed necessary in accordance with these criteria, and the reversals thereof, are recorded as a charge or credit, respectively, in the consolidated income statement.

**n) Termination benefits-**

Under current employment legislation, the Group companies are obliged to pay termination benefits to employees whose contract is terminated under certain conditions.

Where the amount of the benefits can be reasonably estimated, such benefits are recognised as an expense in the year in which the decision is made, provided the parties involved have been formally notified and there is, therefore, a valid expectation on the part of those involved that the consolidated companies will make the dismissals. The accompanying consolidated statement of financial position at 31 December 2016 includes a number of provisions under this heading, albeit for amounts that are not material.

**o) Pension commitments-**

Some Grupo Antolin companies have assumed commitments to pay contributions to the retirement pensions of some of their current and former employees (*retirement plans based on years of service, age and salary*). These commitments affect, primarily, Group companies located in Germany, Austria, the United Kingdom and Mexico.

A significant portion of these commitments has been outsourced and is covered by insurance policies or pension plans with insurance companies. The Group pays fixed contributions into a fund and is obliged to make additional contributions if the fund does not have sufficient assets to pay all the employees the benefits to which it is committed.

The Group records the present value of these defined benefit commitments as liabilities in the consolidated statement of financial position under "Non-current provisions", net of the fair value of the assets that meet the requirements to be treated as "assets earmarked for the plan". The aforementioned insurance policies (*or pension plans*) are treated as earmarked assets as they are not owned by the Group but by an unassociated third party, they may only be used to pay or finance employee benefits and may not be returned to the Group unless the assets held within the plan are sufficient to meet all obligations.

Changes in the provision recognised for these commitments in the consolidated statement of financial position corresponding to the cost of the service in the financial year, to interest or changes in the cost for past services provided, are taken to the income statement in the financial year in which they are incurred. "Actuarial gains and losses" (*as a result of differences between previous actuarial assumptions and real outcomes or of changes to the actuarial assumptions used*) are taken directly to equity as "Remeasurements".

**p) Corporate income tax-**

Grupo Antolin-Irausa, S.A. and practically all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has direct or indirect holdings of 75% or more file consolidated corporation tax returns. Until 31 December 2014 the parent of the consolidated tax group was Grupo Antolin-Irausa, S.A. Since 1 January 2015 the parent of the consolidated tax group under which these companies file has been Avot Inversiones, S.L., the Group's indirect shareholder (see Notes 1, 13 and 20).

The income tax expense is calculated as the tax payable with respect to the taxable profit for the year, after considering any changes in the assets and liabilities recognised arising from temporary differences and from tax credit and tax loss carryforwards (see Note 20).

The Group considers that a timing difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base for assets and liabilities is treated as the amount attributed to it for tax purposes. A taxable timing difference is understood to be a difference that will generate a future obligation for the Group to pay taxes to the relevant tax authorities. A deductible timing difference is one that will generate a right for the Group to a refund or to make a lower payment to the relevant tax authorities in the future.

Tax credits and deductions and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in tax regulations are met, provided that the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within twelve months from the date they are recognised. Deferred tax assets and liabilities are those amounts that are expected to be recoverable from or payable to the relevant tax authorities in future years.

Deferred tax liabilities are recognised for all taxable temporary differences. In this regard, a deferred tax liability is recognised for the taxable timing differences resulting from investments in subsidiary companies and associate companies, and from holdings in joint ventures, except when the Group can control the reversal of the timing differences and they are not expected to be reversed in the foreseeable future.

The consolidated companies only recognise deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carryforwards to the extent that it is probable that they will have sufficient future taxable profits against which these assets can be utilised.

Deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability (*other than in a business combination*) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed each year in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

**q) Recognition of income and expense-**

Income and expenses are taken to the consolidated income statement on an accruals basis.

Revenue is measured at the fair value of the consideration received and represents the amounts received or receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other recoverable sales-related taxes. Where it is doubtful as to whether the revenues will be collected, recognition is deferred until they are effectively collected.

- ❖ Revenues on sales of assets are recognised when all the risks and rewards of ownership of the asset are substantially transferred to the buyer.
- ❖ Ordinary revenue from the provision of services is recognised in line with the stage of completion of the transaction as at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.
- ❖ Revenues on the sale of project tools. The Group records the income arising from the sale of these tools under "Other operating income-Revenues on the sale of project tools" in the consolidated statement of income, once the aforementioned tools have been technically approved by the customer and title thereto has been transferred, or when mass production of the products manufactured with these tools is well under way and, therefore, it is considered that the aforementioned technical approval has been given and no difficulties are expected in the transfer of title. Moreover, any final losses expected to be sustained on tools are recognised in full when such a loss becomes apparent, and the related provisions are recognised under this heading in the consolidated income statement.

Amounts billed in advance by the Group until title to these tools has been transferred are recorded as a liability under "Trade and other payables" in the consolidated statement of financial position.

- ❖ Rental income is recorded on an accrual basis, with incentive benefits and the up-front costs of the lease agreements released on a straight-line basis.
- ❖ Capital grants are recognised in the consolidated statement of financial position as deferred income when the Group has met the relevant qualifying conditions and there are, therefore, no reasonable doubts about their being collected. These capital grants are taken to the consolidated income statement under "Capital grants and other grants taken to income" on a straight-line basis over the useful lives of the assets.

Government grants to cover or finance expenses incurred by the Group are recognised once all the conditions attaching to them have been fulfilled and will be taken to income when the financed expenses are incurred.

- ❖ Interest income and expense is recognised on an accruals basis using the "effective interest rate method".
- ❖ Dividends received from other companies are recognised as income in the income statement when the consolidated companies' right to receive them arises.

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that the recognition of an expense takes place simultaneously with the recognition of the increase in the liability or the depletion of the asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

An expense is also recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

**r) Classification of assets and liabilities as current-**

In the consolidated statement of financial position, assets and liabilities that are expected to be recovered, consumed or settled in twelve months or less, as from the end of the reporting period, are classified as current, except for project tools, which are recorded as "Inventories" under "Current assets" in the consolidated statement of financial position, as they are expected to be realised in the normal course of the Group's business (*as part of its normal operating cycle*), and the liabilities connected with said inventories (*customer advances*) which are recognised under "Current liabilities" in the consolidated statement of financial position, regardless of when they fall due. When the Group does not have an unconditional right by the year end to defer settlement of a liability for at least twelve months as from the end of the reporting period, the liability is recorded as current.

**s) Set-off of balances-**

Balances receivable and payable are only set off against each other, and therefore stated as a net figure in the consolidated statement of financial position, when they arise from transactions that provide, either contractually or in accordance with prevailing legislation, for the possibility of set-off and the intention is to settle the balance for the net amount, or to realise the asset and pay the liability at the same time.

**t) Discontinued operations-**

A discontinued operation is a line of business that it has been decided to abandon and/or sell and whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Revenues and expenses from discontinued operations are disclosed separately in the consolidated income statement.

No line of business or business segment was discontinued in 2016 or 2015. At 31 December 2016 and 2015 the Group had not taken any decisions to sell or made any commitment to sell any business line or segment.

**u) Consolidated statement of cash flows-**

The consolidated statement of cash flows is prepared according to the indirect method using the following terms with the meanings given below:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to low risk of changes in value.
- Operating activities: the typical activities of companies in the motor parts industry and other activities that cannot be classified as investing or financing activities.
- Investment activities: the acquisition, sale or disposal by other means of non-current assets and other assets not classified as cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not part of operating activities.

For the purposes of preparing the consolidated statement of cash flows, cash and cash equivalents include cash and demand deposits at banks and highly liquid current investments which are easily convertible into determinate cash amounts and are subject to insignificant risk as regards changes in value.

#### (4) ALLOCATION OF THE PARENT'S PROFIT

The profit of the Parent for 2016, as formulated by its Directors, will be allocated as presented below, together with the allocation of profit for the financial year to 31 December 2015 which was approved on 23 May 2016 by the General Meeting of Shareholders:

	Thousands of Euros	
	2016	2015
<b>Distributable profit:</b>		
Profit for the year	<b>72,726</b>	<b>22,704</b>
<b>Distribution to:</b>		
Capitalisation reserve	2,000	1,800
Voluntary reserves	54,726	4,904
To dividends	16,000	16,000
	<b>72,726</b>	<b>22,704</b>

#### (5) BUSINESS COMBINATIONS

##### 2016

No business combinations were effected during 2016.

##### 2015

As indicated in Note 2-g, the acquisition by Grupo Antolin of the interior components business unit of the international Magna Automotive group came into effect on 31 August 2015 (*except for some companies where the operations came into effect for accounting purposes from 30 September 2015*), for a total cost of approximately 535 million euros (*initially estimated at approximately 540 million euros at 31 December 2015*). The operation was effected by means of the acquisition of businesses and/or production plants from the aforementioned business by various Grupo Antolin companies, some of which were newly incorporated in 2015, together with an investment in a joint venture (see Note 1). This operation formed part of the non-organic growth process set out in the Group's Strategic Plan.

Following a number of agreements reached in late December 2015, the Group has increased its investment in the share capital of Silesia Plastic, Sp. zo.o., a company engaged in plastics injection and vehicle interior coverings manufacturing, from 50% to 100%. The original 50% shareholding was recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position at 31 December 2014. The total cost of this business combination was 17,513 thousand euros (*initially estimated at approximately 17,328 thousand euros at 31 December 2015*), of which 10,185 thousand euros corresponds to the cost of increasing the Group's investment and the rest to the value of the investment previously held by the Group. As a consequence of this operation, from 31 December 2015 Silesia Plastic, Sp. zo.o. was incorporated in the Group's scope of consolidation.

The assets and liabilities recognised on the acquisition date (*1 September 2015 or 1 October 2015 for some companies in the case of the interior components businesses acquired from the Magna Automotive international group and 31 December 2015 in the case of the business acquired from Silesia Plastic Sp. zo.o.*) were stated at fair value as follows:



	Thousands of Euros	
	Interior Components Business Unit of the Magna Group	Business of Silesia Plastic, Sp. zo.o.
<b>ASSETS-</b>		
Non-current assets:		
Intangible assets (Note 7)	156,793	48
Property, plant and equipment (Note 8)	275,187	9,071
Non-current financial assets	2,526	-
Deferred tax assets	9,899	209
Current assets:		
Inventories	247,691	1,316
Trade and other receivables	409,799	3,336
Cash and cash equivalents	40,297	4,143
<b>Total assets</b>	<b>1,142,192</b>	<b>18,123</b>
<b>LIABILITIES-</b>		
Non-controlling interests (a)	(21,798)	-
Non-current liabilities:		
Non-current provisions (Note 16)	(56,848)	-
Amounts owed to credit institutions	-	(114)
Other non-current payables	(8,136)	-
Deferred tax liabilities	(48,095)	(4)
Current liabilities:		
Current provisions (Note 16)	(17,384)	-
Other financial liabilities	(97,715)	(46)
Trade and other payables, and others	(483,629)	(3,288)
<b>Total Liabilities</b>	<b>(733,605)</b>	<b>(3,452)</b>
<b>Net</b>	<b>408,587</b>	<b>14,671</b>

(a) Corresponds to the proportional part of the assets and liabilities attributable to the non-controlling interests in Changchun Antolin Automotive Interiors Co., Ltd. (40%), Changshu Antolin Automotive Interiors Co., Ltd. (40%) and Plastimat Hungary, Kft. (26%) (see Note 13).

The amounts recognised for the business combination of Silesia Plastic, Sp. zo.o. do not differ materially from the carrying amounts immediately prior to the operation determined in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). In the case of the business acquired from the international Magna Automotive group, the amounts differ mainly with regard to the measurement of certain intangible assets (*an amount of 138,205 thousand euros was recognised for "Customer relations"*), the recognition of provisions for contingent liabilities (*6,568 thousand euros*), the recognition of the corresponding deferred tax liabilities (*48,095 thousand euros*) and other non-material items.

As a result of the recognition of the aforementioned assets and liabilities, goodwill amounting to 125,171 thousand euros was recognised (*for the business acquired from the international Magna Automotive group*) and 2,658 thousand euros (*for the business acquired from Silesia Plastic, Sp. zo.o.*) under "Intangible assets-Goodwill" in the consolidated statement of financial position at 31 December 2015.

The initial recognition of some of these assets and liabilities was of a provisional nature. They were fully accounted for during 2016 once the negotiations on the final price of the business combinations had been completed (*and, in the case of the business acquired from Magna Automotive, some prices were reallocated between the different companies and plants*) and additional information and documentation had been acquired on, principally, certain items of property plant and equipment, deferred tax assets and liabilities and other contingent liabilities. Once the aforementioned additional information and documentation had been obtained, the provisional measurements used at 31 December 2015 for certain assets and liabilities of the business combination acquired from the Magna Automotive group were amended, resulting in adjustments to the initial measurements.

Nevertheless, the adjustments to these items during the measurement period (*which concluded in 2016*) had no material effect on the Group's consolidated financial statements. They involved, principally, reducing the amount initially recognised for certain provisions for contingent liabilities and deferred tax liabilities, leading to a reduction in the amount of goodwill recognised for this business of an almost identical amount (see Notes 7, 16 and 20).

Specifically, as a result of the final recognition of the aforementioned assets and liabilities, the final goodwill recognised these business combinations under "Intangible assets-Goodwill" in the consolidated statement of financial position totalled 105,011 and 2,842 thousand euros, in accordance with the following calculations performed during 2016:

Description	Thousands of Euros	
	Interior Components Business Unit of the Magna Group	Business Acquired from Silesia Plastic, Sp. zo.o.
Final cost of the business combination	530,471 (a)	17,513
Less final fair value of the assets acquired	(425,460)	(14,671)
<b>Goodwill</b>	<b>105,011</b>	<b>2,842</b>

(a) This amount does not include the purchase price of the 50% holding in CREA-Antolin Co., Ltd., a joint venture which was accounted for using the equity method in the consolidated annual financial statements for 2016 and 2015 (see Note 1).

The business of Silesia Plastic Sp. zo.o was incorporated for accounting purposes from 31 December 2015. As a fully consolidated company, therefore, no revenues and expenses were included in the consolidated income statement for the year ended 31 December 2015 (*50% of the company's income for 2015 was incorporated in the Group's taxable profits for the year in proportion to its shareholding in this company, recorded under "Profit of companies accounted for using the equity method" in the consolidated income statement*). This company's revenues in 2015 amounted to approximately 21,450 thousand euros and its income for the year was 2,014 thousand euros.

The revenues, expenses and results attributable to the new business combinations effected in 2015 and disclosed in the consolidated income statement for the years ended 31 December 2016 and 2015 are as follows (*in the case of the interior components businesses acquired from the Magna Automotive international group, the figures for 2015 correspond to the period from the dates on which the businesses or plants were acquired or incorporated in the scope of consolidation, i.e. 1 September or 1 October 2015, and 31 December 2015*).

Description	Thousands of Euros		
	Unit Acquired from Magna Automotive		Silesia Plastic, Sp. zo.o.
	2016	2015	2016
Net turnover-	2,355,329	813,302	17,666
Other operating income	27,221	13,766	206
Supplies	(1,586,941)	(546,308)	(9,131)
Staff costs	(384,896)	(148,802)	(3,436)
Depreciation and amortisation expenses (a)	(80,236)	(27,611)	(1,254)
Other operating expenses	(276,749)	(94,206)	(2,452)
Work performed by the group and capitalised	36,623	1,045	-
<b>Operating income</b>	<b>90,351</b>	<b>11,186</b>	<b>1,599</b>
Finance income and expense	(1,335)	(5,198)	23
Other gains / (losses)	8,174	150	(1)
<b>Profit before taxes</b>	<b>97,190</b>	<b>6,138</b>	<b>1,621</b>
Corporate income tax	(5,842)	(4,687)	(492)
<b>Profit for the year (b)</b>	<b>91,348</b>	<b>1,451</b>	<b>1,129</b>
<b>Profit for the year attributable to non-controlling interests</b>	<b>(6,833)</b>	<b>(976)</b>	<b>-</b>
<b>Profit attributable to the Parent</b>	<b>84,515</b>	<b>475</b>	<b>1,129</b>

(a) The balance under this heading includes an amortisation expense in respect of customer relations (28,132 and 8,950 thousand euros in 2016 and 2015, respectively).

(b) This result is presented once certain transactions between Group companies have been eliminated.

## (6) INFORMATION BY SEGMENT

The information by segments used by Group Management for management purposes is structured on the basis of the Group's different business units, and also by geographical segments.

Until 2015, based on the nature of the products, Grupo Antolin's main business units were "Seats", "Doors (or Panels)", "Overheads", "Lighting" and, from 1 September 2015, following the acquisition of the interior components businesses from the Magna Automotive International group, "Cockpits and Instrument Panels". Nevertheless, in general, Group companies are classified into business segments according to their main activity, although they may carry out occasional or secondary activities relating to another segment. Specifically, all the companies of the business acquired in 2015 are included in the "Cockpits and Instrument Panels" segment.

With effect from 1 January 2016, with the aim of speeding up and facilitating the integration and management of the interior components business acquired from the international Magna Automotive group, the Group decided to carry out a reorganisation of its business units, grouping its production plants in accordance with the specific product or activity, rather than in accordance with the main activity of the company to which each plant belongs. The new business unit or segment structure is more rational, better focused on the production and development of each type of product and will allow the operations of the businesses to be managed more efficiently. The main aspects of this reorganisation are:

- The "Cockpits and Instrument Panels" business unit has been renamed "Cockpits & Consoles", and covers the development and manufacture of these products in eight plants belonging to the interior components business acquired in 2015.
- The "Overheads" business unit has been renamed "Overheads and Soft Trim", and incorporates the production plants for overheads, trunk linings and other linings belonging to the business acquired in 2015.
- The "Doors" business unit has been renamed "Doors and Hard Trim", and incorporates 13 production plants originally belonging to the business acquired in 2015.
- The "Seating" business unit has been renamed "Seats and Metal", and incorporates certain production plants for metal products originally belonging to other business units.
- The name of the "Lighting" business unit is unchanged, and it includes one of the plants acquired in 2015.

There is also a "Corporate Unit" (*included under "Other"*) which centrally manages certain assets and the funding received by the Group from third parties, and other minor activities.

The geographical segments defined by the group are: "Asia-Pacific", "Europe", "Mercosur", "Nafta" and "Other".

### **Basis and methodology for segment reporting-**

The business segment reports below are based on monthly reports prepared by Group Management, which are generated using the same computer application as is used to obtain all the Group's accounting data.

The revenues reported for each segment are those which are directly attributable to the production plants included in that segment for management purposes and therefore also include secondary revenues recognised by said plants in respect of sales for the provision of services to other segments. The income of each segment does not include interest or dividend income or the gains on sales of investments or of non-current assets. The expenses of each segment are calculated as being the expenses arising out of the operating activities of the segment that may be directly attributed to the plants included in that segment for management purposes, and include the overheads of the Corporate Unit that have been passed on to it and invoiced to each segment. The expenses of each segment do not include interest expense, impairments or losses on sales of investments or of non-current assets.

Assets and liabilities in the segments are those that are directly connected with the operations of the plants in each segment, although virtually all the financial debt of the Group has been centralised in the Corporate Unit.

As disclosed above, a reorganisation of the Group's units and business segments was carried out, with effect from 1 January 2016. To help in the understanding and interpretation of the Group's activities, therefore, the segment information reported for the financial year ended 31 December 2015 for comparative purposes in these Notes to the consolidated financial statements has been amended to bring it in line with the new business segment definitions and structure. For this reason, the aforementioned comparative information included in these consolidated financial statements does not match the segment information reported in the consolidated financial statements for the year ended 31 December 2015 which were approved by the General Meeting of Shareholders of the Parent.

## 2016

### By business segment

Description	Thousands of Euros						Total
	Seats and Metal	Doors	Overheads	Lighting	Cockpits & Consoles	Other (a)	
Net turnover-	331,871	1,461,456	2,084,181	272,367	1,095,683	1,760	5,247,318
Other operating (expenses) / income, net	(276,701)	(1,269,428)	(1,881,618)	(224,201)	(1,052,047)	(22,629)	(4,726,624)
<b>EBITDA</b>	<b>55,170</b>	<b>192,028</b>	<b>202,563</b>	<b>48,166</b>	<b>43,636</b>	<b>(20,869)</b>	<b>520,694</b>
Depreciation and amortisation	(11,083)	(49,262)	(46,528)	(14,041)	(27,713)	(33,324)	(181,951)
<b>Operating income / (loss) (EBIT)</b>	<b>44,087</b>	<b>142,766</b>	<b>156,035</b>	<b>34,125</b>	<b>15,923</b>	<b>(54,193)</b>	<b>338,743</b>
Net finance income							(52,092)
Other profit and loss							(5,184)
Corporate income tax							(86,815)
<b>Consolidated profit</b>							<b>194,652</b>
<b>Other information:</b>							
Investments in intangible assets in 2016	9,641	12,413	26,201	9,198	19,548	14,003	91,004
Capital expenditures on property, plant and equipment in 2016	13,301	67,741	38,466	14,517	54,885	5,243	194,153
<b>Assets attributable to the segment at 31 December 2016</b>	<b>207,745</b>	<b>1,031,902</b>	<b>942,717</b>	<b>306,530</b>	<b>653,730</b>	<b>497,619</b>	<b>3,640,243</b>
<b>Liabilities attributable to the segment at 31 December 2016</b>	<b>(93,552)</b>	<b>(487,647)</b>	<b>(522,535)</b>	<b>(147,522)</b>	<b>(388,084)</b>	<b>(1,380,145)</b>	<b>(3,019,485)</b>

- (a) The operating income presented in this column corresponds principally to the amortisation of gains assigned to intangible assets and property plant and equipment in the business combinations of the "Lighting" and "Cockpits" business segments. The goodwill arising on these business combinations also forms part of the assets presented in this column.

### By geographical segment

Description	Thousands of Euros					Total
	Asia/Pacific	Europe	Mercosur	NAFTA	Other	
Net turnover-	408,114	3,040,282	62,776	1,712,097	24,049	5,247,318
Other operating (expenses) / income, net	(340,317)	(2,760,506)	(65,546)	(1,544,978)	(15,277)	(4,726,624)
Depreciation and amortisation	(18,543)	(120,597)	(3,060)	(38,035)	(1,716)	(181,951)
<b>Operating income / (loss) (EBIT)</b>	<b>49,254</b>	<b>159,179</b>	<b>(5,830)</b>	<b>129,084</b>	<b>7,056</b>	<b>338,743</b>
<b>EBITDA</b>	<b>67,797</b>	<b>279,776</b>	<b>(2,770)</b>	<b>167,119</b>	<b>8,772</b>	<b>520,694</b>
<b>Other information:</b>						
Investments in intangible assets in 2016	6,808	56,008	3,470	23,978	740	91,004
Capital expenditures on property, plant and equipment in 2016	14,399	90,967	3,518	84,538	731	194,153
<b>Assets attributable to the segment at 31 December 2016</b>	<b>462,820</b>	<b>2,256,570</b>	<b>51,170</b>	<b>834,349</b>	<b>35,334</b>	<b>3,640,243</b>
<b>Liabilities attributable to the segment at 31 December 2016</b>	<b>(219,786)</b>	<b>(2,380,906)</b>	<b>(24,617)</b>	<b>(386,394)</b>	<b>(7,782)</b>	<b>(3,019,485)</b>

2015

By business segment

Description	Thousands of Euros						Total
	Seats and Metal	Doors	Overheads	Lighting	Cockpits & Consoles	Other (a)	
Net turnover-	272,663	1,006,236	1,696,268	204,839	324,193	2,027	3,506,226
Other operating (expenses) / income, net	(230,847)	(878,984)	(1,514,707)	(171,439)	(327,615)	5,535	(3,118,057)
<b>EBITDA</b>	<b>41,816</b>	<b>127,252</b>	<b>181,561</b>	<b>33,400</b>	<b>(3,422)</b>	<b>7,562</b>	<b>388,169</b>
Depreciation and amortisation	(11,641)	(35,310)	(40,988)	(10,529)	(8,411)	(15,470)	(122,349)
<b>Operating income / (loss) (EBIT)</b>	<b>30,175</b>	<b>91,942</b>	<b>140,573</b>	<b>22,871</b>	<b>(11,833)</b>	<b>(7,908)</b>	<b>265,820</b>
Net finance income							(55,861)
Other profit and loss							9,793
Corporate income tax							(64,439)
<b>Consolidated profit</b>							<b>155,313</b>
<b>Other information:</b>							
Investments in intangible assets in 2015 (b)	4,341	57,908	50,712	28,621	18,428	93,558	253,568
Capital expenditures on property, plant and equipment in 2015 (b)	11,884	239,400	187,809	17,538	318,832	16,253	791,716
<b>Assets attributable to the segment at 31 December 2015</b>	<b>187,343</b>	<b>964,274</b>	<b>675,379</b>	<b>260,127</b>	<b>474,083</b>	<b>865,545</b>	<b>3,426,751</b>
<b>Liabilities attributable to the segment at 31 December 2015</b>	<b>(86,841)</b>	<b>(479,769)</b>	<b>(499,577)</b>	<b>(115,598)</b>	<b>(347,573)</b>	<b>(1,405,123)</b>	<b>(2,934,481)</b>

- (a) The operating income presented in this column corresponds principally to the amortisation of gains assigned to intangible assets and property plant and equipment in the business combinations of the "Lighting" and "Cockpits" business segments. The goodwill arising on these business combinations forms part of the assets presented in the "Other" column.

By geographical segment

Description	Thousands of Euros					Total
	Asia/Pacific	Europe	Mercosur	NAFTA	Other	
Net turnover-	245,002	2,004,485	59,548	1,173,108	24,083	3,506,226
Other operating (expenses) / income, net	(214,043)	(1,792,813)	(64,124)	(1,027,204)	(19,873)	(3,118,057)
Depreciation and amortisation	(9,794)	(85,841)	(2,987)	(21,953)	(1,774)	(122,349)
<b>Operating income / (loss) (EBIT)</b>	<b>21,165</b>	<b>125,831</b>	<b>(7,563)</b>	<b>123,951</b>	<b>2,436</b>	<b>265,820</b>
<b>EBITDA</b>	<b>30,959</b>	<b>211,672</b>	<b>(4,576)</b>	<b>145,904</b>	<b>4,210</b>	<b>388,169</b>
<b>Other information:</b>						
Investments in intangible assets in 2015 (b)	32,957	179,999	2,358	37,989	265	253,568
Capital expenditures on property, plant and equipment in 2015 (b)	59,395	481,443	1,372	248,510	996	791,716
<b>Assets attributable to the segment at 31 December 2015</b>	<b>405,765</b>	<b>2,193,036</b>	<b>30,791</b>	<b>763,199</b>	<b>33,960</b>	<b>3,426,751</b>
<b>Liabilities attributable to the segment at 31 December 2015</b>	<b>(195,270)</b>	<b>(2,283,856)</b>	<b>(7,799)</b>	<b>(440,002)</b>	<b>(7,554)</b>	<b>(2,934,481)</b>

- (b) These investments also include additions to the scope of consolidation as a result of business combinations.

## (7) INTANGIBLE ASSETS

### Goodwill-

The movements in "Goodwill" in 2015 and 2016 are as follows:

	Thousands of Euros
<b>Balances at 31 December 2014</b>	<b>53,368</b>
Additions:	
Goodwill of the interior components business unit acquired from the international Magna Automotive group	125,171
Goodwill of Silesia Plastic, Sp. zo.o.	2,658
Movement in goodwill of Grupo Antolin-Chakan, Ltd.	465
	128,294
Impairment	(1,500)
<b>Balances at 31 December 2015</b>	<b>180,162</b>
Additions:	
Movement in goodwill of Silesia Plastic, Sp. zo.o. and others	222
Retirements:	
Effect of change to the calculation of goodwill of the interior components business unit acquired from the international Magna Automotive group (Note 5)	(20,160)
Removal of Antolin-Burg Design, GmbH from the scope of consolidation (Note 2-g)	(3,658)
Impairment	-
<b>Balances at 31 December 2016</b>	<b>156,566</b>

The balance under this heading in the consolidated statement of financial position at 31 December 2015 corresponded mainly to the goodwill recognised for the "Lighting" business acquired from the "CML Innovative Technologies" group in January 2012 (*49,316 thousand euros*), the goodwill arising on the acquisition of Grupo Antolin-Chakan, Ltd. in 2014 (*1,067 thousand euros*), and the goodwill recognised for the business acquired from the international Magna Automotive group (*125,171 thousand euros*) and for the business acquired from Silesia Plastic, Sp. zo.o. (*2,658 thousand euros*) in 2015 (see Note 5). The remaining amount corresponds to small amounts of goodwill recognised by other consolidated subsidiaries.

The goodwill of the "Lighting" business unit, which was not subject to any movements in 2016, was assigned to three cash generating units: Germany and the Czech Republic (*15,959 thousand euros*), the United Kingdom (*1,907 thousand euros*) and the French subsidiary and its subsidiaries in other countries (*31,450 thousand euros*).

The goodwill for the interior components business acquired in 2015 from the international Magna Automotive group (*125,171 thousand euros*) was calculated on a provisional basis at the end of the 2015 reporting period. This amount was reviewed in 2016 following the conclusion of the negotiations on the final price of the business combinations, the reallocation of some prices between the acquired companies and plants, and the completion of the measurement of the assets and liabilities at fair value once additional information and documentation had been acquired. Following this review, the final amount of the goodwill recognised (*105,011 thousand euros*) was assigned to the following cash generating units:

Company	Thousands of Euros
Antolin Interiors UK, Ltd.	23,588
Antolin Interiors Mexico, S.A. de C.V.	26,629
Antolin Ebergassing, GmbH	29,882
Changchun Antolin Automotive Interiors Co., Ltd.	11,025
Changshu Antolin Automotive Interiors Co., Ltd.	9,352
Antolin Burg Design, GmbH	3,658
Antolin Trnava, s.r.o.	877
	<b>105,011</b>

The difference between the final amount of goodwill calculated and the provisional amount recognised had no impact on the income statement for the year ended 31 December 2016 or on the Group's net equity, as it was due to a reduction in the acquisition price for the business, the final measurement of certain assets and liabilities (*principally, following a review of certain provisions and deferred tax liabilities*) and to the redistribution of the acquisition price between different cash generating units.

As disclosed in Note 2-g, in 2016 the goodwill recorded for Antolin-Burg Design, GmbH (*3,658 thousand euros*), was derecognised as the Group sold said company.

In summary, the balance under this heading in the consolidated statement of financial position at 31 December 2016 correspond to the following cash generating units:

Cash Generating Unit	Thousands of Euros
"Lighting" Business Unit:	
Business in Germany and in Czech Republic	15,959
Business in United Kingdom	1,907
Business in France and its subsidiaries in other countries	31,450
Grupo Antolin-Chakan, Ltd.	1,103
Silesia Plastic, Sp. zo.o	2,842
Antolin Interiors UK, Ltd.	23,588
Antolin Interiors Mexico, S.A. de C.V.	26,629
Antolin Ebergassing, GmbH	29,882
Changchun Antolin Automotive Interiors Co., Ltd.	11,025
Changshu Antolin Automotive Interiors Co., Ltd.	9,325
Antolin Trnava, s.r.o.	877
Other entities or cash generating units	1,979
	<b>156,566</b>

#### *Impairment tests-*

At the end of each reporting period, the Group makes an estimate of whether there has been any impairment that reduces the recoverable value of goodwill to less than its carrying amount and makes any adjustments necessary. The policies applied by the Group to test for impairment to goodwill are described in Note 3-b.

The Group carried out the corresponding review at 31 December 2016 and found that the recoverable amount of goodwill is higher than its carrying amount (*corresponding almost entirely to consolidated subsidiaries which currently generate profits or are expected to do so in the future*). To determine the recoverable amount, the Parent's Directors reviewed and updated the assumptions relating to the future activities and forecast results of the corresponding consolidated subsidiaries acquired and their impact on cash flows, taking into consideration the performance of the main variables in the first months of 2017 and any variances from the estimates made at the start of 2016.

The recoverable amount of the cash generating units associated with the goodwill recognised was revised taking their value in use based on best estimates of cash flows for the next five years (*reviewed and updated by the Group's Directors and approved by the Parent's Board of Directors in March 2016*) with a terminal value estimated assuming a growth rate in perpetuity.

The discount rate before tax used for the purposes of this impairment test varies from country to country from 8% to 13%, approximately. The terminal value is calculated assuming sustainable average cash flows and a forecast growth rate of zero.

The Group's Directors have also performed a sensitivity analysis estimating that even if the expected sales growth is not achieved (*and current levels are maintained*) and/or the discount rates increase there is no expected risk of impairment, except in the case of the goodwill assigned to the companies of the "Lighting" business unit in the United Kingdom and in Germany, both cases where the impairment would not be material.

### Other intangible assets-

The movements under this heading and the related accumulated amortisation and impairment losses in the years to 31 December 2015 and 2016 were as follows:

	Thousands of Euros			
	Development Expenses	Computer Software	Other Intangible Assets	Total
<b>Cost:</b>				
<b>Balances at 31 December 2014</b>	<b>482,672</b>	<b>46,151</b>	<b>12,364</b>	<b>541,187</b>
Additions	48,180	3,625	-	51,805
Investments incorporated in the scope of consolidation (Note 5)	6,831	17,530	177,402	201,763
Retirements or disposals	(12,620)	(607)	(17,408)	(30,635)
Transfers from "Property, plant and equipment" (Note 8)	328	107	-	435
Exchange differences and other items	1,573	868	(119)	2,322
<b>Balances at 31 December 2015</b>	<b>526,964</b>	<b>67,674</b>	<b>172,239</b>	<b>766,877</b>
Additions	87,302	3,553	149	91,004
Exclusions from the scope of consolidation (Notes 1 and 2-g)	-	(488)	(180)	(668)
Retirements or disposals	(44,330)	(6,441)	(4,873)	(55,644)
Transfers from "Inventories" and other accounts	14,622	-	-	14,622
Exchange differences and other items	(7,115)	(170)	(958)	(8,243)
<b>Balances at 31 December 2016</b>	<b>577,443</b>	<b>64,128</b>	<b>166,377</b>	<b>807,948</b>
<b>Accumulated amortisation:</b>				
<b>Balances at 31 December 2014</b>	<b>(303,486)</b>	<b>(39,185)</b>	<b>(9,426)</b>	<b>(352,097)</b>
Amortisation	(31,476)	(3,070)	(10,447)	(44,993)
Investments incorporated in the scope of consolidation (Note 5)	-	(6,421)	(38,501)	(44,922)
Retirements or disposals	12,338	558	17,388	30,284
Exchange differences and other items	1,205	(9,216)	(176)	(8,187)
<b>Balances at 31 December 2015</b>	<b>(321,419)</b>	<b>(57,334)</b>	<b>(41,162)</b>	<b>(419,915)</b>
Amortisation	(33,924)	(3,903)	(29,421)	(67,248)
Exclusions from the scope of consolidation (Notes 1 and 2-g)	-	473	21	494
Retirements or disposals	32,307	6,023	4,873	43,203
Exchange differences and other items	3,609	163	927	4,699
<b>Balances at 31 December 2016</b>	<b>(319,427)</b>	<b>(54,578)</b>	<b>(64,762)</b>	<b>(438,767)</b>
<b>Impairment:</b>				
<b>Balances at 31 December 2014</b>	<b>(27,982)</b>	-	-	<b>(27,982)</b>
(Impairments) taken to income and reversals thereof, net	(1,814)	-	-	(1,814)
Investments incorporated in the scope of consolidation (Note 5)	-	-	-	-
Transfers to "Property, plant and equipment" (Note 8)	1,994	-	-	1,994
Exchange differences and other items	1,767	-	-	1,767
<b>Balances at 31 December 2015</b>	<b>(26,035)</b>	-	-	<b>(26,035)</b>
(Impairments) taken to income and reversals thereof, net	(10,549)	-	-	(10,549)
Retirements or disposals	9,349	-	-	9,349
Exchange differences and other items	(1,380)	-	-	(1,380)
<b>Balances at 31 December 2016</b>	<b>(28,615)</b>	-	-	<b>(28,615)</b>
<b>Net intangible assets at 31 December 2015</b>	<b>179,510</b>	<b>10,340</b>	<b>131,077</b>	<b>320,927</b>
<b>Net intangible assets at 31 December 2016</b>	<b>229,401</b>	<b>9,550</b>	<b>101,615</b>	<b>340,566</b>



#### *Development expenses-*

Capitalised development expenses at 31 December 2016 correspond to a range of projects relating to overheads, trays, panels, seating and automobile mechanisms. A portion of the capitalised development expenses (*approximately 122 million euros*) corresponds to projects in progress at 31 December 2016 (*approximately 120 million euros at 31 December 2015*), and, accordingly, the related expenses will not start to be amortised until the projects have been completed. The Directors of the Parent forecast that during 2017 and 2018 most of the development projects under way at 31 December 2016 will be completed, at which time the corresponding products will go into mass production.

The main additions to development expenses in 2016 correspond to the following projects: "Headliner NA18", "Panel VW 416", "Headliner VW 416-B SUV NA17", "Seat PSA K9", "Panel BMW G32 EU17 y G1X EU18", "Instrument Panel Chevrolet CIUL" and "Instrument Panel BMW G29 EU18 y J29 EU19". Mass production for some of these projects began in 2016.

Development costs derecognised in 2016 correspond principally to the development of certain projects which were almost fully amortised and to the billing to third parties of certain development costs. The Group recognised a net loss of 236 thousand euros as a result of these operations, which was taken to income under "Gain/(Loss) on disposal of non-current assets" in the accompanying consolidated income statement (*losses of 230 thousand euros were taken to income in 2015 following the derecognition of the development costs of certain projects which were almost fully amortised*).

#### *Impairment losses-*

At the end of every reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. Should any such signs of impairment exist, the recoverable amount of these assets is quantified in order to determine any impairment loss suffered. The recoverable amount of the cash generating unit associated with these intangible assets was revised taking their value in use based on best estimates of cash flows over the life of the corresponding project. The discount rate before tax used for the purposes of these impairment tests is around 8% and 10%.

Accordingly, at 31 December 2016, the Group had recorded provisions for impairments totalling 28,615 thousand euros (*26,035 thousand at 31 December 2015*), corresponding to a decrease in the value of the capitalised development expenses of certain seating, panelling and overhead projects which are currently loss-making, and for which the recoverable value is lower than their carrying amount. Approximately 10.5 million euros of this amount was recognised under "Net impairment losses on non-current assets" in the accompanying consolidated income statement for 2016 (*approximately 1.8 million euros in 2015*). Virtually no impairment provisions were reversed against this heading in the consolidated income statement for the years ended 31 December 2016 and 2015.

#### *Other intangible assets-*

At 31 December 2016 this item corresponded almost entirely to customer relations recognised for the "Lighting" business unit in 2012 and for the business acquired from the Italian company CRS, which will be amortised over 7 and 5 years, respectively, and customer relations recognised in 2015 in the business combinations of the interior components business unit of the international Magna Automotive group, which will be amortised over periods from 2 to 7 years.

#### *Fully amortised assets-*

The Group's intangible assets include certain assets which had been fully amortised at 31 December 2016 and 2015. The total cost and related accumulated amortisation of these assets amounted to approximately 311 and 248 million euros, respectively.

## (8) PROPERTY, PLANT AND EQUIPMENT

The movements in the years to 31 December 2015 and 2016 in property, plant and equipment and in the related accumulated depreciation and impairment losses were as follows:

	Thousands of Euros			
	Land and Buildings	Technical Plant, Machinery and Other PP&E	PP&E under Construction and Prepayments	Total
<b>Cost:</b>				
<b>Balances at 31 December 2014</b>	<b>240,293</b>	<b>858,892</b>	<b>30,076</b>	<b>1,129,261</b>
Additions	12,426	73,783	32,928	119,137
Investments incorporated in the scope of consolidation (Note 5)	69,254	497,399	105,926	672,579
Retirements or disposals	(5,166)	(16,414)	-	(21,580)
Transfers between accounts	750	27,840	(28,590)	-
Transfers to "Intangible assets" (Note 7)	-	-	(435)	(435)
Transfers to "Inventories"	-	-	(8,076)	(8,076)
Exchange differences and other items	(1,498)	2,533	356	1,391
<b>Balances at 31 December 2015</b>	<b>316,059</b>	<b>1,444,033</b>	<b>132,185</b>	<b>1,892,277</b>
Additions	10,017	93,138	90,998	194,153
Exclusions from the scope of consolidation (Notes 1 and 2-g)	(6,220)	(8,304)	(10)	(14,534)
Retirements or disposals	(2,444)	(30,331)	(542)	(33,317)
Transfers between accounts	926	114,441	(115,367)	-
Exchange differences and other items	1,636	(13,299)	(1,254)	(12,917)
<b>Balances at 31 December 2016</b>	<b>319,974</b>	<b>1,599,678</b>	<b>106,010</b>	<b>2,025,662</b>
<b>Accumulated amortisation:</b>				
<b>Balances at 31 December 2014</b>	<b>(71,528)</b>	<b>(620,469)</b>	<b>-</b>	<b>(691,997)</b>
Amortisation	(7,860)	(69,438)	-	(77,298)
Investments incorporated in the scope of consolidation (Note 5)	(30,280)	(351,504)	-	(381,784)
Retirements or disposals	212	13,730	-	13,942
Exchange differences and other items	270	(1,544)	-	(1,274)
<b>Balances at 31 December 2015</b>	<b>(109,186)</b>	<b>(1,029,225)</b>	<b>-</b>	<b>(1,138,411)</b>
Amortisation	(10,911)	(103,733)	-	(114,644)
Exclusions from the scope of consolidation (Notes 1 and 2-g)	3,561	6,348	-	9,909
Retirements or disposals	601	27,310	-	27,911
Transfers between accounts	10,936	(10,936)	-	-
Exchange differences and other items	785	11,198	-	11,983
<b>Balances at 31 December 2016</b>	<b>(104,214)</b>	<b>(1,099,038)</b>	<b>-</b>	<b>(1,203,252)</b>
<b>Impairment:</b>				
<b>Balances at 31 December 2014</b>	<b>(1,355)</b>	<b>(4,536)</b>	<b>-</b>	<b>(5,891)</b>
(Provisions) reversals taken to income	(881)	(756)	-	(1,637)
Investments incorporated in the scope of consolidation (Note 5)	-	(6,537)	-	(6,537)
Retirements or disposals	-	1,135	-	1,135
Transfers from "Intangible assets" (Note 7)	-	(1,994)	-	(1,994)
Exchange differences	-	661	-	661
<b>Balances at 31 December 2015</b>	<b>(2,236)</b>	<b>(12,027)</b>	<b>-</b>	<b>(14,263)</b>
(Provisions) reversals taken to income	-	(13)	-	(13)
Exchange differences	-	254	-	254
<b>Balances at 31 December 2016</b>	<b>(2,236)</b>	<b>(11,786)</b>	<b>-</b>	<b>(14,022)</b>
<b>Net PPE at 31 December 2015</b>	<b>204,637</b>	<b>402,781</b>	<b>132,185</b>	<b>739,603</b>
<b>Net PPE at 31 December 2016</b>	<b>213,524</b>	<b>488,854</b>	<b>106,010</b>	<b>808,388</b>

### Additions and retirements in 2016 and 2015-

The main additions to the Group's property, plant and equipment in 2016 corresponded to investments to extend production facilities, some of which were still in progress at 31 December 2016. These include investments by Antolin Interiors USA, Inc. (USA), Antolin Liban, s.r.o. (Czech Republic), Grupo Antolin-Besaçon, S.A.S. and Antolin Interiors UK, Ltd. Investments in 2016 which are now in operation include those carried out by Grupo Antolin-Tlaxcala, S. de R.L. de C.V. (Mexico), Antolin Interiors México, S.A. de C.V. (Mexico) and Grupo Antolin-Kentucky, Inc. (USA).

The most significant retirements in 2016 correspond to those recognised by Antolin Interiors USA, Inc. (USA), Antolin Ebergassing, GmbH (Austria), Antolin Straubing, GmbH (Germany) and Antolin Trnava, s.r.o. (Slovakia) in respect of machinery and other items, most of which were fully depreciated and which were not in productive use. No material gains were generated.

Apart from the additions to property, plant and equipment following the acquisition of the interior components businesses from the Magna Automotive international group and the incorporation of the Polish company Silesia Plastic Sp. zo.o. in the scope of consolidation (see Note 5), the main additions to the Group's property, plant and equipment in 2015 corresponded to the acquisition of land and buildings for the factory in Burgos (Spain) where Grupo Antolin-Aragusa, S.A.U. operates (*5.5 million euros*) and investments to extend production facilities, some of which were still in progress at 31 December 2015. These include investments by Antolin-CIE Czech Republic, s.r.o. (Czech Republic), Grupo Antolin-Besançon, S.A.S., Grupo Antolin-Cambrai, S.A.S., Grupo Antolin-Loire, S.A.S. (France) and Antolin Shanghai Autoparts Co., Ltd. (China). Fully implemented investments in 2015 include those by Grupo Antolin-Valplas, S.A.U. (Spain), Grupo Antolin-Missouri, LLC, Grupo Antolin-Michigan, Inc. (USA), Grupo Antolin-Tlaxcala, S. de R.L. de C.V. (Mexico) and Grupo Antolin-India PVT, Ltd. (India).

The most significant retirements in the financial year to 31 December 2015 corresponded to those recognised by Grupo Antolin-Dapsa, S.A.U., Grupo Antolin-Aragusa, S.A.U. (Spain), Grupo Antolin-Besançon, S.A.S. (France) and Grupo Antolin-Turnov, s.r.o. (Czech Republic) in respect of machinery and other items which were fully depreciated and which were not in productive use, and the sale of a plot of land in Burgos. The retirement of these assets generated a net loss of 1,345 thousand euros.

#### Land-

The cost of "Land and constructions" at 31 December 2016 and 2015 includes 59,303 and 59,249 thousand euros, respectively, corresponding to the carrying amount of the land at those dates.

The Group's land holdings in the Iberian peninsular were stated at their fair value at the transition date to IFRS-EU (*1 January 2006*) in accordance with the stipulations of IFRS 1. The highest value attributed to said assets at 31 December 2016 was 25,877 thousand euros (*23,758 thousand euros corresponding to property, plant and equipment and the rest to investment properties*) and was determined on the basis of valuations performed by independent experts based on market prices or estimated discounted future cash flows.

#### Investment budget for 2017-

The Group's Directors plan to invest 270,797 thousand euros in property, plant and equipment in 2017, broken down as follows:

Business Segment	Thousands of Euros
Doors	93,763
Overheads	78,646
Seats and Metal (a)	25,716
Lighting	20,719
Cockpits and Consoles	51,953
	<b>270,797</b>

- (a) On February 6, 2017 the Group entered into an agreement for the sale of this business unit. Therefore, the performance by the Group of these budgeted investments is conditional upon the execution of the aforementioned transfer (see Note 26).

Investments are planned for many of the Group's plants, the most significant of which (*over 5 million euros*) correspond to the Tlaxcala plant (Mexico), linked to the acquisition of replacement machinery and plant by Grupo Antolin-Besançon, S.A.S. (France). With regard to the companies acquired in August 2015 (see Note 5), the Group plans to invest in plant and machinery in the Nashville and Spartanburg plants operated by

Antolin Interiors USA, Inc. (USA), Antolin Massen, GmbH and Antolin Straubing, GmbH (Germany), in Antolin Liban s.r.o. (Czech Republic), in the Toluca and Saltillo plants operated by Antolin Interiors México, S.A. de C.V. (Mexico), in Antolin Hungary, Kft (Hungary) and in Antolin Ebergassing, GmbH (Austria).

The Group is also planning to incorporate a number of companies in the USA and China, in which it expects to invest in property, plant and equipment amounting to approximately 49 and 18 million euros, respectively, which are included in the previous table.

### Assets located outside Spain-

The cost of the Group's property, plant and equipment located outside Spain and the corresponding accumulated depreciation and provisions for impairment at 31 December 2016 and 2015 are as follows:

Type of Asset	Thousands of Euros		
	Cost	Accumulated Depreciation and Impairment	Net
<b>As at 31 December 2015-</b>			
Land and buildings	213,425	(88,406)	125,019
Technical plant, machinery and other PP&E	1,139,983	(788,231)	351,752
Advances and fixed assets in progress	129,870	-	129,870
	<b>1,483,278</b>	<b>(876,637)</b>	<b>606,641</b>
<b>As at 31 December 2016-</b>			
Land and buildings	215,819	(82,060)	133,759
Technical plant, machinery and other PP&E	1,282,159	(849,467)	432,692
Advances and fixed assets in progress	102,868	-	102,868
	<b>1,600,846</b>	<b>(931,527)</b>	<b>669,319</b>

### Finance leases (leasing)-

Shown below is a breakdown of the leased assets recognised by the Company at 31 December 2016 and 2015 as Lessee under finance leases (valued in accordance with the criterion described in Note 3-f) with details of their key features and the corresponding finance leases signed (see Note 17):

At 31 December 2016

Description of Asset	Contract Term (Months)	Months Elapsed to 31/12/16	Thousands of Euros (excluding VAT and interest)			
			Original Cost	Lease Instalments Paid in Prior Years	Lease Instalments Paid in 2016	Lease Payments Outstanding Including Purchase Option
Buildings and facilities (a)	180	172	10,430	7,994	639	426
Buildings (c)	93	60	2,952	839	239	1,130
Machinery (d)	50	39	291	181	41	69
Machinery (b)	72	18	829	45	152	632
Machinery (b)	72	19	269	25	43	201
Machinery (b)	72	19	823	78	134	611
Machinery (b)	53	19	975	109	187	678
			<b>16,569</b>	<b>9,271</b>	<b>1,435</b>	<b>3,747</b>

At 31 December 2015

Description of Asset	Contract Term (Months)	Months Elapsed to 31/12/15	Thousands of Euros (excluding VAT and interest)			
			Original Cost	Lease Instalments Paid in Prior Years	Lease Instalments Paid in 2015	Lease Payments Outstanding Including Purchase Option
Buildings and facilities (a)	180	160	10,430	7,355	639	1,064
Buildings and facilities (b)	144	144	17,180	15,603	1,577	-
Buildings (c)	93	48	2,952	606	233	1,368
Machinery (d)	50	27	291	70	111	110
Machinery (b)	72	6	829	-	45	784
Machinery (b)	72	7	269	-	25	244
Machinery (b)	72	7	823	-	78	745
Machinery (b)	53	7	975	-	109	866
			<b>33,749</b>	<b>23,634</b>	<b>2,817</b>	<b>5,181</b>

- (a) These items relate to investments made in the production plant of the consolidated subsidiary Grupo Antolin-Cambrai, S.A.S. The Group received from Communauté d'Agglomération de Cambrai (France) a capital grant to partially fund these structures and facilities, which was used to reduce its borrowings. In 2009, the purchase option in the contracts relating to the machinery was taken up.
- (b) The machinery corresponds to investments made by the consolidated subsidiary Grupo Antolin-Turnov, s.r.o. in 2015. Buildings and facilities correspond to investments made in 2003 and 2004 in the construction of the production plant belonging to the aforementioned consolidated subsidiary, and an extension built in 2008. In 2016 a purchase option on these buildings and facilities was exercised.
- (c) These assets correspond to certain items of machinery and buildings incorporated by the Group at their carrying amount as a result of the acquisition by Grupo Antolin-Italia, S.r.l., of the business of the Italian CRS group in February 2012. These items were used under finance leases to which the Group was subrogated.
- (d) This machinery corresponds to an investment made by the subsidiary Intertrim, Ltda.

### Operating leases-

The consolidated companies lease buildings which house a part of their warehouses, production facilities and offices. The related contracts signed with the owners of these buildings provide that the rental periods will expire over the coming years, although they provide for the possibility of successive, tacit extensions.

The Group depreciates the property, plant and equipment installed in these buildings based on the shorter of the useful life of the assets or the estimated life of the project, as the Directors of the Parent do not foresee any difficulties in extending the terms of the corresponding lease contracts indefinitely.

The rental cost of said buildings for 2016 totalled 44 million euros, approximately (28 million euros, approximately, in 2015), recorded under "Other operating expenses" on the accompanying consolidated income statement.

The lease instalments payable to the lessors under the operating leases signed by the Group with third parties at 31 December 2016 and 2015 are as follows:

Period	Thousands of Euros	
	31/12/16	31/12/15
Not later than one year	41,077	39,511
One to five years	121,154	116,049
More than five years	48,492	45,385
	<b>210,723</b>	<b>200,945</b>

### Impairment Losses-

At the end of each reporting period, the Group tests for any internal or external signs that the recoverable amount of their property, plant and equipment is less than the carrying amount. If so, the carrying amount is reduced to the recoverable value and the future charges for depreciation are adjusted in proportion to their adjusted carrying amount and their new remaining useful life if it was also necessary to re-estimate this. Any such reduction in the carrying amount of property, plant and equipment for own use is charged to "Net impairment losses on non-current assets" in the consolidated income statement.

Similarly, whenever there are signs that the value of an impaired asset has recovered, the consolidated companies reverse impairment losses recognised in prior years. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset.

At 31 December 2016 the Group's consolidated companies tested for signs of any impairment to the recoverable amount of its property, plant and equipment, and quantified the recoverable amount where such signs were detected. Where the asset does not itself generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

An asset's recoverable amount is the higher of its fair value (*less sale costs*) and its value in use. In calculating value in use at 31 December 2016, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. These future cash flows are derived from the forecasts made by the Group for each cash generating unit for a period of five years (*using assumptions concerning changes in sale prices, costs and volumes based on experience and future expectations in accordance with the currently approved strategic plan and the budget for the coming year*), with a residual value calculated using a growth rate of zero.

Based on this analysis, at 31 December 2016 the Group recognised impairment losses to property, plant and equipment totalling 14,022 thousand euros (*almost all of which were recognised in previous financial years or prior to the business combination date carried out by the Group in 2015*). These losses corresponded mainly to assets at the plants in Chrástava (*owned by Grupo Antolin-Bohemia, a.s.*), Redditch (*owned by Antolin Interiors UK Ltd.*) and the plants owned by Trimtec, Ltda. and Grupo Antolin-Saint Petersburg, which are, or had been, generating losses and whose recoverable amount is less than their carrying amount (*at 31 December 2015 the Group had recognised an impairment of 14,263 thousand euros*).

### Fully depreciated property, plant and equipment-

The Group's property, plant and equipment include certain assets which had been fully depreciated at 31 December 2016 and 2015. The total cost and related accumulated depreciation of these assets amounted to approximately 657 and 598 million euros respectively.

### Insurance policy-

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The Parent's Directors consider that the policies taken out are adequate in view of the various locations of its property, plant and equipment.

## (9) NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

The balances on these headings in the consolidated statement of financial position at 31 December 2016 and 2015 are broken down below by type:

	Thousands of Euros			
	31/12/16		31/12/15	
	Non-Current	Current	Non-Current	Current
Non-current investment securities	581	-	978	-
Other financial assets	7,989	2,308	8,799	2,003
<b>Net total</b>	<b>8,570</b>	<b>2,308</b>	<b>9,777</b>	<b>2,003</b>

### Non-current investment securities-

The balances under this heading at 31 December 2016 and 2015 correspond to a number of shareholdings in unlisted companies which had been classified as "Available-for-sale financial assets". During 2016 a net amount of 147 thousand euros was derecognised from under this heading. In addition, during 2016 an impairment to an investment held by the Parent in one of these companies of 250 thousand euros was recognised under "Gain/(loss) on disposal of non-current assets" in the consolidated income statement for 2016.

Additions recorded under this heading in 2015 amounted to 152 thousand euros and no other additions, retirements or movements were recorded.

### Other financial assets-

The breakdown by type of these financial assets at 31 December 2016 and 2015 is as follows:

	Thousands of Euros			
	31/12/16		31/12/15	
	Non-Current	Current	Non-Current	Current
Other loans	5,735 (a)	1,047	6,825 (a)	801
Guarantee deposits and deposits given	2,254	1,261	1,974	1,202
	<b>7,989</b>	<b>2,308</b>	<b>8,799</b>	<b>2,003</b>

(a) The balances under this heading at 31 December 2016 and 2015 include 2,159 and 2,060 thousand euros, respectively, corresponding to the amount receivable against the loan granted in June 2014 by the Parent to an entity related to certain Directors of the Parent, which matures in 2018 and bears annual interest at a variable market rate (see Note 22).

## (10) INVENTORIES

The Group's inventories at 31 December 2016 and 2015 were as follows:

Description	Thousands of Euros	
	31/12/16	31/12/15
Raw materials and supplies	238,293	210,728
Other supplies	2,516	1,454
Merchandise	14,320	16,154
Work-in-process and semifinished goods	32,771	40,645
Project tools	473,203	344,919
Finished products	71,511	64,632
Byproducts, waste and recovered materials	1,376	1,981
Advances to suppliers	15,559	11,966
Impairment provisions	(24,168)	(17,973)
	<b>825,381</b>	<b>674,506</b>

### Project tools-

The balances of this item at 31 December 2016 and 2015 correspond to the costs incurred by the Group on the project tools being manufactured at said dates. As at 31 December 2016 and 2015, the Group had billed approximately 282 and 177 million euros respectively as advances, recorded as current liabilities under "Trade and other payables" caption in the accompanying consolidated statement of financial position.

The Directors of the Parent consider that the income in respect of the sale of practically all the project tools being manufactured at 31 December 2016 will be realised in 2017 with significant profits.

### Insurance policy-

The Group takes out insurance policies to cover the possible risks to which practically all its inventories are exposed. In the opinion of the Parent's Directors, the cover provided by the policies taken out at 31 December 2016 is sufficient.

## (11) OTHER RECEIVABLES

The composition of other receivables in the consolidated statement of financial position at 31 December 2016 and 2015 is as follows:

Description	Thousands of Euros	
	31/12/16	31/12/15
<b>Sundry receivables, staff and prepaid expenses</b>	<b>28,351</b>	<b>31,576</b>
<b>Taxes and Social Security-</b>		
Tax receivables (Note 20)-	56,655	61,411
Receivable from public authorities for grants awarded	644	-
Other receivables from public authorities	881	726
	<b>58,180</b>	<b>62,137</b>
	<b>86,531</b>	<b>93,713</b>

## (12) CASH AND BANK BALANCES

Cash and cash equivalents in the consolidated statement of financial position include the cash and current bank accounts of the Group and short-term bank deposits (*totalling 4,063 thousand euros at 31 December 2016 and 41,322 thousand euros at 31 December 2015*), generally maturing in January of the following year and accruing interest at an annual rate not higher than 0.1% (*around 0.35% at 31 December 2015*). The carrying amounts of these assets are the same as their fair value.



## (13) EQUITY

### Share capital-

The share capital of the Parent at 31 December 2016 and 2015 comprised 8,023,241 registered shares (3,114,603 "class A" shares, 3,074,733 "class B" shares and 1,833,905 "class C" shares), fully subscribed and paid in, each with a par value of 4.67 euros. The shareholder structure at these dates is as follows:

Shareholders	Percentage held
Grupo Antolin-Holdco, S.A.	67.38
Castilfalé Gestión, S.A.U.	32.62
	<b>100.00</b>

In early 2014 Castilfalé Gestión, S.A.U. and Grupo Antolin-Holdco, S.A. acquired 100% of the share capital of Grupo Antolin-Irausa, S.A. by purchase and non-monetary contribution. At 31 December 2016 and 2015, all the share capital of the Parent was held indirectly by Avot Inversiones, S.L. (*parent of the Company's two shareholders*), a company whose registered offices are in Burgos and whose owners are members of the Antolin family (see Note 1).

All the Grupo Antolin-Irausa, S.A. shares carry the same voting and dividend rights, although they are distinguished by their transfer regime.

At 31 December 2016 all the shares of the Parent were pledged as guarantee for the bonds issued in 2015 and 2014 by subsidiary company Grupo Antolin-Dutch, B.V., the "Senior Facilities Agreement" signed by the Parent with a number of financial institutions and the long-term loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) for the "RDI & CONVERGENCE" project (see Note 17).

### Additional paid-in capital-

The revised text of the Spanish Corporate Enterprise Act expressly allows the use of the additional paid-in capital balance to increase share capital and establishes no specific restrictions as to its use.

### Other reserves of the Parent-

This heading in the consolidated statement of financial position at 31 December 2016 and 2015 includes the following reserves:

#### Legal reserve-

The revised text of the Spanish Corporate Enterprise Act stipulates that 10% of the net profits of the year must be appropriated to the legal reserve until it attains at least 20% of share capital. At 31 December 2016 and 2015 the legal reserve amounted to 7,494 thousand euros (*equivalent to 20% of the Parent's share capital*).

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except for the aforesaid purpose, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

#### *Capitalisation reserve-*

The Parent's "Capitalisation reserve" at 31 December 2016 amounted to 1,800 thousand euros. This reserve was set up in compliance with Law 27/2014, of 27 November, on Corporate Income Tax and is restricted for five years from 31 December 2015. The amount matches that by which the final tax base applied was reduced for this item in the Spanish consolidated tax group's corporate income tax return for 2015.

#### *Other reserves-*

The balance under this heading at 31 December 2016 includes losses carried forward from previous financial years (41,241 thousand euros) and other unrestricted reserves of the Parent.

#### **Distribution of dividends-**

##### *Dividends distributed in 2016 and 2015-*

On 23 May 2016 the Ordinary General Meeting of Shareholders of the Parent agreed the distribution of a dividend against 2015 profits of 16,000 thousand euros. This dividend was paid to the Parent's shareholders in June 2016.

During 2015 the Parent distributed a dividend against 2014 profits of 3,984 thousand euros and a further dividend against unrestricted reserves of 2,016 thousand euros. These dividends, totalling 6,000 thousand euros, were paid to the Parent's shareholders in April 2015.

For all these dividends, the Parent complied with the limits imposed in the financing agreements in place at the distribution date.

##### *Restrictions on the distribution of dividends-*

As indicated in Note 17, on 21 March 2014 the Parent signed a "Senior Facility Agreement" with major Spanish and international financial institutions, under which the Group obtained financing by means of a 200 million euro syndicated loan ("*Loan Facility*"), extended by a further 200 million euros in June 2015, and a multi-currency Revolving Credit Facility with a 200 million euro limit. These financing agreements allow the distribution of dividends provided certain requirements are met. These include:

- *If the Group's debt-equity ratio is less than 3.50 but higher than 2.50, the dividends distributed may not exceed 25% of its consolidated net profit.*
- *If the Group's debt-equity ratio is less than 2.50, the dividends distributed may not exceed 50% of its consolidated net profit.*

At 31 December 2016 the Group's debt-equity ratio was lower than 2.50, and therefore it could distribute dividends up to an amount equivalent to 50% of its consolidated net profit.

#### **Capital management-**

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital to ensure a sound financial position. This policy enables value creation for shareholders to be compatible with access to financial markets at a competitive cost to cover the needs for refinancing debt and financing the investment plan not covered by the funds generated by the business.

In this regard, in line with standard practice in the business world and in the industry in which it operates, the Group uses the following ratios to analyse its situation:

- Financial leverage (*Net borrowing/net equity attributable to the Parent*): The Group's ratio at 31 December 2015 was 2.22. As at the end of 2016, it was 1.77.
- Debt-to-income (*Net borrowing/EBITDA*): The Group's ratio at 31 December 2015 was 2.15. As at the end of 2016, it was 1.89.
- Interest coverage (*EBITDA/Net Finance Income*): The Group's ratio at 31 December 2015 was 7.25. As at the end of 2016, it was 9.01.

As stated in Note 17, the Group has been granted loans by third parties, which requires that certain specific financial ratios be fulfilled.

**Contribution of the consolidated companies to the Group's reserves and exchange differences-**

Set out below is a breakdown by company, of the balances recorded under "Reserves of fully and proportionally consolidated companies", "Reserves of companies accounted for using the equity method" and "Exchange differences" in the accompanying consolidated statement of financial position at 31 December 2016 and 2015:

Company	Thousands of Euros			
	Reserves in Consolidated Companies		Exchange Differences	
	31/12/16	31/12/15	31/12/16	31/12/15
<b>Fully consolidated companies-</b>				
Grupo Antolin-Irausa, S.A. (a)	(137,211)	(82,034)	(10,629)	(5,528)
Grupo Antolin-Ara, S.A.U.	20,666	17,554	-	-
Grupo Antolin-Dapsa, S.A.U.	2,992	2,314	-	-
Grupo Antolin-Aragusa, S.A.U.	18,111	9,703	-	-
Grupo Antolin-Eurotrim, S.A.U.	10,781	6,998	-	-
Grupo Antolin-RyA, S.A.U.	20,992	18,215	-	-
Grupo Antolin-Autotrim, S.A.U.	43,869	37,870	-	-
Grupo Antolin-Ardasa, S.A.U.	23,932	19,591	-	-
Grupo Antolin-Martorell, S.A.U. (b)	(4,932)	(5,459)	-	-
Grupo Antolin-Plasbur, S.A.U.	42,065	36,893	-	-
Grupo Antolin-Lusitânia, S.A.	15,769	15,610	-	-
Grupo Antolin-Ingeniería, S.A.U.	29,444	29,083	(425)	(425)
Grupo Antolin-Amsterdam, B.V.	2,095	2,488	-	(386)
Grupo Antolin-Deutschland, GmbH	2,191	1,936	-	-
Grupo Antolin-Holland, B.V.	5,222	5,291	-	-
Grupo Antolin-Autoform, GmbH & Co. KG	(39,507)	(39,480)	(141)	(141)
Grupo Antolin-Bohemia, a.s. (b)	(17,919)	(19,533)	(2,549)	(2,551)
Grupo Antolin-North America, Inc.	3,193	3,936	2,298	1,444
Grupo Antolin-IGA, S.A.S. (b)	(54,833)	(56,824)	-	-
Grupo Antolin-France, S.A.S.	(49,319)	(46,345)	-	-
Grupo Antolin-Turnov, s.r.o.	67,195	55,912	174	41
Grupo Antolin-Kentucky, Inc.	55,205	45,534	8,504	6,400
Ototrim Panel Sanayi ve Ticaret, A.S.	33,672	28,439	(9,688)	(7,401)
Grupo Antolin-Silao, S.A. de C.V.	15,842	579	(17,150)	(12,070)
Trimtec, Ltda. (b)	(105,510)	(102,684)	(5,571)	(6,988)
Iramec Autopeças, Ltda.	9,609	9,861	487	(53)
Intertrim, Ltda.	(5,826)	(1,302)	(3,003)	(3,486)
Grupo Antolin-South Africa, Ltd.	(2,682)	(3,844)	(563)	(1,614)
Grupo Antolin-India PTV, Ltd. (b)	228	(1,595)	(2,183)	(2,389)
Grupo Antolin-Leamington, Ltd. (b)	(6,115)	(12,397)	(7,290)	5,144
Grupo Antolin-Logistik Deutschland, GmbH	28,589	23,054	-	-
Grupo Antolin-Vosges, S.A.S. (b)	(29,724)	(34,326)	-	-
Grupo Antolin-Glass, S.A.U.	1,281	1,132	-	-
Grupo Antolin-Navarra, S.A.U.	17,218	17,249	-	-
Grupo Antolin-Ingénierie Sièges, S.A.S.	3,247	2,606	-	-
Grupo Antolin-Loire, S.A.S. (b)	(36,663)	(33,906)	-	-
Grupo Antolin-Saint Petersburg	(37,183)	(37,992)	(2,899)	(7,552)
Antolin Tanger, S.A.R.L. (b)	(11,261)	(11,669)	467	280
Grupo Antolin-Magnesio, S.A.U.	4,812	1,382	-	-
Grupo Antolin-Cambrai, S.A.S. (b)	(36,760)	(24,455)	-	-
Grupo Antolin-Ostrava, s.r.o.	20,941	16,928	(1,411)	(1,416)
Grupo Antolin-Bratislava, s.r.o.	9,950	6,997	713	713
Grupo Antolin-Álava, S.A.U.	3,529	2,674	-	-
Grupo Antolin-PGA, S.A.U.	27,027	21,149	-	-
Grupo Antolin-Michigan, Inc.	52,938	36,292	6,702	5,555
Grupo Antolin-Illinois, Inc.	72,338	62,427	6,190	5,981
Grupo Antolin-Vigo, S.A.U.	18,494	17,040	-	-
Mexican Door Company, S. de R.L. de C.V.	7,367	5,659	(2,604)	(1,741)
Grupo Antolin-Bamberg, GmbH & Co. KG	7,656	6,954	-	-
Grupo Antolin-Besançon, S.A.S.	15,078	10,140	-	-
Grupo Antolin-Gestión de Inversiones, S.L.U.	(6,830)	(6,885)	-	-
Antolin Shanghai Autoparts Co., Ltd.	20,421	19,026	5,395	6,456
Chongqing Antolin Tuopu Overhead System Co., Ltd.	14,411	9,971	1,001	1,211
Grupo Antolin-Salttillo, S. de R.L. de C.V.	10,188	1,288	(3,201)	(820)
Grupo Antolin-Jarry, S.A.S.	2,650	(1,905)	-	-
Grupo Antolin-Primera Automotive Systems, LLC	11,293	3,739	316	112
Antolin China Investment Co., Ltd.	(598)	-	548	542
Grupo Antolin Guangzhou Lighting Co, Ltd.	10,320	5,953	1,234	1,928
Guangzhou Antolin Auto-Parts Co., Ltd.	8,235	7,797	2,142	2,535
Grupo Antolin-UK, Ltd.	547	445	967	983
Grupo Antolin-Missouri, LLC	1,646	(1,187)	1,639	1,232
Antolin Avtotechnika Nizhny Nóvgorod, Ltd.	(7,074)	(5,248)	(1,991)	(2,623)
Grupo Antolin-Tlaxcala S. de R.L. de C.V.	(5,020)	-	(3,606)	(983)
Grupo Antolin-Valplas, S.A.U.	(5,837)	(3,141)	-	-
Antolin Interiors UK, Ltd.	(20,387)	-	(19,429)	(6,825)
Antolin Interiors USA, Inc.	191	-	7,013	2,678
Antolin Interiors Mexico, S.A. de C.V.	9,474	-	(7,891)	(740)

Continued...

Company	Thousands of Euros			
	Reserves in Consolidated Companies		Exchange Differences	
	31/12/16	31/12/15	31/12/16	31/12/15
Antolin Ebergassing, GmbH	3,830	-	-	-
Antolin Süddeutschland, GmbH	3,659	-	-	-
Antolin Hungary, Kft.	2,992	-	-	-
Antolin Straubing, GmbH	2,149	-	-	-
Suzhou Antolin Automotive Interiors Co., Ltd.	1,764	-	(392)	(169)
Silesia Plastic, Sp. zo.o.	7,310	6,305	(984)	165
Other companies	3,738	5,530	(2,448)	(5,053)
	<b>207,165</b>	<b>107,333</b>	<b>(60,258)</b>	<b>(27,554)</b>
<b>Proportionally consolidated companies-</b> International Door Company, B.V.	<b>2,404</b>	<b>2,280</b>	<b>149</b>	<b>(152)</b>
<b>Companies accounted for using the equity method-</b> International Door Systems, S.R.L. de C.V.	6,869	6,856	(336)	(301)
Slovakian Door Company, s.r.o.	1,247	1,187	-	-
Dongwon Technology Co., Ltd.	3,016	1,291	468	391
NHK Antolin (Thailand) Co., Ltd.	(2,059)	(1,915)	(67)	(94)
Ningbo Antolin Huaxiang Auto Parts Co., Ltd. (c)	-	14,334	-	4,224
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd. (c)	-	2,484	-	1,076
Irauto, S.A.	58	202	(424)	(386)
Krishna Grupo Antolin Private, Ltd.	4,681	3,757	(262)	(318)
Dongfeng Antolin (Wuhan) Automotive Trim, Co., Ltd.	(328)	-	(67)	(39)
CREA-Antolin, Co., Ltd.	882	-	247	198
	<b>14,366</b>	<b>28,196</b>	<b>(441)</b>	<b>4,751</b>
<b>Total</b>	<b>223,935</b>	<b>137,809</b>	<b>(60,550)</b>	<b>(22,955)</b>

- (a) These figures are for the reserves of consolidated companies attributable to the Parent following the consolidation process (*eliminating dividends received, etc.*).
- (b) In recent financial years the Group has implemented an efficiency programme and measures to improve the performance of these consolidated subsidiaries with the medium-term goal of reversing the recurring losses currently being reported by most of them. In general this is being achieved.
- (c) These Associates ceased to belong to the group in 2016 (see Notes 1 and 2) and the reserves attributed to said companies were transferred to the Parent.

### Contribution of the consolidated companies to profit and loss for 2016 and 2015 attributable to the Parent-

The contribution of each of the consolidated companies to the 2016 and 2015 profit and loss attributable to the Parent is as follows:

Company	Thousands of Euros					
	2016			2015		
	Consolidated Profit/(loss) for 2016	Profit Attributable to non-controlling Interests	Profit Attributable to the Parent	Consolidated Profit/(loss) for 2015	Profit Attributable to non-controlling Interests	Profit Attributable to the Parent
<b>Fully consolidated companies -</b>						
Grupo Antolin-Irausa, S.A.	(78,866)	-	(78,866)	(32,800)	-	(32,800)
Grupo Antolin-Ara, S.A.U.	15,664	-	15,664	3,112	-	3,112
Grupo Antolin-Dapsa, S.A.U.	224	-	224	679	-	679
Grupo Antolin-Aragusa, S.A.U.	13,025	-	13,025	8,408	-	8,408
Grupo Antolin-Álava, S.A.U.	2,593	-	2,593	855	-	855
Grupo Antolin-Eurotrim, S.A.U.	4,881	-	4,881	3,783	-	3,783
Grupo Antolin-RyA, S.A.U.	8,708	-	8,708	2,777	-	2,777
Grupo Antolin-Autotrim, S.A.U.	5,963	-	5,963	5,999	-	5,999
Grupo Antolin-Ardasa, S.A.U.	5,862	-	5,862	4,340	-	4,340
Grupo Antolin-Martorell, S.A.U.	(540)	-	(540)	528	-	528
Grupo Antolin-Plasbur, S.A.U.	5,541	-	5,541	5,173	-	5,173
Grupo Antolin-Magnesio, S.A.U.	3,611	-	3,611	3,430	-	3,430
Grupo Antolin-Lusitânia, S.A.	1,826	-	1,826	159	-	159
Grupo Antolin-Ingeniería, S.A.U.	1,034	-	1,034	361	-	361
Grupo Antolin-Autoform, GmbH & Co. KG	25	-	25	(27)	-	(27)
Grupo Antolin-Bohemia, a.s.	(988)	-	(988)	1,613	-	1,613
Grupo Antolin-Vigo, S.A.U.	3,332	-	3,332	1,454	-	1,454
Grupo Antolin-IGA, S.A.S.	1,687	-	1,687	1,991	-	1,991
Grupo Antolin-France, S.A.S.	(39)	-	(39)	(2,975)	-	(2,975)
Grupo Antolin-Turnov, s.r.o.	12,428	-	12,428	11,289	-	11,289
Ototrim Panel Sanayi ve Ticaret, A.S.	10,536	(5,268)	5,268	10,473	(5,237)	5,236
Grupo Antolin-Silao, S.A. de C.V.	16,177	-	16,177	15,271	-	15,271
Trimtec, Ltda. (a)	(2,136)	-	(2,136)	(2,826)	-	(2,826)
Iramec Autopeças, Ltda.	5	(3)	2	(505)	252	(253)
Intertrim, Ltda. (a)	(3,213)	473	(2,740)	(5,306)	781	(4,525)
Grupo Antolin-India Private PVT, Ltd.	2,425	-	2,425	1,825	-	1,825
Grupo Antolin-Leamington, Ltd.	21,521	-	21,521	6,281	-	6,281
Grupo Antolin-Logistik Deutschland, GmbH	7,598	-	7,598	5,536	-	5,536
Grupo Antolin-Vosges, S.A.S.	3,478	-	3,478	4,602	-	4,602
Grupo Antolin-Navarra, S.A.U.	91	-	91	(32)	-	(32)
Grupo Antolin-Glass, S.A.U.	126	-	126	149	-	149
Grupo Antolin-Loire, S.A.S. (a)	(4,798)	-	(4,798)	(2,757)	-	(2,757)
Antolin Shanghai Autoparts Co. Ltd.	3,459	-	3,459	1,403	-	1,403
Mexican Door Company, S. de R.L. de C.V.	2,961	(1,481)	1,480	3,416	(1,708)	1,708
Antolin Tanger, S.A.R.L.	3,965	-	3,965	407	-	407
Chongqing Antolin Tuopu Overhead System Co., Ltd.	5,196	(2,027)	3,169	7,281	(2,917)	4,364
Grupo Antolin-Bratislava, s.r.o.	1,713	-	1,713	2,953	-	2,953
Grupo Antolin-Cambrai, S.A.S. (a)	(20,947)	-	(20,947)	(12,306)	-	(12,306)
Grupo Antolin-PGA, S.A.U.	8,928	-	8,928	5,878	-	5,878
Grupo Antolin-Illinois, Inc.	12,119	-	12,119	9,911	-	9,911
Grupo Antolin-Michigan, Inc.	16,844	-	16,844	16,646	-	16,646
Grupo Antolin-Saltillo, S. de R.L. de C.V.	9,588	-	9,588	8,899	-	8,899
Grupo Antolin-Jarny, S.A.S.	3,530	-	3,530	4,555	-	4,555
ASH Reciclado de Techos, S.L.	(134)	-	(134)	(131)	-	(131)
Guangzhou Antolin Auto-Parts Co., Ltd.	(126)	-	(126)	435	-	435
Alba Speziallampen Holding, GmbH	(5,206)	-	(5,206)	(1,679)	-	(1,679)
Grupo Antolin-Kentucky, Inc.	8,974	-	8,974	9,665	-	9,665
Grupo Antolin-Ostrava, s.r.o.	3,474	-	3,474	4,013	-	4,013
Grupo Antolin-Bamberg, GmbH & Co. KG	(4,812)	-	(4,812)	702	-	702
CML Technologies, GmbH & Co. KG	733	-	733	967	-	967
Grupo Antolin-Besançon, S.A.S.	7,041	-	7,041	4,938	-	4,938
Grupo Antolin Guangzhou Lighting Co, Ltd.	4,671	-	4,671	4,367	-	4,367
Grupo Antolin-Saint Petersburg	55	-	55	797	-	797
Grupo Antolin-Primera Automotive Systems, LLC	4,755	(2,425)	2,330	15,416	(7,862)	7,554
Grupo Antolin-Gestión de Inversiones, S.L.U.	135	-	135	54	-	54
Antolin Autotechnika Nizhny Nóvgorod, Ltd. (a)	370	-	370	(1,825)	-	(1,825)
Grupo Antolin-Valplas, S.A.U. (a)	(582)	-	(582)	(2,697)	-	(2,697)
Antolin China Investment Co., Ltd.	361	-	361	(598)	-	(598)
Antolin Austria Holding, GmbH	6,989	-	6,989	(569)	-	(569)
Changshu Antolin Automotive Interiors Co., Ltd.	7,836	(3,364)	4,472	(461)	(469)	(930)
Changchun Antolin Automotive Interiors Co., Ltd.	5,830	(2,657)	3,173	1,028	(288)	740
Antolin Ebergassing, GmbH	8,454	-	8,454	3,830	-	3,830
Plasimat Hungary, Kft.	3,124	(812)	2,312	844	(219)	625
Antolin Süddeutschland, GmbH	7,987	-	7,987	3,650	-	3,650

Continued...

Company	Thousands of Euros					
	2016			2015		
	Consolidated Profit/(loss) for 2016	Profit Attributable to non-controlling Interests	Profit Attributable to the Parent	Consolidated Profit/(loss) for 2015	Profit Attributable to non-controlling Interests	Profit Attributable to the Parent
Antolin Interiors UK, Ltd. (a)	(8,513)	-	(8,513)	(21,383)	-	(21,383)
Antolin Interiors Mexico, S.A. de C.V.	24,897	-	24,897	9,480	-	9,480
Antolin Interiors USA, Inc. (a)	(13,204)	-	(13,204)	191	-	191
Antolin Straubing, GmbH	6,415	-	6,415	2,149	-	2,149
Grupo Antolin-Tlaxcala S. de R.L. de C.V. (a)	(7,573)	-	(7,573)	(5,020)	-	(5,020)
Antolin-Missouri, LLC	6,533	-	6,533	2,883	-	2,883
Suzhou Antolin Automotive Interiors Co., Ltd.	11,688	-	11,688	1,754	-	1,754
Silesia Plastic, Sp. zo.o. (Notes 1, 2-g and 5)	1,129	-	1,129	-	-	-
Other companies	4,104	548	4,652	2,011	(230)	1,781
	<b>190,542</b>	<b>(17,016)</b>	<b>173,526</b>	<b>138,660</b>	<b>(17,897)</b>	<b>120,763</b>
<b>Proportionally consolidated companies-</b> International Door Company, B.V.	<b>65</b>	<b>-</b>	<b>65</b>	<b>129</b>	<b>-</b>	<b>129</b>
<b>Companies accounted for using the equity method-</b>						
International Door System S.R.L. de C.V.	8	-	8	13	-	13
Slovakian Door Company, s.r.o.	(84)	-	(84)	61	-	61
Dongwon Technology Co., Ltd.	1,938	-	1,938	1,723	-	1,723
NHK Antolin (Thailand) Co., Ltd.	200	-	200	(144)	-	(144)
Krishna Grupo Antolin Private, Ltd.	468	-	468	888	-	888
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	-	-	-	1,991	-	1,991
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	-	-	-	10,577	-	10,577
Silesia Plastic, Sp. zo.o (Notes 1, 2-g and 5)	-	-	-	1,006	-	1,006
Irauto, S.A.	37	-	37	(145)	-	(145)
Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd.	(12)	-	(12)	(328)	-	(328)
CREA-Antolin Co., Ltd.	1,490	-	1,490	882	-	882
	<b>4,045</b>	<b>-</b>	<b>4,045</b>	<b>16,524</b>	<b>-</b>	<b>16,524</b>
	<b>194,652</b>	<b>(17,016)</b>	<b>177,636</b>	<b>155,313</b>	<b>(17,897)</b>	<b>137,416</b>

(a) In recent financial years the Group implemented an efficiency programme and measures to improve the performance of some of these consolidated subsidiaries with the medium-term goal of reversing the recurring losses currently being reported. This is being achieved in some cases, such as those of Antolin Interiors UK, Ltd. and Grupo Antolin-Valplas, S.A.U. Others are currently just starting up operations or are expanding their facilities.

### Adjustments for changes in value-

The balances on this heading at 31 December 2016 and 2015 in the accompanying consolidated statement of financial position include net changes in the fair value of:

- Financial derivatives designated as hedges in a cash flow hedge relationship (see Note 18).
- Actuarial gains and losses (see Note 16).
- Exchange differences.

Set out below is the movement in these items during the financial years to 31 December 2016 and 2015:

Description	Thousands of Euros						
	Balance at 31/12/14	Amounts Transferred to Income	Change in Fair Value, Net	Balance at 31/12/15	Amounts Transferred to Income	Change in Fair Value, Net	Balance at 31/12/16
Cash flow hedges	(3,613)	(566)	1,081	(3,098)	1,197	(856)	(2,757)
Less- tax effect (Note 20)	904	177	(270)	811	(299)	214	726
	<b>(2,709)</b>	<b>(389)</b>	<b>811</b>	<b>(2,287)</b>	<b>898</b>	<b>(642)</b>	<b>(2,031)</b>
Actuarial gains and losses	<b>(3,643)</b>	<b>-</b>	<b>707</b>	<b>(2,936)</b>	<b>-</b>	<b>(1,886)</b>	<b>(4,822)</b>

Exchange Differences	Thousands of Euros					
	Balance at 31/12/14	Net Change	Balance at 31/12/15	Amounts Transferred to Income	Net Change	Balance at 31/12/16
Net exchange differences in fully or proportionally consolidated companies	(49,493)	8,069	(41,424)	-	(35,621)	(77,045)
Less- Exchange differences attributable to non-controlling interests	11,575	2,143	13,718	-	3,218	16,936
	(37,918)	10,212	(27,706)	-	(32,403)	(60,109)
Net exchange differences in companies consolidated using the equity method	2,598	2,153	4,751	(5,918)	726	(441)
	<b>(35,320)</b>	<b>12,365</b>	<b>(22,955)</b>	<b>(5,918)</b>	<b>(31,677)</b>	<b>(60,550)</b>

### Non-controlling interests-

The balance of this heading in the consolidated statement of financial position relates to the equity held by non-controlling interests in the fully consolidated companies. The balance of "Profit attributable to non-controlling interests" in the consolidated income statement relates to the non-controlling shareholders' share of profit and loss for the year.

The movements in this heading in the consolidated statement of financial position in 2016 and 2015 are as follows:

2016

Company	Thousands of Euros					
	Opening Balance	Additions and Retirements	Dividends and Other Items	Profit / (loss) for 2016 Attributable to non-controlling Interests	Exchange Differences	Closing Balance
Ototrim Panel Sanayi ve Ticaret, A.S.	13,276	-	(1,380)	5,268	(2,286)	14,878
Iramec Autopeças, Ltda.	1,377	-	-	3	541	1,921
Intertrim, Ltda.	(574)	-	-	(473)	83	(964)
Mexican Door Company, S.R.L. de C.V.	6,848	-	(1,837)	1,481	(863)	5,629
Chongqing Antolin Tuopu Overhead System Co., Ltd. (a)	3,148	-	(2,172)	2,027	(151)	2,852
Keyland Sistemas de Gestión, S.L.	85	150	142	(75)	-	302
Cidut, S.L.	1,215	-	(108)	336	-	1,443
Keyland USA, Inc.	139	(135)	-	-	(4)	-
Keyland Mexico, S. de R.L. de C.V.	20	-	-	9	(3)	26
Grupo Antolin-Primera Automotive Systems, LLC	9,772	-	(4,382)	2,425	621	8,436
Antolin-CIE Czech Republic, s.r.o.	1,109	599	409	(822)	(408)	887
Dongfeng Antolin (Wuhan) Overhead Systems, Ltd.	402	685	-	4	(29)	1,062
Plastimat Hungary, Kft.	2,399	-	(489)	812	-	2,722
Changchun Antolin Automotive Interiors Co., Ltd. (b)	16,379	(2)	(1)	2,657	(575)	18,458
Changshu Antolin Automotive Interiors Co., Ltd.	4,458	-	-	3,364	(144)	7,678
	<b>60,053</b>	<b>1,297</b>	<b>(9,818)</b>	<b>17,016</b>	<b>(3,218)</b>	<b>65,330</b>



2015

Company	Thousands of Euros					
	Opening Balance	Additions and Retirements	Dividends and Other Items	Profit / (Loss) for 2015 Attributable to non-controlling Interests	Exchange Differences	Closing Balance
Ototrim Panel Sanayi ve Ticaret, A.S.	12,622	-	(3,167)	5,237	(1,416)	13,276
Iramec Autopeças, Ltda.	2,168	-	(1)	(252)	(538)	1,377
Intertrim, Ltda.	537	-	-	(781)	(330)	(574)
Mexican Door Company, S.R.L. de C.V.	5,563	-	(1)	1,708	(422)	6,848
Chongqing Antolin Tuopu Overhead System Co., Ltd. (a)	2,432	-	(2,349)	2,917	148	3,148
Keyland Sistemas de Gestión, S.L.	67	-	-	18	-	85
ASH Reciclado de Techos, S.L. (c)	52	(52)	-	-	-	-
Cidut, S.L.	988	-	(134)	361	-	1,215
Keyland USA, Inc.	14	-	(1)	122	4	139
Keyland Mexico, S. de R.L. de C.V.	17	-	-	4	(1)	20
Grupo Antolin-Primera Automotive Systems, LLC	1,580	-	-	7,862	330	9,772
Antolin-CIE Czech Republic, s.r.o.	172	835	70	20	12	1,109
Dongfeng Antolin (Wuhan) Overhead Systems, Ltd.	-	767	(31)	(295)	(39)	402
Plastimat Hungary, Kft.	-	2,187	(7)	219	-	2,399
Changchun Antolin Automotive Interiors Co., Ltd. (b)	-	15,650	360	288	81	16,379
Changshu Antolin Automotive Interiors Co., Ltd.	-	3,961	-	469	28	4,458
	<b>26,212</b>	<b>23,348</b>	<b>(5,261)</b>	<b>17,897</b>	<b>(2,143)</b>	<b>60,053</b>

- (a) Corresponds to the consolidated carrying amount of the subgroup which this company heads, including the percentage attributable to non-controlling interests in the consolidated subsidiaries Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS) and Harbin Antolin Tuopu Overhead System Co., Ltd.
- (b) Corresponds to the consolidated carrying amount of the subgroup which this company heads, including the percentage attributable to non-controlling interests in the consolidated subsidiary Beijing Antolin Automotive Interiors Co., Ltd.
- (c) Investment (equivalent to 3.57% of its share capital) acquired by the Group in 2015.

Set out below is an itemised analysis, by consolidated subsidiary, of the balance of this heading at 31 December 2016:

Company	Thousands of Euros				
	Share Capital	Reserves and Prior year Losses, Net	Profit/(Loss) for 2016	Exchange Differences	Total
Ototrim Panel Sanayi ve Ticaret, A.S.	2,413	20,396	5,268	(13,199)	14,878
Iramec Autopeças, Ltda.	4,810	(1,388)	3	(1,504)	1,921
Intertrim, Ltda.	1,678	(1,454)	(473)	(715)	(964)
Mexican Door Company, S.R.L. de C.V.	3,933	2,264	1,481	(2,049)	5,629
Chongqing Antolin Tuopu Overhead System Co., Ltd.	693	(461)	2,027	593	2,852
Keyland Sistemas de Gestión, S.L.	250	127	(75)	-	302
Cidut, S.L.	202	905	336	-	1,443
Keyland Mexico, S. de R.L. de C.V.	-	22	9	(5)	26
Grupo Antolin-Primera Automotive Systems, LLC	25	5,365	2,425	621	8,436
Antolin-CIE Czech Republic, s.r.o.	1,795	(86)	(822)	-	887
Dongfeng Antolin (Wuhan) Overhead Systems, Co., Ltd.	1,421	(295)	4	(68)	1,062
Plastimat Hungary, Kft.	1,560	350	812	-	2,722
Changchun Antolin Automotive Interiors Co., Ltd.	5,347	10,948	2,657	(494)	18,458
Changshu Antolin Automotive Interiors Co., Ltd.	6,218	(1,788)	3,364	(116)	7,678
	<b>30,345</b>	<b>34,905</b>	<b>17,016</b>	<b>(16,936)</b>	<b>65,330</b>

Set out below are the non-controlling interests with holdings of more than 5% in the share capital of any subsidiary company:

Subsidiary company	Non-controlling Interest	Percentage Held
Ototrim Panel Sanayi ve Ticaret, A.S.	SKT Yedek Parça ve Makina Sanayi ve Ticaret, A.S.	50.00
Iramec Autopeças, Ltda.	Küster Holding, GmbH (a)	50.00
Intertrim, Ltda.	Luiz Rodovil Rossi	14.72
Mexican Door Company, S. de R.L. de C.V.	Küster Holding, GmbH (a)	50.00
Chongqing Antolin Tuopu Overhead System Co., Ltd.	Ningbo Tuopu Vibration Control System Co., Ltd.	39.00
Keyland Sistemas de Gestión, S.L.	Vector Software Factory, S.L.	50.00
Cidut, S.L.	Roberto Bocanegra Varona	50.00
Keyland Mexico, S. de R.L. de C.V.	Vector Software Factory, S.L. (b)	50.00
Grupo Antolin-Primera Automotive Systems, LLC	Crown Automotive Systems, LLC	51.00
Antolin-CIE Czech Republic, s.r.o.	CIE Bériz, S.L.	30.00
Dongfeng Antolin (Wuham) Overhead Systems, Co. Ltd.	Dongfeng Visteon Automotive Trim Systems Co., Ltd.	49.00
Plastimat Hungary, Kft.	Summit D & V Autóipari Gyártó és Szerelő Korlátolt Felelősségű Társaság	26.00
Changchun Antolin Automotive Interiors Co., Ltd.	Changshu Automotive Trim Co., Ltd.	40.00
Changshu Antolin Automotive Interiors Co., Ltd.	Changshu Automotive Trim Co., Ltd.	40.00

(a) Holding held indirectly via International Door Company, B.V.

(b) Holding held indirectly via Keyland Sistemas de Gestión, S.L.

## (14) EARNINGS PER SHARE

### Basic earnings per share-

Basic earnings per share are calculated by dividing the net profit attributed to the holders of equity instruments in the Parent by the weighted average number of shares outstanding during that year, excluding the average number of treasury shares held during the year.

Set out below is an analysis of basic earnings per share:

Description	Thousands of Euros	
	2016	2015
Income for the year attributed to holders of net equity instruments in the Parent ( <i>thousand euros</i> )	177,636	137,416
Weighted average number of shares outstanding in the year ( <i>thousand shares</i> )	8,023	8,023
<b>Earnings per share (euros)</b>	<b>22.14</b>	<b>17.13</b>

The weighted average number of shares outstanding at 31 December 2016 and 2015 was 8,023,241.

### Diluted earnings per share-

Diluted earnings per share are calculated in much the same way as basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential diluting effect of the share options, warrants and convertible debt current at the year end.

As at 31 December 2016 and 2015 diluted earnings per share were the same as basic earnings per share as the Group had no diluting instruments.

## (15) GRANTS

The movements in this heading in the consolidated statement of financial position in the financial years to 31 December 2015 and 2015 are as follows:

	Thousands of Euros
<b>Balance at 31 December 2014</b>	<b>5,871</b>
Income recognised in the year	(1,542)
Grants awarded during 2015	4
Investments incorporated in the scope of consolidation	3,496
Other items	(131)
<b>Balance at 31 December 2015</b>	<b>7,698</b>
Income recognised in the year	(1,468)
Grants awarded during 2016	232
Other items	11
<b>Balance at 31 December 2016</b>	<b>6,473</b>

These non-refundable grants were awarded by Romanian, Spanish, French, German and Hungarian public bodies, to finance certain investments made by the Group in a number of production plants.

In order for these grants to qualify as non-refundable, the companies receiving them must fulfil a number of general and specific conditions, such as making the approved investments, creating and maintaining a given number of jobs and evidencing a certain level of capital and reserves at the end of a specified period. The Parent's Directors consider that all the general and specific conditions established in the respective Individual Grant Resolutions relating to the capital grants made to the consolidated companies have been and/or will be met.

Capital grants received by the Group at 31 December 2016 will be taken to income as follows:

Released to income	Thousands of Euros
In one year	1,089
One to five years	2,299
After five years	3,085
	<b>6,473</b>

## (16) CURRENT AND NON-CURRENT PROVISIONS

The movements in this heading in the consolidated statement of financial position in the financial years to 31 December 2016 and 2015 are as follows:

Description	Thousands of Euros			
	Non-current Provisions			Current Provisions
	Provisions for Pension Commitments	Other Provisions	Total	
<b>Balance at 31 December 2014</b>	<b>10,255</b>	<b>19,665</b>	<b>29,920</b>	<b>860</b>
Investments incorporated in the scope of consolidation (Note 5)	15,117	41,731	56,848	17,384
Taken to income for the year	739	14,062	14,801	3,748
Reversals credited to income for the year	-	(6,013)	(6,013)	(253)
Provisions applied	-	(8,304)	(8,304)	(1,011)
Contributions to the pension plan contracted with an insurance entity and payments to beneficiaries	(1,188)	-	(1,188)	-
Remeasurements recognised ( <i>for actuarial gains and losses</i> )	(715)	-	(715)	-
Exchange differences and other items	300	(621)	(321)	(11)
<b>Balance at 31 December 2015</b>	<b>24,508</b>	<b>60,520</b>	<b>85,028</b>	<b>20,717</b>
Exclusions from the scope of consolidation (Notes 1 and 2-g)	-	(1,278)	(1,278)	(250)
Transfers between accounts	(301)	(2,074)	(2,375)	2,375
Taken to income for the year	1,476	49,528	51,004	19,938
Reversals credited to income for the year	-	(3,268)	(3,268)	(2,585)
Provisions applied	-	(14,828)	(14,828)	(5,362)
Contributions to the pension plan contracted with an insurance entity and payments to beneficiaries	(1,541)	-	(1,541)	-
Remeasurements recognised ( <i>for actuarial gains and losses</i> )	1,886	-	1,886	-
Exchange differences and other items	260	(3,036)	(2,776)	(1,190)
<b>Balance at 31 December 2016</b>	<b>26,288</b>	<b>85,564</b>	<b>111,852</b>	<b>33,643</b>

#### Provisions for pension commitments-

The balance on this heading at 31 December 2016 corresponds to provisions to meet long-term commitments to staff (*pension commitments to certain current and former employees*) in the British, French and German companies belonging to the "Lighting" business acquired by Grupo Antolin in January 2012 and the German, Austrian and Mexican companies acquired in 2015. Some of these companies have outsourced their pensions liabilities with an insurance company.

The amounts recognised in the consolidated statement of financial position at 31 December 2016 and 2015 were determined as follows:

	Thousands of Euros	
	31/12/16	31/12/15
Present value of the obligations at the end of the reporting period	41,923	40,760
Fair value of the assets assigned to the plan at the end of the reporting period	(15,635)	(16,252)
<b>Liability in the consolidated statement of financial position at the end of the reporting period</b>	<b>26,288</b>	<b>24,508</b>

These amounts have been calculated using appropriate actuarial studies. The technical assumptions applied by the consolidated subsidiaries (*interest rates, mortality tables, accumulated annual CPI, etc.*) are in line with the socio-economic situation of each country. The discounted interest rates used at 31 December 2016 range from 1.5% to 2.6% while in 2015 they ranged from 2% to 3.7%.

### Other non-current provisions-

The balance of this heading on the consolidated statement of financial position at 31 December 2016 essentially comprises provisions set up to meet commitments entered into with the personnel of some of the consolidated companies in addition to those included under "Provisions for pension commitments" (10,001 thousand euros), for restructuring of production plants costs (20,500 thousand euros), for some claims by suppliers and customers and retroactive pricing arrangements and similar (19,990 thousand euros), for future liabilities which are expected to be incurred in the long-term (20,074 thousand euros, corresponding to provisions set up by German companies acquired in 2015 which were almost fully constituted at the acquisition date), for provisions for the reversal or dismantling of assets (5,134 thousand euros), and for certain liabilities in respect of court proceedings and claims that have been brought against the consolidated subsidiaries during the normal course of their business and which are pending resolution at 31 December 2016 (9,865 thousand euros). The appeals in progress include an environmental appeal in Brazil and proceedings concerning VAT on certain operations in a number of countries. Neither the legal advisers of the Group nor the Directors of the Parent expect any of these proceedings and claims pending resolution at 31 December 2016 to produce a material impact on the consolidated annual financial statements for the years in which said proceedings are concluded.

On 24 December 2015 Ningbo Huaxiang Electronic Co., Ltd. presented a claim to the Shanghai International Economic and Trade Arbitration Commission (SHIAC) in respect of a joint venture contract signed with the Parent (under which both parties held equal shares in the companies Ningbo Antolin Huaxiang Auto Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.), alleging that Grupo Antolin had not complied with certain obligations established in this contract. The case did not come to court as the parties reached an agreement terminating the contract without the payment of damages and allowing the Group to sell its shareholdings in the aforementioned "joint ventures" to Ningbo Huaxiang Electronic Co., Ltd. (see Note 1).

### Current provisions-

A significant part of the balance recorded under this heading at 31 December 2016 corresponds to provisions established principally to cover claims by suppliers and customers and retroactive pricing arrangements.

## (17) BANK LOANS, DEBENTURES AND OTHER MARKETABLE SECURITIES

The financing facilities granted to the Group by financial institutions and the debentures and bonds issued at 31 December 2016 and 2015 are as follows:

Description	Thousands of Euros					
	31/12/16			31/12/15		
	Current Liabilities	Non-current Liabilities	Total	Current Liabilities	Non-current Liabilities	Total
Debentures and bonds	-	800,000	800,000	-	800,000	800,000
Syndicated loan facility	8,699	377,903	386,602	8,899	386,601	395,500
Multi-currency Revolving Credit Facility	-	-	-	-	-	-
Loan for "RDI & CONVERGENCE" project	10,000	50,000	60,000	10,000	60,000	70,000
Other loans	3,007	14,347	17,354	12,436	3,788	16,224
Other credit lines	11,289	-	11,289	27,450	-	27,450
Payables under finance leases	1,246	2,501	3,747	1,432	3,749	5,181
Interest payable	5,366	-	5,366	5,785	-	5,785
Less- financial remeasurement	(1,461)	(18,752)	(20,213)	(1,460)	(20,311)	(21,771)
	<b>38,146</b>	<b>1,225,999</b>	<b>1,264,145</b>	<b>64,542</b>	<b>1,233,827</b>	<b>1,298,369</b>

The schedule of maturities of this financial debt at 31 December 2016 and 2015, excluding the reduction for financial remeasurement, is as set out below:

Maturing in the Year	Thousands of Euros	
	Debt as at 31/12/16	Debt as at 31/12/15
2016	-	66,002
2017	39,607	39,049
2018	38,819	57,024
2019	59,757	95,942
2020	96,062	241,903
2021	638,827	410,220
2022 and later	411,286	410,000
	<b>1,284,358</b>	<b>1,320,140</b>

### Debentures and bonds-

#### *Bond issues effected on 21 March 2014 and 10 June 2015-*

On 21 March 2014, Grupo Antolin-Dutch, B.V., a wholly-owned subsidiary of Grupo Antolin-Irausa, S.A. whose registered offices are at Muiderstraat 1, NL-1011 PZ Amsterdam (Netherlands), completed the process of placing with qualified and institutional investors an issue of ordinary long-term bonds totalling 400 million euros. This operation was effected in parallel to the formalisation of a 200 million euro syndicated loan facility and a Revolving Credit Facility of up to 200 million euros. The key terms and conditions of this bond issue are:

- The amount of the issue was 400 million euros maturing in 7 years (*on 1 April 2021*).
- The credit rating of the issuer and/or the issue was BB-/Ba3.
- The issue's ISIN code is XS1046537665 and the bonds are traded on the Luxembourg Euro MTF market.
- The bonds bear annual interest at 4.75% payable six-monthly.

At 31 December 2016 the bonds were trading at 103.858% (*103.613% at 31 December 2015*).

#### *Bond issue effected on 10 June 2015-*

Subsequently, to finance the operation to acquire the interior components business unit of the international Magna Automotive group (see Note 5), through the subsidiary Grupo Antolin-Dutch, B.V., on 10 June 2015 the Group completed the process of placing with qualified and institutional investors an issue of ordinary long-term bonds totalling 400 million euros. This operation was effected in parallel with a 200 million euro extension to the syndicated loan agreed on 21 March 2014. The key terms and conditions of this bond issue are:

- The amount of the issue was 400 million euros maturing in 7 years (*on 1 June 2022*).
- The credit rating of the issuer and/or the issue was B1/BB-/B+.
- The issue's ISIN code is XS1246049073 and the bonds are traded on the Luxembourg Euro MTF market.
- The bonds bear annual interest at 5.125% payable six-monthly.

At 31 December 2016 the bonds were trading at 108.012% (*104.218% at 31 December 2015*).

*Other significant terms of the bond issues effected in 2014 and 2015-*

- The bonds are jointly guaranteed by Grupo Antolin-Irausa, S.A. and certain subsidiaries of the Group, and, in addition, a lien on 100% of the shares of the Parent has been established (see Note 13).
- The issuer of the bonds, Grupo Antolin-Dutch, B.V., may redeem all or part of the bonds at any date from 1 April 2017 (*for the 2014 issue*) and from 30 June 2018 (*for the 2015 issue*). Prior to these dates, it may redeem all or part of the bonds subject to certain conditions. Grupo Antolin-Dutch, B.V. may also redeem all or part of the bonds at any date if any changes to tax legislation are introduced whereby the issuer would be required to pay additional amounts for the bonds.
- With respect to these bond issues, an Intercreditor Agreement was signed governing the relationship between the Group's creditors (*bondholders, the financial institutions which signed the Senior Facilities Agreement, and the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León*), under which said creditors will have an equal share in any guarantee issued.
- Certain limits have been established with respect to the Group's capacity to perform specific operations (*the distribution of dividends, the signing or provision of additional debt guarantees, certain investments and acquisitions, mergers with other companies, the sale of assets or investments, etc.*), subject to some exceptions and conditions. The Directors of the Parent consider that the Group complies and will comply with these limits and commitments.

**Syndicated loan ("*Loan Facility*"), and a multi-currency Revolving Credit Facility-**

On 21 March 2014 the Parent signed a "Senior Facilities Agreement" with major Spanish and international financial institutions under which the Group obtained financing by means of a 200 million euro syndicated loan ("*Loan Facility*"), and a multi-currency Revolving Credit Facility with a 200 million euro limit.

On 10 June 2015 a 200 million euro extension to the syndicated loan ("*Loan Facility*") was agreed, increasing the capital of said loan to 400 million euros, all of which was drawn by the Company prior to 31 December 2015 and 4,500 thousand euros of which was repaid during 2015. An amount of 8,898 thousand euros was repaid in 2016.

These funds were used to restructure the Group's bank borrowings, finance the expenses incurred in respect of the bond issues effected in March 2014 and June 2015, to finance the Group's growth strategy and, in the case of the credit facility, to finance the Group's working capital needs. These loans were scheduled to mature on 30 June 2020.

On 26 October 2016 the Group signed a novation of the "Senior Facilities Agreement" amending certain clauses, including the following:

- The repayment schedule was modified and the final maturity date of the contract was extended to 2021. The outstanding principal on the loan, therefore, at 31 December 2016 was 386,602 thousand euros (*395,500 thousand euros at 31 December 2015*), subject to the following repayment schedule:

Thousands of Euros					
Maturing in:					Total
2017	2018	2019	2020	2021	
8,699	25,129	44,459	82,153	226,162	<b>386,602</b>

At 31 December 2016 and 2015 the Group had not drawn any amount against the multi-currency Revolving Credit Facility.

- The interest rate was modified (*Euribor plus a market spread*), thereby reducing the Company's financial expense.

Notwithstanding the above schedule, the Group may, at any moment during the life of the loan, opt to repay all or part of the outstanding syndicated loan or multi-currency revolving credit facility, provided certain conditions are met. Furthermore, the following events will trigger full or partial early repayment of these loans:

- Subject to certain exceptions and amounts, the disposal of specific asset categories, the receipt of indemnities from insurance companies or the flotation of the Parent (*with no change of control of the Group*).
- In the event of a change of control in the Group, any of the financial institutions may decide to leave the financing arrangements in place or may request early repayment of the proportional part of the loan corresponding to said institution.

#### *Interest-*

These loans bear annual interest benchmarked to the Euribor, plus a variable market spread of between 1.25% and 1.75% in subsequent years, to be reviewed annually on the basis of certain financial ratios (*between 2% and 2.75% until 26 October 2016, the date on which the novation was signed*).

The Group must also pay a commission with respect to the undrawn amount of the multi-currency revolving credit facility.

#### *Loan guarantees-*

These loans are backed by an irrevocable and unconditional guarantee from a significant number of the companies forming Grupo Antolin, although the guarantees provided by some subsidiary companies (*specifically certain Portuguese, Czech and German companies*) are limited to amounts established by the applicable local legislation. In order to comply with the obligations related to these loans, the Group has given a commitment to each of the subsidiary companies in which it holds at least 90% of the share capital, that it will become a guarantor if any of the following circumstances arises: its EBITDA for the year represents at least 2.5% of the Group's EBITDA and exceeds 5 million euros, or its net assets represent at least 2.5% of the net assets of the Group.

In addition, liens have been established on the share capital of the Parent (see Note 13).

#### *Early repayment-*

The Senior Facilities Agreement under which these loans were ceded includes clauses specifying that the following events will trigger their full early repayment:

- Failure to repay the principal or pay the interest on the loans as and when they fall due.
- Failure of the Group to meet the financial ratios set in the agreement under which these loans were ceded or to remedy said failure within 20 days of the issue of the "ratio compliance certificate" in which it is detailed.
- Failure to comply with other obligations established in the loan agreement (*false disclosures, failure to provide information, etc.*) without rectifying said failure within a determined period.
- Failure to pay other borrowings falling due, provided certain circumstances are met, or the insolvency of the Parent, a material subsidiary, or the shareholders.



- A change in the ownership of the shares of the Parent, or the cession of businesses, expropriation, lawsuits and legal claims, the seizure of or embargoes on assets, material changes and any other circumstances which have a material adverse effect on the Group. The loans will also be repayable if the Group's auditors issue a disclaimer of opinion, or an adverse or qualified opinion.

As at 31 December 2016, the agreed "financial ratios and covenants" had been met and the Parent's Directors considered that all the clauses and obligations set out in the agreement in respect of the loans had been fulfilled and no event which could trigger full or partial early repayment had occurred. They also considered that all conditions will be met in the next 12 months.

#### *Other obligations and commitments-*

The Senior Facilities Agreement contains certain obligations and commitments limiting the Group's capacity to perform certain operations during the life of the loans, including the following:

- Limits on obtaining additional financing, the constitution of charges or guarantees against its assets, and the granting of guarantees or sureties to third parties.
- Limits on the sale, cession, transfer or disposal of its assets.
- Limits on the acquisition of companies or businesses.
- Limits on the distribution of dividends by the Parent (see Note 13).

#### **Long-term loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) for the "RDI & CONVERGENCE" project-**

On 22 October 2012 the Parent and the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) (*a company wholly owned by the Regional Government of Castilla y León*) signed an agreement under which the public body granted a long term loan of 70,000 thousand euros to finance a project entitled "RDI & CONVERGENCE". This funding will be invested in research, development and innovation activities to develop lightweight materials for the construction of motor vehicles and in property plant and equipment to improve productivity, flexibility and energy efficiency and to reduce costs in converging regions in Spain, Portugal and the Czech Republic and in Turkey. The total planned investment in the project is 145,570 thousand euros and was implemented by various Group companies between 2011 and 2014.

The funding for this loan was granted to the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) by the European Investment Bank (EIB) via a loan agreement between the two entities for the same amount signed on 20 August 2012 with the stated purpose of passing the funding on to Grupo Antolin for this project. On 13 September 2012 the Group signed an agreement in this respect with the European Investment Bank ("*RDI & CONVERGENCE Project Agreement*").

The loan accrues annual interest benchmarked to the 6-month Euribor plus a market supplement, to be reviewed annually with the agreement of all parties, and is backed by a joint and several guarantee from almost all of the companies composing Grupo Antolin acting as guarantors.

The principal is to be repaid in 28 quarterly instalments of 2,500 thousand euros, the first of which falls due on 28 January 2016 and the last on 28 October 2022. The Group repaid 10,000 thousand euros of this loan in 2016. At 31 December 2016 the outstanding principal of this loan totalled 60,000 thousand euros. The repayment schedule is set out below:

Thousands of Euros						
Maturing in:						Total
2017	2018	2019	2020	2021	2022	
10,000	10,000	10,000	10,000	10,000	10,000	<b>60,000</b>

With respect to the bond issue effected by the Group in March 2014 and the signing of the Senior Facilities Agreement, the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) signed the Intercreditors Agreement governing the relationship between the bondholders, the Group's lenders and the Group, having agreed to amend the covenants and conditions regulating the distribution of dividends included in the RDI & CONVERGENCE Project Agreement to match those established in said Intercreditors Agreement.

In the light of this inscription, at 31 December 2016 the Parent's Directors considered that all the clauses and obligations set out in the loan agreement have been fulfilled and no event which could trigger full or partial early repayment has occurred. They also consider that all conditions will be met in the next 12 months.

#### Other loans-

Other loans granted to the Group at 31 December 2016 are as follows:

Nature of Loan	Thousands of Euros						Total
	Maturing in:						
	2017	2018	2019	2020	2021	2022 and Later	
Euro loans	3,007	2,921	4,137	3,490	2,513	1,286	17,354

These loans accrue interest at a variable market rate.

#### Guarantees-

Two of these loans were granted to the Group to finance the acquisition of the land, buildings and plant of one of its factories, located in Spain, the combined outstanding balance of which was, as at 31 December 2016, 1.3 million euros (*2.2 million at 31 December 2015*). These properties have been mortgaged as security for repayment of the loans.

#### Other credit lines-

The following other credit lines had been granted to the Group as at 31 December 2016:

Nature of loan	Thousands of Euros		
	Limit	Balance Drawn	Balance Available
Euro credit lines (a)	19,800	1,453	18,347
Credit lines in foreign currencies	48,988	9,836	39,152
	<b>68,788</b>	<b>11,289</b>	<b>57,499</b>

(a) This amount includes a current account overdraft limit of 17,000 thousand euros granted to the Group as part of a framework agreement with a financial institution for the provision of banking services.

The Directors of the Parent foresee no difficulty renewing these credit lines when they expire.

In March 2014 the Group also contracted a multi-currency long-term Revolving Credit Facility with a 200 million euro limit. At 31 December 2016 no amount had been drawn down against this facility. As a result, as at 31 December 2016 the undrawn amount available to the Group from credit lines and overdraft facilities totalled 257,499 thousand euros. These credit lines and overdraft facilities accrue interest at variable market rates.

At 31 December 2015 the undrawn amount available to the Group from credit lines in euros totalled 27,450 thousand euros. The total combined credit lines granted to the Group at that date amounted to 67,766 thousand euros.

#### Payables under finance leases-

The lease payments outstanding at 31 December 2016, including the purchase options, fall due as follows (see Note 8):

Thousands of Euros					
Maturing in:					Total
2017	2018	2019	2020	2021	
1,246	769	1,161	418	153	<b>3,747</b>

This financing accrues interest at a variable market rate.

### (18) DERIVATIVE FINANCIAL INSTRUMENTS

#### Transactions with derivative instruments-

The Group contracts financial derivatives over the counter (OTC), with Spanish and international financial institutions with high credit ratings. The purpose of these contracts is to offset the impact of a rise in variable interest rates (EURIBOR) on a significant part of the Group's financing flows.

The value of these derivative financial instruments at 31 December 2016 and 2015 was as follows:

Balances	Thousands of Euros		
	Assets	Non-current Liabilities	Current Liabilities
At 31 December 2016	-	<b>3,155</b>	-
At 31 December 2015	-	<b>4,048</b>	-

The financial derivatives contracted by the Group at 31 December 2016 and 2015 and their fair values at said dates are:

Derivative	Notional Amount Contracted in Thousand Euros		Contract Start Date	Contract End Date	Value in Thousand Euros	
	At 31/12/16	At 31/12/15			At 31/12/16	At 31/12/15
<i>Not classified as a hedge</i> Interest Rate Swap (IRS) (a)	9,506	15,448	01/09/2009	29/07/2017	(170)	(626)
<i>Classified as a hedge</i> Interest Rate Swap (IRS) (b)	60,000	70,000	28/01/2013	28/10/2022	(2,985)	(3,422)
	<b>69,506</b>	<b>85,448</b>			<b>(3,155)</b>	<b>(4,048)</b>

- (a) The increase in the fair value of this financial instrument, which was not classified as a hedging instrument in the financial year to 31 December 2016, amounting to 457 thousand euros, has been credited to "Change in fair value of financial instruments" in the consolidated income statement for the year. With respect to this financial instrument, the Group recognised finance

costs of 487 thousand euros in the consolidated income statement for the financial year to 31 December 2016 corresponding to the payment of interest accrued (2,229 thousand euros in the financial year to 31 December 2015 corresponding to the payment of interest accrued on financial instruments not classified as hedging instruments).

- (b) This swap specifically hedges the interest rate risk associated with a loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE). The swap continues to be classified as a hedging instrument. The amount recognised at 31 December 2016 in equity under "Remeasurements" in the interim condensed consolidated statement of financial position (see Note 13), as the effective portion of the cash flow hedging relationship totalled 2,757 thousand euros (3,098 thousand euros as at 31 December 2015), excluding the corresponding tax effect. The Group recognised an expense of 96 thousand euros for the ineffective portion of the hedge under "Change in fair value of financial instruments" in the consolidated income statement for the year ended 31 December 2016 (the amount taken to income by the Group in 2015 totalled 156 thousand euros). With respect to this derivative financial hedging instrument, the Group recognised finance costs of 1,294 thousand euros in the consolidated income statement for the financial year to 31 December 2016 (1,237 thousand euros in the financial year to 31 December 2015) corresponding to the payment of interest accrued.

The expected schedule for the notionals contracted during which the cash flows on the outstanding contracted derivatives at 31 December 2016 will be taken to income is as follows:

Derivative	Thousands of Euros				
	Notional Amount Outstanding at 31 December:				
	2017	2018	2019	2020	2021
<i>Not classified as a hedge-</i> Interest Rate Swap (IRS)	-	-	-	-	-
<i>Classified as a hedge-</i> Interest Rate Swap (IRS)	50,000	40,000	30,000	20,000	10,000
	<b>50,000</b>	<b>40,000</b>	<b>30,000</b>	<b>20,000</b>	<b>10,000</b>

#### **Change in fair value of derivative financial instruments-**

These derivative financial instruments are classified as level 2 in the hierarchy of fair value measurement as their fair value is based on valuation techniques using observable market data. Furthermore, unobservable market data, such as credit risk, are not a significant input for the instrument as a whole.

The valuation method used for these derivative financial instruments covers both the valuation of the interest rate derivative and the valuation of credit risk.

The Group determines the fair value of interest rate swaps by discounting cash flows on the basis of the implicit interest rate curves calculated to reflect market conditions at the measurement date.

The effect of credit risk on the valuation of the interest rate derivatives will depend on the future settlement of the instrument. If the instrument is to be settled in the Group's favour, the counterparty's credit spread will be used to quantify the probability of non-payment at maturity, while if the settlement is expected to be negative for the Group, its own credit risk spread will be applied to the final settlement. To value the risk, the Group has applied CVA (*Credit Value Adjustment*) and DVA (*Debt Value Adjustment*) calculations to determine its own and the counterparty's exposure to each other and the probability of default. The CVA is deducted from and the DVA is added to the risk-free value of the derivatives.

The inputs used to value interest rate derivatives are the euro interest rate curves for the periods corresponding to each flow or review of operations, discounting all flows at the valuation date.

The valuation of credit risk takes into account the listed price of euro deposits, futures and swaps, the listed price of the share capital and the CDS (*credit default swap*) spread of each counterparty, and an estimate of the Group's own spread. The impact of credit risk on the valuation of the derivatives at 31 December 2016 was not significant (a lower negative value of the derivatives).

### ***Sensitivity analysis of interest rate derivatives-***

The changes in fair value of the derivatives contracted by the Group depend on movements in the Long-term euro interest-rate curve.

The sensitivity of the fair values of derivatives recognised in equity ("*accounting hedges*"), for the effective portion of said derivatives, and of the derivatives taken to income (*changes in fair value at 31 December 2016*), to changes in the euro interest rate curve is shown in the sensitivity analysis below:

Sensitivity	Thousands of Euros
Classified as a hedge:	
+0.5% (rise in the interest rate curve)	932
-0.5% ( <i>fall in the interest rate curve</i> )	(958)
Not classified as a hedge-	
+0.5% (rise in the interest rate curve)	16
-0.5% ( <i>fall in the interest rate curve</i> )	(17)

The sensitivity analysis shows that the value of interest rate derivatives increases when the interest curve shifts upward as they are interest rate swaps on which the Group pays interest at a fixed rate, thereby protecting the Company against such increases.

The Group has also carried out a sensitivity analysis on the total amount of its financial debt at variable interest rates outstanding as at 31 December 2016 (see Note 24).

### ***Planned settlement of derivative financial instruments-***

The expected net settlements in 2017 of the derivative financial instruments contracted by the Group and outstanding at 31 December 2016 is around 1.4 million euros. The amount will decrease gradually each year until 2021.

## **(19) OTHER FINANCIAL LIABILITIES**

"Other current financial liabilities" and "Other non-current financial liabilities" in the consolidated statement of financial position at 31 December 2016 and 2015 were as follows:

Description	Thousands of Euros					
	At 31/12/16			At 31/12/15		
	Current Liabilities	Non-current Liabilities	Total	Current Liabilities	Non-current Liabilities	Total
Loans granted by Spanish public bodies	4,819	31,910	36,729	4,445	36,306	40,751
Payables in respect of the acquisition of business combinations	-	-	-	67,703	-	67,703
Other payables to the Magna Automotive group	12,492	-	12,492	86,167	-	86,167
Other financial liabilities	413	3,929	4,342	283	2,616	2,899
Less- Financial remeasurement	-	(3,298)	(3,298)	-	(4,147)	(4,147)
	<b>17,724</b>	<b>32,541</b>	<b>50,265</b>	<b>158,598</b>	<b>34,775</b>	<b>193,373</b>

### Loans granted by Spanish public bodies-

Most of the balances under this heading at 31 December 2016 and 2015 corresponded to loans granted to Grupo Antolin by certain Spanish public bodies to finance research and development projects and improve competitiveness. In 2009, 2010, 2011 and 2012, the Ministry for Industry, Tourism and Trade, through the Plan for Competitiveness of the Motor Industry, granted long-term interest-free loans to Grupo Antolin for 20,150, 5,627, 4,003 and 5,079 thousand euros, respectively. Generally, these loans must be repaid in 10 regular annual instalments falling due between 2015 and 2026.

The nominal amount of these and other loans granted by Spanish public bodies outstanding at 31 December 2016 and 2015 will be repaid in accordance with the following maturity schedule:

	Thousands of Euros							
	Maturing in:							Total
	2016	2017	2018	2019	2020	2021	2022 and Later	
31/12/16	-	4,819	4,912	4,949	4,961	4,982	12,106	<b>36,729</b>
31/12/15	4,445	4,842	4,898	4,898	4,909	4,930	11,829	<b>40,751</b>

### Payables in respect of the acquisition of business combinations-

The balance under this heading at 31 December 2015 includes amounts pending payment for the acquisition of the 50% shareholding in Silesia Plastic, Sp. zo.o. (10,000 thousand euros, which was paid in early 2016) and for the acquisition of shareholdings in certain companies from the Magna Automotive group (57,703 thousand euros). With respect to this operation, in May 2016, following the conclusion of the process of negotiating the final consideration to be paid, the amount due was paid in full. This was slightly less than the amount recognised by the Group at 31 December 2015.

### Other payables to the Magna Automotive group-

The liabilities assumed by the Group for the business combination involving the interior components division acquired from the international Magna Automotive group in 2015 include certain payables to companies in said group which will be paid when the acquired companies recognise certain receipts. These payables do not bear interest unless paid late. The amount pending repayment at 31 December 2016 totalled 12,492 thousand euros and it is expected that most of it will be paid in 2017.

## (20) TAX MATTERS AND TAX RECEIVABLES AND PAYABLES

### Balances with the tax authorities and Social Security administration-

Grupo Antolin's balances with the Tax and Social Security authorities at 31 December 2016 and 2015 were as follows:

	Thousands of Euros			
	31/12/16		31/12/15	
	Current	Non-current	Current	Non-current
<b>TAX ASSETS:</b>				
Deferred tax assets	-	<b>87,643</b>	-	<b>85,599</b>
Tax receivables (Note 11)- VAT and other receivables	56,655	-	61,411	-
<b>TOTAL TAX ASSETS</b>	<b>56,655</b>	<b>87,643</b>	<b>61,411</b>	<b>85,599</b>
<b>TAX LIABILITIES:</b>				
Deferred tax liabilities	-	<b>47,369</b>	-	<b>65,267</b>
Tax payables-				
Current tax liabilities	20,995	-	22,985	-
Other taxes	72,756	-	70,163	-
Social security contributions payable	19,060	-	17,221	-
<b>TOTAL TAX LIABILITIES</b>	<b>112,811</b>	<b>47,369</b>	<b>110,369</b>	<b>65,267</b>

### Corporation Tax-

As indicated in Note 3-p, Grupo Antolin-Irausa, S.A. and all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has holdings of 75% or more file consolidated corporation tax returns. The parent of the consolidated tax group under which these companies file has been Avot Inversiones, S.L. (until 31 December 2014 the parent of the consolidated tax group was Grupo Antolin-Irausa, S.A.).

The corporate income tax charge is calculated for each consolidated subsidiary based on accounting profit, determined in accordance with generally accepted accounting principles, which need not coincide with taxable income, this latter being the tax base.

The reconciliation of consolidated accounting income to the expected tax base for corporate income tax purposes for 2016 and 2015 is as follows:

Description	Thousands of Euros	
	2016	2015
<b>Consolidated profit for the year before taxes</b>	<b>281,467</b>	<b>219,752</b>
<b>Permanent differences-</b>		
Losses incurred by certain foreign consolidated companies for which no tax asset has been recorded	9,706	54,565
Individual companies and adjustments in consolidation:		
Increases (a)	99,635	37,196
Decreases (a)	(21,148)	(7,783)
Share in profit and loss of companies consolidated using the equity method	(4,045)	(16,524)
Impairments and losses due to loss of significant influence over companies accounted for using the equity method	6,968	-
<b>Timing differences-</b>		
Increases:		
Individual companies (b)	57,143	25,031
Consolidation adjustments	54,632	11,370
Decreases:		
Individual companies (b)	(18,313)	(29,067)
Consolidation adjustments	-	-
<b>Application of tax loss carryforwards-</b>		
For which a tax credit had been recorded	(31,473)	(10,764)
For which no tax credit had been recorded	(29,585)	(26,913)
<b>Reduction for capitalisation reserve in Spain</b>	<b>(2,000)</b>	<b>(4,400)</b>
<b>Consolidated taxable income</b>	<b>402,987</b>	<b>252,463</b>

- (a) Increases include reversals to provisions made by the Parent for impairments to its holdings in the share capital of consolidated subsidiaries that do not form part of the consolidated tax group, since these reversals are generally considered as tax deductible revenues. The effect of these increases is offset by the application of tax loss carryforwards for which no tax credit had been recognised. In addition, the amount of the increases for 2016 includes the effect of the application in Spain of the accelerated reversal of the impairment losses on equity instruments at Group companies which were tax deductible in the years in which they were recognised for accounting purposes, in all cases prior to 1 January 2013, pursuant to Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent labour and social security-related measures.
- (b) The most significant increases correspond to allocations made to certain provisions and other expenses incurred which the Group considers are not tax-deductible (*timing differences*). The most significant decreases correspond to the reversal of certain provisions that were not considered to be tax deductible when originally allocated (*timing differences*).

The balance under "Investments in Group and associated companies" in the consolidated statement of financial position at 31 December 2016 corresponds to tax expense receivable from Avot Inversiones, S.L. (*Parent of the Spanish consolidated tax group*) derived from the tax bases, deductions, withholdings and payments on account contributed by the Group's Spanish companies to the consolidated income tax declaration for 2016 (*the corresponding amount payable is included under "Current payables to Group and associated companies" in the consolidated statement of financial position at 31 December 2015*).

### Corporate income tax expense-

The balances on the "Corporate income tax" heading in the consolidated income statement for the financial years to 31 December 2016 and 2015 have been determined as follows:



Description	Thousands of Euros	
	2016	2015
Profit before tax on continuing operations	281,467	219,752
Permanent differences	91,116	67,454
Application of prior year tax losses for which no tax credit had been recognised	(29,585)	(26,913)
Reduction for capitalisation reserve in Spain	(2,000)	(4,400)
	<b>340,998</b>	<b>255,893</b>
<b>Estimated tax rate</b>	<b>97,181</b>	<b>71,650</b>
Tax deductions applied for which no tax credit had been capitalised	(8,658)	(6,866)
Capitalisation of tax loss carryforwards of previous years and other deferred tax assets	(5,404)	-
Tax paid by the Spanish companies in other countries ( <i>withholdings</i> ) (a)	3,474	1,340
Other items and adjustments	222	(1,685)
<b>Corporate income tax expense (Balance of "Corporate income tax" in the consolidated income statement)</b>	<b>86,815</b>	<b>64,439</b>

(a) Corresponding to taxes paid in other countries on dividends, interest and other amounts paid to the Parent and other Spanish consolidated subsidiary companies for which said companies have made no deductions.

### Tax loss carryforwards-

Although as at 31 December 2016 some of the consolidated companies were carrying significant tax loss carryforwards (*around 700 million euros in total*), the consolidated statement of financial position at that date only includes a tax asset of 30,655 thousand euros relating to the tax effect of offsetting the following tax loss carryforwards, which can reasonably be expected to be applied (*specifically, they correspond to tax losses generated in 2009, 2010 and 2012 by the Spanish consolidated tax group and by Russian and Mexican companies*).

Tax losses generated in a given year can be carried forward for offset against the taxable income of the immediately following years, as established in the tax legislation of the countries in which the consolidated companies are located.

The Group has recognised a large part of the tax effect of the losses generated by the consolidated subsidiary companies that are not in the Spanish consolidated tax Group (*for which said consolidated subsidiaries capitalised no tax credit*) through provisions made by the Parent for impairments to the value of its shareholdings in said consolidated subsidiaries which were treated as tax-deductible expenses until 2013.

### Foreign subsidiaries-

At 31 December 2016 there were no proposed dividend distributions by foreign consolidated subsidiary companies and associates which were pending execution. There is therefore no impact on the Corporate income tax payable by the Group.

### Deferred tax assets and liabilities-

The movements in the financial years to 31 December 2015 and 2016 under "Deferred tax assets" and "Deferred tax liabilities" in the consolidated statement of financial position were as follows:

Description	Thousands of Euros	
	Assets	Liabilities
<b>Balances at 31 December 2014</b>	<b>79,163</b>	<b>19,672</b>
Application of tax loss carryforwards	(2,691)	-
Capitalisation of tax loss carryforwards	2,467	-
Application of deductions for which a deferred tax asset had been recognised	(55)	-
Capitalisation of unused deduction	-	-
Market valuation of derivative financial derivatives (Note 13)	(93)	-
Changes for timing differences	(291)	(2,863)
Effect of additions to the scope of consolidation (Note 5)	10,108	48,099
Changes in other items, reclassifications and exchange differences	(3,009)	359
<b>Balances at 31 December 2015</b>	<b>85,599</b>	<b>65,267</b>
Application of tax loss carryforwards	(8,077)	-
Capitalisation of tax loss carryforwards	1,776	-
Application of deductions for which a deferred tax asset had been recognised	(5,148)	-
Capitalisation of other tax assets	4,018	-
Market valuation of derivative financial derivatives (Note 13)	(85)	-
Changes for timing differences	12,377	(7,174)
Effect of remeasurement of business combinations (Note 5)	-	(10,976)
Changes in other items, reclassifications and exchange differences	(2,817)	252
<b>Balances at 31 December 2016</b>	<b>87,643</b>	<b>47,369</b>

The aforementioned deferred tax assets have been recognised in the consolidated statement of financial position because the Parent's Directors are reasonably sure that they will be recovered, based on recent forecasts of the future tax bases of the consolidated subsidiaries. The key figures set out in the Group's Business Plan for 2017-2019, updated with the budget for 2017, prepared by its Directors and approved by the Parent's Board of Directors in March 2016 are as follows:

	Million Euros		
	2017	2018	2019
Consolidated income	5,395	6,045	6,279
Consolidated EBITDA	553	640	671
Consolidated EBIT	350	401	417

However, at the date on which these consolidated financial statements were prepared, the aforementioned Business Plan was being reviewed by Group management, in order to update it and take into account the effects of the possible sale of the "Seats and Metal" business unit (see Note 26).

The deferred tax assets recognised in the consolidated statement of financial position at 31 December 2016 and 2015 were generated as follows:

Deferred Tax Assets Originating in:	Thousands of Euros	
	31/12/16	31/12/15
Tax loss carryforwards and unused deductions and refunds	41,600	53,344
Elimination of internal gain/(loss) in the consolidation process on development expenses invoiced by G.A. Ingeniería, S.A.U.	3,999	3,396
Amortisation and depreciation not deductible in the period	1,655	2,087
Timing differences as a result of certain provisions, expenses that are not deductible in the period and other items	39,663	25,961
Market valuation of derivative financial derivatives (Note 13)	726	811
	<b>87,643</b>	<b>85,599</b>

The deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2016 and 2015 were generated as follows:

Deferred Tax Liabilities Originating in:	Thousands of Euros	
	31/12/16	31/12/15
Revaluation of certain plots of land recognised under property, plant and equipment and investment property on first application of the "IFRS-EU" (Note 8)	6,657	6,657
Recognition of assets at fair value in the consolidation process and in business combinations in previous financial years	3,313	3,689
Recognition of assets at fair value ( <i>customer relations</i> ) in business combinations in 2016	21,371	30,744
Difference between carrying amount and taxable value of assets and liabilities	5,840	15,198
Accelerated depreciation and amortisation of property, plant and equipment and intangible assets	10,188	8,979
	<b>47,369</b>	<b>65,267</b>

### Tax credits-

The corporate income tax legislation in force provides for various tax incentives. The tax credits earned in one year in excess of the applicable legal limits may be deducted from the corporate income tax payable in subsequent years, up to the limits and within the periods established in this connection by the related tax regulations. The Group has availed itself of the tax benefits provided for by this legislation and deducted 11,869 and 6,921 thousand euros, respectively, from the consolidated corporate income tax charge for 2016 and 2015, for which the Group had recorded tax credits of 5,035 thousand euros for the deductions applied in 2016 and 55 thousand euros for those applied in 2015.

At 31 December 2016 and 2015, after the aforementioned tax credits had been applied, the Group's French subsidiaries had unused deductions amounting to approximately 3 million euros, while the Group's Spanish subsidiaries had the following unused deductions:

Description	Thousands of Euros	
	31/12/16	31/12/15
Deductions for research and development activities (a)	50,262	60,294
Other deductions	568	653
	<b>50,830</b>	<b>60,947</b>

(a) At 31 December 2016 these corresponded to deductions for R&D activities from 2001 to 2015, and can be applied for 18 years from the year in which they were generated.

"Deferred tax assets" in the consolidated statement of financial position at 31 December 2016 includes a tax credit totalling 10,945 thousand euros (*16,093 thousand euros at 31 December 2015*), for unused deductions at that date, generated by the companies in the Spanish consolidated tax Group, which are reasonably expected to be used on the basis of recent estimates made by the Parent's Directors about the future performance of the consolidated tax Group.

### Tax inspections and appeals in Spain-

In recent years the tax authorities have carried out inspections of the Spanish consolidated tax Group headed by Grupo Antolin-Irausa, S.A. until 2014 in respect of a significant portion of the taxes for the years 2002 to 2012.

Specifically, in late 2015 the Tax Authority completed the inspections initiated in February 2015 of Grupo Antolin-Irausa, S.A. and the consolidated tax group it headed, for the following taxes and periods:

Tax	Period
Corporation Tax-	2011 and 2012
Value added tax	2011 and 2012
Personal income tax withholdings and receipts on account	2011 and 2012
Capital gains tax withholdings and receipts on account	2011 and 2012
Withholdings in respect of income tax for non-residents	2011 and 2012

These inspections, including those completed in 2015, gave rise to a number of rulings which the Group in general accepted and which did not produce any material impact.

However, in 2012 the Group issued a notice of disagreement to the assessment against the Spanish consolidated tax Group in respect of corporate income tax for 2006 and 2007 as a result of deductions to eliminate international double taxation applied by the Parent. The Group paid the amount of this assessment, which was scanty material, and lodged an appeal against it with the Central Economic and Administrative Court. During 2016 the court notified the Group that it rejected said appeal.

#### Years open to tax inspection-

Under current legislation, tax settlements cannot be considered to be final until the tax returns filed have been inspected by the tax authorities or until the statute-of-limitations period has expired (*generally four or five years in the countries in which the Group's companies are located*).

Upon completion of the inspection by the tax authorities of the 2011 and 2012 tax years (*see section above on "Tax inspections"*), at 31 December 2016 the Group had the years 2013, 2014, 2015 and 2015 open to inspection for all applicable taxes.

The Parent's Directors believe that the settlements of those taxes have been done properly, so, even if differences were to arise in the interpretation of the regulations governing the tax treatment of its operations, such liabilities as could arise as a result of inspections of the aforementioned years would not have a material effect on the consolidated financial statements for the financial year to 31 December 2016.

## (21) REVENUES AND EXPENSES

#### Net turnover-

The breakdown of the Group's net turnover by geographical market for the financial years to 31 December 2016 and 2015 is as follows:

Product or Function	Thousands of Euros	Product or Function	Thousands of Euros
	2016		2015
Seats and Metal	326,462	Seats	215,037
Doors	2,017,508	Doors	879,094
Overheads	1,879,087	Overheads	1,408,511
Lighting	272,924	Lighting	190,279
Cockpits and Consoles	751,337	Cockpits and Instrument Panels	813,305
	<b>5,247,318</b>		<b>3,506,226</b>

Geographical Market	Thousands of Euros	
	2016	2015
Spain	525,227	442,699
Germany	873,456	446,782
France	306,696	323,882
USA	1,304,065	793,319
Brazil	64,992	61,920
United Kingdom	789,058	310,299
Mexico	329,252	273,455
Czech Republic	166,461	117,338
China	316,132	184,912
Other countries	571,979	551,620
	<b>5,247,318</b>	<b>3,506,226</b>

The breakdown of the Group's ordinary revenues by customer is as follows:

Car Manufacturer	Percentage	
	2016	2015
Volkswagen Group	15	16
Renault-Nissan Group	9	12
Ford Group	12	17
Chrysler-Fiat Group	11	13
P.S.A.-Citroën Group	5	7
Tata Group	12	6
Other manufacturers	36	29
	<b>100</b>	<b>100</b>

### Other operating income-

The balances of this heading in the consolidated income statement for the financial years to 31 December 2016 and 2015 break down as follows:

Description	Thousands of Euros	
	2016	2015
Revenues on the sale of project tools	39,675	33,295
Operating grants	2,187	1,699
Income from leases of investment property	919	935
Revenues from the assignment of industrial property	135	553
Other income (a)	103,330	74,954
	<b>146,246</b>	<b>111,436</b>

- (a) These amounts basically include revenues for R&D and computer services provided, compensation from insurance companies and other revenues for various services billed to clients.

### Supplies-

The balances of this heading in the consolidated income statement for the financial years to 31 December 2016 and 2015 break down as follows:

Description	Thousands of Euros	
	2016	2015
Purchases of goods for resale and raw materials	3,203,207	2,115,703
Purchases of other supplies	34,257	18,035
Purchases of prototypes	29,820	9,859
Transportation of purchases	77,016	52,010
Work performed by third parties	32,796	17,563
Less- bulk discounts and returns	(5,871)	(1,244)
Change in inventories of goods for resale, raw materials and other supplies	(26,793)	(18,176)
	<b>3,344,432</b>	<b>2,193,750</b>

### Personnel expenses-

The balances of this heading in the consolidated income statement for the financial years to 31 December 2016 and 2015 break down as follows:

Description	Thousands of Euros	
	2016	2015
Wages, salaries and similar expenses	650,589	438,610
Termination benefits	1,703	898
Employer's social security contributions	153,894	114,000
Other welfare expenses	63,347	32,999
	<b>869,533</b>	<b>586,507</b>

### Average number of employees-

Set out below is the average number of employees working for the Group in the financial years to 31 December 2016 and 2015:

	Average Number of Employees	
	2016	2015
Direct labour	15,145	9,943
Indirect labour	8,251	5,429
General employees	3,450	2,445
	<b>26,846</b>	<b>17,817</b>

The average number of employees in Associates in 2016 and 2015 was 540 and 2,224, respectively.

The average number of employees in the Group in the financial years to 31 December 2016 and 2015 with disabilities of 33% or more was 468 and 210, respectively, distributed as follows by function:

	Average Number of Employees	
	2016	2015
Direct labour	271	115
Indirect labour	112	47
General employees	85	48
	<b>468</b>	<b>210</b>

### Functional analysis by gender-

Set out below is a functional breakdown of the work force of the group by gender as at 31 December 2016 and 2015:

	Number of Employees					
	At 31/12/16			At 31/12/15		
	Men	Women	Total	Men	Women	Total
Direct labour	8,862	6,510	15,372	8,355	6,620	14,975
Indirect labour	6,411	2,005	8,416	6,819	1,694	8,513
General employees	2,216	1,203	3,419	1,972	1,116	3,088
	<b>17,489</b>	<b>9,718</b>	<b>27,207</b>	<b>17,146</b>	<b>9,430</b>	<b>26,576</b>

The number of employees of Associates as at 31 December 2016 was 588 (475 men and 113 women), and at 31 December 2015 there were 1,737 employees (1,109 men and 628 women).

At 31 December 2016 and 2015 the Parent's Board of Directors comprised four members who are private individuals (all men), and four members who are legal entities, represented by one man and three women. At 31 December 2016 the Group's senior management comprised 9 private individuals (8 men and 1 woman). At 31 December 2015 the Group's senior management comprised 9 private individuals (all men).

### Other operating expenses-

The balances of this heading in the consolidated income statement for the financial years to 31 December 2016 and 2015 break down as follows:

Description	Thousands of Euros	
	2016	2015
Research and development expenses	18,213	14,065
Leases	78,841	52,868
Repairs and maintenance	76,158	49,496
Independent professional services	31,899	19,532
Transport	72,065	56,538
Insurance premiums	9,317	5,701
Banking and related services	551	425
Publicity, advertising and public relations	3,126	2,603
Supplies	65,276	40,369
Other services	317,362	227,972
<b>Total external services</b>	<b>672,808</b>	<b>469,569</b>
<b>Taxes</b>	<b>15,053</b>	<b>10,895</b>
<b>Other operating expenses</b>	<b>51,137</b>	<b>24,714</b>
<b>Other operating expenses</b>	<b>738,998</b>	<b>505,178</b>

## (22) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### Balances and transactions with associates and joint ventures-

The Group's balances with associates and joint ventures at 31 December 2016 and 2015 are as follows:

Company	Thousands of Euros					
	31/12/16			31/12/15		
	Non-current Loans (Note 9)	Trade Receivables	Trade Suppliers	Current Loans	Trade Receivables	Trade Suppliers
International Door Systems, S.R.L. de C.V.	-	1	3	-	1	-
Slovakian Door Company, s.r.o	256	108	-	317	1	-
NHK Antolin (Thailand) Co., Ltd.	-	734	-	-	866	2
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd. (a)	-	-	-	-	7	-
Ningbo Antolin Huaxiang Auto Parts Co., Ltd. (a)	-	-	-	-	199	-
Gongzhuling Huaxiang Auto Interior Trim Co., Ltd. (a)	-	-	-	-	855	-
Irauto, S.A.	-	1,011	27	-	815	26
Krishna Grupo Antolin Private, Ltd.	-	478	6	-	303	29
Dongfeng Antolin (Wuhan) Automotive Trim, Co., Ltd.	-	537	-	-	460	51
Dongwon Technology Co., Ltd.	-	17	133	-	26	61
CREA-Antolin Co., Ltd.	-	1	-	-	1	-
	<b>256</b>	<b>2,887</b>	<b>169</b>	<b>317</b>	<b>3,534</b>	<b>169</b>

(a) These companies ceased to be classified as Associates in 2016 (see Note 1).

The Group's transactions with associates and joint ventures (*sales and services provided and received*) during 2016 and 2015 are as follows:

Company	Thousands of Euros			
	Sales and Services Provided		Goods and Services Received	
	2016	2015	2016	2015
Slovakian Door Company, s.r.o.	599	390	-	1
NHK Antolin (Thailand) Co., Ltd.	1,415	498	65	-
Dongwon Technology Co., Ltd.	189	-	351	-
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	-	7	-	-
Ningbo Antolin Huaxiang Auto Parts Co., Ltd. (a)	62	370	-	-
Gongzhuling Huaxiang Auto Interior Trim Co. (a)	535	969	1,641	4,526
Krishna Grupo Antolin Private, Ltd.	705	435	-	-
Silesia Plastic, Sp. z o.o (b)	-	1,182	-	2,936
Irauto, S.A.	791	739	-	68
Dongfeng Antolin (Wuhan) Automotive Trim, Co., Ltd.	1,026	622	19	44
CREA-Antolin Co., Ltd.	1	1	-	-
	<b>5,323</b>	<b>5,213</b>	<b>2,076</b>	<b>7,575</b>

(a) These companies ceased to be classified as Associates in 2016 (see Note 1).

(b) This company was reclassified from an "associate" to a "subsidiary" on 31 December 2015 (see Notes 1 and 3).

The transactions detailed above were carried out in the normal course of business and under market conditions.

### Balances and operations with shareholders and Directors of the Parent-

The Parent had no balances with its shareholders and Directors at 31 December 2016 or 2015.



The Group's transactions with shareholders and Directors of the Parent during the financial years to 31 December 2016 and 2015 are as follows:

Shareholders and/or Directors and Type of Operation	Thousands of Euros	
	2016	2015
<b>Finance income:</b>		
Avot Inversiones, S.L. ( <i>indirect shareholder</i> )	5	1
<b>Remuneration, wages, salaries and other benefits paid to the Directors</b>	<b>4,258</b>	<b>4,270</b>

#### Balances and transactions with related parties-

During the financial years to 31 December 2016 and 2015 the Group made purchases from CYLBUR, Compras y Logística Burgalesa, S.L., a company owned by Grupo Asuari Inversor (see Note 2-h) in the amounts of 9,816 and 8,305 thousand euros, approximately. It also acquired property, plant and equipment from this related company amounting to 14 and 134 thousand euros, respectively. These transactions were carried out in the normal course of business and under market conditions. As a consequence of these transactions, at 31 December 2016 and 2015 the Group had payables with this related company totalling approximately 2,228 and 1,913 thousand euros, respectively. Purchases and services were received in the financial year to 31 December 2016 from other companies related to said group amounting to 443 thousand euros (*280 thousand euros in the year to 31 December 2015*). In addition, as a result of financing granted by a related company to certain Directors of the Parent, interest accrued in favour of said company amounting to 129 thousand euros (*123 thousand euros in 2015*) (Note 9).

Meanwhile, during the financial year to 31 December 2016 the Parent received services costing 157 thousand euros from Asesores Financieros Internacionales (AFI), an entity related to a Director of the Parent (*152 thousand euros in the financial year to 31 December 2015*). As a consequence of these transactions, at 31 December 2016 the Parent had a payable balance with this related entity amounting to 47 thousand euros (*45 thousand euros at 31 December 2015*). Other transactions with parties and persons indirectly related to the Directors were effected in the ordinary course of the Group's business. These were not however material and are not relevant for the purposes of giving a true and fair view of the consolidated net assets, financial position or results of the Group.

### (23) INFORMATION ABOUT THE DIRECTORS OF THE PARENT AND KEY STAFF OF THE GROUP

#### Parent Directors' remuneration and other benefits-

In 2016 the members of the Board of Directors of the Parent received 3,055 thousand euros in remuneration for their work as administrators of the Parent (*2,985 thousand euros in 2015*). Some of the members of the Parent's Board of Directors are also employees and, as such, earned wages and salaries and other benefits totalling 1,203 thousand euros in the year to 31 December 2016 (*1,285 thousand euros in 2015*).

The sum of these amounts represents the total remuneration earned by the Parent's Directors in the year to 31 December 2016 in all connections.

The Group does not have any pension or life insurance commitments to any of the Parent's Directors, although it has paid civil liability insurance premiums for the Parent's Directors in 2016 and 2015 of approximately 40 thousand euros in both years.

At 31 December 2016 and 2015 the Parent had not conceded any loan or advance to any of its Directors or given any guarantees in their favour.

During 2016 and 2015 no contract between the Group and the Parent's shareholders or persons acting on their behalf were concluded, modified or terminated early, corresponding to operations outside the ordinary business of the Group or which were not carried out under normal market conditions. No contracts were signed between the Group and the Parent's Directors in these years.

#### **Remuneration and other benefits paid to senior management of the Group-**

The remuneration accruing to the Group's senior managers (*members of the Management Committee who are not Directors of the Company*) during the year to 31 December 2016 totalled 3,665 thousand euros (*2,823 thousand euros in the year to 31 December 2015*).

The Group has not entered into any pension commitments, nor has it granted any advances, loans or guarantees to any member of the Group's senior management. On 25 June 2015, however, it approved a "Multi-year remuneration plan" for the Group's senior managers for the years 2015-2017, subject to certain strategic targets being met. A payout is planned in 2018 and at 31 December 2016 a provision of 1,950 thousand euros had been constituted for this purpose. An amount of 5,661 thousand euros was paid out in 2015 to the Group's senior managers, since certain strategic targets set for the years 2011-2014 had been met.

#### **Disclosure on conflicts of interest of the Parent's Directors-**

In compliance with article 229 "Duty to prevent situations of conflict of interest" of the revised text of the Spanish Corporate Enterprise Act, approved by Royal Decree 1/2010, of 2 July and amended 4 December 2014, it is disclosed that none of the members of the Board of Directors of the Parent nor any party related to said Board members or the companies comprising the Group has any direct or indirect conflict of interest with the Group. Transactions between the Group and companies related to certain directors are detailed in Note 22.

### **(24) RISK MANAGEMENT POLICY**

#### **Financial risk factors-**

The Group's activities are exposed to a number of financial risks: market risk (*fair value risk and price risk*), credit risk, liquidity risk and interest-rate risk on cash flows. The Group's global risk management programme is focused on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Grupo Antolin uses financial derivatives to hedge against certain risks.

Risk management is controlled by the Group's Financial Department in accordance with policies approved by the Board of Directors of the Parent. This Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Parent's Board of Directors determines policies for the global management of risk, and for specific risk areas such as currency risk, interest rate risk, liquidity risk, risk derived from the use of derivative and non-derivative financial instruments and the investment of cash surpluses.

##### *i) Market risk-*

The Group is exposed to the risk of changes in market value of the investments held as "available for sale" which are classified under "Non-current financial assets" in the consolidated statement of financial position, although this risk is not significant as the investments held at 31 December 2016 are not material.

The risk deriving from a possible increase in the prices of raw materials, including the purchase of components used in the production processes, is mitigated by the fact that Grupo Antolin operates with its main suppliers under long-term agreements which afford stability in prices. On the other hand, Grupo Antolin negotiates with its customers to pass on increases in the prices of certain raw materials.

The terms of agreements with customers have resulted in lower prices, which could reduce the Group's margins. The Group develops improvement programmes and tools to offset such impacts with higher productivity. Grupo Antolin also negotiates with its suppliers to help it absorb these price reductions.

## ii) Credit risk-

Grupo Antolin's customer portfolio is diversified across the major vehicle manufacturing groups, as a result of which there is no particular concentration of credit risk. In the past, motor vehicle manufacturers were deemed not to have a major credit risk. The Group therefore considers that the credit ratings of its debtors are sound and its receivables in the first months of 2017 will be collectable as normal. The Group has policies for other customers to ensure that it sells to customers who have suitable credit histories.

At 31 December 2016 the trade receivables past due for which provision had not been made were not material.

The credit risk on cash and cash equivalents, financial derivatives and deposits with banks and financial institutions is deemed to be immaterial, as these operations are only entered into with financial institutions with high credit ratings. Grupo Antolin has policies for limiting the amount of the risk with any financial institution.

## iii) Liquidity risk-

Grupo Antolin manages liquidity risk prudently, based on maintaining sufficient cash and negotiable securities, the availability of funding by means of sufficient committed credit facilities and the capacity to liquidate positions in the market. Furthermore, the centralised cash system the Group has set up allows it to manage financial resources with greater efficiency. Given the dynamic nature of the underlying businesses, the Group's Financial Department aims to keep financing flexible, by contracting credit lines or factoring lines without recourse (*assigning receivables to third parties*).

Group Management monitors cash requirements, and developments in its borrowings. The key figures in Grupo Antolin's cash budget for 2017 are as follows:

Description	Thousands of Euros
EBITDA	553,817
Net finance income	(50,500)
Other items ( <i>basically, payment of corporate income tax</i> )	(74,844)
<b>Cash-flow from ordinary operations</b>	<b>428,473</b>
CAPEX (a)	(422,007)
Project tools and changes in working capital	(43,884)
<b>Free cash flow of the business</b>	<b>(37,418)</b>
Repayments of financial debt ( <i>without considering credit lines</i> )	(28,317)
Distribution of dividends	(16,000)
Dividends received	-
<b>Decrease in cash or cash equivalents in 2016</b>	<b>(81,735)</b>
<b>Cash or cash equivalents at 31 December 2016</b>	<b>306,466</b>
<b>Forecast cash or cash equivalents at 31 December 2017</b>	<b>224,731</b>

(a) In this amount, 25,716 thousand and 12,326 thousand euros are included for budgeted investments in property, plant and equipment and intangible assets, respectively, related to the business unit "Seats & Metal". On February 6, 2017 the Group entered into an agreement for the sale of this business unit to a third party, which will not be executed until certain conditions have been met (see Note 26). This cash budget did not consider the effects of the performance of this transaction.

**iv) Interest rate risk for cash flows and fair value risk-**

Given that the Group does not carry major amounts of interest-earning assets, its operating revenues and cash flows are fairly independent of the variations in market interest rates.

The Group's interest rate risk stems from its non-current borrowings. The Group's variable rate borrowings expose it to interest-rate risks for cash flows. The Group's fixed rate borrowings expose it to fair value interest rate risks. At the end of the 2016 reporting period, taking into account financial derivatives contracted, approximately 67% of borrowings were at fixed interest rates.

The Group mainly manages the interest rate risk on cash flows using variable to fixed interest rate swaps *(with the aim of covering approximately 50% of its non-current financial debts)*. These interest rate swaps have the financial effect of converting variable interest rate borrowings into fixed interest rate borrowings. The Group generally borrows long term at variable interest rates and swaps them for fixed interest rates that are normally lower than those that the Group would have obtained had it borrowed directly at fixed rates. Under the terms of the interest rate swaps, the Group undertakes to exchange with other parties, at set intervals *(normally every six months)*, the difference between the fixed interest and the variable interest calculated based on the notionals contracted.

The Group has carried out a sensitivity analysis for the amounts of the variable interest rate debt as at 31 December 2016, taking into account the contractual terms of the funding in force as at said date, and concluded that a 0.50% change in interest rates would lead to an increase of approximately 500 thousand euros in interest expense. This sensitivity analysis did not take into account the debt hedged by the interest rate swaps contracted *(for a notional of approximately 70 million euros)*.

The Group considers that there are no significant differences between the carrying amount and the fair value of financial assets and liabilities.

**v) Foreign-exchange risk-**

The international expansion of the Group and its ever-growing volume of business outside the euro zone expose it, principally, to exchange rate risks in currencies such as the Czech koruna, the Brazilian real, the US dollar, the Mexican peso, UK sterling and the Chinese yuan, which could have an impact on its results. To reduce its exposure to this risk, the Group avails itself of a variety of mechanisms, such as using local suppliers and negotiating with customers and suppliers to hedge against major movements in currencies. Grupo Antolin has not entered into any foreign-currency hedge rate agreements or forward contracts.

The Group has carried out a sensitivity analysis of the key figures in its 2017 budget income statement, and has concluded that a 5% rise in the euro against currencies such as the Czech koruna, the Brazilian real, the US dollar, the Mexican peso, UK sterling and the Chinese yuan, would reduce net turnover by approximately 170 million euros *(approximately 3% of the amount budgeted)*, and budgeted consolidated profit and loss for 2017 *(before tax)* would fall by approximately 10 million euros.

**Other risk factors-**

The Group's activities are exposed to other risks can impact on economic growth or business activity of the markets where the Group operate. The Group's global risk management programme is also focused on the uncertainty regarding these risks and seeks to minimise potential adverse effects on the Group's performance. The Parent's Board of Directors determines policies for the global management of risk, in close cooperation with the Group's operating units.

*i) Uncertainty regarding Brexit and the outcome of future arrangements between the EU and the UK-*

Any withdrawal by the United Kingdom from the EU ("*Brexit*") would occur after, or possible concurrently with, a process of negotiation regarding the future terms of the UK's relationship with the EU, which could result in the UK losing access to certain aspects of the single EU market and the global trade deals negotiated by the EU on behalf of its members. The uncertainty concerning the timing and terms of the exit could have a negative impact on the growth of the EU and cause greater volatility in all of the global currencies that we currently use to transact business. Lack of clarity about future UK laws and regulations, as the UK determines which EU laws and regulations to replace or replicate in the event of a withdrawal, may increase costs associated with operating in either or both of the UK and Europe. The Brexit vote and the perceptions as to the impact of the withdrawal of the UK may adversely affect business activity, political stability and economic conditions in the UK, the EU and elsewhere, and impact the stability of the financial markets, availability of credit and the financial and monetary system. At 31 December 2016, 15% of the revenues of Group were generated in the UK and the Group operates 13 plants in such country, primarily within the "Doors and Hard Trim" and "Cockpits & Consoles" segments.

*ii) Developments stemming from the recent U.S. presidential election-*

On January 20, 2017, Donald J. Trump was inaugurated as the president of the United States. The Trump administration has called for substantial change to fiscal and tax policies, international agreements, regulatory oversight of businesses and greater restrictions on free trade, including significant increases on tariffs on goods imported into the U.S., particularly from China and Mexico. Proposals espoused by President Trump may result in changes to social, political, regulatory and economic conditions in the U.S. or in laws and policies affecting the development and investment in countries where we currently conduct business. At 31 December 2016, 33% of the revenues of the Group were attributable to NAFTA.

These developments could have an effect on our business, financial position, liquidity and results of operations. However, in the current circumstances, it is not possible to quantify or predict with any certainty the likely impact of such changes on our business model, prospects, financial condition or results of operations. In any case, the Parent's Directors consider that Grupo Antolin is a diversified corporation in terms of products, customers and markets and, consequently, will be better able to cope with the vagaries of the market.

## **(25) OTHER INFORMATION**

### **Guarantees given to third parties and other contingent liabilities-**

At 31 December 2016 and 2015 various financial institutions had also provided guarantees to public bodies on the Group's behalf to guarantee compliance with the general and particular terms of certain capital and operating grants made to the Group (see Note 15), and the repayment of a number of loans granted by public bodies to fund research and development projects (see Note 19).

The Parent's Directors consider that any liabilities which might arise from the guarantees provided and for which provision was not made at 31 December 2016 would not be material.

### **Other current liabilities-**

The balance recorded under this heading at 31 December 2016 corresponds mainly to outstanding remuneration to staff, to accruals recorded to match revenues to expenses and to record operations on an accruals basis.

### Fees paid to the auditors-

The fees for audit and other services provided during 2016 and 2015 by the Group's main auditor, or by companies related to it through common control, ownership interests or management, together with fees for services provided by other auditors to companies included in the scope of consolidation, or by companies related to them through common control, ownership interests or management, are as follows:

Description	Thousands of Euros			
	2016		2015	
	Services Provided by the Main Auditor	Services Provided by Other Audit Firms	Services Provided by the Main Auditor	Services Provided by Other Audit Firms
Audit services	2,201	760	2,325	395
Other verification services	552	442	1,050	189
<b>Total audit and related services</b>	<b>2,753</b>	<b>1,202</b>	<b>3,375</b>	<b>584</b>
<b>Other services</b>	<b>532</b>	<b>1,604</b>	<b>2,908</b>	<b>602</b>
<b>Total professional services</b>	<b>3,285</b>	<b>2,806</b>	<b>6,283</b>	<b>1,186</b>

### Disclosure on the average payment period to suppliers in Spain-

This Note contains the information required in accordance with Law 15/2010, of 5 July, modifying Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions (*amended by the Second Final Provision of Law 31/2015, of 3 December*), prepared in compliance with the Resolution issued on 29 January 2016 by the Institute of Accounting and Account Auditing (ICAC) on the disclosures required in the notes to the financial statements with regard to the average payment period to trade suppliers and service providers in Spain. Trade payables are understood to include amounts payable for the supply of goods or services in Spain (*not including suppliers of property, plant and equipment*).

For the purposes of preparing this information, and given the nature of the Group's activities and operations, the "payment period" is treated as the period between the invoice date (*which in practice is generally on or close to the date the goods and services are received from the supplier*) and the payment date.

In accordance with the above, the information required under this legislation for the financial years ended 31 December 2016 and 2015 for the payments made by the Group's Spanish companies is as follows:

	2016	2015
	Days (a)	Days (a)
Average payment period to suppliers	40.82	40.61
% paid	42.83	42.94
% pending payment	23.53	25.74
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
Total payments effected	756,040	584,315
Total payments outstanding	94,470	91,455

(a) In accordance with Law 11/2013, of 26 July, establishing measures to support entrepreneurs and stimulate growth and the creation of jobs, amending Law 3/2004, the maximum legal payment period is 30 days, which may be extended to up to 60 days with the agreement of both parties.

## Environmental information-

Grupo Antolin's environmental activities focus on two general areas:

- Environmental Management System. Based on manuals and procedures common to all the centres defining the measures to ensure strict compliance with current legislation, the rational use of resources and energy and minimising the generation of waste.
- Environment-Sensitive Design. Through its research and development centres, the Group designs its products with a view to minimising the environmental impact of the vehicle over its useful life.

The Group's property, plant and equipment include certain investments whose carrying amount at 31 December 2016 and 2015 totalled approximately 715 and 1,215 thousand euros respectively, their purpose being to reduce the environmental impact of the Group's activity and to protect and enhance the environment. In 2016 and 2015 the Group also incurred certain expenses aimed at protecting and enhancing the environment, totalling approximately 3,408 and 2,254 thousand euros, respectively.

Grupo Antolin has no other environmental liabilities, provisions or contingencies that could have a significant impact on its equity, financial position or results (see Note 16).

In particular, given the nature of its activity, the facilities of the Spanish consolidated companies were not included in the national plan for the allocation of greenhouse gas emission allowances and, therefore, they have been allotted no greenhouse effect gas emission rights. No greenhouse effect gas emission rights have therefore been recognised in the consolidated statement of financial position at 31 December 2016. Nor has any movement occurred under this heading in 2016. Furthermore, in 2016, the Group has incurred no expenses nor has it recorded any provision in connection with this item. The Group has not entered into any futures contract relating to emission rights, nor has it received any grants associated with such rights, nor are there any contingencies arising from greenhouse effect gas emission rights.

## (26) EVENTS AFTER THE REPORTING PERIOD

### Sale of the "Seats and Metal" business unit-

After 31 December 2016 the Group initiated a plan to sell its "Seats and Metal" business unit. On 6 February 2017 the group signed an agreement to transfer said business unit to the North American multinational Lear Corporation, although this transaction will not be executed until certain conditions are met, including obtaining the approval of the relevant competition authorities. Lear Corporation is one of the world's biggest manufacturers of interior components for automobiles (*mainly seats and power supply management systems*).

The sale price of the companies comprising the "Seats and Metal" business unit and other assets included in the operation has been agreed at 286.5 million euros, although this is subject to certain adjustments which will be effected on the contract date.

The assets and liabilities of this business unit at 31 December 2016 and 2015 are as follows:

Description	Thousands of Euros	
	31/12/16	31/12/15
Non-current assets:		
Intangible assets	40,700	34,213
Property, plant and equipment	74,238	65,747
Investment property	1,088	1,088
Loans to Group companies	294	-
Financial assets-	252	544
Deferred tax assets	1,685	4,109
Current assets	105,252	92,151
Less- Non-current liabilities (*)	(6,709)	(11,748)
Less- Current liabilities (*)	(91,235)	(89,762)
	<b>125,565</b>	<b>96,342</b>

(\*) These liabilities include payables in respect of credits granted by the Parent amounting to 11,854 and 4,893 thousand euros at 31 December 2016 and 2015, respectively.

The revenues and expenses recorded by this business unit in 2016 and 2015 *(which includes transactions with other business units)* are as follows:

	Thousands of Euros	
	2016	2015
Net turnover-	371,079	300,530
Changes in inventories of finished goods and work in progress	2,064	452
Capital grants transferred to income for the year	269	256
Revenues for R&D services provided by Grupo Antolin-Ingenierie Sièges, S.A.S.	10,257	-
Other operating income	6,998	14,040
Consumables and other external expenses	(224,866)	(186,040)
Staff costs	(47,231)	(42,429)
Depreciation and amortisation	(11,430)	(11,981)
Change in trade provisions	(379)	-
Group structural expenses	(7,497)	(10,700)
Other operating expenses	(54,168)	(35,292)
Less - Own work capitalised	2,481	2,852
<b>Operating profit/(loss)</b>	<b>47,577</b>	<b>31,688</b>
Finance revenues and expenses on borrowings with Group companies, net	69	(177)
Finance expenses on third-party borrowings	(336)	(519)
Other financial income	-	7
Exchange differences, net	(4)	18
<b>Net finance income</b>	<b>(271)</b>	<b>(671)</b>
Net impairment loss on non-current assets	-	(230)
Gain/(loss) on disposal of non-current assets	(31)	78
<b>Profit before taxes</b>	<b>47,275</b>	<b>30,865</b>
Corporate income tax	(7,129)	(7,265)
<b>Profit for the year</b>	<b>40,146</b>	<b>23,600</b>

### Early repayment of financial debt-

In the context of this operation, prior to the date on the aforementioned transaction is concluded, which is expected to be in the next few months, the Group has made a commitment to repay certain debts early, including the loan for the "RDI & CONVERGENCE Project", other loans granted by financial institutions (see Note 17) and certain loans granted by Spanish public institutions to some of the companies in the business unit to be transferred (see Note 19).



**Process of placing an issue of long-term bonds on the capital markets-**

The group is currently in the process of placing an issue of long-term bonds on the capital markets for a total of 400 million euros. The Group is seeking this funding in order to repay certain loans granted to it at 31 December 2016 (*including bonds issued in 2014*) and to finance its international growth and development. The Parent's Directors expect that this process will be completed in the first six months of 2017.

There have been no other major events since the end of 2016.

**(27) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

### CONSOLIDATED DIRECTORS' REPORT FOR 2016

#### **Performance of the businesses in 2016-**

The world's economy grew by 3.1% in 2016. Once again, this growth was not evenly distributed: emerging economies grew by 4.1% while the growth rate in developing economies was 1.6%, in line with that of the euro zone and the United States.

In the automobile industry, global output was up by 4.6%, with 93 million vehicles manufactured worldwide. This was despite the poor performance of certain markets, such as Brazil, Russia, Japan and Korea, where manufacturing volumes fell by 15.3%, 7.3%, 2.5% and 8.1%, respectively.

Output in Western Europe grew by 3.6%, with outstanding growth in The United Kingdom, France and Spain where output was up by 8.4%, 6.4% and 5.8%, respectively. Countries reporting declining output included Germany, where volumes fell by 0.1% compared with 2015.

In Eastern Europe output increased only slightly (0.6%) as a result of the difficult situation in Russia, where production fell by 7.3%. Excluding Russia, combined growth in Western and Eastern Europe would have been around 3.4%.

Production across the NAFTA area grew by 2.3%. Output was up by 1.6% in the USA and 2.4% in Mexico.

In the Asia Pacific area, China reported growth of 13.1%, while production volumes in India were up by 8.8%.

Production in the Mercosur region was down, with volumes down by 15.3% in Brazil and 13.9% in Argentina compared with 2015.

Against this backdrop, Grupo Antolin's businesses reported record figures in the year, with sales of over 5,245 million euros, EBITDA of 520 million euros and consolidated profit attributable to the Parent of around 3.4% of sales, an increase of 29% on 2015.

Grupo Antolin's reported turnover was up by 1,741 million euros (+49.7%) on the previous year, significantly outperforming the market. This increase is mainly due to the incorporation in the Group of the "interior components" companies acquired from Magna in September 2015, who sales accounted for 2,355 million euros in 2016 of the Group's turnover compared with 813 million euros in 2015. Stripping out the "interior components" companies acquired from Magna, Grupo Antolin's reported turnover would have been 6.9%. This growth is accounted for by new projects launched in 2015 and new companies incorporated in the scope of consolidation which were inactive or operating at very low levels in 2015. Grupo Antolin was negatively affected by exchange rates as a result of the strong euro, particularly against UK sterling, the Mexican peso, and the Chinese yuan, reducing sales by approximately 205 million euros.

In 2016 the Group changed its organisational structure in response to new challenges in the sector and the significant increase in its size. As a result of this organisational process, certain divisions of the companies acquired from Magna were integrated into existing business units. The current "Cockpits & Consoles" business unit is much smaller than the "Cockpits and Instrument Panels" business unit as reported in 2015, with just seven production centres in 2016 rather than all of the centres acquired in the Magna operation. Meanwhile, twelve production centres are included in the "Doors & Hard Trim" business unit, five in the "Overheads & Soft Trim" unit and one in the "Lighting" unit.

In addition, three production units were transferred from the "Doors & Hard Trim" business unit to the new "Seats & Metal" business unit.

This reorganisation and integration process resulted in the following increases being reported for each function compared with 2015: "Seats & Metal" (+22% or 59 million euros), "Lighting" (+33% or 67 million euros), "Doors & Hard Trim" (+45% or 455 million euros), "Overheads & Soft Trim" (+23% or 388 million euros) and "Cockpits & Consoles" (+238% or 771 million euros). It is important to note that the results included in the financial statements for 2015 for the companies acquired from Magna were for the period from September to December, while the results for 2016 are for the whole year.

By region, the Group's growth was accounted for by strong sales in Europe (up +52% or 1,036 million euros), the NAFTA region (+46% or 539 million euros) and Asia Pacific (+67% or 163 million euros).

In Europe this growth was generated mainly from the companies acquired from Magna, accounting for 867 million euros. The negative impact on sales due to the strength of the euro against UK sterling is estimated at 95 million euros.

In the NAFTA region, this growth was generated mainly from the companies acquired from Magna, accounting for 521 million euros. The negative impact on sales due to the trading rate of the euro against the Mexican peso and the US dollar is estimated at 74 million euros.

In the Asia Pacific region, this growth was generated mainly from the companies acquired from Magna, accounting for 154 million euros.

Turnover in the Mercosur region increased by 3.2 million euros to 62.8 million euros, representing 1% of the Group's total sales.

In terms of customers, the main growth came from those which were the largest customers of the companies acquired from Magna, such as TATA (+415 million euros), GM (+279 million euros), BMW (+247 million euros), Daimler (+233 million) and the VW Group (+204 million euros).

Two major indicators once again highlight the success of our international expansion and diversification strategy. 89.3% of the Group's staff were employed outside Spain in 2016, while foreign sales accounted for 89.9% of its turnover.

In terms of results, the Group has consolidated and improved its operating margins, reporting EBITDA of around 10% and EBIT of 6.5%.

### **Significant events in 2016-**

Key events in 2016 included:

- In May 2016 a final agreement was reached with Magna Automotive on the purchase price of the interior components division. The final agreed price was 535 million euros (597 million dollars).
- In July 2016 the Group sold its 100% holding in Antolin Burg Design, GmbH to Kurz International Holding.
- The agreement reached in July with Ningbo Huaxiang Electronic Co, Ltd. for the sale of Grupo Antolin's 50% holding in Ningbo Huaxiang Auto-parts Co, Ltd. and Yangzhou Antolin Huaxiang Auto-parts Co, Ltd. was concluded in September 2016.
- On 26 September 2016 the credit ratings agency Moodys improved its rating of Grupo Antolin from B1 to Ba3.

### Research and development-

The main features of Research and Development work in 2016 were as follows:

- Investment in cutting-edge technology has once again enabled us to incorporate the most advanced support for design work and ensure the analysis and validation of our products and processes.
- We continue to see industrial design and innovation as a distinguishing feature that customers appreciate in the advanced stages of projects.

### Environmental and human resources issues-

In other areas (*including environmental and human resources matters*) we would draw attention to the following measures taken by Grupo Antolin in 2016:

- In 2016, Grupo Antolin continued to increase its commitment to the environment through its policies for "Environmental Management" and "Design for the Environment", leading to technological solutions which favour sustainability, prioritising innovative approaches that reduce weight, facilitate recycling and make use of natural materials, features widely demanded by the market.
- In order to reduce CO<sub>2</sub> emissions and minimise the use of energy from fossil fuels, we are developing numerous products based on two environmental concepts: *Light & Green*. The Group works with makers on projects to reduce CO<sub>2</sub> emissions and develop technologically sustainable products.
- In 2016, Grupo Antolin maintained and strengthened the commitment it made in 2003 to the United Nations Global Compact and its principles of good governance based on respect for human rights, protecting the environment and ensuring decent working conditions.

### Main risks deriving from activities-

The main risks which could affect the future development of our business and the corresponding measures put in place by the Group to offset them, are as follows:

- Derivatives are used to eliminate or reduce exposure to interest rate fluctuations in certain financial operations, given the impact an increase in interest rates could have on the Group's results.
- The risk deriving from a possible increase in the prices of raw materials, including the purchase of components used in the production processes, is mitigated by the fact that Grupo Antolin deals with its main suppliers under long-term agreements which help keep prices stable. On the other hand, Grupo Antolin negotiates with its customers to pass on increases in the prices of certain raw materials.
- The terms of agreements with customers have resulted in lower prices, which could reduce the Group's margins. The Group develops improvement programmes and tools to offset such impacts with higher productivity. Grupo Antolin also negotiates with its suppliers to help it absorb these price reductions.
- The international expansion of the Group and its ever-growing volume of business outside the euro zone expose it to exchange rate risks in currencies such as the Brazilian real, the US dollar or the Mexican peso, which could have an impact on its results. To reduce its exposure to this risk, the Grupo uses a variety of mechanisms, such as using local suppliers and negotiating with customers and suppliers to hedge against major movements in currencies.

### **Outlook for the Group-**

The global economy is subject to a high degree of uncertainty in 2017 due to many and varied factors. These include a likely increase in interest rates worldwide, elections in a number of countries in the euro zone, higher raw material prices, the strength of the US dollar, the Brexit process, the performance of the Chinese economy against a backdrop of high business indebtedness, and the effect of the policies of President Trump on the Mexican economy. According to the most recent forecasts, global GDP is expected to grow by 3.4%, with growth in the developed economies of 1.9% and 4.5% for the emerging economies.

Vehicle production volumes are expected to grow by 2.3% worldwide in 2017. The forecast growth in Europe is 1.6%. This growth is not evenly distributed, without output in Eastern Europe expected to grow by 3.6%, led by Turkey and Russia. In Western Europe production is expected to grow by 0.7%.

Meanwhile, in the NAFTA region production is forecast to grow by 1.5%, with growth of 2.3% in the Asia Pacific area, led by China and India.

In Brazil, where output has been shrinking for the last three years, the forecast is for positive growth of 4.9%.

In terms of results, and taking into account the forthcoming sale of the "Seats & Metals" business unit to Lear Corporation, we expect turnover in 2017 to exceed 4,965 million euros, with EBITDA and EBIT of around 10% and 6%, respectively.

The sale of the "Seats & Metals" business is in line with the Group's growth strategy, which will focus its activities on those businesses which have larger market shares and an established global presence. The cash generated from the sale will allow the Group to bring forward planned investments to improve production capacity, open new plants and step up its efforts in the area of R&D&I, enabling us to offer better solutions to meet our customers' needs.

Non-organic growth remains a key part of the Group's strategic approach and we will continue to explore the market for opportunities that will complement our current business units, helping to add value to our product portfolio and make it more attractive.

In response to new challenges in the automobile sector, Grupo Antolin is already working on new market trends related to driverless cars, new sources of energy, transport systems and connectivity.

To meet these new challenges and maintain our position as market leaders, Grupo Antolin is supported by a highly experienced and effective team of human resources whose abilities, initiative and talent are recognised by the sector.

The Group continues to implement new measures to improve and streamline spending and to ensure investments are more efficient in order to maintain margins at levels that continue to enhance shareholder value.

### **Disclosure on the average payment period to suppliers in Spain-**

The details of the average payment period to suppliers in 2017 and 2016 by the consolidated companies in Spain, prepared in compliance with the Resolution issued on 29 January 2016 by the Institute of Accounting and Account Auditing (ICAC), is as follows:

	2016	2015
	Days (a)	Days (a)
Average payment period to suppliers	40.82	40.61
% paid	42.83	42.94
% pending payment	23.53	25.74
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
Total payments effected	756,040	584,315
Total payments outstanding	94,470	91,455

(b) In accordance with Law 11/2013, of 26 July, establishing measures to support entrepreneurs and stimulate growth and the creation of jobs, amending Law 3/2004, the maximum legal payment period is 30 days, which may be extended to up to 60 days with the agreement of both parties.

In accordance with the aforementioned regulations, only information relating to payments to suppliers and trade creditors located in Spain has been included.

In general, the Group is complying with the maximum legal payment periods to trade suppliers established in Spanish law to combat late payment. It is currently assessing measures to be implemented in the next financial year to reduce the payment period in those cases where the maximum period has been exceeded. These measures will centre on reducing the processing time for receiving, checking, approving and accounting for invoices (*with improved use of electronic channels and technology*) and improving procedures for resolving incidents in this process, so that payment orders can be released on the monthly payment dates established by the Group and within the maximum period established in legislation to combat late payment.

#### Events after the reporting period-

After 31 December 2016 the Group initiated a plan to sell its "Seats and Metals" business unit. On 6 February 2017 the group signed an agreement to transfer said business unit to the North American multinational Lear Corporation, although this transaction will not be executed until certain conditions are met, including obtaining the approval of the relevant competition authorities. Lear Corporation is one of the world's biggest manufacturers of interior components for automobiles (*mainly seats and power supply management systems*). The sale price of the companies comprising the "Seats and Metals" business unit and other assets included in the operation has been agreed at 286.5 million euros, although this is subject to certain adjustments which will be effected on the contract date.

The effects of this transaction are reported in the Notes to the consolidated financial statements.

In the context of this operation, prior to the date on which it is concluded, which is expected to be soon, the Group has made a commitment to repay certain debts early, including the loan for the "RDI & CONVERGENCE Project", other loans granted by financial institutions and certain loans granted by Spanish public institutions to some of the companies in the business unit to be transferred.

The group is currently in the process of placing an issue of long-term bonds on the capital markets for a total of 400 million euros. The Group is seeking this funding in order to repay certain loans granted to it at 31 December 2016 (*including bonds issued in 2014*) and to finance its international growth and development. The Parent's Directors expect that this process will be completed in the first six months of 2017.

There have been no other major events since the end of 2016.

#### Shares in the Parent-

The Group companies held no shares in the Parent at 31 December 2016, and no operations were performed with such shares during the year then ended.

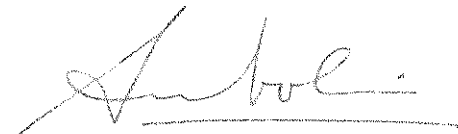
## SIGNATURES OF THE DIRECTORS

The Directors of Grupo Antolin-Irausa, S.A. hereby sign these Consolidated Annual Financial Statements and Directors' Report for the year ended 31 December 2016, which precede this page, signed, in acceptance, by all the Directors.

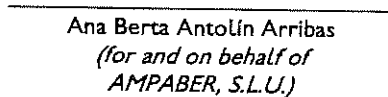
In Burgos, on 28 March 2017



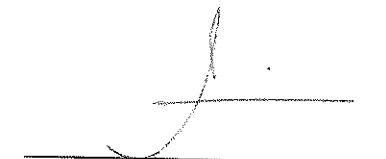
Ernesto Antolín Arribas  
(for and on behalf of  
CANE, S.L.)



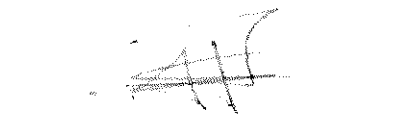
María Helena Antolín Raybaud  
(for and on behalf of  
INJAT, S.L.)



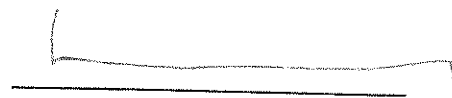
Ana Berta Antolín Arribas  
(for and on behalf of  
AMPABER, S.L.U.)



Emma Antolín Granet  
(for and on behalf of  
Agrícola Cinegética San Quirce, S.L.U.)



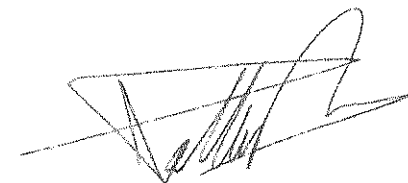
José Manuel Temiño Estefanía



Emilio Ontiveros Baeza



Jesús Pascual Santos



Pablo Ruiz Ferreiro  
(Non-director Secretary)

## **Grupo Antolin-Irausa, S.A. and Subsidiaries**

### **Auditor's Report**

**Consolidated Financial Statements for the  
year ended 31 December 2015, prepared in  
accordance with International Financial  
Reporting Standards as adopted by the  
European Union, together with Consolidated  
Directors' Report for 2015**

*Translation of a report originally issued in Spanish based on  
our work performed in accordance with the audit regulations  
in force in Spain and of consolidated financial statements  
originally issued in Spanish and prepared in accordance  
with the regulatory financial reporting framework applicable  
to the Group in Spain (see Notes 2 and 27). In the event of  
a discrepancy, the Spanish-language version prevails.*



*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Grupo Antolin-Irausa, S.A.:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

The directors of Grupo Antolin-Irausa, S.A. (*"the Parent"*) are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Grupo Antolin-Irausa, S.A. and Subsidiaries (*"the Group"*) in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (*identified in Note 2 to the accompanying consolidated financial statements*) and for such internal control as the directors 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations 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 judgement, 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 by the Parent's directors of the consolidated financial statements 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 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grupo Antolin-Irausa, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated companies.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Rodrigo Cabrejas Sanz

5 April 2016



## **Grupo Antolin-Irausa, S.A. and Subsidiaries**

Consolidated Financial Statements for the  
year ended 31 December 2015, together with  
Consolidated Directors' Report for 2015

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

**GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27).  
In the event of a discrepancy, the Spanish-language version prevails.

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014 (NOTES 1 TO 6)

(Thousands of Euros)

ASSETS	31/12/2015	31/12/2014	EQUITY AND LIABILITIES	31/12/2015	31/12/2014
<b>NON-CURRENT ASSETS:</b>			<b>EQUITY (Notes 13 and 14):</b>		
Intangible assets (Note 7)-	501,089	214,476	<b>CAPITAL AND RESERVES-</b>	460,395	329,030
Goodwill	180,162	53,368	Share capital	37,469	37,469
Other intangible assets	320,927	161,108	Additional paid-in capital	72,578	72,578
Property, plant and equipment (Note 8)	739,603	431,373	Reserves-	212,932	137,454
Investment property	4,691	4,698	Other reserves of the Parent	75,123	77,139
Investments in companies accounted for using the equity method (Note 1)	61,138	43,745	Reserves in fully or proportionally consolidated companies	109,613	35,402
Non-current financial assets (Note 9)	9,777	4,766	Reserves in companies accounted for using the equity method	28,196	24,913
Deferred tax assets (Note 20)	85,599	79,163	Profit attributable to the Parent	137,416	81,529
Non-current assets	1,401,897	778,221	<b>ADJUSTMENTS FOR CHANGES IN VALUE-</b>	(28,178)	(41,672)
			Hedging operations	(2,287)	(2,709)
			Exchange differences	(22,955)	(35,320)
			Other	(2,936)	(3,643)
			Net equity attributable to the Parent	432,217	287,358
			<b>NON-CONTROLLING INTERESTS</b>	60,053	26,212
			Total net equity	492,270	313,570
			<b>NON-CURRENT LIABILITIES:</b>		
			Grants (Note 15)	7,698	5,871
			Non-current provisions (Note 16)	85,028	29,920
			Non-current financial liabilities-	1,272,650	701,422
			Bank loans, debentures and other marketable securities (Note 17)	1,233,827	655,866
			Derivatives (Note 18)	4,048	6,862
			Other financial liabilities (Note 19)	34,775	38,694
			Deferred tax liabilities (Note 20)	65,267	19,672
			Total non-current liabilities	1,430,643	756,885
			<b>CURRENT LIABILITIES:</b>		
			Current provisions (Note 16)	20,717	860
			Current financial liabilities-	223,140	40,574
			Bank loans, debentures and other marketable securities (Note 17)	64,542	36,569
			Other financial liabilities (Note 19)	158,598	4,005
			Current payables to Group and associated companies (Note 20)	2,325	-
			Trade and other payables-	1,132,190	605,098
			Trade, sundry and other payables	1,021,821	536,840
			Current tax liabilities (Note 20)	22,985	12,040
			Other taxes and Social Security contributions (Note 20)	87,384	56,218
			Other current liabilities (Note 25)	125,466	50,285
			Total liabilities	1,503,838	696,817
<b>CURRENT ASSETS:</b>			<b>TOTAL EQUITY AND LIABILITIES</b>	3,426,751	1,767,272
Non-current assets held for sale (Note 3-g)	6,706	6,760			
Inventories (Note 10)	674,506	368,250			
Trade and other receivables-	979,770	458,887			
Trade receivables	894,255	406,083			
Associates (Note 22)	3,534	3,271			
Other receivables (Note 11)	93,713	56,111			
Provisions	(11,732)	(6,578)			
Other current financial assets (Note 9)	2,003	987			
Cash and bank balances (Note 12)	361,869	154,167			
Total current assets	2,024,854	989,051			
<b>TOTAL ASSETS</b>	<b>3,426,751</b>	<b>1,767,272</b>			

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of financial position at 31 December 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

**GRUPO ANTOLIN-IRAUSA, S.A.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2015 AND 2014 (NOTES 1 TO 6)**

(Thousands of Euros)

	2015	2014
<b>CONTINUING OPERATIONS:</b>		
Revenue (Note 21)	3,506,226	2,225,407
Changes in inventories of finished goods and work in progress	(495)	6,261
Capital grants and other grants taken to income (Note 15)	1,542	1,194
Other operating income (Note 21)	111,436	66,634
<b>Total operating income</b>	<b>3,618,709</b>	<b>2,299,496</b>
Supplies (Note 21)	(2,193,750)	(1,375,159)
Staff costs (Note 21)	(586,507)	(394,095)
Depreciation and amortisation expenses	(122,349)	(91,612)
Change in trade provisions	(2,619)	(344)
Other operating expenses	(505,178)	(317,091)
Less- Own work capitalised	57,514	54,192
<b>Total operating expenses</b>	<b>(3,352,889)</b>	<b>(2,124,109)</b>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>265,820</b>	<b>175,387</b>
Finance income	1,476	1,475
Finance costs	(55,239)	(43,503)
Net fair value gain/(loss) on financial instruments (Notes 9 and 13)	2,298	1,439
Exchange differences	(4,396)	(2,375)
<b>NET FINANCE INCOME</b>	<b>(55,861)</b>	<b>(42,964)</b>
Net impairment loss on non-current assets (Notes 7 and 8)	(5,156)	(7,314)
Gain/(loss) on disposal of non-current assets (Notes 7 and 8)	(1,575)	(456)
Profit of companies accounted for using the equity method (Note 1)	16,524	9,640
Impairments and losses due to loss of significant influence over equity accounted investees (Note 2-g)	-	(144)
<b>PROFIT BEFORE TAXES</b>	<b>219,752</b>	<b>134,149</b>
Corporate income tax (Note 20)	(64,439)	(44,466)
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>155,313</b>	<b>89,683</b>
Profit after tax for the year from discontinued operations	-	-
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>155,313</b>	<b>89,683</b>
Profit attributable to non-controlling interests (Note 13)	(17,897)	(8,154)
Profit attributable to the Parent	137,416	81,529
<b>Earnings per share (Note 14) (Euros)-</b>		
From continuing operations:		
Basic	17.13	10.16
Diluted	17.13	10.16

The accompanying Notes 1 to 27 are an integral part of the consolidated  
Transfers to the consolidated statement of Profit or Loss for the year  
ended 31 December 2015.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR

### THE YEARS ENDED 31 DECEMBER 2015 AND 2014 (NOTES 1 TO 6)

(Thousands of Euros)

	2015	2014
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR (I)</b>	<b>155,313</b>	<b>89,683</b>
Items to be reclassified to consolidated profit or loss-		
- From cash flow hedges (Notes 13 and 18)	1,081	(3,727)
- Exchange differences (Note 13)	10,222	21,353
- Actuarial gains and losses (Notes 13 and 16)	707	(2,739)
- Tax effect (Note 13)	(270)	938
<b>TOTAL INCOME RECOGNISED DIRECTLY IN EQUITY (II)</b>	<b>11,740</b>	<b>15,825</b>
Transfers to the consolidated income statement-		
- From cash flow hedges (Notes 13 and 18)	(566)	1,048
- Tax effect (Note 13)	177	(314)
<b>TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT IN THE YEAR (III)</b>	<b>(389)</b>	<b>734</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR (I+II+III)</b>	<b>166,664</b>	<b>106,242</b>
Attributable to the Parent	150,940	96,715
Attributable to non-controlling interests	15,724	9,527

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2015.



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 (NOTES 1 TO 6)

Thousands of Euros														
	Share Capital	Share Premium	Reserves				Profit Attributable to the Parent	Interim Dividend	Adjustments for Changes in Value			Non-controlling Interests	Total Shareholders' Equity	
			Other Reserves of the Parent		Reserves in Fully or Proportionally Consolidated Companies	Reserves in Companies Accounted for Using the Equity Method			Hedging Operations	Exchange Differences	Other			
			Restricted	Other										
Closing balance 2013	37,469	72,578	7,635	(8,627)	183,202	18,897	55,876	(118,205)	(654)	(55,300)	(904)	25,641	217,608	
Adjustments for changes in accounting policy 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments to correct errors 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjusted balance at 1 January 2014	37,469	72,578	7,635	(8,627)	183,202	18,897	55,876	(118,205)	(654)	(55,300)	(904)	25,641	217,608	
Consolidated recognised income and expense	-	-	-	-	-	-	81,529	-	(2,055)	19,980	(2,739)	9,527	106,242	
Allocation of consolidated profit for the year ended 31 December 2013:	-	-	-	-	(146,182)	5,687	62,329	-	-	-	-	-	-	
- To Reserves	-	-	-	-	-	-	(118,205)	118,205	-	-	-	-	-	
- To Dividends	-	-	-	-	(27)	-	-	-	-	-	-	(249)	(276)	
Acquisition of non-controlling interests' shares	-	-	-	-	(1,225)	-	-	-	-	-	-	(8,707)	(9,932)	
Contributions from non-controlling interests and dividends, net (Note 13)	-	-	-	-	(366)	329	-	-	-	-	-	-	(72)	
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing balance 2014	37,469	72,578	7,635	69,504	35,402	24,913	81,529	-	(2,709)	(35,320)	(3,643)	26,212	313,570	
Adjustments for changes in accounting policy 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments to correct errors 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjusted balance at 1 January 2015	37,469	72,578	7,635	69,504	35,402	24,913	81,529	-	(2,709)	(35,320)	(3,643)	26,212	313,570	
Consolidated recognised income and expense	-	-	-	-	-	-	137,416	-	422	12,365	707	15,754	166,664	
Allocation of profit for the year ended 31 December 2014:	-	-	-	-	67,905	9,640	(77,545)	-	-	-	-	-	-	
- To Reserves	-	-	-	-	-	-	(3,984)	-	-	-	-	-	(3,984)	
- To Dividends (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	(2,016)	
Dividend distributed against reserves (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	(2,016)	
Increase in net equity following a business combination (Note 5)	-	-	-	-	6,305	(6,305)	-	-	-	-	-	21,798	21,798	
Acquisition of non-controlling interests' shares	-	-	-	-	-	-	-	-	-	-	-	(52)	(52)	
Contributions from non-controlling interests and dividends, net (Note 13)	-	-	-	-	-	-	-	-	-	-	-	(3,659)	(3,659)	
Other movements	-	-	-	-	-	(52)	-	-	-	-	-	-	(51)	
Closing balance 2015	37,469	72,578	7,635	67,488	109,613	28,196	137,416	-	(2,287)	(22,955)	(2,936)	60,053	492,270	

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2015.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

**GRUPO ANTOLIN-IRAUSA, S.A.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2015 AND 2014 (NOTES 1 TO 6)**

(Thousands of Euros)

	2015	2014
<b>1. CASH FLOWS FROM ORDINARY OPERATING ACTIVITIES:</b>		
Consolidated profit for the year before taxes	<b>219,752</b>	<b>134,149</b>
Adjustments for-		
Depreciation and amortisation expenses	122,349	91,612
Allocation to/(reversal of) current provisions	6,114	344
Allocation to/(reversal of) non-current provisions	8,788	15,165
Capital grants and other grants taken to income (Note 15)	(1,542)	(1,194)
Finance income and expense	58,159	44,403
Net impairment loss on non-current assets	5,156	7,314
Gain/(loss) on disposal of non-current assets (Notes 7 and 8)	1,575	456
Change in fair value of financial instruments	(2,298)	(1,439)
Profit of companies accounted for using the equity method (Note 1)	(16,524)	(9,640)
Impairments and losses due to loss of significant influence over equity accounted investees (Note 2-g)	-	144
<b>Operating profit before movements in working capital</b>	<b>401,529</b>	<b>281,314</b>
(Increase)/decrease in trade and other receivables	(113,703)	(254,313)
(Increase)/decrease in inventories	(50,489)	(102,025)
Increase/(decrease) in trade and other payables	32,518	133,338
Increase/(decrease) in other current liabilities	75,181	17,182
Payments of provisions	(10,503)	(10,300)
Unrealised exchange differences and other items	16,216	(2,197)
<b>Cash generated from operations</b>	<b>350,749</b>	<b>62,999</b>
<b>Corporate income tax paid</b>	<b>(54,815)</b>	<b>(34,140)</b>
<b>Net cash generated by/(used in) operating activities</b>	<b>295,934</b>	<b>28,859</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Dividends received (Note 1)	<b>2,112</b>	<b>1,128</b>
Proceeds from disposal of investments in-		
Associates (Note 1)	-	3,025
Intangible assets	121	137
Property, plant and equipment	5,158	3,989
Non-current financial assets	-	1,200
Current financial assets	-	659
Payments for investments in-		
Associates (Note 1)	(8,433)	-
Group companies, net of the cash of business combinations (Note 5)	(431,615)	(1,292)
Property, plant and equipment	(119,137)	(85,864)
Intangible assets	(51,805)	(57,630)
Investment property	(51)	-
Non-current financial assets	(2,485)	(1,873)
Current financial assets	(1,016)	-
Non-current assets held for sale	-	(6,760)
<b>Net cash generated by/(used in) investing activities</b>	<b>(607,151)</b>	<b>(143,281)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from/(payments for) equity instruments-		
Acquisition of non-controlling interests' shares	(52)	(276)
Returns to non-controlling interests (Note 13)	(3,659)	(9,932)
Proceeds from/(payments for) financial liabilities-		
Issue of bonds and syndicated loan, nominal (Note 17)	600,000	600,000
Repayment of syndicated loan (Note 17)	(4,500)	-
Proceeds/(repayment) from syndicated bridging loan (Note 17)	-	(400,000)
Proceeds from other bank borrowings, net	20,510	(33,748)
Proceeds from/(repayment of) other financial liabilities, net	(24,345)	330
<b>Other cash flows from financing activities-</b>		
Finance income and expense paid, net	(63,035)	(51,423)
<b>Dividends paid and payments on other equity instruments (Note 13)</b>	<b>(6,000)</b>	<b>-</b>
<b>Net cash generated by/(used in) financing activities</b>	<b>518,919</b>	<b>104,951</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>207,702</b>	<b>(9,471)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>154,167</b>	<b>163,638</b>
<b>CASH OR CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)</b>	<b>361,869</b>	<b>154,167</b>

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2015.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## **GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### **(1) DESCRIPTION OF THE GROUP**

##### **Parent and Group activities-**

Grupo Antolin-Irausa, S.A. (*hereinafter referred to as "the Parent"*) was set up on 5 November 1987, as "*Grupo Antolin, S.A.*". Subsequently, on 1 November 1993, it adopted its current name "*Grupo Antolin-Irausa, S.A.*". Its registered office is in Burgos, Carretera Madrid-Irún, km. 244.8.

##### *Corporate purpose of the Parent-*

The corporate purpose of Grupo Antolin-Irausa, S.A. is to manufacture, sell, process, import and export products relating to the car industry and similar products, as well as to acquire holdings or controlling interests in other companies engaging in business activities relating to said industry.

##### *Activities of the Group-*

Grupo Antolin-Irausa, S.A. (*hereinafter "the Group" or "Grupo Antolin"*) heads an international group made up of companies that engage basically in manufacturing and selling automobile components.

##### *Ownership of the Group-*

At 31 December 2015 and 2014 all the share capital of the Parent was held directly or indirectly by Avot Inversiones, S.L., a company whose registered offices are in Burgos and whose owners are members of the Antolin family (see Note 13).

##### **Subsidiary companies-**

"Subsidiary companies" are defined as those companies over which the Group has control. In accordance with IFRS 10, an investor controls an investee if, and only if, the following three conditions are met:

- it has power over the investee;
- it receives, or has the right to receive, variable returns from its investment;
- it has the ability to use its power to affect the amount of these returns.

The Parent assesses if it controls an investee when events or circumstances indicate that changes apply to one or more of the cited conditions.

Set out below is the most significant information at 31 December 2015 about the subsidiary companies which have been included in the consolidated annual financial statements for 2015 as "*fully consolidated companies*".

**Companies in which Grupo Antolin-Irausa, S.A. has a direct shareholding-**

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
Grupo Antolin-Álava, S.A.U.	Vitoria	Automobile components	100.00	70
Grupo Antolin-Ara, S.A.U.	Burgos	Automobile components	100.00	13,565
Grupo Antolin-Aragusa, S.A.U.	Burgos	Automobile components	100.00	12,127
Grupo Antolin-Ardasa, S.A.U.	Burgos	Automobile components	100.00	10,495
Grupo Antolin-Autotrim, S.A.U.	Burgos (Plant: Almussafes)	Automobile components	100.00	1,328
Grupo Antolin-Dapsa, S.A.U.	Burgos	Automobile components	100.00	3,039
Grupo Antolin-Eurotrim, S.A.U.	Burgos	Automobile components	100.00	10,197
Grupo Antolin-Gestión de Inversiones, S.L.U.	Burgos	Holding company	100.00	241,861
Grupo Antolin-Glass, S.A.U.	Burgos	Provision of services	100.00	10,328
Grupo Antolin-Ingeniería, S.A.U.	Burgos	Technical studies	100.00	18,537
Grupo Antolin-Magnesio, S.A.U.	Burgos	Automobile components	100.00	10,209
Grupo Antolin-Martorell, S.A.U.	Burgos (Plant: Martorell)	Automobile components	100.00	9,224
Grupo Antolin-Navarra, S.A.U.	Pamplona	Automobile components	100.00	3,316
Grupo Antolin-PGA, S.A.U.	Porriño (Pontevedra)	Automobile components	100.00	2,225
Grupo Antolin-Plasbur, S.A.U.	Burgos	Automobile components	100.00	1,862
Grupo Antolin-RyA, S.A.U.	Burgos (Plant: Valladolid)	Automobile components	100.00	5,704
Grupo Antolin-Valplas, S.A.U.	Burgos (Plant: Sollana-Valencia)	Automobile components	100.00	12,300
Grupo Antolin-Vigo, S.A.U.	Vigo (Pontevedra)	Automobile components	100.00	6,003
ASH Reciclado de Techos, S.L.	Burgos	Recycling industrial waste	100.00	3,830
Cidut, S.L.	Burgos	Automobile components	50.00 (a)	370
Keyland Sistemas de Gestión, S.L.	Burgos	Provision of services	50.00 (a)	100
Grupo Antolin-Lusitânia, S.A.	Vila Nova (Portugal)	Automobile components	100.00	2,658
Grupo Antolin-Valença Componentes Automóvel, Soc. Unipessoal, Lda.	Valença do Minho (Portugal)	Automobile components	100.00	1,400
Grupo Antolin-France, S.A.S.	Saint-Etienne (France)	Holding company and Technical services and sales	92.56 (b)	196,974
Grupo Antolin-Amsterdam, B.V.	Amsterdam (Netherlands)	Holding company	100.00	2,427
Grupo Antolin-Holland, B.V.	Amsterdam (Netherlands)	Holding company	100.00	75,569
Grupo Antolin-Dutch, B.V.	Amsterdam (Netherlands)	Financial company	100.00	2,000
Broomco (3051), Ltd.	Bury St Edmunds (United Kingdom)	Holding company	100.00	-
Grupo Antolin-UK, Ltd.	Essex (United Kingdom)	Technical services and sales	100.00	765
Alba Speziallampen Holding, GmbH	Bamberg (Germany)	Holding company	100.00	71,516
Grupo Antolin-Autoform, GmbH & Co. KG	Saal Donau (Germany)	Automobile components	74.32 (b)	29,624
Grupo Antolin-Deutschland, GmbH	Weyhausen (Germany)	Technical services and sales	100.00	1,292
Grupo Antolin-Logistik Deutschland, GmbH	Cologne (Germany)	Automobile components	100.00	6,279
Grupo Antolin-Italia, S.r.l.	Milan (Italy)	Automobile components	100.00	5,210
Grupo Antolin-Bohemia, a.s.	Chrastava (Czech Republic)	Automobile components	100.00	42,235
Grupo Antolin-Ostrava, s.r.o.	Hranická (Czech Republic)	Automobile components	100.00	3,400
Grupo Antolin-Turnov, s.r.o.	Turnov (Czech Republic)	Automobile components	100.00	6,415
Antolin-CIE Czech Republic, s.r.o.	Hranická (Czech Republic)	Automobile components	70.00	2,790
Grupo Antolin-Bratislava, s.r.o.	Bratislava (Slovakia)	Automobile components	100.00	704
Grupo Antolin-Saint Petersburg	Saint Petersburg (Russia)	Automobile components	100.00	46,535
Antolin Avtotechnika Nizhny Nóvgorod, Ltd.	Nizhny Nóvgorod (Russia)	Automobile components	100.00	9,798
Antolin Tanger, S.A.R.L.	Tangiers (Morocco)	Automobile components	100.00	21,100
Grupo Antolin-South Africa, Ltd.	Port Elizabeth (South Africa)	Automobile components	100.00	12,474
Gestión Industrial de Sonora, S.A. de C.V.	Hermosillo (Mexico)	Provision of services	99.99 (b)	151
Grupo Antolin-Salttillo, S. de R.L. de C.V.	Saltillo (México)	Automobile components	99.99 (b)	10,832
Grupo Antolin-Silao, S.A. de C.V.	Silao (Mexico)	Automobile components	70.82 (b)	31,501
Grupo Antolin-Tlaxcala S. de R.L. de C.V.	Tlaxcala (Mexico)	Automobile components	100.00	5,979
Intertrim, Ltda.	Caçapava (Brazil)	Automobile components	85.28	17,806
Trimtec, Ltda.	Caçapava (Brazil)	Automobile components	100.00	113,747
Grupo Antolin-India PVT, Ltd.	Pune (India)	Automobile components	99.99 (b)	25,628
Grupo Antolin-Japan, Co.	Tokyo (Japan)	Technical services and sales	100.00	691
Grupo Antolin-Korea, L.L.C.	Suwon-si (South Korea)	Technical services and sales	100.00	350
Antolin Shanghai Auto-Parts Co., Ltd.	Shanghai (China)	Automobile components	100.00	4,000
Chongqing Antolin Tuopu Overhead System Co., Ltd.	Chongqing (China)	Automobile components	61.00	1,084
Guangzhou Antolin Auto-Parts Co., Ltd.	Guangzhou (China)	Automobile components	100.00	1,500
Dongfeng Antolin (Wuhan) Overhead Systems, Co., Ltd.	Wuhan (China)	Automobile components	51.00	767
Antolin China Investment Co., Ltd.	Beijing (China)	Holding company	100.00 (c)	58,117

Continued...

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
Antolin Liban, s.r.o.	Liban (Czech Republic)	Automobile components	100.00 (c)	2,059
Antolin Austria Holding, GmbH	Ebergassing (Austria)	Holding company	100.00 (c)	12,951
Antolin Hungary, Kft.	Helvécia (Hungary)	Automobile components	100.00 (c)	8,616
Antolin Trnava, s.r.o.	Trnava (Slovakia)	Automobile components	100.00 (c)	2,197
Antolin Interiors Mexico, S.A. de C.V.	Saltillo (Mexico)	Automobile components	100.00 (c)	70,536
Gestión Industrial de Toluca, S.A. de C.V.	Toluca (Mexico)	Provision of services	100.00 (c)	-
Gestión Industrial de Arteaga, S.A. de C.V.	Arteaga (Mexico)	Provision of services	100.00 (c)	-
Antolin Interiors UK, Ltd.	Warwick (United Kingdom)	Automobile components	100.00 (c)	26,583
Antolin Burg Design, GmbH	Steyr (Austria)	Automobile components	0.10 (b) (c)	7
Silesia Plastic, Sp. zo.o.	Wroclaw (Poland)	Automobile components	100.00 (d)	15,310
				<b>1,328,267</b>

***Companies in which the Group has a shareholding via other consolidated companies-***

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Company in which the Group has a shareholding via Grupo Antolin-Glass, S.A.U.-</b> Grupo Antolin-Autoform, GmbH & Co. KG	Saal Donau (Germany)	Automobile components	25.68 (b)	10,179
<b>Company in which the Group has a shareholding via Grupo Antolin-Ingeniería, S.A.U.-</b> Grupo Antolin-India PVT, Ltd. (formerly, Grupo Antolin-Pune PVT, Ltd.)	Pune (India)	Automobile components	0.01 (b)	-
Gestión Industrial de Sonora, S.A. de C.V.	Hermosillo (Mexico)	Provision of services	0.01 (b)	-
Grupo Antolin-Saltillo, S. de R.L. de C.V.	Hermosillo (Mexico)	Automobile components	0.01 (b)	-
<b>Company in which the Group has a shareholding via Grupo Antolin-India PVT, Ltd.-</b> Grupo Antolin-Chakan, Ltd.	Delhi (India)	Automobile components	100.00	5,937
<b>Companies in which the Group has a shareholding via Grupo Antolin-Holland, B.V.-</b> Grupo Antolin-France, S.A.S.	Saint-Etienne (France)	Holding company and Technical services and sales	7.44 (b)	15,802
Grupo Antolin-Silao, S.A. de C.V.	Silao (Mexico)	Automobile components	29.18 (b)	14,237
Grupo Antolin-Leamington, Ltd.	Kent (United Kingdom)	Automobile components	100.00	50,906
<b>Companies in which the Group has a shareholding via Grupo Antolin-Amsterdam, B.V.-</b> Ototrim Panel Sanayi ve Ticaret, A.S.	Bursa (Turkey)	Automobile components	50.00 (a)	2,413
<b>Companies in which the Group has a shareholding via Grupo Antolin-Gestión de Inversiones, S.L.U.-</b> Grupo Antolin-North America, Inc.	Detroit (United States)	Technical services and sales	100.00	232,000
<b>Companies in which the Group has a shareholding via Grupo Antolin-North America, Inc.-</b> Grupo Antolin-Kentucky, Inc.	Kentucky (United States)	Automobile components	100.00	20,033
Grupo Antolin-Michigan, Inc.	Marlette (United States)	Automobile components	100.00	12,495
Grupo Antolin-Illinois, Inc.	Troy (United States)	Automobile components	100.00	2,649
Grupo Antolin-Missouri, LLC	Clayton (United States)	Automobile components	100.00	1,501
Antolin Interiors USA, Inc.	Troy (United States)	Automobile components	100.00 (c)	85,983
<b>Companies in which the Group has a shareholding via Antolin Interiors USA, Inc.-</b> Interlink, LLC	Auburn Hills (United States)	Automobile components	100.00 (c)	7,897

*Continued...*

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Companies in which the Group has a shareholding via InterLink, LLC-</b> Suzhou Antolin Automotive Interiors Co., Ltd.	Kunshan Jiangsu (China)	Automobile components	100.00 (c)	1,868
<b>Companies in which the Group has a shareholding via Grupo Antolin-Kentucky, Inc.-</b> Grupo Antolin-Wayne, LLC	Wayne (United States)	Automobile components	49.00 (a)	18
<b>Companies in which the Group has a shareholding via Grupo Antolin-France, S.A.S.-</b> Grupo Antolin-IGA, S.A.S. Grupo Antolin-Vosges, S.A.S. Grupo Antolin-Ingenierie Sièges, S.A.S. Grupo Antolin-Loire, S.A.S. Grupo Antolin-Cambrai, S.A.S. Grupo Antolin-Jarny, S.A.S. Grupo Antolin-Besançon, S.A.S. (formerly CML Innovative Technologies, S.A.S.)	Henin Beaumont (France) Rupt-Sur-Moselle (France) Roche La Moliere (France) Roche La Moliere (France) Paris (France) Jarny (France) Besançon (France)	Automobile components Automobile components Technical studies Automobile components Automobile components Automobile components Automobile components	100.00 100.00 100.00 100.00 100.00 100.00 100.00	57,953 53,196 1,821 40,100 33,000 12,400 65,000
<b>Companies in which the Group has a shareholding via Keyland Sistemas de Gestión, S.L. (in which the Group has a 50% holding)-</b> Keyland USA, Inc. Keyland Mexico, S. de R.L. de C.V.	Auburnhill (United States) Mexico D.C. (Mexico)	Provision of services Provision of services	100.00 (a) 100.00 (a)	4 -
<b>Companies in which the Group has a shareholding via International Door Company, B.V. (in which the Group has a 50% holding)-</b> Iramac Autopeças, Ltda. Mexican Door Company, S. de R.L. de C.V.	Caçapava (Brazil) Mexico D.C. (Mexico)	Automobile components Automobile components	100.00 (a) 100.00 (a)	1,300 7,866
<b>Company in which the Group has a shareholding via Broomco (3051), Ltd.-</b> CML Innovative Technologies, Ltd.	Bury St Edmunds (United Kingdom)	Lighting products	100.00	7,982
<b>Company in which the Group has a shareholding via Alba SpezialLampen Holding, GmbH-</b> Grupo Antolin-Hranice, s.r.o. (formerly CML Innovative Technologies, S.A.S.)	Hranice (Czech Republic)	Automobile components	100.00	116
CML Technologies, GmbH & Co. KG Grupo Antolin-Bamberg, GmbH & Co. KG (formerly CML Innovative Technologies, GmbH & Co. KG)	Bad Dürkheim (Germany) Bamberg (Germany)	Lighting products Automobile components	100.00 100.00	9,711 30,660
Antolin Interiors Deutschland, GmbH Antolin Massen, GmbH Antolin Süddeutschland, GmbH Antolin Straubing, GmbH	Munich (Germany) Massen-Niederlausitz (Germany) Regenstauff (Germany) Straubing (Germany)	Automobile components Automobile components Automobile components Automobile components	100.00 (c) 100.00 (c) 100.00 (c) 100.00 (c)	- 23,981 2,200 38,410
<b>Companies held by Antolin Austria Holding, GmbH-</b> Antolin Ebergassing, GmbH Antolin Burg Design, GmbH	Ebergassing (Austria) Steyr (Austria)	Automobile components Automobile components	100.00 (c) 99.90 (b) (c)	28,796 5,209
<b>Companies in which the Group has a shareholding via Grupo Antolin-Besançon, S.A.S. -</b> Grupo Antolin-Sibiu, S.R.L. Grupo Antolin Guangzhou Lighting Co. Ltd. (formerly Guangzhou Socop Lamps Co., Ltd.)	Sibiu (Romania) Guangzhou (China)	Automobile components Automobile components	100.00 100.00	306 1,310
<b>Companies in which the Group has a shareholding via Antolin China Investment Co., Ltd.-</b> Changchun Antolin Automotive Interiors Co., Ltd. Changshu Antolin Automotive Interiors Co., Ltd.	Changchun (China) Changshu (China)	Automobile components Automobile components	60.00 (c) 60.00 (c)	40,416 18,199
<b>Companies in which the Group has a shareholding via Changchun Antolin Automotive Interiors Co., Ltd. (in which the Group has a 60% holding)-</b> Beijing Antolin Automotive Interiors Co., Ltd.	Beijing (China)	Automobile components	100.00 (c)	479

Continued...

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Company in which the Group has a shareholding via Antolin Hungary, Kft.-</b> Plastimat Hungary, Kft.	Esztergom (Hungary)	Automobile components	74.00 (c)	6,969
<b>Company in which the Group has a shareholding via Antolin Tanger, S.A.R.L.-</b> Gold Set, S.A.R.L.A.U.	Tangiers (Morocco)	Automobile components	100.00	1
<b>Company in which the Group has a shareholding via Chongqing Antolin Tuopu Overhead System Co., Ltd. (in which the Group has a 61% holding)-</b> Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS)	Hangzhou (China)	Automobile components	100.00	398
				<b>951,701</b>

- (a) These companies, in which the Group has a direct or indirect holding of 50% or less, have been included in the consolidated financial statements as *"fully consolidated companies"*, because the Group has control over them.
- (b) As indicated in the tables above, the Group has direct or indirect shareholdings in the share capital of these subsidiary companies, bringing the total holding in their capital up to 100%.
- (c) Companies acquired or incorporated in 2015 as part of the operation to acquire the interior components business unit of the international Magna Automotive group.
- (d) At 31 December 2014 the Group held 50% of the share capital of Silesia Plastic, Sp. zo.o., but did not have effective control over said company. This investment was therefore recognised under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position at that date. The Group acquired 100% of the share capital of said company in December 2015 as a result of a number of agreements. The investment therefore now falls within the scope of consolidation and was fully consolidated at 31 December 2015.

In addition to the aforementioned incorporation of Silesia Plastic, Sp. zo.o. at 31 December 2015, the following companies have come into the scope of consolidation in 2015 (see Note 2-g):

- On 31 August 2015 the Group acquired a number of companies forming the interior components business unit of the international Magna Automotive group and, also incorporated other companies to acquire this business in some countries.
- The subsidiary Dongfeng Antolin (Wuhan) Overhead Systems, Ltd., in which the Group owns 51% of the share capital, was incorporated.

The Group also increased its shareholding in ASH Reciclado de Techos, S.L., from 96.43% to 100%.

During 2015 no company left the consolidated Group.

#### ***Financial year of the subsidiary companies-***

The financial year of all the subsidiary companies, like that of the Parent, is the same as the calendar year, except for the Indian subsidiaries, whose financial year ends on 31 March. For the Indian companies in the process of being incorporated into the scope of consolidation, the financial statements for the 12 month period from 1 January 2015 to 31 December 2015 have been used, for the remaining companies the individual financial statements for the year ended 31 December 2015 have been used. The figures in the tables above correspond to the financial position at 31 December 2015. The financial position of the subsidiaries is stated in their individual financial statements.

***Audit of the individual annual financial statements of the subsidiary companies-***

The individual annual financial statements for 2015 of most of the subsidiary companies are audited by Deloitte or by other auditors. Set out below are the subsidiary companies whose annual financial statements are examined by auditors other than Deloitte:

Company	Audited by
Mexican Door Company, S. de R.L. de C.V.	KPMG
Gestión Industrial de Sonora, S.A. de C.V.	KPMG
Grupo Antolin-Kentucky, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Michigan, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Illinois, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Wayne, LLC	Urbach Hacker Young International, LLP
Chongqing Antolin Tuopu Overhead System Co., Ltd.	BDO China Li Xin Da Hua
Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS)	BDO China Li Xin Da Hua
Guangzhou Antolin Auto-Parts Co., Ltd.	GuangZHou HuaDu CPA, Ltd.
Grupo Antolin Guangzhou Lighting Co, Ltd.	Mazars
Grupo Antolin-Hranice, s.r.o.	Chebska Auditorska spol. s.r.o.
Grupo Antolin-Sibiu, S.R.L.	T&T Audit, S.R.L.
Plastimat Hungary, Kft.	BDO Magyarország Könyvvizsgáló, Kft.
Antolin Burg Design, GmbH	Dr. Rainer Stadler
Beijing Antolin Automotive Interiors Co., Ltd.	Jilin Zhongxinhuacheng Accounting Firm Limited Liability Company
Changchun Antolin Automotive Interiors Co., Ltd.	Jilin Zhongxinhuacheng Accounting Firm Limited Liability Company
Changshu Antolin Automotive Interiors Co., Ltd.	Jilin Zhongxinhuacheng Accounting Firm Limited Liability Company

**Associates and joint ventures-**

“Associates” are defined as companies where the Group has powers to exercise a significant influence.

The Company has the power to participate in financial and operating policy decisions but does not have control or joint control.

IFRS 11 defines a joint venture (*as opposed to a joint operation as described in the next section of this Note*) as an agreement under which the controlling parties (“joint venturers”), have rights to the net assets of the company. Joint control is the contractually agreed sharing of control and requires all substantive decisions to be unanimously agreed by all parties sharing joint control.

The Group's holdings in Associates and joint ventures (*accounted for in consolidated financial statements for 2015 and 2014 using the equity method*), and the corresponding carrying amounts recognised under “Investments in companies accounted for using the equity method” in the consolidated statement of financial position at 31 December 2015 and 2014, are as follows:



Company	Registered Office	Activity	Percentage Held by the Group at 31/12/15	Thousands of Euros	
				Carrying Amount at 31/12/14	Carrying Amount at 31/12/15
<b>Companies in which Grupo Antolin-Irausa, S.A. has a direct shareholding-</b>					
Dongwon Technology Co., Ltd.	Kyoung-Nam (South Korea)	Automobile components	30.00	2,890	4,596
NHK Antolin (Thailand) Co., Ltd.	Samutprakarn (Thailand)	Automobile components	50.00	617	479
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	Ningbo (China)	Automobile components	50.00 (a)	20,999	33,017
Silesia Plastic, Sp. zo.o.	Wroclaw (Poland)	Automobile components	- (b)	8,264	-
Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd.	Yangzhou (China)	Automobile components	50.00	6,368	8,752
Krishna Grupo Antolin Private, Ltd.	Chandigarh (India)	Automobile components	50.00	3,501	4,587
Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd.	Wuhan (China)	Automobile components	49.00	-	369
CREA-Antolin Co., Ltd.	Ansan (Korea)	Automobile components	50.00	-	7,157
<b>Companies in which the Group has a shareholding via International Door Company, B.V.-</b>					
Slovakian Door Company, s.r.o	Bratislava (Slovakia)	Automobile components	25.00	374	1,684
International Door Systems, S.R.L. de C.V.	Hermosillo (Mexico)	Automobile components	25.00	268	265
<b>Companies in which the Group has a shareholding via Grupo Antolin-Amsterdam, B.V.-</b>					
Irauto, S.A.	Buenos Aires (Argentina)	Automobile components	50.00	464	232
				<b>43,745</b>	<b>61,138</b>

(a) This company in turn holds 94% of the share capital of Gongzhuling Huaxiang Auto Interior Trim Co., Ltd. which, in turn, holds 100% of the share capital of Chengdu Antolin Huaxiang Auto Interior Trim Co., Ltd. and Foshan Antolin Huaxiang Auto Interior Trim Co., Ltd. Ningbo Antolin Huaxiang Auto Parts Co., Ltd. likewise holds 100% of the share capital of Dongguan Antolin Huaxiang Auto Parts Co., Ltd. The carrying amount of the investment in this company at 31 December 2015 and 2014 corresponded to the consolidated carrying amount of the subgroup which it heads.

(b) On 31 December 2015 this company was fully consolidated, the Group having acquired the 50% of the share capital of Silesia Plastic, Sp. zo.o. previously held by the other shareholder. As this operation came into effect on 31 December 2015, the gains obtained by the Group on its investment in this company in 2015 are recorded under "Profit of companies accounted for using the equity method" in the consolidated profit or loss for the year ended 31 December 2015.

Movements in 2015 recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position were as follows:

	Thousands of Euros
<b>Balances at 31 December 2014</b>	<b>43,745</b>
Profit of companies accounted for using the equity method	16,524
Additions on the incorporation or acquisition of companies and contributions effected (a)	8,433
Retirement of Silesia Plastic, Sp. zo.o., which is now fully consolidated	(7,328)
Exchange differences	2,153
Dividends	(2,112)
Other	(277)
<b>Balances at 31 December 2015</b>	<b>61,138</b>

(a) The Chinese company Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd., in which the Group owns 49% of the share capital, was incorporated in 2015. In this operation, the Group paid in a total of 737 thousand euros. The Parent also subscribed to the proportional part of a capital increase corresponding to its investment in Slovakian Door Company, S.R.L. (1,250 thousand euros) and, finally, acquired 50% of the share capital of Korean company CREA-Antolin Co., Ltd. as part of the operation to acquire the interior components business unit of the international Magna Automotive group (for 6,446 thousand euros).

In 2015 the Group received dividends from the Associates and joint ventures Silesia Plastic, Sp. zo.o. and Dongwon Technology Co., Ltd., amounting to 2,112 thousand euros. In 2014 the Group received dividends from Silesia Plastic, Sp. zo.o., Krishna Grupo Antolin Private, Ltd. and Dongwon Technology Co., Ltd., amounting to 1,128 thousand euros. All these dividends were recognised as a reduction in the carrying amount of the investment.

***Financial year and audit of the individual annual financial statements of Associates and joint ventures included in the scope of consolidation-***

The financial year of Associates and joint ventures is the same as the calendar year, except for Krishna Grupo Antolin Private, Ltd., whose financial year ends on 31 March. For Krishna Grupo Antolin Private, Ltd., the financial statements for the 12 month period from 1 January 2015 to 31 December 2015 have been used, for the remaining companies the individual financial statements for the year ended 31 December 2015 have been used. Some of the aforementioned annual financial statements are currently being examined by the following auditors:

Company	Audited by
Slovakian Door Company, s.r.o.	Auditea, s.r.o.
Dongwon Technology Co., Ltd.	PriceWaterhouseCoopers
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	Zhejiang Pan-China CPA, Ltd.
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	Zhejiang Pan-China CPA, Ltd.
Gongzhuling Huaxiang Auto Interior Trim Co., Ltd.	Zhejiang Pan-China CPA, Ltd.
Irauto, S.A.	Alberto A. Gonzales
NHK Antolin Thailand Co., Ltd.	KPMG
CREA-Antolin Co., Ltd.	Ernst & Young

**Joint operations-**

IFRS 11 defines a joint operation as an agreement under which the parties (*"joint operators"*) have rights to the assets and obligations for the liabilities of the agreement. Joint control is the contractually agreed sharing of control and requires all substantive decisions to be unanimously agreed by all parties sharing joint control.

Following an assessment by the Group, the only investment which is deemed a joint operation is International Door Company, B.V., a holding company registered in Amsterdam (Netherlands), in which the Parent has a 50% holding (*this holding cost 2,158 thousand euros*). The other 50% is held by Küster Holding, GmbH. This investment is proportionally consolidated.

The figures for assets and liabilities, and the net turnover and the result for the year ended 31 December 2015 contributed by this joint venture are not significant compared to the figures for consolidated totals of the Group.

**(2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION STANDARDS**

**a) True and fair view-**

In accordance with Final Provision Eleven of Law 62/2003 on Tax, Administrative and Social Order Measures, of 30 December, companies with holdings are required to draw up consolidated annual financial statements and directors' reports. At year end none of the companies in the Group have issued shares that are listed on an official market of any member State of the European Union. They may therefore opt to present their consolidated annual financial statements for the years beginning from 1 January 2005 in accordance with Spanish accounting standards or in accordance with the International Financial Reporting Standards adopted by the European Union. Accordingly, Grupo Antolin-Irausa, S.A.

decided to apply voluntarily, for the first time in the financial year 2007, said International Financial Reporting Standards adopted by the European Union for drawing up its consolidated annual financial statements. Grupo Antolin is, however, currently required to apply these standards as a Group company (*Grupo Antolin-Dutch, B.V.*) issued bonds in March 2014 that are listed on an official market of any member State of the European Union (see Note 17).

The consolidated annual financial statements for 2015, which were prepared from the individual accounting records of the Parent and of the companies included in consolidation (*listed in Note 1*), are presented in accordance with the International Financial Reporting Standards adopted by the European Union (*hereinafter referred to as "IFRS-EU"*) and, accordingly, give a true and fair view of the Group's consolidated net worth, consolidated financial position at 31 December 2015, and results of operations, changes in consolidated equity and cash flows that have taken place during the year then ended.

These consolidated annual financial statements for 2015 have been prepared by the Parent's Directors and will be submitted to the Annual General Meeting of Shareholders of the Parent for approval. They are expected to be approved unchanged.

The consolidated financial statements for 2014 were approved by the General Meeting of Shareholders of the Parent held on 12 March 2015.

#### ***b) Adopting new standards and interpretations issued-***

Grupo Antolin's consolidated annual financial statements for the financial years to 31 December 2015 and 2014 have been drawn up in accordance with International Financial Reporting Standards, in accordance with the terms of Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002, taking into account all mandatory accounting principles, standards and measurement bases with a material impact and the alternatives permitted under the standards in this respect.

#### ***Standards and interpretations in force in 2015-***

In 2015, the following new accounting standards have come into force and have been taken into account when drawing up the consolidated annual financial statements for 2015:

Standards, amendments and interpretations:		Mandatory Application for Financial Years Beginning On or After:
<i>Approved for use in the European Union</i>		
IFRIC 21	Levies	17 June 2014 (*)
IFRS Annual Improvements 2011-2013 Cycle	Minor amendments to a collection of standards	1 January 2015 (**)

(\*) The European Union endorsed IFRIC 21 (*EU Bulletin 14 June 2014*) amending the effective date initially set by the IASB (*1 January 2014*) to 17 June 2014.

(\*\*) The effective date for these standards per the IASB was 1 July 2014.

- IFRIC 21 "Levies": This interpretation provides guidance on when to recognise a liability for levies based on financial information for a period other than the one in which the obligating event giving rise to the liability occurred.
- IFRS Annual Improvements 2011-2013 Cycle: Minor amendments to a number of standards (*IFRS 3 "Business combinations", IFRS 13 "Fair value" and IAS 40 "Investment property"*).

The impact of applying these interpretations and amendments in these consolidated annual financial statements was not material.

***Standards and interpretations issued not in force-***

The most significant standards, changes and interpretations that had been published by the IASB at the date on which these financial statements were prepared that had not yet come into force, either because their effective date is later than the date of the consolidated annual financial statements, or because they have not yet been endorsed by the European Union, are as follows:

Standards, amendments and interpretations:		Mandatory Application for Financial Years Beginning On or After:
<b><i>Approved for use in the European Union</i></b>		
Amendment to IAS 19: Defined benefit plans: employee contributions	The amendment was issued to allow these contributions to be deducted from the cost of the service in the financial period in which they arise if certain requirements are met.	1 February 2015 (*)
IFRS Annual Improvements 2010-2012 Cycle	Minor amendments to a collection of standards.	1 February 2015 (*)
Amendment to IAS 16 and IAS 38: Acceptable Methods of Depreciation and Amortisation	Clarification of the acceptable methods for depreciating property, plant and equipment and intangible assets, excluding revenue-based methods.	1 January 2016
Amendment to IFRS 11: Accounting for acquisitions of interests in joint operations	Accounting for the acquisition of an interest in an existing joint operation that is a business.	1 January 2016
Amendment to IAS 16 and IAS 41: Bearer plants	Bearer plants will be carried at cost rather than fair value.	1 January 2016
IFRS Annual Improvements 2012-2014 Cycle	Minor amendments to a collection of standards.	1 January 2016
<b><i>Not approved for use in the European Union</i></b>		
<b><i>New standards:</i></b>		
IFRS 15: Revenues from contracts with customers	New standard on the recognition of revenues ( <i>replacing IAS 11, IAS 19, IFRIC 15, IFRIC 18 and SIC-31</i> ).	1 January 2018
IFRS 9: Financial instruments	Replaces IAS 39 requirements for the classification, measurement and derecognition of financial assets and liabilities, hedge accounting and accounting for impairments.	1 January 2018
IFRS 16: Leases	New standard on the classification of lease contracts and their accounting treatment in the financial statement of the lessor and lessee ( <i>replaces IAS 17</i> ).	1 January 2019
<b><i>Amendments and/or interpretations:</i></b>		
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	Clarification on the treatment of gains and losses on these operations when the contribution constitutes a business or an asset.	No date set
Amendment to IAS 27: Equity method in separate financial statements (published August 2014)	Allows the equity method to be used in the separate financial statements of an investor.	No date set
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities (December 2014)	Clarifications on the investment entities consolidation exception.	No date set
Amendment to IAS 1: Disclosure initiative (December 2014)	Various clarifications on disclosures ( <i>materiality, aggregation, note structure, etc.</i> ).	No date set

(\*) The effective date for these standards per the IASB was 1 July 2014.

None of the aforementioned standards was applied prior to the mandatory effective date in 2015.

The Group has begun to assess the potential impacts of applying these standards in the future. A first analysis shows that they should have no material effect on its consolidated financial statements, with the exception of IFRS 16 Leases (*applicable from 1 January 2019, the main change being a single method for accounting for leases so that all leases, with some limited exceptions, will be recognised as financed purchases, i.e. in accordance with the current treatment of finance leases*) and, to a lesser extent, IFRS 15 Revenues from contracts with customers (*applicable from 1 January 2018*).

**c) Functional currency-**

The consolidated annual financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates. Foreign operations are recorded in accordance with the policies described in Notes 2-f and 3-L.

**d) Comparative information-**

In accordance with the requirements of IAS 1, the information set out in these Notes to the financial statements relating to 2014 is presented, for the purposes of comparison, with the figures for 2015. The figures for 2014 that are presented in the consolidated annual financial statements for 2015 do not vary from the figures set out in the consolidated annual financial statements for 2014, which were approved by the General Meeting of Shareholders of the Company held on 12 March 2015.

There have been no major changes in the accounting policies that affect 2015 and 2014. Neither have any corrections of errors relating to prior years been made, nor have any major changes been made in the accounting estimates that affect these financial years or that are likely to affect future financial years.

**e) Responsibility for the information provided and estimates made-**

The information set out in these consolidated annual financial statements for 2015 is the responsibility of the Directors of the Parent.

In preparing the annual financial statements for 2015 estimates made by senior management (*subsequently ratified by the Parent's Directors*) have been used on occasion to measure certain assets, liabilities, revenues, expenses and commitments that are recorded therein. These estimates basically refer to:

- The assessment of possible impairment losses on certain assets.
- The measurement of goodwill.
- The useful life of property, plant and equipment, intangible fixed assets and investment property.
- The classification of leases as operating or financial leases.
- The market value of certain financial instruments.
- The fair value of certain unlisted assets.
- The amount of the provisions.
- The application of deferred tax assets.
- The capacity to exercise control in some consolidated companies and the timing thereof.

Although these estimates were made based on the best information available at 31 December 2015 for the events being analysed, future events may make it necessary to revise these estimates (*upward or downward*) in coming years. Any such changes would be applied prospectively, and the effects of the change in estimate would be taken to the consolidated profit or loss in the years affected, as provided for in IAS 8.

## ***7) Consolidation standards-***

### *Subsidiary companies-*

The individual annual financial statements of the “*subsidiary companies*” have been fully consolidated with those of the Parent and, therefore:

1. All major balances and transactions between the fully consolidated companies and material gains or losses on internal operations not carried out with third parties have been eliminated on consolidation.
2. In the consolidation process adjustments and reclassifications have been made so as to bring the accounting principles and policies used by the subsidiary companies into line with those used by the Parent.
3. When a subsidiary is acquired, its assets, liabilities and contingent liabilities are recorded at their fair values at the acquisition date. Any excess of the acquisition price over the fair values of the identifiable net assets acquired is recognised in “Intangible assets - goodwill”. Negative differences are taken directly to income on the acquisition date.
4. The share of profit or loss and net changes in subsidiaries' equity attributable to non-controlling interests is calculated based on the voting rights existing at that time, excluding any potential exercisable or convertible rights. Any loss attributable to the non-controlling interests over and above the carrying amount of said non-controlling interests is charged to the holdings of the Parent, except when the non-controlling interests are under a binding obligation to cover part or all of the losses and provided that they are able to make the necessary additional investment.
5. The equity and results of the subsidiary companies attributable to non-controlling interests are presented in consolidated net equity, under “Non-controlling interests”, in the consolidated statement of financial position, and under “Profit attributable to non-controlling interests” in the consolidated profit or loss, respectively.
6. Changes in the net worth of the consolidated subsidiary companies since they were acquired that cannot be attributed to changes in the percentage held are recorded under “Equity - Reserves - Reserves of fully and proportionally consolidated companies” in the consolidated statement of financial position.
7. The results generated by subsidiary companies acquired during the year are included in the consolidated profit or loss only from the date of acquisition to the year end. Similarly, the results of subsidiary companies disposed of during the year are included in the consolidated profit or loss only as from the beginning of the year to the date of disposal.
8. Acquisitions from non-controlling shareholders of their holdings in subsidiary companies in which the Group already had effective control of the companies and which, therefore, lead only to an increase in the Group's percentage holding in these companies, are treated, for the purposes of consolidation, as operations with equity instruments. The balance recorded under “Non-controlling interests” is therefore reduced and consolidated reserves are restated for the difference between the value of the consideration paid by the Group and the amount by which the balance recognised under “Non-controlling interests” has been changed. No “Goodwill” whatsoever is recorded for this operation.

The annual financial statements of the subsidiary companies used in the consolidation process refer to the same reporting date and cover the same period as those of the Parent.

*Associates and joint ventures-*

"Associates" and "joint ventures" are stated in the consolidated annual financial statements using the equity method, i.e. the investment is recorded originally at cost and the carrying amount is later increased or reduced so as to recognise the Group's share in the profit and loss of the year recorded by the investee company, after the date of acquisition. The Group thus recognises in its consolidated profit or loss for the year its proportional share in the profit and loss of the associate or joint venture. Dividends received from associates and joint ventures reduce the carrying amount of the investment. It may also be necessary to make adjustments to record any changes that may occur in the proportional holding in the associate or joint venture as a result of any changes in net equity that it may not have taken to income in the year. Gains and losses on transactions with associates and joint ventures are eliminated in proportion to the Group's investment in them.

*Joint operations-*

The annual financial statements of investee companies classified as "joint ventures" are proportionally consolidated, i.e. recognising the assets, rights and obligations and the income and expenses of these companies in proportion to the Group's holding in these companies.

*Translation of annual financial statements of foreign companies included in the scope of consolidation-*

The statements of financial position and profit or loss of the foreign companies included in the scope of consolidation denominated in currencies other than the euro were translated to euros using the *closing rate method*. All the assets, rights and obligations of these companies were translated to euros at the year-end exchange rates. Their share capital and reserves were translated at their historical exchange rates. To counteract seasonal effects, the profit or loss items of these companies were translated to euros at the average exchange rates for the year, based on the volume of transactions performed in each period.

The exchange differences arising from the application of these methods are taken to equity under "Adjustments for Changes in Value-Exchange differences" in the consolidated statement of financial position, net of the portion of these differences corresponding to non-controlling interests, which is taken to equity under "Non-controlling interests" in the consolidated statement of financial position. Such exchange differences are recognised as income or as expense in the year in which the investment is made or divested.

**g) Changes in the scope of consolidation-**

*2015:*

The main changes to the Group's scope of consolidation in 2015 were as follows:

- The acquisition by Grupo Antolin of the interior components business unit of the international Magna Automotive group came into effect on 31 August 2015 (*except for some companies where the transaction came into effect for accounting purposes from 30 September 2015*), for a total cost of approximately 540 million euros (*this amount is not yet final, since at the present date negotiations are still taking place with the seller group in relation to certain items, although it is estimated that the final amount will not differ significantly from this estimated amount*). This division was incorporated into the Group as the new "Cockpit" business unit, with its head office near Munich and 36 production units located in various countries (*Germany, the Czech Republic, Slovakia, Austria, Hungary, the United Kingdom, the United States, Mexico, China, Korea and India*). This division has an annual turnover of around 2,000 million euros and employs more than 12,000 people (see Note 5). The operation was effected by means of the acquisition of businesses and/or production plants from the aforementioned business by various Grupo Antolin companies, some of which were newly

incorporated in 2015. The acquired business, which was incorporated into the "Cockpit and instrument panels" business unit, was fully consolidated in these financial statements for 2015 *(except for the Group's investment in a joint venture which is accounted for using the equity method)* (see Note 5). In the latter part of 2015 the Group changed the names of the acquired companies. The current names are detailed in Note 1.

As previously mentioned, in 2015 the Group incorporated a number of companies including Antolin Liban, s.r.o., Antolin Trnava, s.r.o., Antolin Austria Holding, GmbH and Antolin China Investment Co., Ltd., through which it effected the purchase of some of the companies and plants acquired from the international Magna Automotive group.

- Following a number of agreements reached in late December 2015, the Group has increased its investment in the share capital of Silesia Plastic, Sp. zo.o. from 50% to 100%. The original 50% shareholding was recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position at 31 December 2014. The cost of this increase investment was approximately 10 million euros and, as a result of this operation, Silesia Plastic, Sp. zo.o. was incorporated in the scope of consolidation on 31 December 2015 (see Note 5).
- The Chinese companies Dongfeng Antolin (Wuhan) Overhead Systems, Ltd. and Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd. were incorporated in the first half of 2015. The Group holds 51% and 49% of the share capital of these companies, having paid in 767 thousand euros and 737 thousand euros, respectively. At 31 December 2015 these companies remained virtually inactive.

During 2015 the Group subscribed to a capital increase by ASH Reciclado de Techos, S.L., and subsequently acquired shares in the company, paying in a combined total of 1,082 thousand euros. As a result of these operations, the Group's holding in this company increased from 96.43% to 100%.

In 2015 no companies left the Group's scope of consolidation.

#### 2014:

In 2014 there were no material changes in the scope of consolidation. The only additions to the Group's scope of consolidation in the year, which had no material effects on these consolidated annual financial statements, were as follows:

- The companies Grupo Antolin-Dutch, B.V. and Grupo Antolin-Tlaxcala, S. de R.L. de C.V., were incorporated during the year. The Group subscribed 100% of their share capital for 2,000 and 163 thousand euros, respectively. Chinese company Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS) was also incorporated in the period, with share capital of 398 thousand euros, of which the Group indirectly holds 61%.
- In September 2014, the Group acquired all the share capital of the company Machino Auto Comp, Ltd., now named Grupo Antolin-Chakan, Ltd., for a cost of 1.4 million euros (see Note 5).
- In December 2014 the Group acquired for 1 thousand euros 100% of the share capital of Gold Set, S.A.R.L.A.U., a company which is currently inactive and only has an asset classified as held for sale.

In 2014, the Group acquired the investment held by the non-controlling interests in subsidiary Antolin Avtotechnika Nizhny Nóvgorod, Ltd., representing 25% of its share capital, for 276 thousand euros. As a result of this capital increase, the Group's holding in this company increased from 75% to 100%.

The only retirements from the scope of consolidation in 2014 were as a result of the sale of the Group's 50% shareholdings in associates Antolin Kasai Tek Chennai PVT, Ltd. and Antolin Kasai International Kabushiki Kaisya. These transactions generated a loss of 144 thousand euros which was recorded under "Impairment and gains/(losses) on the loss of significant influence over investments accounted for using the equity method or of joint control over a jointly-controlled entity" in the accompanying consolidated profit or loss for 2014.



**h) Definition of the Group for the purposes of preparing consolidated annual financial statements-**

Although Grupo Antolin-Irausa, S.A. is directly and indirectly controlled by Avot Inversiones, S.L. (see Notes 1 and 13), these consolidated annual financial statements correspond to the group of subsidiary companies headed by Grupo Antolin-Irausa, S.A. All companies belonging to this Group have been included in these consolidated financial statements, being understood to refer to all the companies making up a single decision-making unit, in accordance with Article 42 of the Commercial Code. No company has been excluded.

Avot Inversiones, S.L. is a holding company controlled by the Antolín family whose principal assets are direct and indirect equity investments in Castilfalé Gestión, S.A.U. and Grupo Antolin-Holdco, S.A. (*holding companies whose main activity is to hold shares in Grupo Antolin-Irausa, S.A.*). Consequently, the other companies in the Parent Group headed by Avot Inversiones, S.L. contributed little or no assets, turnover or profit to the consolidated financial statements of said Group for the year ended 31 December 2015.

With regard to Grupo Asuari Inversor, S.L., the parent of a group of companies also controlled by the Antolín family and therefore associated with Grupo Antolin, the Directors and legal advisers of the Parent consider that the companies do not form a decision-making unit nor are they managed on a unified basis as their activities are distinct and independent and the commercial and financial relationships between them are not significant, there being no common activity.

**(3) ACCOUNTING PRINCIPLES, POLICIES AND MEASUREMENT CRITERIA**

In preparing the consolidated financial statements for 2015 the following accounting principles and policies and measurement criteria were applied:

**a) Going-concern principle-**

In recent financial years the Group has reported profits and generated significant financial resources in the course of its operations. Although the global economic and financial situation will continue to affect the Group's performance in 2016, the major car manufacturers are forecasting that production levels will be around 4.1% higher than in 2015, growth is forecast in some regions (*mainly thanks to new projects in Europe and the NAFTA and Asia Pacific regions*) although production is expected to decline in Russia and the Mercosur regions. According to the latest estimates, therefore, the output of the worldwide automobile industry will continue to grow between 2016 and 2019.

The Parent's Directors consider that, following the addition of the interior components business unit acquired from the international Magna Automotive group in 2015, Grupo Antolin is a more diversified corporation that will be better able to cope with the vagaries of the market. The Group has added new products to its portfolio, strengthening and expanding its presence in the main automobile markets and improving its range. The Group's technological know-how and its global presence in terms of products, customers and markets will also enable it to strengthen its market position and take a considerable share of the market in all segments of the sector (*from the most basic models to premium vehicles*). The Parent's Directors also consider that the financial and economic measures taken in recent years will make a positive contribution to ensuring that the Group continues to grow and meet its profit targets.

The consolidated annual financial statements for 2015 have accordingly been prepared on a going-concern basis.

**b) Goodwill and negative goodwill on first consolidation-**

Business combinations are accounted for using the acquisition method, which requires the identifiable assets acquired and liabilities assumed (*including any contingent liabilities*) to be measured at their fair values at the acquisition date, provided said fair value can be reliably measured. The assets and liabilities recognised by the Group will be those received and assumed, respectively, as a result of the operation, irrespective of whether these assets and liabilities were previously not recognised in the annual financial statements of the investee because they did not meet the criteria for recognition in said financial statements.

Any positive difference between the acquisition cost of the Group's holdings in the capital of the subsidiary companies and the fair values of the identifiable net assets acquired is recognised as "Goodwill". Negative differences are taken directly to income on the acquisition date.

"Goodwill" is only recorded when it has been acquired for consideration and represents, therefore, advance payments made by the acquiring entity for the future economic benefits deriving from the assets of the acquired entity that are not individually and separately identifiable and recognisable.

In accordance with IFRS 3, goodwill is not amortised but is reviewed for impairment (*i.e. a reduction in the recoverable amount of the "Goodwill" to below its carrying amount*) at the end of each reporting period and any impairment is charged to "Net impairment losses on non-current assets" in the consolidated profit or loss. Impairment losses relating to "Goodwill" cannot subsequently be reversed.

The recoverable value of goodwill is measured as the higher of fair value less costs to sell and value in use, understood as the present value of expected future cash flows from the investment. The Group's Directors apply the following methodology to test goodwill, other intangible assets and property, plant and equipment for impairment (see Notes 7 and 8):

- The recoverable amount is calculated for each cash generating unit, although wherever possible individual, item-by-item impairment calculations are performed on property, plant and equipment.
- The Group's Directors regularly prepare a business plan for each cash generating unit, broken down by market and activity, covering a period of at least five years. An annual budget is also prepared each year for the following financial year. The main components of said plan and budget are:
  - Results forecasts.
  - Investment and working capital forecasts.
- Other variables influencing the calculation of recoverable value are:
  - The discount rate to be applied, i.e. the weighted average cost of capital. The main factors affecting this are the cost of the liabilities and specific risks related to the assets.
  - The growth rate applied to cash flows to extrapolate them beyond the period covered by budgets and forecasts, up to five financial years.

Forecasts are prepared on the basis of past experience and the best available estimates in line with externally obtained information.

The business plans thus prepared are reviewed and approved by the Parent's Board of Directors.

If an impairment loss must be recognised for a cash generating unit to which all or part of the goodwill has been assigned, first the carrying amount of the goodwill corresponding to the cash generating unit will be reduced. If the impairment is greater than the amount of goodwill carried, the remaining assets of the cash generating unit will be reduced, in proportion to their carrying amount, up to the higher of their fair value less costs to sell, value in use, and zero.

At the end of the 2015 reporting period an impairment loss to the goodwill of a subsidiary company of 1,500 thousand euros was recognised under "Net impairment loss on non-current assets" in the consolidated profit or loss for the year ended 31 December 2015. No impairment to the goodwill of the consolidated subsidiary companies was recognised in 2014.

"Goodwill" recognised in the consolidated statement of financial position at 31 December 2015 corresponds basically to the consolidated subsidiary companies and plants acquired in 2015 from the international Magna Automotive group and other companies forming part of the "Lighting" business acquired from the "CML Innovative Technologies" group in 2012, the consolidated subsidiary company Silesia Plastic, Sp. zo.o. acquired in 2015 and other non-material goodwill recognised in previous financial years (see Notes 2-g, 5 and 7).

**c) Other intangible assets-**

Intangible assets are defined as identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed in-house by the consolidated companies. Only intangible assets whose cost can reasonably be objectively estimated and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are stated initially at acquisition or production cost and subsequently at cost less any accumulated amortisation and impairment losses.

*Development expenses-*

The costs incurred in each development project are capitalised when the following conditions are met:

- The development cost of the asset can be assessed reliably.
- The costs are specifically itemised for each project and correspond to an identifiable asset.
- The Group can prove that the project is technically viable.
- The project is likely to generate profits in the future.

Development expenses incurred using the Group's own resources are recorded (*by type*) in the consolidated profit or loss, while development expenses for projects which meet the above conditions are debited to "Development Expenses" in the consolidated statement of financial position and credited to "Own work capitalised" in the consolidated profit or loss.

Capitalised development expenses are in practically all cases amortised on a straight-line basis over the estimated useful lives of the projects as from the date the related projects are completed.

Development expenses relate mainly to the costs incurred in this connection by the consolidated subsidiary Grupo Antolin-Ingeniería, S.A.U. and the Group's other research and development centres. Research expenses are taken directly to income in the financial year in which they are incurred.

*Software and other intangible assets-*

Other intangible assets with a finite useful life are amortised accordingly, using criteria similar to those used for property, plant and equipment. Specifically, "Computer software" is written off over a period of 5 years as from when it starts to be used.

When accounting for the business combinations involving the "Lighting" business acquired from the "CML Innovative Technologies" group in 2012 and the companies and plants acquired in 2015 from the international Magna Automotive group, "Customer relations" in the automobile industry was identified as an intangible asset, on the basis that one of the Group's aims in carrying out said operation was to

develop new services and products in this sector. This intangible asset has been measured at its fair value determined using the multi-period excess earnings (MPEE) method, based on calculating the operating cash flows generated for the acquired company by the asset, net of any expenses charged for the assets involved in generating said cash flows. These cash flows were discounted using the weighted average cost of capital *(which, depending on the country, was between 8.3% and 12.9% for the "Lighting" segment, plus a spread of 2% to reflect the intangible nature of the asset, and between 8.1% and 15.6% for the companies and plants acquired from the international Magna Automotive group.* The remaining useful life of these intangible assets was estimated to be 7 years for the 2012 operation and between 2 and 7 years for the 2015 operation, over which periods they will be amortised.

The annual amortisation expense for intangible assets with finite useful lives is charged to "Depreciation and amortisation expense" in the consolidated profit or loss.

#### *Impairment losses-*

The consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Net impairment losses on non-current assets" in the consolidated profit or loss. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment for own use.

#### **d) Property, plant and equipment-**

Property, plant and equipment include the assets that the Group has for its current or future use in producing or supplying goods and services or for administrative purposes and which are expected to be used for more than one financial year. Property, plant and equipment are stated on the consolidated statement of financial position at their acquisition or production cost, adjusted or revalued, whenever applicable, in accordance with applicable legal provisions, or at their "fair value" as determined by independent experts on the date of transition to "IFRS-EU" (1 January 2006), which amount is recorded as an attributed cost, less accumulated depreciation and any impairment losses.

The cost of extensions, modernisations or improvements that increase the productivity, capacity or efficiency or prolong the useful life of an asset are capitalised as an increase in the cost of said asset.

Borrowing costs directly attributable to building or developing property, plant and equipment, that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready to become operational. In cases where financing has been received specifically for building said assets, the amount of the interest and other financial expense capitalised reflects the actual costs incurred during the period, less income earned from temporarily reinvesting the financing that has not yet been invested in the qualifying assets. Where the financing received is of a general nature, the amount of interest capitalised is calculated using a rate based on the weighted average of the interest costs applicable to the average unrepaid financing in the year excluding financing for specific purposes. However, the capitalisation of interest is suspended during the periods when the construction work is at a standstill, provided that such periods are not particularly long. In 2015 and 2014, the Group has not capitalised any financial expense as an increase in the carrying amount of "Property, plant and equipment".

Upkeep and maintenance expenses for property, plant and equipment for own use are expensed in the year they are incurred.

The Group transfers PP&E under construction to PP&E used in operations when the assets in question become operational, from which time depreciation is charged.

Property, plant and equipment used in operations are depreciated on a straight-line basis, based on the acquisition or production cost of the assets or their restated value, less their residual value. The land on which buildings and other constructions are located is deemed to have an indefinite lifespan and is therefore not subject to depreciation. Annual depreciation charges on property, plant and equipment are charged to "Depreciation and amortisation expense" in the consolidated profit or loss over the average estimated useful life of the assets, as indicated below:

Type of Asset	Years of Estimated Useful Life
<b>Buildings and other constructions</b>	20 to 50
<b>Plant and machinery-</b>	
Machinery	5 to 12,5
Plant	6 to 25
<b>Other plant, tools and furniture-</b>	
Tools, dies and moulds	2 to 6
Office furniture and equipment	5 to 10
<b>Other property, plant and equipment-</b>	
Transport equipment	5 to 10
Computer hardware	4 to 5

Reviews are made at regular intervals of the estimated useful life of property, plant and equipment for own use in order to identify any significant changes therein. If any such changes are identified, the relevant adjustment is made to the depreciation charged to the consolidated profit or loss in future years based on the new useful lives.

At the end of each reporting period, the consolidated companies test for any internal or external signs that the recoverable amount of their property, plant and equipment is less than the carrying amount. If so, the carrying amount is reduced to the recoverable value and the future charges for depreciation in proportion are adjusted in proportion to their adjusted carrying amount and their new remaining useful life if it was also necessary to re-estimate this. Any such reduction in the carrying amount of property, plant and equipment for own use is charged to "Net impairment losses on non-current assets" in the consolidated profit or loss.

Similarly, whenever there are signs that the value of an impaired tangible asset has recovered, the consolidated companies reverse impairment losses recognised in prior years, crediting "Net impairment losses on non-current assets" in the consolidated profit or loss and adjusting future depreciation charges accordingly. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset.

#### **e) Investment property-**

Investment property comprises land, buildings or other constructions held to earn rents or for capital appreciation upon disposal due to future increases in their respective market prices. At 31 December 2015, this heading included a factory (*land and buildings*) in Almussafes (Valencia), to be operated under a lease, as well as other properties.

The same methods of valuation, depreciation, and for estimating their respective useful lives and for recording any impairment losses are used as for property, plant and equipment for own use.

#### **f) Accounting for leasing operations-**

Leases are classified as "finance leases" whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as "operating leases".

#### *Finance Leases-*

During 2014 and 2015, the Group has not signed any lease agreement as a lessor which might be classified as a finance lease.

In finance lease transactions where the Group acts as lessee, the cost of the leased assets is recognised in the consolidated statement of financial position according to the nature of the leased assets and, simultaneously, a liability for the same amount is also recognised. That amount will be the lower of the fair value of the leased assets and the present value at the start of the lease of the minimum payments agreed, including the purchase option if there are no reasonable doubts as to its exercise. This calculation will not include contingent payments, the cost of services and the taxes payable by the lessor. The total financial cost of the contract is taken to the consolidated profit or loss in the years it accrues, applying the “*effective interest rate method*” (as defined in paragraph j) below). Contingent rentals are recognised as expenses in the year incurred.

Assets recorded for operations of this type are depreciated following a similar policy to that applied to property, plant and equipment as a whole, in accordance with the nature of the asset.

#### *Operating Leases-*

In operating leases, the lessor retains ownership of the asset leased and substantially all the risks and benefits of ownership of the asset.

Whenever the Group acts as lessor, the cost of acquiring the assets leased is stated in “Investment property”. Depreciation is charged on these assets in accordance with the policies adopted for similar PP&E items for own use, and the revenues from the lease contracts are released to the consolidated profit or loss on a straight-line basis.

Whenever the Group acts as lessee, the lease expenses, including any incentives that may be granted by the lessor, are charged to the consolidated profit or loss on a straight-line basis.

#### **g) Non-current assets held for sale-**

Assets which are highly likely to be sold, in their present condition, within one year from the end of the reporting period are recorded under this heading in the consolidated statement of financial position. The carrying amount of these assets is, therefore, expected to be recovered via their selling price rather than from their ongoing use. Assets classified as “Non-current assets held for sale” are stated at the lower of their carrying amount when they are classified as such and their fair value net of their estimated cost to sell. Amortisable intangible assets and depreciable PP&E are not amortised or depreciated while classified as held for sale.

In 2015 and 2014 the Group held land in Tangiers (Morocco) acquired in 2014 classified under “Non-current assets held for sale”. Based on assessments made by an independent expert and offers recently received, the fair value of this building is at least equal to its carrying amount. It is expected to be sold over the next twelve months.

#### **h) Inventories-**

The Group values its inventories as follows:

- Raw materials and other supplies, packaging and containers, replacement parts, sundry materials, add-on parts and stocks for resale are valued at the lower of cost applying the weighted average price method, and net realisable value.

- Finished goods, semi-finished goods and work-in-process are stated at the lower of real average production cost (raw and other materials used, labour and direct and indirect manufacturing expenses) and net realisable value.
- Tools for new projects, which are developed and manufactured by the Group to be sold later on to its customers, are stated at the lower of either the costs incurred to manufacture them, as and when they are incurred, and their estimated realisable value.

Net realisable value corresponds to the estimated selling price less the estimated costs of completing the products and the costs to be incurred in marketing, selling and distribution.

Obsolete, defective or slow-moving inventories have been reduced to their realisable value. The Group recognises the appropriate valuation adjustments as an expense when the net realisable value of inventory is lower than its acquisition or production cost.

#### **i) Trade receivables and customer advances-**

Trade receivables do not accrue interest and are carried at their nominal amount. However, a provision is set up for impairment losses on trade receivables when there is objective evidence that the amounts receivable cannot be collected.

Customer advances received prior to recognising the sale of the corresponding assets (*specifically tools for projects*), are recorded in current liabilities under "Trade and other payables" in the consolidated statement of financial position (see Note 3-r).

#### **j) Financial instruments-**

##### *Definitions-*

A "*financial instrument*" is a contract representing a financial asset for one entity and, simultaneously, a financial liability or equity instrument for another.

An "*equity instrument*" is any contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument the value of which changes in response to changes in an observable market variable (*such as an interest rate, exchange rate, the price of a financial instrument or a market index*), where the initial investment is very low compared to other financial instruments with similar responses to changes in market conditions and which is, as a general rule, settled on a future date.

The operations referred to below are not treated for accounting purposes as financial instruments:

- Shareholdings in associates.
- Rights and obligations arising from employee benefits schemes.
- Rights and obligations originating in insurance contracts.
- Contracts and obligations relating to employee remuneration based on equity instruments.

##### *Recording financial instruments for the first time-*

Financial instruments are recorded for the first time in the consolidated statement of financial position when the Group becomes party to the contract that originates them, in accordance with the terms thereof. Specifically, debt instruments are recorded as from the date the effective legal right to receive or the effective legal obligation to pay arises, respectively. Financial derivatives are, as a general rule, recorded on the date they are contracted.

Operations to sell and buy financial assets in the form of conventional contracts, defined as contracts where the reciprocal obligations of the parties must be fulfilled by a deadline set under the regulations or conventions of the market, and may not be settled as differences, are recorded as from the date the benefits, risks, rights and duties of ownership pass to the acquiring party. Depending on the type of financial asset bought or sold, this may be the contract date or the settlement or delivery date.

#### *Derecognition of financial instruments-*

A financial asset is derecognised in the following circumstances:

- The contractual rights regarding the cash flows it generates have expired; or
- The financial asset is transferred and the risks and benefits of the financial asset are substantially transferred, or, even when they are not transferred or substantially withheld, control over the financial asset is transferred.

The Group assigns without recourse a portion of its receivables to various financial institutions. As this involves transferring part of the risks and benefits of the assets and control thereof, the Group directly reduces its trade receivables by the amount of the receivables assigned to the financial institutions and does not, therefore, recognise any financial liability in this connection. At 31 December 2015 and 2014 the Group had no outstanding receivables assigned without recourse to financial institutions.

Financial liabilities are derecognised from the consolidated statement of financial position when the obligations that have generated them have been discharged.

#### *Fair value of financial instruments-*

The “*fair value*” of a financial instrument on a particular date is defined as the amount at which it could have been exchanged at that date between knowledgeable parties in arm's length transactions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market (“*quoted price*” or “*market price*”).

When there is no market price for a specific financial instrument, fair value is estimated on the basis of recent arm's length transactions in similar instruments and, if there are none, using measurement models that have been sufficiently verified by the international financial community, bearing in mind the specific nature of the instrument to be valued and, in particular, the different types of risk associated with it.

Specifically, the fair value of the financial derivatives traded on organised, transparent, deep markets included in trading portfolios is deemed to be their daily listed price and if, for exceptional reasons, their listed price cannot be determined on a particular date, the methods used to state them are similar to those used for stating derivatives contracted OTC.

The fair value of OTC derivatives or derivatives traded in shallow markets or markets where there is little transparency, is deemed to be the sum of the future cash flows originating in the instrument, discounted as at the valuation date (“*present value*” or “*theoretical closing*”), using methods recognised by financial markets (“*net present value*”, “*options pricing systems*”, etc.).

For financial reporting purposes, measurements of fair value are classified under three levels according to the extent to which the inputs applied are observable and according to how significant said inputs are for the entire measurement:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.



- Level 2 inputs are quoted prices in active markets for similar assets or liabilities (*not included within Level 1*), quoted prices for identical or similar assets or liabilities in markets that are not active, and techniques based on measurement models for which all the significant inputs that are derived from or corroborated by observable market data.
- Level 3 inputs are generally unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in measurement models are a significant part of the fair value of the assets and liabilities.

#### *Amortised cost of financial instruments-*

"*Amortised cost*" is deemed to be the cost of acquiring a financial asset or liability, adjusted up or down, depending on the case, for repayments of principal and interest payments and, adjusted up or down, depending on the case, for the part taken to the consolidated profit or loss, using the "*effective interest rate*" method, of the difference between the initial amount and the repayment value of said financial instrument. The amortised cost of financial instruments also includes any impairment adjustments recognised.

The "*effective interest rate*" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. For fixed-rate financial instruments, the effective interest rate coincides with the rate of interest established in the contract at the time of acquisition, adjusted as necessary for any commissions or fees which should be included in the calculation of this effective interest rate. For floating interest rate financial instruments, the effective interest rate is estimated in a similar fashion as for fixed interest rate operations, and is recalculated on every contractual interest rate adjustment date of the operation, taking into account the changes in the effective future cash flows of the instruments.

#### *Classification and valuation of financial assets and liabilities-*

Financial liabilities are classified in the consolidated statement of financial position into the following categories:

##### *Financial assets-*

- Financial assets held for trading: assets acquired with the intention of selling them in the short term, or which form part of a portfolio of identified and jointly managed financial instruments for which there is evidence that action has recently been taken to make short-term profits, and derivatives that have not been designated as hedges.
- Investments held to maturity: assets yielding income of a determinable amount and maturing on a fixed date, where the Company states its intent and ability to maintain these assets under its control until their maturity. This category does not include loans or receivables from third parties.
- Loans and receivables generated by the Group: financial assets originated by the Group in exchange for providing cash flow, assets or services directly to a debtor. They are stated at "amortised cost".
- Available-for-sale financial assets: securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments, and equity instruments held by the Group in companies that are not subsidiary or associate companies or joint ventures.

Held-for-trading and available-for-sale financial assets are stated at fair value at subsequent statement dates. Gains and losses arising from changes in fair value of traded securities are taken to income in the year. In the case of available-for-sale investments, gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time any cumulative gains or losses previously recognised in equity are taken to income in the year.

Held-to-maturity investments, loans and accounts receivable generated by the Group are stated at amortised cost, and accrued interest income is taken to the consolidated profit or loss using the "effective interest rate". Amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the amount on maturity, minus any reduction for impairment or default.

*Financial liabilities-*

Financial liabilities are classified in accordance with the content of the contractual arrangements. The main financial liabilities held by the consolidated companies are held-to-maturity financial liabilities that are stated at amortised cost.

Bank loans and overdrafts: interest bearing liabilities that are stated at the amount received net of direct issue costs. Financial expenses, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated profit or loss on an accrual basis using the effective interest method and any portion of such expenses that is not settled in the period in which they arise is added to the carrying amount of the instrument.

Trade payables, which accrue no interest, are recorded at their nominal value.

*Equity-*

Equity instruments are classified in accordance with the content of the contractual arrangements. The amounts received for equity instruments issued by the Parent are recognised in consolidated equity, net of the direct issue costs.

**k) Financial derivatives and accounting for hedges-**

The Parent's bank borrowings expose the Group to interest-rate risk (see Note 17). To hedge against this exposure, the Group uses derivatives, essentially "Interest Rate Swaps" (IRS). The Group does not use derivative financial instruments for speculative purposes.

The Group classifies such financial instruments, provided they meet the requirements laid down by IAS 39 in this regard, as hedges in a cash flow hedge relationship. Under IAS 39, to qualify as an accounting hedge, a financial derivative must be used to hedge against one of the three types of risk listed below:

1. "*Fair-value hedges*": exposure to changes in fair value of a recognised asset or liability due to changes in price, interest rate and/or foreign exchange rate affecting the position or balance to be covered.
2. "*Cash-flow hedges*": exposure to variability in estimated cash flows generated from financial assets, liabilities and commitments or from highly probable forecast transactions.
3. "*Hedging of net investments in foreign operations*".

In addition, hedges must effectively eliminate the risk inherent in the hedged item or position during the entire term planned for the hedge, and it must be formally documented that the financial derivative was arranged specifically to be used as a hedge for certain balances or transactions.

Under IAS 39, all financial instruments must be recognised as an asset or a liability on the statement of financial position, at their fair value, and any changes in this value must be taken to profit and loss for the year, except in those cases where, having opted for "hedge accounting", the effective portion of the hedging relationship must be recorded under net equity ("*cash-flow hedges*" and "*hedges of net investment in foreign subsidiaries*").

Hedge accounting, when applied, is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. Any cumulative gain or loss on the hedging instrument that has been recognised in equity shall remain in equity until the forecast transaction occurs. When the hedged transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in equity shall be reclassified from equity to the consolidated profit or loss.

As at 31 December 2015 and 2014, the Group treated said derivatives as cash flow hedges and therefore subject to "hedge accounting", recognising changes in the fair value of the effective portion of the hedge in consolidated net equity (see Notes 13 and 18).

***l) Balances and transactions denominated in foreign currencies-***

The Group uses the euro as its working currency. Consequently, operations in non-euro currencies are considered to be denominated in foreign currency and are recorded at the exchange rates prevailing on the dates of the operations. Gains or losses on transactions denominated in foreign currencies are taken to the consolidated profit or loss as and when they occur.

At the year end, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rate prevailing at the end of the reporting period. Any resulting gains or losses are recognised directly in the consolidated profit or loss.

***m) Provisions and contingencies-***

Provisions are current obligations of the Group, arising as a result of past events, the nature of which is clearly specified as at the date of the consolidated annual financial statements, but whose amount and/or reversal date are uncertain and the reversal of which will probably result in an outflow of resources embodying economic benefits.

Contingent liabilities are possible obligations of the Group, arising as a result of past events, which depend on whether or not one or more events beyond the Group's control occur in the future. They include the Group's current obligations whose settlement will probably not require an outflow of resources embodying economic benefits, or where a sufficiently reliable estimate of the amount of the obligation cannot be made.

Provisions are recognised in the consolidated statement of financial position wherever it is more likely than not that an outflow of resources will be required to settle the obligation. Contingent liabilities are not recognised in the consolidated statement of financial position, but rather, whenever applicable, are disclosed in the Notes to the financial statements.

Provisions are measured using the best information available of the expenditures required to settle the obligation and are reviewed and adjusted at the end of each reporting period to reflect the current best estimate. They are used to meet the specific obligations for which they were originally recognised and are fully or partially reversed when those obligations cease to exist or are reduced.

The value of these provisions corresponds to the current value of the best estimate possible of the amount necessary to cancel or transfer the obligation, recording the adjustments made from updating said provisions as financial costs as they accrue. Specifically, the liabilities recorded under "Current provisions" in the consolidated statement of financial position at 31 December 2015 correspond to provisions made to cover losses which certain consolidated subsidiary companies acquired in 2015 are expected to incur to comply with contracts signed prior to the end of the reporting period and whose costs will exceed the expected returns generated. The provision was made when the liabilities in respect of the contracts arose for the affected companies. This was prior to their acquisition by the Group (see Note 16).

The provisions deemed necessary in accordance with these criteria, and the reversals thereof, are recorded as a charge or credit, respectively, in the consolidated profit or loss.

**n) Termination benefits-**

Under current employment legislation, the Group companies are obliged to pay termination benefits to employees whose contract is terminated under certain conditions.

Where the amount of the benefits can be reasonably estimated, such benefits are recognised as an expense in the year in which the decision is made, provided the parties involved have been formally notified and there is, therefore, a valid expectation on the part of those involved that the consolidated companies will make the dismissals. The accompanying consolidated statement of financial position at 31 December 2015 includes a number of provisions under this heading, albeit for amounts that are not material.

**o) Pension commitments-**

Some Grupo Antolin companies forming part of the "Cockpits and instrument panels" business unit acquired in 2015, and the "Lighting" business unit acquired in 2012, have assumed commitments to pay contributions to the retirement pensions of some of their current and former employees (*retirement plans based on years of service, age and salary*). These commitments affect, primarily, companies of these subgroups located in Germany, Austria, the United Kingdom and Mexico.

A significant portion of these commitments has been outsourced and is covered by insurance policies or pension plans with insurance companies. The Group pays fixed contributions into a fund and is obliged to make additional contributions if the fund does not have sufficient assets to pay all the employees the benefits to which it is committed.

The Group records the present value of these defined benefit commitments as liabilities in the consolidated statement of financial position under "Non-current provisions", net of the fair value of the assets that meet the requirements to be treated as "assets earmarked for the plan". The aforementioned insurance policies (*or pension plans*) are treated as earmarked assets as they are not owned by the Group but by an unassociated third party, they may only be used to pay or finance employee benefits and may not be returned to the Group unless the assets held within the plan are sufficient to meet all obligations.

Changes in the provision recognised for these commitments in the consolidated statement of financial position corresponding to the cost of the service in the financial year, to interest or changes in the cost for past services provided, are taken to the profit or loss in the financial year in which they are incurred. "Actuarial gains and losses" (*as a result of differences between previous actuarial assumptions and real outcomes or of changes to the actuarial assumptions used*) are taken directly to equity as "Adjustments for Changes in Value".

**p) Corporate income tax-**

Grupo Antolin-Irausa, S.A. and all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has holdings of 75% or more file consolidated corporation tax returns. Until 31 December 2014 the parent of the consolidated tax group was Grupo Antolin-Irausa, S.A. Since 1 January 2015 the parent of the consolidated tax group under which these companies file has been Avot Inversiones, S.L., the Group's indirect shareholder (see Notes 1, 13 and 20).

The income tax expense is calculated as the tax payable with respect to the taxable profit for the year, after considering any changes in the assets and liabilities recognised arising from temporary differences and from tax credit and tax loss carryforwards (see Note 20).

The Group considers that a timing difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base for assets and liabilities is treated as the amount attributed to it for tax purposes. A taxable timing difference is understood to be a difference that will generate a future obligation for the Group to pay taxes to the related tax authorities. A deductible timing difference is one that will generate a right for the Group to a refund or to make a lower payment to the related tax authorities in the future.

Tax credits and deductions and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in tax regulations are met, provided that the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within twelve months from the date they are recognised. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in future years.

Deferred tax liabilities are recognised for all taxable temporary differences. In this regard, a deferred tax liability is recognised for the taxable timing differences resulting from investments in subsidiary companies and associate companies, and from holdings in joint ventures, except when the Group can control the reversal of the timing differences and they are not expected to be reversed in the foreseeable future.

The consolidated companies only recognise deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carryforwards to the extent that it is probable that they will have sufficient future taxable profits against which these assets can be utilised.

Deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability (*other than in a business combination*) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed each year in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

#### **q) Recognition of income and expense-**

Income and expenses are taken to the consolidated profit or loss on an accruals basis.

Revenue is measured at the fair value of the consideration received and represents the amounts received or receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other recoverable sales-related taxes. Where it is doubtful as to whether the revenues will be collected, recognition is deferred until they are effectively collected.

- ❖ Revenues on sales of assets are recognised when all the risks and rewards of ownership of the asset are substantially transferred to the buyer.
- ❖ Ordinary revenue from the provision of services is recognised in line with the stage of completion of the transaction as at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.
- ❖ Revenues on the sale of project tools. The Group records the income arising from the sale of these tools under the "Other operating income - Revenues on the sale of project tools" in the consolidated statement of income, once the aforementioned tools have been technically approved by the customer and title thereto has been transferred, or when mass production of the products manufactured with these tools is well under way and, therefore, it is considered that the

aforementioned technical approval has been given and no difficulties are expected in the transfer of title. Moreover, any final losses expected to be sustained on tools are recognised in full when such a loss becomes apparent, and the related provisions are recognised under this heading in the consolidated profit or loss.

Amounts billed in advance by the Group until title to these tools has been transferred are recorded as a liability under "Trade and other payables" in the consolidated statement of financial position.

- ❖ Rental income is recorded on an accrual basis, with incentive benefits and the up-front costs of the lease agreements released on a straight-line basis.
- ❖ Capital grants are recognised in the consolidated statement of financial position as deferred income when the Group has met the relevant qualifying conditions and there are, therefore, no reasonable doubts about their being collected. These capital grants are taken to the consolidated profit or loss under "Capital grants and other grants taken to income" on a straight-line basis over the useful lives of the assets.

Government grants to cover or finance expenses incurred by the Group are recognised once all the conditions attaching to them have been fulfilled and will be taken to income when the financed expenses are incurred.

- ❖ Interest income and expense is recognised on an accruals basis using the "*effective interest rate method*".
- ❖ Dividends received from other companies are recognised as income in the profit or loss when the consolidated companies' right to receive them arises.

An expense is recognised in the consolidated profit or loss when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that the recognition of an expense takes place simultaneously with the recognition of the increase in the liability or the depletion of the asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

An expense is also recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

#### ***r) Classification of assets and liabilities as current-***

In the consolidated statement of financial position, assets and liabilities that are expected to be recovered, consumed or settled in twelve months or less, as from the end of the reporting period, are classified as current, except for project tools, which are recorded as "Inventories" under "Current assets" in the consolidated statement of financial position, as they are expected to be realised in the normal course of the Group's business (*as part of its normal operating cycle*), and the liabilities connected with said inventories (*customer advances*) which are recognised under "Current liabilities" in the consolidated statement of financial position, regardless of when they fall due. When the Group does not have an unconditional right by the year end to defer settlement of a liability for at least twelve months as from the end of the reporting period, the liability is recorded as current.

#### ***s) Set-off of balances-***

Balances receivable and payable are only set off against each other, and therefore stated as a net figure in the consolidated statement of financial position, when they arise from transactions that provide, either contractually or in accordance with prevailing legislation, for the possibility of set-off and the intention is to settle the balance for the net amount, or to realise the asset and pay the liability at the same time.

**t) Discontinued operations-**

A discontinued operation is a line of business that it has been decided to abandon and/or sell and whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Revenues and expenses from discontinued operations are disclosed separately in the consolidated profit or loss.

No line of business or business segment was discontinued in 2015 or 2014.

**u) Consolidated statement of cash flows-**

The consolidated statement of cash flows is prepared using the indirect method using the following terms with the meanings given below:

- **Cash flows:** inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to low risk of changes in value.
- **Operating activities:** the typical activities of companies in the motor parts industry and other activities that cannot be classified as investing or financing activities.
- **Investment activities:** the acquisition, sale or disposal by other means of non-current assets and other assets not classified as cash and cash equivalents.
- **Financing activities:** activities that result in changes in the size and composition of equity and liabilities that are not part of operating activities.

For the purposes of preparing the consolidated statement of cash flows, cash and cash equivalents include cash and demand deposits at banks and highly liquid current investments which are easily convertible into determinate cash amounts and are subject to insignificant risk as regards changes in value.

**(4) ALLOCATION OF THE PARENT'S PROFIT**

The profit of the Parent for 2015, as formulated by its Directors, will be allocated as presented below, together with the allocation of profit for the financial year to 31 December 2014 which was approved on 12 March 2015 by the General Meeting of Shareholders:

	Thousands of Euros	
	2015	2014
<b>Distributable profit:</b>		
Profit for the year (a)	<b>22,704</b>	<b>3,984</b>
<b>Distribution to:</b>		
Voluntary reserves (a)	16,704	-
To Dividends	6,000	3,984
	<b>22,704</b>	<b>3,984</b>

- (a) In its corporate income tax return for 2015, the Spanish Group plans to reduce the tax base by 10% of the amount of the increase in shareholders' equity of the subsidiaries of the tax Group headed by Avot Inversiones, S.L. relating to capitalisation reserves, with a limit of 10% of the tax base itself (see Note 20). Therefore, and in accordance with the provisions of Law 27/2014, of 27 November, on corporate income tax, the Parent's Directors propose to the General Meeting of Shareholders that, once the distribution of 2015 profit has been performed, a reserve be recognised, with a charge to voluntary reserves, for an amount equal to the aforementioned reduction. This reserve will be restricted for 5 years from 31 December 2015.

## (5) BUSINESS COMBINATIONS

2015

As indicated in Note 2-g, the acquisition by Grupo Antolin of the interior components business unit of the international Magna Automotive group came into effect on 31 August 2015 *(except for some companies where the operations came into effect for accounting purposes from 30 September 2015)*, for a total cost of approximately 540 million euros. Specifically, the operation was effected by means of the acquisition of the businesses and/or production plants of the aforementioned business by various Grupo Antolin companies, some of which were newly incorporated in 2015, as well as through an interest in a joint venture (see Note 1). This operation formed part of non-organic growth process set out in the Group's Strategic Plan.

Following a number of agreements reached in late December 2015, the Group has increased its investment in the share capital of Silesia Plastic, Sp. zo.o., a company engaged in plastics injection and vehicle interior coverings manufacturing, from 50% to 100%. The original 50% shareholding was recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position at 31 December 2014. The total cost of this business combination was 17,328 thousand euros, of which 10 million euros corresponds to the cost of increasing the Group's investment and the rest to the value of the investment previously held by the Group. As a consequence of this operation, from 31 December 2015 Silesia Plastic, Sp. zo.o. was incorporated in the Group's scope of consolidation.

The assets and liabilities recognised on the acquisition date *(1 September 2015 or 1 October 2015 for some companies in the case of the interior components businesses acquired from the Magna Automotive international group and 31 December 2015 in the case of the business acquired from Silesia Plastic Sp. zo.o.)* were stated at fair value as follows:

	Thousands of Euros	
	Interior Components Business Unit of the Magna Group	Business of Silesia Plastic, Sp. zo.o.
<b>ASSETS-</b>		
Non-current assets:		
Intangible assets (Note 7)	156,793	48
Property, plant and equipment (Note 8)	275,187	9,071
Non-current financial assets	2,526	-
Deferred tax assets	9,899	209
Current assets:		
Inventories	247,691	1,316
Trade and other receivables	409,799	3,336
Cash and cash equivalents	40,297	4,143
<b>Total assets</b>	<b>1,142,192</b>	<b>18,123</b>
<b>LIABILITIES-</b>		
Non-controlling interests (a)	(21,798)	-
Non-current liabilities:		
Non-current provisions (Note 16)	(56,848)	-
Amounts owed to credit institutions	-	(114)
Other non-current payables	(8,136)	-
Deferred tax liabilities	(48,095)	(4)
Current liabilities:		
Current provisions (Note 16)	(17,384)	-
Other financial liabilities	(97,715)	(46)
Trade and other payables, and others	(483,629)	(3,288)
<b>Total liabilities</b>	<b>(733,605)</b>	<b>(3,452)</b>
<b>Net</b>	<b>408,587</b>	<b>14,671</b>

- (a) Corresponds to the proportional part of the assets and liabilities attributable to the non-controlling interests in Changchun Antolin Automotive Interiors Co., Ltd. (40%), Changshu Antolin Automotive Interiors Co., Ltd. (40%) and Plastimat Hungary, Kft. (26%) (see Note 13).



The amounts recognised for the business combination of Silesia Plastic, Sp. zo.o. do not differ materially from the carrying amounts immediately prior to the operation determined in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). In the case of the business acquired from the international Magna Automotive group, the amounts differ mainly with regard to the measurement of certain intangible assets (*an amount of 138,205 thousand euros was recognised for "Customer relations"*), the recognition of provisions for contingent liabilities (*6,568 thousand euros*), the recognition of the corresponding deferred tax liabilities (*48,095 thousand euros*) and other non-material items.

For the period from 1 September to 31 December 2015, an amortisation expense of 8,950 thousand was taken to the consolidated profit or loss for the year ended 31 December 2015 in respect of the "Customer relations" recognised for the business combination acquired from the Magna Automotive Group (*the corresponding tax effect was also recognised in the same period*).

These assets and liabilities were initially accounted for on a provisional basis. This process is expected to be complete once additional information and documentation has been obtained, mainly with regard to certain items of property, plant and equipment, deferred tax assets and liabilities and other contingent liabilities. Nevertheless, the Parent's Directors do not expect any changes to the amounts recorded under these headings during the measurement period (*which will be completed prior to 31 August 2016*) to have a material effect on the consolidated annual financial statements of the Group.

As a result of the recognition of the aforementioned assets and liabilities, goodwill amounting to 127,829 thousand euros was recognised under "Intangible assets - goodwill" in the consolidated statement of financial position at 31 December 2015. The amount of goodwill arising on these operations was calculated as follows:

Description	Thousands of Euros	
	Interior Components Business unit of the Magna Group	Business Acquired from Silesia Plastic, Sp. zo.o.
Cost of the business combination	533,758 (a)	17,328
Less fair value of the assets acquired	(408,587)	(14,670)
<b>Goodwill</b>	<b>125,171</b>	<b>2,658</b>

- (a) Although the cost of the business combination is not yet definitive, as the Group is still in negotiation with the seller with regard to certain items, it is considered that the final amount will not differ substantially from this estimated amount. This amount does not include the acquisition price of the 50% ownership interest in CREA-Antolin Co., Ltd., a joint venture which is accounted for using the equity method in the consolidated financial statements for 2015 (see Note 1).

The business of Silesia Plastic Sp. zo.o was incorporated for accounting purposes from 31 December 2015. As a fully consolidated company, therefore, no revenues and expenses were included in the consolidated profit or loss for the year ended 31 December 2015 (*as indicated in Note 1, 50% of the company's income for the year was incorporated in the Group's taxable profits for the year in proportion to its shareholding in this company, recorded under "Profit of companies accounted for using the equity method" in the consolidated profit or loss*). This company's revenues in 2015 amounted to 21,450 thousand euros and its income for the year was 2,014 thousand euros.

The breakdown of income and expenses and profit attributable to the business combination involving interior components businesses acquired from the Magna Automotive international group in the period from date on which the businesses were acquired or incorporated in the scope of consolidation (*1 September or 1 October 2015*) and 31 December 2015 is as follows:

Description	Thousands of Euros
Net turnover	813,302
Other operating income	13,766
Supplies	(546,308)
Staff costs	(148,802)
Depreciation and amortisation	(27,611)
Other operating expenses	(94,206)
Work performed by the group and capitalised	1,045
<b>Operating profit/(loss)</b>	<b>11,186</b>
Finance income and expense	(5,198)
Other gains / (losses)	150
<b>Profit/(loss) before tax (a)</b>	<b>6,138</b>
Corporate income tax	(4,687)
<b>Profit/(loss) for the year</b>	<b>1,451</b>
<b>Profit for the year attributable to non-controlling interests</b>	<b>(976)</b>
<b>Profit/(loss) attributable to the Parent</b>	<b>475</b>

- (a) This result differs from that shown in the segment information disclosed in Note 6, since in that Note the amortisation relating to customer relations is presented under the "Other" segment and the figures are shown after eliminating certain transactions between Group companies.

The operating revenues and loss before tax of this business combination for 2015, estimated as if it had been acquired prior to the start of the financial year, would have been around 2,315 and 5 million euros, respectively.

The income forecasts for this business in the next few years are positive, once production starts on a range of projects which are expected to generate profits in the short and medium term.

#### 2014

In September 2014, as detailed in Note 2-g, the Parent acquired all the share capital of the company Machino Auto Comp, Ltd., now named Grupo Antolin-Chakan, Ltd., for a cost of 1.4 million euros. This operation formed part of the Group's planned expansion process in line with the guidelines established in its Strategic Plan.

The assets and liabilities recognised at the monthly reporting date closest to the acquisition date (30 September 2014), which were measured at fair value, were the following:

	Thousands of Euros
<b>ASSETS-</b>	
Non-current assets:	
Intangible assets (Note 7)	19
Property, plant and equipment (Note 8)	4,158
Non-current financial assets	41
Deferred tax assets	410
Current assets:	
Inventories	245
Trade and other receivables	961
Current financial investments	233
Cash and cash equivalents	152
<b>Total assets</b>	<b>6,219</b>
<b>LIABILITIES-</b>	
Non-current liabilities:	
Non-current provisions	(11)
Other non-current payables	(1,205)
Deferred tax liabilities	(356)
Current liabilities:	
Other current payables	(456)
Trade and other payables, and others	(3,349)
<b>Total liabilities</b>	<b>(5,377)</b>
<b>Net</b>	<b>842</b>

The amounts recognised for this business combination did not differ significantly from the carrying amount immediately prior to the operation determined in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) except in respect of the measurement of certain tangible assets (*recorded at fair value, this being 1,047 thousand euros higher than their carrying amount*) and the corresponding deferred tax liability.

As a result of the recognition of the aforementioned assets and liabilities, goodwill amounting to 602 thousand euros was recognised under "Intangible assets-Goodwill" in the consolidated statement of financial position at 31 December 2014. In 2015 the Group completed the process of valuing the assets liabilities of Grupo Antolin-Chakan, Ltd., which had been provisionally measured at 31 December 2014, giving rise to adjustments to the initial measurement, reducing the carrying amount of property, plant and equipment and giving rise to an increase in the goodwill recognised for this company, although the change (*465 thousand euros*) is not material for the consolidated annual financial statements as a whole.

The goodwill recorded in 2015 was calculated as follows:

Description	Thousands of Euros
Cost of the business combination	1,444
Less fair value of the assets acquired	(377)
<b>Goodwill (Note 7)</b>	<b>1,067</b>

The breakdown of income and expenses and profit attributable to business combinations in the period from date on which the businesses were acquired or incorporated in the scope of consolidation (*1 October 2014*) and 31 December 2014, and in the year ended 31 December 2015 is as follows:

Description	Thousands of Euros	
	October - December 2014	2015 (a)
Net turnover	2,426	7,367
Other operating income	85	-
Supplies	(1,767)	(5,364)
Staff costs	(176)	(409)
Depreciation and amortisation	(99)	(478)
Other operating expenses	(230)	(1,903)
<b>Operating income</b>	<b>239</b>	<b>(787)</b>
Finance income and expense	(41)	3
Gain/(loss) on disposal of non-current assets	-	(79)
<b>Profit before taxes</b>	<b>198</b>	<b>(863)</b>
Corporate income tax	-	-
<b>Profit/(loss) for the year</b>	<b>198</b>	<b>(863)</b>
<b>Profit/(loss) for the year attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss) attributable to the Parent</b>	<b>198</b>	<b>(863)</b>

(a) 2015 must be regarded as a transition period. The earnings forecasts for this business for the next few years are optimistic, once mass production has begun on various projects that are expected to contribute towards the generation of profits in the future.

## (6) INFORMATION BY SEGMENT

The information by segments used by Group Management for management purposes is structured on the basis of the Group's different business units, and also by geographical segments. Group companies are classified into business segments according to their main activity, although they may carry out occasional or secondary activities relating to another segment.

Based on the nature of the products, Grupo Antolin's main business units are "Seating", "Doors (or Panels)" "Overheads", "Lighting" and, from 1 September 2015, following the acquisition of the interior components businesses from the Magna Automotive international group, "Cockpits and Instrument Panels". There is also a "Corporate Unit" (*included under "Other"*) which centrally manages certain assets and the funding received by the Group from third parties, and other minor activities.

### **Basis and methodology for segment reporting-**

The business segment reports below are based on monthly reports prepared by Group Management, which are generated using the same computer application as is used to obtain all the Group's accounting data.

The revenues reported for each segment are those which are directly attributable to the Group companies included in that segment for management purposes, and therefore also include secondary revenues recognised by said companies in respect of sales for the provision of services to other segments. The income of each segment does not include interest or dividend income or the gains on sales of investments or of non-current assets.

The expenses of each segment are calculated as being the expenses arising out of the operating activities of the segment that may be directly attributed to the Group companies included in that segment for management purposes, and include the overheads of the Corporate Unit that have been passed on to it and invoiced to each segment. The expenses of each segment do not include interest expense, impairments or losses on sales of investments or of non-current assets.

Assets and liabilities in the segments are those that are directly connected with the operations of the Group's companies in each segment, although virtually all the financial debt of the Group has been centralised in the Corporate Unit.

2015

By business segment

Description	Thousands of Euros						
	Seating	Doors	Overheads	Lighting	Cockpits	Other (a)	Total
Net turnover	214,623	779,963	1,506,029	190,282	813,302	2,027	3,506,226
Other operating (expenses) / income, net	(184,904)	(674,371)	(1,333,665)	(160,061)	(768,194)	3,138	(3,118,057)
<b>EBITDA</b>	<b>29,719</b>	<b>105,592</b>	<b>172,364</b>	<b>30,221</b>	<b>45,108</b>	<b>5,165</b>	<b>388,169</b>
Depreciation and amortisation	(9,553)	(31,744)	(36,633)	(10,317)	(18,661)	(15,441)	(122,349)
<b>Operating income / (loss) (EBIT)</b>	<b>20,166</b>	<b>73,848</b>	<b>135,731</b>	<b>19,904</b>	<b>26,447</b>	<b>(10,276)</b>	<b>265,820</b>
Net finance income							(55,861)
Other profit and loss							9,793
Corporate income tax							(64,439)
<b>Consolidated profit</b>							<b>155,313</b>
<b>Other information:</b>							
Investments in intangible assets in 2015 (b)	3,297	17,319	19,416	11,987	202,746	(1,197)	253,568
Capital expenditures on property, plant and equipment in 2015 (b)	7,982	57,290	30,573	12,183	677,253	6,435	791,716
<b>Assets attributable to the segment at 31 December 2015</b>	<b>150,224</b>	<b>610,950</b>	<b>722,113</b>	<b>194,212</b>	<b>1,250,464</b>	<b>498,788</b>	<b>3,426,751</b>
<b>Liabilities attributable to the segment at 31 December 2015</b>	<b>(65,924)</b>	<b>(300,158)</b>	<b>(354,189)</b>	<b>(77,372)</b>	<b>(746,184)</b>	<b>(1,390,654)</b>	<b>(2,934,481)</b>

(a) The operating loss presented in this column corresponds principally to the amortisation of the gains assigned to intangible assets and property plant and equipment in the business combinations of the Lighting and Cockpits business segments. Also, the goodwill arising on these business combinations is presented as part of the assets in this column.

By geographical segment

Description	Thousands of Euros					
	Asia/Pacific	Europe	Mercosur	NAFTA	Other	Total
Net turnover	245,002	2,004,485	59,548	1,173,108	24,083	3,506,226
Other operating (expenses) / income, net	(214,043)	(1,792,813)	(64,124)	(1,027,204)	(19,873)	(3,118,057)
Depreciation and amortisation	(9,794)	(85,841)	(2,987)	(21,953)	(1,774)	(122,349)
<b>Operating income / (loss) (EBIT)</b>	<b>21,165</b>	<b>125,831</b>	<b>(7,563)</b>	<b>123,951</b>	<b>2,436</b>	<b>265,820</b>
<b>EBITDA</b>	<b>30,959</b>	<b>211,672</b>	<b>(4,576)</b>	<b>145,904</b>	<b>4,210</b>	<b>388,169</b>
<b>Other information:</b>						
Investments in intangible assets in 2015 (b)	32,957	179,999	2,358	37,989	265	253,568
Capital expenditures on property, plant and equipment in 2015 (b)	59,395	481,443	1,372	248,510	996	791,716
<b>Assets attributable to the segment at 31 December 2015</b>	<b>405,765</b>	<b>2,193,036</b>	<b>30,791</b>	<b>763,199</b>	<b>33,960</b>	<b>3,426,751</b>
<b>Liabilities attributable to the segment at 31 December 2015</b>	<b>(195,270)</b>	<b>(2,283,856)</b>	<b>(7,799)</b>	<b>(440,002)</b>	<b>(7,554)</b>	<b>(2,934,481)</b>

(b) These investments also include the additions to the scope of consolidation arising from business combinations.

2014

By business segment

Description	Thousands of Euros					
	Seating	Doors	Overheads	Lighting	Other (a)	Total
Net turnover	205,040	644,122	1,210,350	164,871	1,024	2,225,407
Other operating (expenses) / income, net	(177,327)	(552,045)	(1,094,147)	(136,052)	1,163	(1,958,408)
<b>EBITDA</b>	<b>27,713</b>	<b>92,077</b>	<b>116,203</b>	<b>28,819</b>	<b>2,187</b>	<b>266,999</b>
Depreciation and amortisation	(9,900)	(33,218)	(34,275)	(7,344)	(6,875)	(91,612)
<b>Operating income / (loss) (EBIT)</b>	<b>17,813</b>	<b>58,859</b>	<b>81,928</b>	<b>21,475</b>	<b>(4,688)</b>	<b>175,387</b>
Net finance income						(42,964)
Other profit and loss						1,726
Corporate income tax						(44,466)
<b>Consolidated profit</b>						<b>89,683</b>

<b>Other information:</b>						
Investments in intangible assets in 2014	6,475	20,152	14,782	9,863	6,397	57,669
Capital expenditures on property, plant and equipment in 2014	4,992	35,122	30,046	19,442	1,728	91,330
<b>Assets attributable to the segment at 31 December 2014</b>	<b>135,740</b>	<b>534,665</b>	<b>635,130</b>	<b>157,614</b>	<b>304,123</b>	<b>1,767,272</b>
<b>Liabilities attributable to the segment at 31 December 2014</b>	<b>(55,248)</b>	<b>(283,325)</b>	<b>(302,881)</b>	<b>(70,252)</b>	<b>(741,996)</b>	<b>(1,453,702)</b>

- (a) The operating income presented in this column corresponds principally to the amortisation of gains assigned to intangible assets and property plant and equipment in the business combination of the CML Innovative Technologies subgroup. The goodwill arising on this operation also forms part of the assets presented in this column.

By geographical segment

Description	Thousands of Euros					
	Asia/Pacific	Europe	Mercosur	NAFTA	Other	Total
Net turnover	144,305	1,314,883	74,580	671,085	20,554	2,225,407
Other operating (expenses) / income, net	(119,943)	(1,151,376)	(78,020)	(592,113)	(16,956)	(1,958,408)
Depreciation and amortisation	(4,933)	(69,539)	(3,442)	(12,065)	(1,633)	(91,612)
<b>Operating income / (loss) (EBIT)</b>	<b>19,429</b>	<b>93,968</b>	<b>(6,882)</b>	<b>66,907</b>	<b>1,965</b>	<b>175,387</b>
<b>EBITDA</b>	<b>24,362</b>	<b>163,507</b>	<b>(3,440)</b>	<b>78,972</b>	<b>3,598</b>	<b>266,999</b>
<b>Assets attributable to the segment at 31 December 2014</b>	<b>147,601</b>	<b>1,243,916</b>	<b>45,380</b>	<b>294,237</b>	<b>36,138</b>	<b>1,767,272</b>
<b>Liabilities attributable to the segment at 31 December 2014</b>	<b>(61,683)</b>	<b>(1,217,702)</b>	<b>(12,634)</b>	<b>(154,588)</b>	<b>(7,095)</b>	<b>(1,453,702)</b>

## (7) INTANGIBLE ASSETS

### Goodwill-

The movements in "Goodwill" in 2014 and 2015 are as follows:

	Thousands of Euros
<b>Balances at 31 December 2013</b>	<b>52,766</b>
Additions ( <i>goodwill of Grupo Antolin-Chakan, Ltd.</i> )	602
Impairment	-
<b>Balances at 31 December 2014</b>	<b>53,368</b>
Additions:	
Goodwill of the interior components business unit acquired from the international Magna Automotive group	125,171
Goodwill of Silesia Plastic, Sp. z o.o.	2,658
Movement in goodwill of Grupo Antolin-Chakan, Ltd.	465
	128,294
Impairment	(1,500)
<b>Balances at 31 December 2015</b>	<b>180,162</b>

The balance under this heading in the consolidated statement of financial position at 31 December 2014 corresponded to the goodwill recognised for the "Lighting" business acquired from the "CML Innovative Technologies" group in January 2012 (*50,816 thousand euros*), the goodwill arising on the acquisition of Machino Auto Comp, Ltd., now known as "Grupo Antolin-Chakan, Ltd." (*602 thousand euros*) and to small amounts of goodwill recognised by various consolidated subsidiaries.

In 2015 goodwill was recognised for the new business combinations effected (see Note 5). In addition, an adjustment was made to the goodwill recognised in 2014 for Grupo Antolin-Chakan, Ltd. following the completion of the valuation process on its assets and liabilities (*which were measured provisionally at 31 December 2014*).

The goodwill of the "Lighting" business unit was assigned to three cash generating units: Germany and the Czech Republic (*15,959 thousand euros*), the United Kingdom (*3,407 thousand euros*) and the French subsidiary and its subsidiaries in other countries (*31,450 thousand euros*). The goodwill of the interior components business unit acquired from the international Magna Automotive group in 2015 (*125,171 thousand euros*) was assigned to the following cash generating units:

Company	Thousands of Euros
Antolin Interiors UK, Ltd.	33,949
Antolin Interiors Mexico, S.A. de C.V.	27,256
Antolin Ebergassing, GmbH	21,599
Changchun Antolin Automotive Interiors Co., Ltd.	13,101
Changshu Antolin Automotive Interiors Co., Ltd.	8,965
Antolin Straubing, GmbH	8,267
Antolin Burg Design, GmbH	6,490
Antolin Massen, GmbH	3,836
Antolin Trnava, s.r.o.	1,708
	<b>125,171</b>

At the end of each reporting period, the Group makes an estimate of whether there has been any impairment that reduces the recoverable value of goodwill to less than its carrying amount and makes any adjustments necessary. The policies applied by the Group to test for impairment to goodwill are described in Note 3-b.

The Group carried out the corresponding review at 31 December 2015 and found that the recoverable amount of goodwill is higher than its carrying amount (*corresponding almost entirely to consolidated subsidiaries which currently generate profits or are expected to do so in the future*), except in the case of the goodwill assigned to the "Lighting" business in the United Kingdom for which an impairment of 1,500 thousand euros was recognised at the end of the 2015 reporting period. To determine the recoverable amount, at the end of the 2015 reporting period the Parent's Directors reviewed and updated the assumptions relating to the future activities and forecast results of the corresponding consolidated subsidiaries acquired prior to 31 December 2014 and their impact on cash flows, taking into consideration the performance of the main variables in 2015 and any variances from the estimates made at the start of the year.

The recoverable amount of the cash generating units associated with the goodwill recognised was revised taking their value in use based on best estimates of cash flows for the next five years (*reviewed and updated by the Group's Directors and approved by the Parent's Board of Directors in March 2016*) with a terminal value estimated assuming a growth rate in perpetuity. The sales of the "Lighting" business unit are forecast to grow strongly, especially from 2016 onwards, when production will commence in respect of new contracts with Mercedes, VW, Renault, Nissan and PSA in Europe and with the last two in China. EBITDA will also grow in line with revenues (*starting from the 30 million euros obtained in 2015*).

The discount rate before tax used for the purposes of these impairment tests varies from country to country from approximately 8% to 13%. The residual value was calculated assuming sustainable average cash flows and a forecast growth rate of zero (*except in the case of Antolin Straubing, GmbH, for which a growth rate of one was considered*).

The Group's Directors have also performed a sensitivity analysis, and estimated that even if the expected sales growth is not achieved (*and current levels are maintained*) and/or the discount rates increase, no risk of impairment is envisaged, except in the case of the goodwill assigned to the "Lighting" business in the United Kingdom and to Antolin Straubing, GmbH in Germany, for which the impairment losses would not be material.

#### **Other intangible assets-**

The movements under this heading and the related accumulated amortisation and impairment losses in the years to 31 December 2015 and 2014 were as follows:



	Thousands of Euros			
	Development Expenses	Computer Software	Other Intangible Assets	Total
<b>Cost:</b>				
<b>Balances at 31 December 2013</b>	<b>427,071</b>	<b>42,876</b>	<b>12,271</b>	<b>482,218</b>
Additions	54,422	3,165	43	57,630
Investments incorporated in the scope of consolidation (Note 5)	-	39	-	39
Retirements or disposals	(6,866)	(229)	(13)	(7,108)
Transfers to "Property, plant and equipment"	-	(225)	-	(225)
Transfers between accounts	(188)	188	-	-
Exchange differences and other items	8,233	337	63	8,633
<b>Balances at 31 December 2014</b>	<b>482,672</b>	<b>46,151</b>	<b>12,364</b>	<b>541,187</b>
Additions	48,180	3,625	-	51,805
Investments incorporated in the scope of consolidation (Note 5)	6,831	17,530	177,402	201,763
Retirements or disposals	(12,620)	(607)	(17,408)	(30,635)
Transfers from "Property, plant and equipment" (Note 8)	328	107	-	435
Exchange differences and other items	1,573	868	(119)	2,322
<b>Balances at 31 December 2015</b>	<b>526,964</b>	<b>67,674</b>	<b>172,239</b>	<b>766,877</b>
<b>Accumulated amortisation:</b>				
<b>Balances at 31 December 2013</b>	<b>(270,569)</b>	<b>(36,779)</b>	<b>(7,445)</b>	<b>(314,793)</b>
Amortisation	(29,352)	(2,384)	(1,911)	(33,647)
Investments incorporated in the scope of consolidation (Note 5)	-	(20)	-	(20)
Retirements or disposals	5,535	224	-	5,759
Transfers between accounts	(67)	67	-	-
Exchange differences and other items	(9,033)	(293)	(70)	(9,396)
<b>Balances at 31 December 2014</b>	<b>(303,486)</b>	<b>(39,185)</b>	<b>(9,426)</b>	<b>(352,097)</b>
Amortisation	(31,476)	(3,070)	(10,447)	(44,993)
Investments incorporated in the scope of consolidation (Note 5)	-	(6,421)	(38,501)	(44,922)
Retirements or disposals	12,338	558	17,388	30,284
Exchange differences and other items	1,205	(9,216)	(176)	(8,187)
<b>Balances at 31 December 2015</b>	<b>(321,419)</b>	<b>(57,334)</b>	<b>(41,162)</b>	<b>(419,915)</b>
<b>Impairment:</b>				
<b>Balances at 31 December 2013</b>	<b>(21,654)</b>	-	-	<b>(21,654)</b>
Impairment losses (recognised)/reversed with a (charge)/credit to income, net	(7,620)	-	-	(7,620)
Transfers from "Property, plant and equipment"	(1,943)	-	-	(1,943)
Exchange differences and other items	3,235	-	-	3,235
<b>Balances at 31 December 2014</b>	<b>(27,982)</b>	-	-	<b>(27,982)</b>
Impairment losses (recognised)/reversed with a (charge)/credit to income, net	(1,814)	-	-	(1,814)
Investments incorporated in the scope of consolidation (Note 5)	-	-	-	-
Transfers to "Property, plant and equipment" (Note 8)	1,994	-	-	1,994
Exchange differences and other items	1,767	-	-	1,767
<b>Balances at 31 December 2015</b>	<b>(26,035)</b>	-	-	<b>(26,035)</b>
<b>Net intangible assets at 31 December 2014</b>	<b>151,204</b>	<b>6,966</b>	<b>2,938</b>	<b>161,108</b>
<b>Net intangible assets at 31 December 2015</b>	<b>179,510</b>	<b>10,340</b>	<b>131,077</b>	<b>320,927</b>

#### Development expenses-

Capitalised development expenses at 31 December 2015 correspond to a range of projects relating to overheads, trays, panels, seating and automobile mechanisms. A portion of the capitalised development expenses (*approximately 120 million euros*) corresponds to projects in progress at 31 December 2015 (*approximately 81 million euros at 31 December 2014*), and, accordingly, the related expenses will not start to be amortised until the projects have been completed. The Directors of the Parent forecast that during 2016 and 2017 most of the development projects under way at 31 December 2015 will be completed, at which time the corresponding products will go into mass production.

The main additions to development expenses in 2015 correspond to the following projects: "Panel Audi Q5", "Pilar Ford P558-Headliner", "Seat Mercedes Seat VS20", "Panel Maserati M161WW16" CD390", "BMW G38 Headliner" and "Honda 2YM Headliner". Mass production for some of these projects began in 2015.

Development costs derecognised in 2015 correspond principally to the development of certain projects which were almost fully amortised. The Group recognised a net loss of 230 thousand euros as a result of these operations which was taken to income under "Gain/(loss) on disposal of non-current assets" in the accompanying consolidated profit or loss (*losses of 1,212 thousand euros were taken to income in 2014 following the derecognition of development costs which were not technically or economically viable*).

#### *Impairment losses-*

At the end of every reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. Should any such signs of impairment exist, the recoverable amount of these assets is quantified in order to determine any impairment loss suffered. The recoverable amount of the cash generating unit associated with these intangible assets was revised taking their value in use based on best estimates of cash flows over the life of the corresponding project. The discount rate before tax used for the purposes of these impairment tests is around 10%.

Accordingly, at 31 December 2015, the Group had recorded provisions for impairments totalling 26,035 thousand euros (*27,982 thousand at 31 December 2014*), corresponding to a decrease in the value of the capitalised development expenses of certain seating, panelling and overhead projects which are currently loss-making, and for which the recoverable value is lower than their carrying amount. Approximately 1.8 million euros of this amount was recognised under "Net impairment losses on non-current assets" in the accompanying consolidated profit or loss for 2015 (*approximately 7.7 million euros in 2014*). Virtually no impairment provisions were reversed against this heading in the consolidated profit or loss for the years ended 31 December 2015 and 2014.

#### *Other intangible assets-*

At 31 December 2015 this item corresponded almost entirely to customer relations recognised for the "Lighting" business unit in 2012 and for the business acquired from the Italian company CRS, which will be amortised over 7 and 5 years, respectively, and customer relations recognised in 2015 in the business combination of the interior components business unit of the international Magna Automotive group, which will be amortised over periods from 2 to 7 years.

#### *Fully amortised assets-*

The Group's intangible assets include certain assets which had been fully amortised at 31 December 2015 and 2014. The total cost and related accumulated amortisation of these assets amounted to approximately 248 and 189 million euros, respectively.

## **(8) PROPERTY, PLANT AND EQUIPMENT**

The movements in the years to 31 December 2015 and 2014 in property, plant and equipment and in the related accumulated depreciation and impairment losses were as follows:

	Thousands of Euros			
	Land and Buildings	Technical Plant, Machinery and Other PP&E	PP&E Under Construction and Prepayments	Total
<b>Cost:</b>				
<b>Balances at 31 December 2013</b>	<b>226,909</b>	<b>794,180</b>	<b>25,072</b>	<b>1,046,161</b>
Additions	10,812	53,215	21,837	85,864
Investments incorporated in the scope of consolidation (Note 5)	2,520	2,946	-	5,466
Retirements or disposals	(825)	(16,744)	(2,521)	(20,090)
Transfers between accounts	-	13,197	(13,197)	-
Transfers from "Intangible assets" (Note 7)	225	-	-	225
Exchange differences and other items	652	12,098	(1,115)	11,635
<b>Balances at 31 December 2014</b>	<b>240,293</b>	<b>858,892</b>	<b>30,076</b>	<b>1,129,261</b>
Additions	12,426	73,783	32,928	119,137
Investments incorporated in the scope of consolidation (Note 5)	69,254	497,399	105,926	672,579
Retirements or disposals	(5,166)	(16,414)	-	(21,580)
Transfers between accounts	750	27,840	(28,590)	-
Transfers to "Intangible assets" (Note 7)	-	-	(435)	(435)
Transfers to "Inventories"	-	-	(8,076)	(8,076)
Exchange differences and other items	(1,498)	2,533	356	1,391
<b>Balances at 31 December 2015</b>	<b>316,059</b>	<b>1,444,033</b>	<b>132,185</b>	<b>1,892,277</b>
<b>Accumulated depreciation:</b>				
<b>Balances at 31 December 2013</b>	<b>(64,835)</b>	<b>(572,981)</b>	<b>-</b>	<b>(637,816)</b>
Depreciation	(6,353)	(51,554)	-	(57,907)
Investments incorporated in the scope of consolidation (Note 5)	(149)	(1,159)	-	(1,308)
Retirements or disposals	281	15,694	-	15,975
Exchange differences and other items	(472)	(10,469)	-	(10,941)
<b>Balances at 31 December 2014</b>	<b>(71,528)</b>	<b>(620,469)</b>	<b>-</b>	<b>(691,997)</b>
Depreciation	(7,860)	(69,438)	-	(77,298)
Investments incorporated in the scope of consolidation (Note 5)	(30,280)	(351,504)	-	(381,784)
Retirements or disposals	212	13,730	-	13,942
Exchange differences and other items	270	(1,544)	-	(1,274)
<b>Balances at 31 December 2015</b>	<b>(109,186)</b>	<b>(1,029,225)</b>	<b>-</b>	<b>(1,138,411)</b>
<b>Impairment:</b>				
<b>Balances at 31 December 2013</b>	<b>(2,880)</b>	<b>(5,784)</b>	<b>-</b>	<b>(8,664)</b>
(Provisions) reversals taken to income	(445)	751	-	306
Transfers to "Intangible assets" (Note 7)	1,943	-	-	1,943
Exchange differences	27	497	-	524
<b>Balances at 31 December 2014</b>	<b>(1,355)</b>	<b>(4,536)</b>	<b>-</b>	<b>(5,891)</b>
(Provisions) reversals taken to income	(881)	(756)	-	(1,637)
Investments incorporated in the scope of consolidation (Note 5)	-	(6,537)	-	(6,537)
Retirements or disposals	-	1,135	-	1,135
Transfers from "Intangible assets" (Note 7)	-	(1,994)	-	(1,994)
Exchange differences	-	661	-	661
<b>Balances at 31 December 2015</b>	<b>(2,236)</b>	<b>(12,027)</b>	<b>-</b>	<b>(14,263)</b>
<b>Net PPE at 31 December 2014</b>	<b>167,410</b>	<b>233,887</b>	<b>30,076</b>	<b>431,373</b>
<b>Net PPE at 31 December 2015</b>	<b>204,637</b>	<b>402,781</b>	<b>132,185</b>	<b>739,603</b>

#### Additions and retirements in 2015 and 2014-

Apart from the additions to property, plant and equipment following the acquisition of the interior components businesses from the Magna Automotive international group and the incorporation of the Polish company Silesia Plastic Sp. zo.o. in the scope of consolidation (see Note 5), the main additions to the Group's property, plant and equipment in 2015 corresponded to the acquisition of land and buildings for the factory in Burgos (Spain) where Grupo Antolin-Aragusa, S.A.U. operates (5.5 million euros) and investments to extend production facilities, some of which were still in progress at 31 December 2015. These include investments by Antolin-CIE Czech Republic, s.r.o. (Czech Republic), Grupo Antolin-Besançon, S.A.S., Grupo Antolin-Cambrai, S.A.S., Grupo Antolin-Loire, S.A.S. (France) and Antolin Shanghai Autoparts Co., Ltd. (China). Fully implemented investments in 2015 include those by Grupo Antolin-Valplas, S.A.U. (Spain), Grupo Antolin-Missouri, LLC, Grupo Antolin-Michigan, Inc. (United States), Grupo Antolin-Tlaxcala, S. de R.L. de C.V. (Mexico) and Grupo Antolin-India PVT, Ltd. (India).

The main additions to the Group's property plant and equipment in 2014 correspond to investments in expanding production facilities, some of which were still under construction at 31 December 2014. Significant investments include those by Grupo Antolin-Besançon, S.A.S., Grupo Antolin-Loire, S.A.S. (France), Grupo Antolin-Bamberg, GmbH (Germany) and Grupo Antolin-Turnov, s.r.o. (Czech Republic). Fully implemented investments in 2014 include those by Grupo Antolin-Valplas, S.A.U., Grupo Antolin-Aragusa, S.A.U. (Spain), Grupo Antolin-Missouri, LLC (United States), Grupo Antolin-Silao, S.A. de C.V. (Mexico), Grupo Antolin-India PVT, Ltd. (India) and Grupo Antolin-Sibiu, S.R.L. (Romania).

The most significant retirements in the financial years to 31 December 2015 and 2014 correspond to those recognised by Grupo Antolin-Dapsa, S.A.U., Grupo Antolin-Aragusa, S.A.U. (Spain), Grupo Antolin-Besançon, S.A.S. (France) and Grupo Antolin-Turnov, s.r.o. (Czech Republic) in respect of machinery and other items which were fully depreciated and which were not in productive use, and a plot of land in Burgos in 2015. A loss of 1,345 thousand euros was generated on the retirement of assets in 2015. No material gains or losses were generated on the retirement of assets in 2014.

#### **Land-**

The cost of "Land and constructions" at 31 December 2015 and 2014 includes 59,249 thousand euros and 55,860 thousand euros, respectively, corresponding to the carrying amount of the land at those dates.

The Group's land holdings in the Iberian peninsula were stated at their fair value at the transition date to IFRS-EU (*1 January 2006*) in accordance with the stipulations of IFRS 1. The highest value attributed at that date to the land that were still included in the consolidated balance sheet at 31 December 2015 was 25,877 thousand euros (*23,758 thousand euros corresponding to property, plant and equipment and the rest to investment properties*) and was determined on the basis of valuations performed by independent experts based on market prices or estimated discounted future cash flows.

#### **Investment budget for 2016-**

The Group's Directors plan to invest 227,509 thousand euros in property, plant and equipment in 2016, broken down as follows:

Business Segment	Thousands of Euros
Doors	56,235
Overheads	42,759
Seating	18,314
Lighting	25,631
Cockpits	84,570
	<b>227,509</b>

Investments are planned for many of the Group's plants, the most significant of which (*over 5 million euros*) correspond to the Tlaxcala plant (Mexico), linked to a new project for Audi being developed by the "Doors" business unit and the acquisition of replacement machinery and plant by Grupo Antolin-Besançon, S.A.S. (France), Grupo Antolin-Sibiu, S.R.L. (Romania) and Grupo Antolin-Kentucky, Ltd. (United States). With regard to the companies acquired in August 2015 (see Note 5), the Group plans to invest in plant and machinery in the Nashville and Howell plants operated by Antolin Interiors USA, Inc. (United States), in Antolin Liban s.r.o. (Czech Republic), in the Toluca plant operated by Antolin Interiors Mexico, S.A. de C.V. (Mexico) and in Antolin Ebergassing, GmbH (Austria).

### Assets Located outside Spain-

The cost of the Group's property, plant and equipment located outside Spain and the corresponding accumulated depreciation and provisions for impairment at 31 December 2015 and 2014 are as follows:

Type of Asset	Thousands of Euros		
	Cost	Accumulated Depreciation and Impairment	Net
<b>As at 31 December 2014-</b>			
Land and buildings	139,665	(52,058)	87,607
Technical plant, machinery and other PP&E	565,503	(388,294)	177,209
Advances and fixed assets in progress	29,420	-	29,420
	<b>734,588</b>	<b>(440,352)</b>	<b>294,236</b>
<b>As at 31 December 2015-</b>			
Land and buildings	213,425	(88,406)	125,019
Technical plant, machinery and other PP&E	1,139,983	(788,231)	351,752
Advances and fixed assets in progress	129,870	-	129,870
	<b>1,483,278</b>	<b>(876,637)</b>	<b>606,641</b>

### Finance Leases (Leasing)-

Shown below is a breakdown of the leased assets recognised by the Company at 31 December 2015 and 2014 as lessee under finance leases (valued in accordance with the criterion described in Note 3-f) with details of their key features and the corresponding finance leases signed (see Note 17):

At 31 December 2015

Description of Asset	Contract Term (Months)	Months Elapsed to 31/12/15	Thousand Euros (Excluding VAT and Interest)			
			Original Cost	Lease Instalments Paid in Prior Years	Lease Instalments Paid in 2015	Lease Payments Outstanding, Including Purchase Option
Buildings and facilities (a)	180	160	10,430	7,355	639	1,064
Buildings and facilities (b)	144	144	17,180	15,603	1,577	-
Buildings (c)	93	48	2,952	606	233	1,368
Machinery (d)	50	27	291	70	111	110
Machinery (b)	72	6	829	-	45	784
Machinery (b)	72	7	269	-	25	244
Machinery (b)	72	7	823	-	78	745
Machinery (b)	53	7	975	-	109	866
			<b>33,749</b>	<b>23,634</b>	<b>2,817</b>	<b>5,181</b>

At 31 December 2014

Description of Asset	Contract Term (Months)	Months Elapsed to 31/12/14	Thousand Euros (excluding VAT and interest)			
			Original Cost	Lease Instalments Paid in Prior Years	Lease Instalments Paid in 2014	Lease Payments Outstanding, Including Purchase Option
Buildings and facilities (a)	180	148	10,430	6,718	637	1,703
Buildings and facilities (b)	144	132	17,180	13,990	1,613	1,577
Machinery (b)	72	52	1,810	1,046	764	-
Machinery (c)	33	33	692	457	235	-
Buildings (c)	93	36	2,952	366	240	1,601
Machinery (d)	50	15	291	-	70	221
			<b>33,355</b>	<b>22,577</b>	<b>3,559</b>	<b>5,102</b>

- (a) These items relate to investments made in the production plant of the consolidated subsidiary Grupo Antolin-Cambrai, S.A.S. The Group received from Communauté d'Agglomération de Cambrai (France) a capital grant to partially fund these structures and facilities, which was used to reduce its borrowings. In 2009, the purchase option in the contracts relating to the machinery was taken up.
- (b) Buildings and facilities correspond to investments made in 2003 and 2004 in the construction of the production plant belonging to consolidated subsidiary Grupo Antolin-Turnov, s.r.o., and an extension built in 2008. Machinery corresponds to investments made by the same company in 2010 and 2015. With respect to the 2010 investment, in 2014 the purchase option was taken up early.
- (c) These assets correspond to certain items of machinery and buildings incorporated by the Group at their carrying amount as a result of the acquisition by Grupo Antolin-Italia, S.r.l., of the business of the Italian CRS group in February 2012. These items were used under finance leases to which the Group was subrogated.
- (d) This machinery corresponds to an investment made by the subsidiary Intertrim, Ltda.

### Operating Leases-

The consolidated companies lease buildings which house a part of their warehouses, production facilities and offices. The related contracts signed with the owners of these buildings provide that the rental periods will expire over the coming years, although they provide for the possibility of successive, tacit extensions.

The Group depreciates the property, plant and equipment installed in these buildings based on the shorter of the useful life of the assets or the estimated life of the project, as the Directors of the Parent do not foresee any difficulties in extending the terms of the corresponding lease contracts indefinitely.

The rental cost of said buildings for 2015 totalled 28 million euros, approximately (21 million euros, approximately, in 2014), recorded under "Other operating expenses" on the accompanying consolidated profit or loss.

The lease instalments payable to the lessors under the operating leases signed by the Group with third parties at 31 December 2015 and 2014 are as follows:

Period	Thousands of Euros	
	31/12/15	31/12/14
Not later than one year	26,892	19,286
One to five years	68,924	51,119
More than five years	7,749	7,549
	<b>103,565</b>	<b>77,954</b>

### **Impairment losses-**

At the end of each reporting period, the Group tests for any internal or external signs that the recoverable amount of their property, plant and equipment is less than the carrying amount. If so, the carrying amount is reduced to the recoverable value and the future charges for depreciation in proportion are adjusted in proportion to their adjusted carrying amount and their new remaining useful life if it was also necessary to re-estimate this. Any such reduction in the carrying amount of property, plant and equipment for own use is charged to "Net impairment losses on non-current assets" in the consolidated profit or loss.

Similarly, whenever there are signs that the value of an impaired asset has recovered, the consolidated companies reverse impairment losses recognised in prior years. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset.

At 31 December 2015 the Group's consolidated companies tested for signs of any impairment to the recoverable amount of its property, plant and equipment, and quantified the recoverable amount where such signs were detected. Where the asset does not itself generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

An asset's recoverable amount is the higher of its fair value (*less sale costs*) and its value in use. In calculating value in use at 31 December 2015, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. These future cash flows are derived from the forecasts made by the Group for each cash generating unit for a period of five years (*using assumptions concerning changes in sale prices, costs and volumes based on experience and future expectations in accordance with the currently approved strategic plan and the budget for the coming year*), with a residual value calculated using a growth rate of zero.

Based on this analysis, at 31 December 2015 the Group recognised impairment losses on property, plant and equipment totalling 14,263 thousand euros (*almost all of which were recognised in previous financial years or prior to the business combination date*). These losses corresponded mainly to assets used at the Chrastava plant (*owned by Grupo Antolin-Bohemia, a.s.*), the Redditch plant (*owned by Antolin Interiors UK, Ltd.*), and the plants of Trimtec, Ltda. and Grupo Antolin-Saint Petersburg, which are currently generating or have generated losses and whose recoverable amount is less than their carrying amount (*at 31 December 2014 the Group had recognised impairment losses of 5,891 thousand euros*).

### **Fully depreciated property, plant and equipment-**

The Group's property, plant and equipment include certain assets which had been fully depreciated at 31 December 2015 and 2014. The total cost and related accumulated depreciation of these assets amounted to approximately 598 and 391 million euros respectively.

### **Insurance policy-**

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The Parent's Directors consider that the policies taken out are adequate in view of the various locations of its property, plant and equipment.

## (9) NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

The balances on these headings in the consolidated statement of financial position at 31 December 2015 and 2014 are broken down below by type:

	Thousands of Euros			
	31/12/15		31/12/14	
	Non-Current	Current	Non-Current	Current
Non-current investment securities	978	-	826	-
Other financial assets	8,799	2,003	3,940	987
<b>Net total</b>	<b>9,777</b>	<b>2,003</b>	<b>4,766</b>	<b>987</b>

### Non-current investment securities-

The balances under this heading at 31 December 2015 and 2014 correspond to a number of shareholdings in unlisted companies which had been classified as "Available-for-sale financial assets". Additions corresponding to the business combinations amounting to 152 thousand euros were recorded under this heading in 2015. No other additions, retirements or movements were recorded.

Additions recorded under this heading in 2014 amounted to 1 thousand euros and no other movements were recorded.

### Other financial assets-

The breakdown by type of these financial assets at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	31/12/15		31/12/14	
	Non-Current	Current	Non-Current	Current
Other loans	6,825 (a)	801	2,173 (a)	305
Guarantee deposits and deposits given	1,974	1,202	1,767	682
	<b>8,799</b>	<b>2,003</b>	<b>3,940</b>	<b>987</b>

- (a) The balance under this heading includes 2,060 thousand euros corresponding to the amount receivable against the loan granted in June 2014 by the Parent to an entity related to certain Directors of the Parent, which matures in 2018 and bears annual interest at a variable market rate (see Note 22).

## (10) INVENTORIES

The Group's inventories at 31 December 2015 and 2014 were as follows:



Description	Thousands of Euros	
	31/12/15	31/12/14
Raw materials and supplies	210,728	108,115
Other supplies	1,454	1,334
Merchandise	16,154	8,598
Work-in-process and semifinished goods	40,645	18,851
Project tools	344,919	194,790
Finished products	64,632	36,113
Byproducts, waste and recovered materials	1,981	97
Advances to suppliers	11,966	8,499
Impairment provisions	(17,973)	(8,147)
	<b>674,506</b>	<b>368,250</b>

### Project tools-

The balances of this item at 31 December 2015 and 2014 correspond to the costs incurred by the Group on the project tools being manufactured at said dates. As at 31 December 2015 and 2014, the Group had billed approximately 177 and 151 million euros respectively as advances, recorded as current liabilities under "Trade, sundry and other payables" caption in the accompanying consolidated statement of financial position.

The Directors of the Parent consider that the income in respect of the sale of practically all the project tools being manufactured at 31 December 2015 will be realised in 2016 with significant profits.

### Insurance policy-

The Group takes out insurance policies to cover the possible risks to which practically all its inventories are exposed. In the opinion of the Parent's Directors, the cover provided by the policies taken out at 31 December 2015 is sufficient.

## (11) OTHER RECEIVABLES

The composition of other receivables in the consolidated statement of financial position at 31 December 2015 and 2014 is as follows:

Description	Thousands of Euros	
	31/12/15	31/12/14
<b>Sundry receivables, staff and prepaid expenses</b>	<b>31,576</b>	<b>13,828</b>
<b>Taxes and Social Security-</b>		
Taxes refundable (Note 20)	61,411	39,573
Receivable from public authorities for grants awarded	-	2,015
Other receivables from public authorities	726	695
	<b>62,137</b>	<b>42,283</b>
	<b>93,713</b>	<b>56,111</b>

## (12) CASH AND BANK BALANCES

Cash and cash equivalents in the consolidated statement of financial position include the cash and current bank accounts of the Group and short-term bank deposits (*totalling 41,322 thousand euros at 31 December 2015 and 55,135 thousand euros at 31 December 2014*), generally maturing in January of the following year and accruing interest at an annual rate of no higher than 0.35% (*around 1% at 31 December 2014*). The carrying amounts of these assets are the same as their fair value.

### (13) EQUITY

#### Share capital-

The share capital of the Parent at 31 December 2015 and 2014 comprised 8,023,241 registered shares (3,114,603 "class A" shares, 3,074,733 "class B" shares and 1,833,905 "class C" shares), fully subscribed and paid in, each with a par value of 4.67 euros. The shareholder structure at these dates is as follows:

Shareholders	Percentage Held
Grupo Antolin-Holdco, S.A.	67.38
Castilfalé Gestión, S.A.U.	32.62
	<b>100.00</b>

In early 2014 Castilfalé Gestión, S.A.U. and Grupo Antolin-Holdco, S.A. acquired 100% of the share capital of Grupo Antolin-Irausa, S.A. by purchase and non-monetary contribution. At 31 December 2015 and 2014, all the share capital of the Parent was held indirectly by Avot Inversiones, S.L. (*parent of the Company's two shareholders*), a company whose registered offices are in Burgos and whose owners are members of the Antolin family (see Note 1).

All the Grupo Antolin-Irausa, S.A. shares carry the same voting and dividend rights, although they are distinguished by their transfer regime.

At 31 December 2015 all the shares of the Parent were pledged as guarantee for the bonds issued in 2015 and 2014 by subsidiary company Grupo Antolin-Dutch, B.V., the "Senior Facilities Agreement" signed by the Parent with a number of financial institutions and the long-term loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) for the "RDI & CONVERGENCE" project (see Note 17).

#### Additional paid-in capital-

The revised text of the Spanish Corporate Enterprise Act expressly allows the use of the additional paid-in capital balance to increase share capital and establishes no specific restrictions as to its use.

#### Other reserves of the Parent-

This heading in the consolidated statement of financial position at 31 December 2015 and 2014 includes the following reserves:

##### Legal reserve-

The revised text of the Spanish Corporate Enterprise Act stipulates that 10% of the net profits of the year must be appropriated to the Legal reserve until it attains at least 20% of share capital. At 31 December 2015 and 2014 the legal reserve amounted to 7,494 thousand euros (*equivalent to 20% of the Parent's share capital*).

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except for the aforesaid purpose, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

##### Other reserves-

The balance under this heading at 31 December 2015 includes losses carried forward from previous financial years (41,241 thousand euros) and other unrestricted reserves of the Parent.

## **Distribution of dividends-**

### *Restrictions on the distribution of dividends-*

As indicated in Note 14, on 21 March 2014 the Parent signed a "Senior Facilities Agreement" with major Spanish and international financial institutions under which the Group obtained financing by means of a 200 million euro syndicated loan ("*Loan Facility*"), extended by a further 200 million euros in June 2015, and a multi-currency Revolving Credit Facility with a 200 million euro limit. These financing agreements allow the distribution of dividends provided certain requirements are met. In 2015 the maximum distributable amount was 6,000 thousand euros and no distribution of dividends was permitted in 2014.

### *Dividends distributed in 2015-*

On 12 March 2015 the Ordinary and Extraordinary General Meeting of Shareholders of the Parent agreed the distribution of a dividend against 2014 profits of 3,984 thousand euros and a further dividend against unrestricted reserves of 2,016 thousand euros. These dividends, totalling 6,000 thousand euros, were paid to the Company's shareholders in April 2015.

For both dividends, the Parent complied with the limits imposed in the financing agreements in place at the date of the distribution and obtained the required authorisation of the lending institutions.

The Parent did not distribute any dividends in 2014.

## **Capital management-**

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital to ensure a sound financial position. This policy enables value creation for shareholders to be compatible with access to financial markets at a competitive cost to cover the needs for refinancing debt and financing the investment plan not covered by the funds generated by the business.

In this regard, in line with standard practice in the business world and in the industry in which it operates, the Group uses the following ratios to analyse its situation:

- Financial leverage (*Net borrowing/net equity attributable to the Parent*): The Group's ratio at 31 December 2014 was 1.94. As at the end of 2015, it was 2.22.
- Debt-to-income (*Net borrowing/EBITDA*): The Group's ratio at 31 December 2014 was 2.09. As at the end of 2015, it was 2.15.
- Interest coverage (*EBITDA/Net Finance Income*): The Group's ratio at 31 December 2014 was 6.6. As at the end of 2015, it was 7.25.

As stated in Note 17, the Group has been granted loans by third parties, which requires that certain specific financial ratios be fulfilled.

## **Contribution of the consolidated companies to the Group's reserves and exchange differences-**

Set out below is a breakdown by company, of the balances recorded under "Reserves in fully or proportionally consolidated companies", "Reserves in companies accounted for using the equity method" and "Exchange differences" in the accompanying consolidated statement of financial position at 31 December 2015 and 2014:

Company	Thousands of Euros			
	Reserves in Consolidated Companies		Exchange Differences	
	31/12/15	31/12/14	31/12/15	31/12/14
<b>Fully consolidated companies -</b>				
Grupo Antolin-Irausa, S.A. (a)	(82,034)	(39,479)	(5,528)	(7,927)
Grupo Antolin-Ara, S.A.U.	17,554	16,010	-	-
Grupo Antolin-Dapsa, S.A.U.	2,314	2,477	-	-
Grupo Antolin-Aragusa, S.A.U.	9,703	5,721	-	-
Grupo Antolin-Eurotrim, S.A.U.	6,998	6,024	-	-
Grupo Antolin-RyA, S.A.U.	18,215	17,462	-	-
Grupo Antolin-Autotrim, S.A.U.	37,870	35,026	-	-
Grupo Antolin-Ardasa, S.A.U.	19,591	16,000	-	-
Grupo Antolin-Martorell, S.A.U. (b)	(5,459)	(6,152)	-	-
Grupo Antolin-Plasbur, S.A.U.	36,893	33,359	-	-
Grupo Antolin-Lusitânia, S.A.	15,610	14,434	-	-
Grupo Antolin-Ingeniería, S.A.U.	29,083	20,362	(425)	(425)
Grupo Antolin-Amsterdam, B.V.	2,488	2,949	(386)	(299)
Grupo Antolin-Deutschland, GmbH	1,936	1,777	-	-
Grupo Antolin-Holland, B.V.	5,291	5,349	-	-
Grupo Antolin-Autoform, GmbH & Co. KG	(39,480)	(39,391)	(141)	(141)
Grupo Antolin-Bohemia, a.s. (b)	(19,533)	(18,219)	(2,551)	(3,904)
Grupo Antolin-North America, Inc.	3,936	3,131	1,444	(2,262)
Grupo Antolin-IGA, S.A.S. (b)	(56,824)	(57,570)	-	-
Grupo Antolin-France, S.A.S.	(46,345)	(42,748)	-	-
Grupo Antolin-Turnov, s.r.o.	55,912	47,021	41	(940)
Grupo Antolin-Kentucky, Inc.	45,534	34,092	6,400	1,310
Ototrim Panel Sanayi ve Ticaret, A.S.	28,439	23,789	(7,401)	(5,985)
Grupo Antolin-Silao, S.A. de C.V.	579	(7,525)	(12,070)	(9,192)
Trimtec, Ltda. (b)	(102,684)	(97,350)	(6,988)	(3,184)
Iramec Autopeças, Ltda.	9,861	9,688	(53)	485
Intertrim, Ltda.	(1,302)	2,278	(3,486)	(1,576)
Grupo Antolin-South Africa, Ltd.	(3,844)	(4,742)	(1,614)	(649)
Grupo Antolin-India PTV, Ltd. (b)	(1,595)	(2,969)	(2,389)	(3,376)
Grupo Antolin-Leamington, Ltd. (b)	(12,397)	(20,228)	5,144	3,442
Grupo Antolin-Logistik Deutschland, GmbH	23,054	21,283	-	-
Grupo Antolin-Vosges, S.A.S. (b)	(34,326)	(37,492)	-	-
Grupo Antolin-Glass, S.A.U.	1,132	1,195	-	-
Grupo Antolin-Navarra, S.A.U.	17,249	16,609	-	-
Grupo Antolin-Ingenierie Sièges, S.A.S.	2,606	2,085	-	-
Grupo Antolin-Loire, S.A.S. (b)	(33,906)	(34,210)	-	-
Grupo Antolin-Saint Petersburg	(37,992)	(28,068)	(7,552)	(6,321)
Antolin Tanger, S.A.R.L. (b)	(11,669)	(11,833)	280	110
Grupo Antolin-Magnesio, S.A.U.	1,382	(1,675)	-	-
Grupo Antolin-Cambrai, S.A.S. (b)	(24,455)	(23,549)	-	-
Grupo Antolin-Ostrava, s.r.o.	16,928	12,549	(1,416)	(1,728)
Grupo Antolin-Bratislava, s.r.o.	6,997	5,527	713	713
Grupo Antolin-Álava, S.A.U.	2,674	2,162	-	-
Grupo Antolin-PGA, S.A.U.	21,149	17,871	-	-
Grupo Antolin-Michigan, Inc.	36,292	24,448	5,555	284
Grupo Antolin-Illinois, Inc.	62,427	49,199	5,981	303
Grupo Antolin-Vigo, S.A.U.	17,040	14,814	-	-
Mexican Door Company, S. de R.L. de C.V.	5,659	3,568	(1,741)	(1,319)
Antolin Shanghai Autoparts Co., Ltd.	19,026	14,865	6,456	4,631
Chongqing Antolin Tuopu Overhead System Co., Ltd.	9,971	7,652	1,211	924
Grupo Antolin-Salttillo, S. de R.L. de C.V.	1,288	(2,560)	(820)	239
Grupo Antolin-Jarny, S.A.S. (b)	(1,905)	(4,713)	-	-
Grupo Antolin-Wayne, LLC	3,739	3,734	112	(206)
Antolin China Investment Co., Ltd.	-	-	542	-
Grupo Antolin Guangzhou Lighting Co, Ltd.	5,953	-	1,928	1,008
Guangzhou Antolin Auto-Parts Co., Ltd.	7,797	-	2,535	1,867
Grupo Antolin-UK, Ltd.	445	-	983	931
Grupo Antolin-Missouri, LLC	(1,187)	-	1,232	588
Antolin Avtotechnika Nizhny Nóvgorod, Ltd.	(5,248)	-	(2,623)	(2,211)
Grupo Antolin-Tlaxcala S. de R.L. de C.V.	-	-	(983)	-
Antolin Interiors UK, Ltd.	-	-	(6,825)	-
Antolin Interiors USA, Inc.	-	-	2,678	-
Antolin Interiors Mexico, S.A. de C.V.	-	-	(740)	-
Silesia Plastic, Sp. z o.o.	6,305	-	165	-
Other companies	12,598	19,241	(5,222)	(2,972)
	<b>107,333</b>	<b>33,278</b>	<b>(27,554)</b>	<b>(37,782)</b>

Continued...

Company	Thousands of Euros			
	Reserves in Consolidated Companies		Exchange Differences	
	31/12/15	31/12/14	31/12/15	31/12/14
<b>Proportionally consolidated companies -</b> International Door Company, B.V.	<b>2,280</b>	<b>2,124</b>	<b>(152)</b>	<b>(136)</b>
<b>Companies accounted for using the equity method-</b> International Door Systems, S.R.L. de C.V.	6,856	6,867	(301)	(285)
Slovakian Door Company, s.r.o.	1,187	1,343	-	-
Dongwon Technology Co., Ltd.	1,291	1,506	391	263
NHK Antolin (Thailand) Co., Ltd.	(1,915)	(768)	(94)	(99)
Silesia Plastic, Sp. zo.o.	-	4,779	-	92
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	14,334	7,616	4,224	2,780
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	2,484	306	1,076	683
Irauto, S.A.	202	176	(386)	(299)
Krishna Grupo Antolin Private, Ltd.	3,757	3,088	(318)	(537)
Dongfeng Antolin (Wuhan) Automotive Trim, Co., Ltd.	-	-	(39)	-
CREA-Antolin, Co., Ltd.	-	-	198	-
	<b>28,196</b>	<b>24,913</b>	<b>4,751</b>	<b>2,598</b>
<b>Total</b>	<b>137,809</b>	<b>60,315</b>	<b>(22,955)</b>	<b>(35,320)</b>

- (a) These figures are for the reserves of consolidated companies attributable to the Parent following the consolidation process (*eliminating dividends received, etc.*).
- (b) In recent financial years the Group has implemented an efficiency programme and measures to improve the performance of these consolidated subsidiaries with the medium-term goal of reversing the recurring losses currently being reported by most of them. In general this is being achieved.

### Contribution of the consolidated companies to profit and loss for 2015 and 2014 attributable to the Parent-

The contribution of each of the consolidated companies to the 2015 and 2014 profit and loss attributable to the Parent is as follows:

Company	Thousands of Euros					
	2015			2014		
	Consolidated Profit/(Loss) for 2015	Profit Attributable to Non-Controlling Interests	Profit Attributable to the Parent	Consolidated Profit/(Loss) for 2014	Profit Attributable to Non-Controlling Interests	Profit Attributable to the Parent
<b>Fully consolidated companies-</b>						
Grupo Antolin-Irausa, S.A.	(32,800)	-	(32,800)	(38,571)	-	(38,571)
Grupo Antolin-Ara, S.A.U.	3,112	-	3,112	1,544	-	1,544
Grupo Antolin-Dapsa, S.A.U.	679	-	679	(164)	-	(164)
Grupo Antolin-Aragusa, S.A.U.	8,408	-	8,408	3,981	-	3,981
Grupo Antolin-Álava, S.A.U.	855	-	855	513	-	513
Grupo Antolin-Eurotrim, S.A.U.	3,783	-	3,783	974	-	974
Grupo Antolin-RyA, S.A.U.	2,777	-	2,777	753	-	753
Grupo Antolin-Autotrim, S.A.U.	5,999	-	5,999	2,844	-	2,844
Grupo Antolin-Ardasa, S.A.U.	4,340	-	4,340	3,591	-	3,591
Grupo Antolin-Martorell, S.A.U.	528	-	528	693	-	693
Grupo Antolin-Plasbur, S.A.U.	5,173	-	5,173	3,534	-	3,534
Grupo Antolin-Magnesio, S.A.U.	3,430	-	3,430	3,057	-	3,057
Grupo Antolin-Lusitânia, S.A.	159	-	159	1,176	-	1,176
Grupo Antolin-Ingenieria, S.A.U.	361	-	361	8,721	-	8,721
Grupo Antolin-Autoform, GmbH & Co. KG	(27)	-	(27)	(88)	-	(88)
Grupo Antolin-Bohemia, a.s. (a)	1,613	-	1,613	(1,311)	-	(1,311)
Grupo Antolin-Vigo, S.A.U.	1,454	-	1,454	2,226	-	2,226
Grupo Antolin-IGA, S.A.S.	1,991	-	1,991	746	-	746
Grupo Antolin-France, S.A.S.	(2,975)	-	(2,975)	(3,597)	-	(3,597)
Grupo Antolin-Turnov, s.r.o.	11,289	-	11,289	8,895	-	8,895
Ototrim Panel Sanayi ve Ticaret, A.S.	10,473	(5,237)	5,236	9,260	(4,630)	4,630
Grupo Antolin-Silao, S.A. de C.V.	15,271	-	15,271	8,102	-	8,102
Trimtec, Ltda. (a)	(2,826)	-	(2,826)	(5,334)	-	(5,334)

Continued...

Company	Thousands of Euros					
	2015			2014		
	Consolidated Profit/(Loss) for 2015	Profit Attributable to Non-Controlling Interests	Profit Attributable to the Parent	Consolidated Profit/(Loss) for 2014	Profit Attributable to Non-Controlling Interests	Profit Attributable to the Parent
Iramec Autopeças, Ltda.	(505)	252	(253)	347	(174)	173
Intertrim, Ltda. (a)	(5,306)	781	(4,525)	(4,198)	618	(3,580)
Grupo Antolin-India Private PVT, Ltd.	1,825	-	1,825	1,373	-	1,373
Grupo Antolin-Leamington, Ltd.	6,281	-	6,281	7,832	-	7,832
Grupo Antolin-Logistik Deutschland, GmbH	5,536	-	5,536	1,770	-	1,770
Grupo Antolin-Vosges, S.A.S.	4,602	-	4,602	3,166	-	3,166
Grupo Antolin-Navarra, S.A.U.	(32)	-	(32)	641	-	641
Grupo Antolin-Glass, S.A.U.	149	-	149	(63)	-	(63)
Grupo Antolin-Loire, S.A.S.	(2,757)	-	(2,757)	303	-	303
Antolin Shanghai Autoparts Co. Ltd.	1,403	-	1,403	4,162	-	4,162
Mexican Door Company, S. de R.L. de C.V.	3,416	(1,708)	1,708	4,183	(2,092)	2,091
Antolin Tanger, S.A.R.L.	407	-	407	164	-	164
Chongqing Antolin Tuopu Overhead System Co., Ltd.	7,281	(2,917)	4,364	3,653	(1,424)	2,229
Grupo Antolin-Bratislava, s.r.o.	2,953	-	2,953	1,470	-	1,470
Grupo Antolin-Cambrai, S.A.S. (a)	(12,306)	-	(12,306)	(906)	-	(906)
Grupo Antolin-PGA, S.A.U.	5,878	-	5,878	3,278	-	3,278
Grupo Antolin-Illinois, Inc.	9,911	-	9,911	13,228	-	13,228
Grupo Antolin-Michigan, Inc.	16,646	-	16,646	11,844	-	11,844
Grupo Antolin-Salttillo, S. de R.L. de C.V.	8,899	-	8,899	3,848	-	3,848
Grupo Antolin-Jarny, S.A.S.	4,555	-	4,555	2,808	-	2,808
ASH Reciclado de Techos, S.L.	(131)	-	(131)	(133)	5	(128)
Guangzhou Antolin Auto-Parts Co., Ltd.	435	-	435	849	-	849
Alba Speziallampen Holding, GmbH	(1,679)	-	(1,679)	2,845	-	2,845
Grupo Antolin-Kentucky, Inc.	9,665	-	9,665	11,436	-	11,436
Grupo Antolin-Ostrava, s.r.o.	4,013	-	4,013	4,379	-	4,379
Grupo Antolin-Bamberg, GmbH & Co. KG	702	-	702	3,644	-	3,644
CML Technologies, GmbH & Co. KG	967	-	967	1,092	-	1,092
Grupo Antolin-Besançon, S.A.S.	4,938	-	4,938	5,741	-	5,741
Grupo Antolin Guangzhou Lighting Co, Ltd.	4,367	-	4,367	3,309	-	3,309
Grupo Antolin-Saint Petersburg (a)	797	-	797	(9,911)	-	(9,911)
Grupo Antolin Wayne, LLC	15,416	(7,862)	7,554	9	(4)	5
Grupo Antolin-Gestión de Inversiones, S.L.U. (a)	54	-	54	(6,876)	-	(6,876)
Antolin Autotechnika Nizhny Nóvgorod, Ltd. (a)	(1,825)	-	(1,825)	(4,587)	-	(4,587)
Grupo Antolin-Valplás, S.A.U. (a)	(2,697)	-	(2,697)	(3,138)	-	(3,138)
Antolin China Investment Co., Ltd.	(598)	-	(598)	-	-	-
Antolin Austria Holding, GmbH	(569)	-	(569)	-	-	-
Changshu Antolin Automotive Interiors Co., Ltd.	(461)	(469)	(930)	-	-	-
Changchun Antolin Automotive Interiors Co., Ltd.	1,028	(288)	740	-	-	-
Antolin Ebergassing, GmbH	3,830	-	3,830	-	-	-
Plastimat Hungary, Kft.	844	(219)	625	-	-	-
Antolin Süddeutschland, GmbH	3,650	-	3,650	-	-	-
Antolin Interiors UK, Ltd.	(21,383)	-	(21,383)	-	-	-
Antolin Interiors Mexico S.A. de C.V.	9,480	-	9,480	-	-	-
Antolin Straubing, GmbH	2,149	-	2,149	-	-	-
Suzhou Antolin Automotive Interiors Co., Ltd.	1,754	-	1,754	-	-	-
Other companies	2,011	(230)	1,781	751	(453)	298
	<b>138,660</b>	<b>(17,897)</b>	<b>120,763</b>	<b>79,858</b>	<b>(8,154)</b>	<b>71,704</b>
<b>Proportionally consolidated companies-</b>						
International Door Company, B.V.	<b>129</b>	-	<b>129</b>	<b>185</b>	-	<b>185</b>
<b>Companies accounted for using the equity method-</b>						
International Door System S.R.L. de C.V.	13	-	13	(11)	-	(11)
Slovakian Door Company, s.r.o.	61	-	61	(156)	-	(156)
Dongwon Technology Co., Ltd.	1,723	-	1,723	(192)	-	(192)
NHK Antolin (Thailand) Co., Ltd.	(144)	-	(144)	(1,148)	-	(1,148)
Krishna Grupo Antolin Private, Ltd.	888	-	888	692	-	692
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	1,991	-	1,991	2,179	-	2,179
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	10,577	-	10,577	6,713	-	6,713
Silesia Plastic, Sp. zo.o	1,006	-	1,006	1,537	-	1,537
Irauto, S.A.	(145)	-	(145)	26	-	26
Dongfeng Antolin (Wuhan) Automotive Trim Co., Ltd.	(328)	-	(328)	-	-	-
CREA-Antolin Co., Ltd.	882	-	882	-	-	-
	<b>16,524</b>	-	<b>16,524</b>	<b>9,640</b>	-	<b>9,640</b>
	<b>155,313</b>	<b>(17,897)</b>	<b>137,416</b>	<b>89,683</b>	<b>(8,154)</b>	<b>81,529</b>

- (a) In recent financial years the Group has implemented an efficiency programme and measures to improve the performance of some of these consolidated subsidiaries with the medium-term goal of reversing the recurring losses currently being reported. This is being achieved in most cases, such as those of Grupo Antolin-Bohemia, a.s. and Grupo Antolin Cambrai, S.A.S. Others are currently just starting up operations or are expanding their facilities.

### Adjustments for changes in value-

The balances on this heading at 31 December 2015 and 2014 in the accompanying consolidated statement of financial position include net changes in the fair value of:

- Financial derivatives designated as hedges in a cash flow hedge relationship (see Note 18).
- Actuarial gains and losses (see Note 16).
- Exchange differences.

Set out below is the movement in these items during the financial years to 31 December 2015 and 2014:

Description	Thousands of Euros							
	Balance at 31/12/13	Amounts Transferred to Income	Change in Fair Value, Net	Other Changes	Balance at 31/12/14	Amounts Transferred to Income	Change in Fair Value, Net	Balance at 31/12/15
Cash flow hedges	(934)	1,048	(3,727)	-	(3,613)	(566)	1,081	(3,098)
Less- Tax effect (Note 20)	280	(314)	1,118	(180)	904	177	(270)	811
	<b>(654)</b>	<b>734</b>	<b>(2,609)</b>	<b>(180)</b>	<b>(2,709)</b>	<b>(389)</b>	<b>811</b>	<b>(2,287)</b>
Actuarial gains and losses	<b>(904)</b>	-	<b>(2,739)</b>	-	<b>(3,643)</b>	-	<b>707</b>	<b>(2,936)</b>

Exchange Differences	Thousands of Euros				
	Balance at 31/12/13	Net Change	Balance at 31/12/14	Net Change	Balance at 31/12/15
Net exchange differences in fully or proportionally consolidated companies	(66,806)	17,313	(49,493)	8,069	(41,424)
Less- Exchange differences attributable to non-controlling interests	12,948	(1,373)	11,575	2,143	13,718
	<b>(53,858)</b>	<b>15,940</b>	<b>(37,918)</b>	<b>10,212</b>	<b>(27,706)</b>
Net exchange differences in companies consolidated using the equity method	(1,442)	4,040	2,598	2,153	4,751
	<b>(55,300)</b>	<b>19,980</b>	<b>(35,320)</b>	<b>12,365</b>	<b>(22,955)</b>

### Non-controlling interests-

The balance of this heading in the consolidated statement of financial position relates to the equity held by non-controlling interests in the fully consolidated companies. The balance of "Profit attributable to non-controlling interests" in the consolidated profit or loss relates to the non-controlling shareholders' share of profit and loss for the year.

The movements in this heading in the consolidated statement of financial position in 2015 and 2014 are as follows:

2015

Company	Thousands of Euros					
	Opening Balance	Additions and Retirements	Dividends and Other Items	Profit/(Loss) for 2015 Attributable to Non-Controlling Interests	Exchange Differences	Closing Balance
Ototrim Panel Sanayi ve Ticaret, A.S.	12,622	-	(3,167)	5,237	(1,416)	13,276
Iramec Autopeças, Ltda.	2,168	-	(1)	(252)	(538)	1,377
Intertrim, Ltda.	537	-	-	(781)	(330)	(574)
Mexican Door Company, S.R.L. de C.V.	5,563	-	(1)	1,708	(422)	6,848
Chongqing Antolin Tuopu Overhead System Co., Ltd. (a)	2,432	-	(2,349)	2,917	148	3,148
Keyland Sistemas de Gestión, S.L.	67	-	-	18	-	85
ASH Reciclado de Techos, S.L. (c)	52	(52)	-	-	-	-
Cidut, S.L.	988	-	(134)	361	-	1,215
Keyland USA, Inc.	14	-	(1)	122	4	139
Keyland Mexico, S. de R.L. de C.V.	17	-	-	4	(1)	20
Grupo Antolin-Wayne, LLC	1,580	-	-	7,862	330	9,772
Antolin-CIE Czech Republic, s.r.o.	172	835	70	20	12	1,109
Dongfeng Antolin (Wuhan) Overhead Systems, Ltd.	-	767	(31)	(295)	(39)	402
Plastimat Hungary, Kft.	-	2,187	(7)	219	-	2,399
Changchun Antolin Automotive Interiors Co., Ltd. (b)	-	15,650	360	288	81	16,379
Changshu Antolin Automotive Interiors Co., Ltd.	-	3,961	-	469	28	4,458
	<b>26,212</b>	<b>23,348</b>	<b>(5,261)</b>	<b>17,897</b>	<b>(2,143)</b>	<b>60,053</b>

2014

Company	Thousands of Euros					
	Opening Balance	Additions and Retirements	Dividends and Other Items	Profit/(Loss) for 2014 Attributable to Non-Controlling Interests	Exchange Differences	Closing Balance
Ototrim Panel Sanayi ve Ticaret, A.S.	11,162	-	(3,852)	4,630	682	12,622
Iramec Autopeças, Ltda.	2,223	-	(249)	174	20	2,168
Intertrim, Ltda.	(71)	-	1,224	(618)	2	537
Mexican Door Company, S. de R.L. de C.V.	5,894	-	(2,564)	2,092	141	5,563
Chongqing Antolin Tuopu Overhead System Co., Ltd. (a)	1,716	-	(1,030)	1,424	322	2,432
Keyland Sistemas de Gestión, S.L.	93	-	(4)	(22)	-	67
ASH Reciclado de Techos, S.L. (c)	57	-	-	(5)	-	52
Cidut, S.L.	646	-	(104)	446	-	988
Keyland USA, Inc.	10	-	-	3	1	14
Keyland Mexico, S. de R.L. de C.V.	10	-	-	7	-	17
Grupo Antolin-Wayne, LLC	3,497	-	(2,124)	4	203	1,580
Antolin-CIE Czech Republic, s.r.o.	155	-	(4)	19	2	172
Antolin-Avtotehnika Nizhny Nóvgorod, Ltd.	249	(249)	-	-	-	-
	<b>25,641</b>	<b>(249)</b>	<b>(8,707)</b>	<b>8,154</b>	<b>1,373</b>	<b>26,212</b>

- (a) Corresponds to the consolidated carrying amount of the subgroup which this company heads, including the percentage attributable to non-controlling interests in the consolidated subsidiary Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS).
- (b) Corresponds to the consolidated carrying amount of the subgroup which this company heads, including the percentage attributable to non-controlling interests in the consolidated subsidiary Beijing Antolin Automotive Interiors Co., Ltd.
- (c) Investment (*equivalent to 3.57% of its share capital*) acquired by the Group in 2015.



Set out below is an itemised analysis, by consolidated subsidiary, of the balance of this heading at 31 December 2015:

Company	Thousands of Euros				
	Share Capital	Reserves and Prior Year Losses, Net	Profit/(Loss) for 2015	Exchange Differences	Total
Ototrim Panel Sanayi ve Ticaret, A.S.	2,413	16,539	5,237	(10,913)	13,276
Iramec Autopeças, Ltda.	4,810	(1,136)	(252)	(2,045)	1,377
Intertrim, Ltda.	1,678	(673)	(781)	(798)	(574)
Mexican Door Company, S.R.L. de C.V.	3,933	2,393	1,708	(1,186)	6,848
Chongqing Antolin Tuopu Overhead System Co., Ltd.	693	(1,206)	2,917	744	3,148
Keyland Sistemas de Gestión, S.L.	100	(33)	18	-	85
Cidut, S.L.	202	652	361	-	1,215
Keyland USA, Inc.	4	9	122	4	139
Keyland Mexico, S. de R.L. de C.V.	-	18	4	(2)	20
Grupo Antolin-Wayne, LLC	25	1,477	7,862	408	9,772
Antolin-CIE Czech Republic, s.r.o.	1,196	(107)	20	-	1,109
Dongfeng Antolin (Wuhan) Overhead Systems, Co., Ltd.	736	-	(295)	(39)	402
Plastimat Hungary, Kft.	1,560	620	219	-	2,399
Changchun Antolin Automotive Interiors Co., Ltd.	5,349	10,661	288	81	16,379
Changshu Antolin Automotive Interiors Co., Ltd.	6,218	(2,257)	469	28	4,458
	<b>28,917</b>	<b>26,957</b>	<b>17,897</b>	<b>(13,718)</b>	<b>60,053</b>

Set out below are the non-controlling interests with holdings of more than 5% in the share capital of any subsidiary company:

Subsidiary Company	Non-Controlling Interest	Percentage Held
Ototrim Panel Sanayi ve Ticaret, A.S.	SKT Yedek Parça ve Makina Sanayi ve Ticaret, A.S.	50.00
Iramec Autopeças, Ltda.	Küster Holding, GmbH (a)	50.00
Intertrim, Ltda.	Luiz Rodovil Rossi	14.72
Mexican Door Company, S. de R.L. de C.V.	Küster Holding, GmbH (a)	50.00
Chongqing Antolin Tuopu Overhead System Co., Ltd.	Ningbo Tuopu Vibration Control System Co., Ltd.	39.00
Keyland Sistemas de Gestión, S.L.	Matchmind, S.L.	50.00
Cidut, S.L.	Roberto Bocanegra Varona	50.00
Keyland USA, Inc.	Matchmind, S.L. (b)	50.00
Keyland Mexico, S. de R.L. de C.V.	Matchmind, S.L. (b)	50.00
Grupo Antolin-Wayne, LLC	Crown Automotive Systems, LLC	51.00
Antolin-CIE Czech Republic, s.r.o.	CIE Bériz, S.L.	30.00
Dongfeng Antolin (Wuhan) Overhead Systems, Co. Ltd.	Dongfeng Visteon Automotive Trim Systems Co., Ltd.	49.00
Plastimat Hungary, Kft.	Summit D & V Autóipari Gyártó és Szerelő Korlátolt Felelősségű Társaság	26.00
Changchun Antolin Automotive Interiors Co., Ltd.	Changshu Automotive Trim Co., Ltd.	40.00
Changshu Antolin Automotive Interiors Co., Ltd.	Changshu Automotive Trim Co., Ltd.	40.00

(a) Holding held indirectly via International Door Company, B.V.

(b) Holding held indirectly via Keyland Sistemas de Gestión, S.L.

## (14) EARNINGS PER SHARE

### Basic earnings per share-

Basic earnings per share are calculated by dividing the net profit attributed to the holders of equity instruments in the Parent by the weighted average number of shares outstanding during that year, excluding the average number of treasury shares held during the year.

Set out below is an analysis of basic earnings per share:

Description	Thousands of Euros	
	2015	2014
Income for the year attributed to holders of net equity instruments in the Parent ( <i>thousand euros</i> )	137,416	81,529
Weighted average number of shares outstanding in the year ( <i>thousand shares</i> )	8,023	8,023
<b>Earnings per share (euros)</b>	<b>17.13</b>	<b>10.16</b>

The weighted average number of shares outstanding at 31 December 2015 and 2014 was 8,023,241.

### Diluted earnings per share-

Diluted earnings per share are calculated in much the same way as basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential diluting effect of the share options, warrants and convertible debt current at the year end.

As at 31 December 2015 and 2014, diluted earnings per share was the same as basic earnings per share as the Group had no diluting instruments.

## (15) GRANTS

The movements in this heading in the consolidated statement of financial position in the financial years to 31 December 2015 and 2014 are as follows:

	Thousands of Euros
<b>Balance at 31 December 2013</b>	<b>6,937</b>
Income recognised in the year	(1,194)
Other items	128
<b>Balance at 31 December 2014</b>	<b>5,871</b>
Income recognised in the year	(1,542)
Grants awarded during 2015	4
Investments incorporated in the scope of consolidation	3,496
Other items	(131)
<b>Balance at 31 December 2015</b>	<b>7,698</b>

These non-refundable grants were awarded by Romanian, Spanish, French, German and Hungarian public bodies, to finance certain investments made by the Group in a number of production plants.

In order for these grants to qualify as non-refundable, the companies receiving them must fulfil a number of general and specific conditions, such as making the approved investments, creating and maintaining a given number of jobs and evidencing a certain level of capital and reserves at the end of a specified period. The Parent's Directors consider that all the general and specific conditions established in the respective Individual Grant Resolutions relating to the capital grants made to the consolidated companies have been and/or will be met.

Capital grants received by the Group at 31 December 2015 will be taken to income as follows:

Released to Income	Thousands of Euros
In one year	1,206
One to five years	2,893
After five years	3,599
	<b>7,698</b>

## (16) CURRENT AND NON-CURRENT PROVISIONS

The movements in this heading in the consolidated statement of financial position in the financial years to 31 December 2015 and 2014 are as follows:

Description	Thousands of Euros			
	Non-Current Provisions			Current Provisions
	Provisions for Pension Commitments	Other Provisions	Total	
<b>Balance at 31 December 2013</b>	<b>7,766</b>	<b>14,888</b>	<b>22,654</b>	<b>2,098</b>
Taken to income for the year	372	16,470	16,842	610
Reversals credited to income for the year	-	(1,677)	(1,677)	-
Provisions applied	-	(8,186)	(8,186)	(1,814)
Contributions to the pension plan contracted with an insurance entity and payments to beneficiaries	(876)	-	(876)	-
Remeasurements recognised ( <i>for actuarial gains and losses</i> )	2,739	-	2,739	-
Exchange differences and other items	254	(1,830)	(1,576)	(34)
<b>Balance at 31 December 2014</b>	<b>10,255</b>	<b>19,665</b>	<b>29,920</b>	<b>860</b>
Investments incorporated in the scope of consolidation (Note 5)	15,117	41,731	56,848	17,384
Taken to income for the year	739	14,062	14,801	3,748
Reversals credited to income for the year	-	(6,013)	(6,013)	(253)
Provisions applied	-	(8,304)	(8,304)	(1,011)
Contributions to the pension plan contracted with an insurance entity and payments to beneficiaries	(1,188)	-	(1,188)	-
Remeasurements recognised ( <i>for actuarial gains and losses</i> )	(715)	-	(715)	-
Exchange differences and other items	300	(621)	(321)	(11)
<b>Balance at 31 December 2015</b>	<b>24,508</b>	<b>60,520</b>	<b>85,028</b>	<b>20,717</b>

### Provisions for pension commitments-

The balance on this heading at 31 December 2015 corresponds to provisions to meet long-term commitments to staff (*pension commitments to certain current and former employees*) in the British, French and German companies belonging to the "Lighting" business acquired by Grupo Antolin in January 2012 and the German, Austrian and Mexican companies acquired from the Magna Automotive group in 2015. Some of these companies have outsourced their pensions liabilities with an insurance company.

The amounts recognised in the consolidated statement of financial position at 31 December 2015 and 2014 were determined as follows:

	Thousands of Euros	
	31/12/15	31/12/14
Present value of the obligations at the end of the reporting period	40,760	25,001
Fair value of the assets assigned to the plan at the end of the reporting period	(16,252)	(14,746)
<b>Liability in the consolidated statement of financial position at the end of the reporting period</b>	<b>24,508</b>	<b>10,255</b>

These amounts have been calculated using appropriate actuarial studies. The technical assumptions applied by the consolidated subsidiaries (*interest rates, mortality tables, accumulated annual CPI, etc.*) are in line with the socio-economic situation of each country. The discounted interest rates used at 31 December 2015 range from 2% to 3.7% while in 2014 they ranged from 1.9% to 3.4%.

### Current provisions-

A significant part of the balance recorded under this heading at 31 December 2015 corresponds to provisions established to cover, basically, supplier and customer claims and retroactive price adjustments.

### Other non-current provisions-

The balance of this heading on the consolidated statement of financial position at 31 December 2015 essentially comprises provisions set up to meet commitments entered into with the personnel of some of the consolidated companies (*10,355 thousand euros*), to certain supplier and customer claims and retroactive price adjustments (*14,989 thousand euros*), to the future losses arising from onerous contracts expected to be settled at long term (*19,548 thousand euros, corresponding to provisions from German companies acquired in 2015, substantially all of which had been recognised at the acquisition date*), as well as to provisions for asset reversion and dismantling (*6,687 thousand euros*) and for certain liabilities in respect of court proceedings and claims that have been brought against the consolidated subsidiaries (*8,941 thousand euros*) during the normal course of their business and which were pending resolution at 31 December 2015. The claims in progress include an environmental claim in Brazil and a proceedings in relation to VAT on certain operations in various countries, together with a claim by a partner in certain joint ventures, as detailed in the following paragraph. Neither the legal advisers of the Group nor the Directors of the Parent expect any of these proceedings and claims pending resolution at 31 December 2015 to produce a material impact on the consolidated annual financial statements for the years in which said proceedings are concluded.

The most significant claims filed by third parties against the Group at 31 December 2015 included the claim filed by Ningbo Huaxiang Electronic Co., Ltd. on 24 December 2015 at the Shanghai International Economic and Trade Arbitration Commission (*SHIAC*) in respect of the joint venture contract entered into with the Parent (*under which both parties jointly held ownership interests in the companies Ningbo Antolin Huaxiang Auto Parts Co, Ltd. and Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.*), alleging that Grupo Antolin had not complied with certain obligations established in this contract. The claim filed by Ningbo Huaxiang Electronic Co., Ltd. requested that the Parent terminate the aforementioned joint venture contract and claimed that the

Parent pay an indemnification for damages and losses, acquire the shareholding held by the Group in Ningbo Antolin Huaxiang Auto Parts Co., Ltd. (*representing 50% of its share capital*) for a certain amount, and pay the arbitration costs. The request for arbitration was admitted for consideration by the aforementioned Commission on 8 January 2016, although the arbitration proceeding did not commence since the parties requested, by mutual agreement, that the proceeding be stayed and are currently holding talks with a view to reaching an agreement.

In this connection, the Parent's Directors and legal advisers consider it likely that said agreement will be reached in the next few months; the agreement could end the joint venture contract, without the payment of damages, but with the sale of the Group's shareholdings in Ningbo Antolin Huaxiang Auto Parts Co., Ltd. and Yangzhou Antolin Huaxiang Auto Parts Co., Ltd. for a price close to the amount at which these investments are recognised in the accompanying consolidated balance sheet at 31 December 2015 (see Note 1). Accordingly, the effects that this agreement would have on the Group's consolidated financial statements are not expected, in any case, to be material.

## (17) BANK LOANS, DEBENTURES AND OTHER MARKETABLE SECURITIES

The financing facilities granted to the Group by financial institutions and the debentures and bonds issued at 31 December 2015 and 2014 are as follows:

Description	Thousands of Euros					
	31/12/15			31/12/14		
	Current Liabilities	Non-current Liabilities	Total	Current Liabilities	Non-current Liabilities	Total
Debentures and bonds	-	800,000	800,000	-	400,000	400,000
Syndicated loan facility	8,899	386,601	395,500	9,000	191,000	200,000
Multi-currency Revolving Credit Facility	-	-	-	-	-	-
Loan for "RDI & CONVERGENCE" project	10,000	60,000	70,000	-	70,000	70,000
Other loans	12,436	3,788	16,224	3,555	4,092	7,647
Other credit lines	27,450	-	27,450	15,482	-	15,482
Payables under finance leases	1,432	3,749	5,181	2,521	2,581	5,102
Interest payable	5,785	-	5,785	7,180	-	7,180
Less- Financial remeasurement	(1,460)	(20,311)	(21,771)	(1,169)	(11,807)	(12,976)
	<b>64,542</b>	<b>1,233,827</b>	<b>1,298,369</b>	<b>36,569</b>	<b>655,866</b>	<b>692,435</b>

The schedule of maturities of this financial debt at 31 December 2015 and 2014, excluding the reduction for financial remeasurement, is as set out below:

Maturing in the Year	Thousands of Euros	
	Debt as at 31/12/15	Debt as at 31/12/14
2015	-	37,738
2016	66,002	29,960
2017	39,049	41,323
2018	57,024	66,492
2019	95,942	99,837
2020	241,903	10,012
2020 and Later	820,220	420,049
	<b>1,320,140</b>	<b>705,411</b>

## Debentures and bonds-

### *Bond issues effected on 21 March 2014 and 10 June 2015-*

On 21 March 2014, Grupo Antolin-Dutch, B.V., a wholly-owned subsidiary of Grupo Antolin-Irausa, S.A. whose registered offices are at Muiderstraat 1, NL-1011 PZ Amsterdam (Netherlands), completed the process of placing with qualified and institutional investors an issue of ordinary long-term bonds totalling 400 million euros. This operation was effected in parallel to the formalisation of a 200 million euros syndicated loan facility and a Revolving Credit Facility of up to 200 million euros. The key terms and conditions of this bond issue are:

- The amount of the issue was 400 million euros maturing in 7 years (*on 1 April 2021*).
- The credit rating of the issuer and/or the issue was BB-/Ba3.
- The issue's ISIN code is XS1046537665 and the bonds are traded on the Luxembourg Euro MTF market.
- The bonds bear annual interest at 4.75% payable six-monthly.

At 31 December 2015 the bonds were trading at 103.613% (*104.287% at 31 December 2014*).

### *Bond issue effected on 10 June 2015-*

Subsequently, to finance the operation to acquire the interior components business unit of the international Magna Automotive group (see Note 5), through the subsidiary Grupo Antolin-Dutch, B.V., on 10 June 2015 the Group completed the process of placing with qualified and institutional investors an issue of ordinary long-term bonds totalling 400 million euros. This operation was effected in parallel with a 200 million euro extension to the syndicated loan agreed on 21 March 2014. The key terms and conditions of this bond issue are:

- The amount of the issue was 400 million euros maturing in 7 years (*on 1 June 2022*).
- The credit rating of the issuer and/or the issue was B1/BB-/B+.
- The issue's ISIN code is XS1246049073 and the bonds are traded on the Luxembourg Euro MTF market.
- The bonds bear annual interest at 5.125% payable six-monthly.

At 31 December 2015 the bonds were trading at 104.218%.

### *Other significant terms of the bond issues effected in 2014 and 2015-*

- The bonds are jointly guaranteed by Grupo Antolin-Irausa, S.A. and certain subsidiaries of the Group, and, in addition, a lien on 100% of the shares of the Parent has been established (see Note 13).
- The issuer of the bonds, Grupo Antolin-Dutch, B.V., may redeem all or part of the bonds at any date from 1 April 2017 (*for the 2014 issue*) and from 30 June 2018 (*for the 2015 issue*). Prior to these dates, it may redeem all or part of the bonds subject to certain conditions. Grupo Antolin-Dutch, B.V. may also redeem all or part of the bonds at any date if any changes to tax legislation are introduced whereby the issuer would be required to pay additional amounts for the bonds.
- With respect to these bond issues, an Intercreditor Agreement was signed governing the relationship between the Group's creditors (*bondholders, the financial institutions which signed the Senior Facilities Agreement, and the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León*), under which said creditors will have an equal share in any guarantee issued.

- Certain limits have been established with respect to the Group's capacity to perform specific operations (*the distribution of dividends, the signing or provision of additional debt guarantees, certain investments and acquisitions, mergers with other companies, the sale of assets or investments, etc.*), subject to some exceptions and conditions. The Directors of the Parent consider that the Group complies and will comply with these limits and commitments.

### **Syndicated loan ("*Loan Facility*") and a multi-currency Revolving Credit Facility-**

On 21 March 2014 the Parent signed a "Senior Facilities Agreement" with major Spanish and international financial institutions under which the Group obtained financing by means of a 200 million euro syndicated loan ("*Loan Facility*"), and a multi-currency Revolving Credit Facility with a 200 million euro limit.

On 10 June 2015 a 200 million euro extension to the syndicated loan ("*Loan Facility*") was agreed, increasing the capital of said loan to 400 million euros, all of which was drawn by the Company prior to 31 December 2015 and 4,500 thousand euros of which was repaid during 2015.

These funds are being used to restructure the Group's bank borrowings, finance the expenses incurred in respect of the bond issues effected in March 2014 and June 2015, to finance the Group's growth strategy and, in the case of the credit facility, to finance the Group's working capital needs. These loans mature on 30 June 2020.

The principal pending repayment on the syndicated loan at 31 December 2015 was 395,500 thousand euros (*200,000 thousand euros at 31 December 2014*). At that date the Group had not drawn down any amount against the revolving credit facility. The repayment schedule for the principal of the syndicated loan is as follows:

Thousands of Euros					
Maturing in:					Total
2016	2017	2018	2019	2020	
8,899	25,707	45,482	84,044	231,368	<b>395,500</b>

Notwithstanding the above schedule, the Group may, at any moment during the life of the loan, opt to repay all or part of the outstanding syndicated loan or multi-currency revolving credit facility, provided certain conditions are met. Furthermore, the following events will trigger full or partial early repayment of these loans:

- Subject to certain exceptions and amounts, the disposal of specific asset categories, the receipt of indemnities from insurance companies or the flotation of the Parent (*with no change of control of the Group*).
- In the event of a change of control in the Group, any of the financial institutions may decide to leave the financing arrangements in place or may request early repayment of the proportional part of the loan corresponding to said institution.

### **Interest-**

These loans bear annual interest benchmarked to the Euribor, plus a variable market spread of between 2% and 2.75% in subsequent years, to be reviewed annually on the basis of certain financial ratios.

The Group must also pay a commission with respect to the undrawn amount of the multi-currency revolving credit facility.

#### *Loan guarantees-*

These loans are backed by an irrevocable and unconditional guarantee from a significant number of the companies forming Grupo Antolin, although the guarantees provided by some subsidiary companies (*specifically certain Portuguese, Czech and German companies*) are limited to amounts established by the applicable Local Legislation. In order to comply with the obligations related to these loans, the Group has given a commitment to each of the subsidiary companies in which it holds at least 90% of the share capital, that it will become a guarantor if any of the following circumstances arises: its EBITDA for the year represents at least 2.5% of the Group's EBITDA and exceeds 5 million euros, or its net assets represent at least 2.5% of the net assets of the Group.

In addition, Liens have been established on the share capital of the Parent (see Note 13).

#### *Early repayment-*

The Senior Facilities Agreement under which these loans were ceded includes clauses specifying that the following events will trigger their full early repayment:

- Failure to repay the principal or pay the interest on the loans as and when they fall due.
- Failure of the Group to meet the financial ratios set in the agreement under which these loans were ceded or to remedy said failure within 20 days of the issue of the "ratio compliance certificate" in which it is detailed.
- Failure to comply with other obligations established in the loan agreement (*false disclosures, failure to provide information, etc.*) without rectifying said failure within a determined period.
- Failure to pay other borrowings falling due, provided certain circumstances are met, or the insolvency of the Parent, a material subsidiary, or the shareholders.
- A change in the ownership of the shares of the Parent, or the cession of businesses, expropriation, lawsuits and legal claims, the seizure of or embargoes on assets, material changes and any other circumstance which have a material adverse effect on the Group. The loans will also be repayable if the Group's auditors issue a disclaimer of opinion, or an adverse or qualified opinion.

As at 31 December 2015, the agreed "financial ratios and covenants" had been met and the Parent's Directors considered that all the clauses and obligations set out in the agreement in respect of the loans had been fulfilled and no event which could trigger full or partial early repayment had occurred. They also considered that all conditions will be met in the next 12 months.

#### *Other obligations and commitments-*

The Senior Facilities Agreement contains certain obligations and commitments limiting the Group's capacity to perform certain operations during the life of the loans, including the following:

- Limits on obtaining additional financing, the constitution of charges or guarantees against its assets, and the granting of guarantees or sureties to third parties.
- Limits on the sale, cession, transfer or disposal of its assets.
- Limits on the acquisition of companies or businesses.
- Limits on the distribution of dividends by the Parent (see Note 13).



**Long-term loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) for the “RDI & CONVERGENCE” project-**

On 22 October 2012 the Parent and the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) (*a company wholly owned by the Regional Government of Castilla y León*) signed an agreement under which the public body granted a long term loan of 70,000 thousand euros to finance a project entitled “RDI & CONVERGENCE”. This funding will be invested in research, development and innovation activities to develop lightweight materials for the construction of motor vehicles and in property plant and equipment to improve productivity, flexibility and energy efficiency and to reduce costs in converging regions in Spain, Portugal and the Czech Republic and in Turkey. The total planned investment in the project is 145,570 thousand euros and was implemented by various Group companies between 2011 and 2014.

The funding for this loan was granted to the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) by the European Investment Bank (EIB) via a loan agreement between the two entities for the same amount signed on 20 August 2012 with the stated purpose of passing the funding on to Grupo Antolin for this project. On 13 September 2012 the Group signed an agreement in this respect with the European Investment Bank (“*RDI & CONVERGENCE Project Agreement*”).

The loan accrues annual interest benchmarked to the 6-month Euribor plus a market supplement, to be reviewed annually with the agreement of all parties, and is backed by a joint and several guarantee from almost all of the companies composing Grupo Antolin acting as guarantors.

The principal is to be repaid in 28 quarterly instalments of 2,500 thousand euros, the first of which falls due on 28 January 2016 and the last on 28 October 2022. The outstanding principal of this loan totalled 70,000 thousand euros. The repayment schedule is set out below:

Thousands of Euros						
Maturing in:						Total
2016	2017	2018	2019	2020	2021 and Later	
10,000	10,000	10,000	10,000	10,000	20,000	<b>70,000</b>

With respect to the bond issue effected by the Group in March 2014 and the signing of the Senior Facilities Agreement, the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) signed the Intercreditors Agreement governing the relationship between the bondholders, the Group's lenders and the Group, having agreed to amend the covenants and conditions regulating the distribution of dividends included in the RDI & CONVERGENCE Project Agreement to match those established in said Intercreditors Agreement.

In the light of this inscription, at 31 December 2015 the Parent's Directors considered that all the clauses and obligations set out in the loan agreement have been fulfilled and no event which could trigger full or partial early repayment has occurred. They also consider that all conditions will be met in the next 12 months.

**Other loans-**

Other loans granted to the Group at 31 December 2015 are as follows:

Nature of Loan	Thousands of Euros						Total
	Maturing in:						
	2016	2017	2018	2019	2020	2021 and Later	
Euro loans	12,436	2,110	772	737	117	52	16,224

These loans accrue interest at a variable market rate.

#### *Guarantees-*

Two of these loans were granted to the Group to finance the acquisition of the land, buildings and plant of one of its factories, located in Spain, the combined outstanding balance of which was, as at 31 December 2015, 2.2 million euros (*3.2 million at 31 December 2014*). These properties have been mortgaged as security for repayment of the loans.

#### **Other credit lines-**

The following other credit lines had been granted to the Group as at 31 December 2015:

Nature of Loan	Thousands of Euros		
	Limit	Balance Drawn	Balance Available
Local currency credit lines (a)	<b>67,766</b>	<b>27,450</b>	<b>40,316</b>

(a) This amount includes a current account overdraft limit of 17,000 thousand euros granted to the Group as part of a framework agreement with a financial institution for the provision of banking services.

The Directors of the Parent foresee no difficulty renewing these credit lines when they expire.

In March 2014 the Group also contracted a multi-currency long-term Revolving Credit Facility with a 200 million euro limit. At 31 December 2015 no amount had been drawn down against this facility. As a result, as at 31 December 2015 the undrawn amount available to the Group from credit lines and overdraft facilities totalled 240,316 thousand euros. These credit lines and overdraft facilities accrue interest at variable market rates.

At 31 December 2014 the credit lines available to the Group amounted to 15,482 thousand euros, of which 3,647 thousand euros were in denominated foreign currencies. The total combined credit lines granted to the Group at that date amounted to 29,204 thousand euros.

#### **Payables under finance leases-**

The lease payments outstanding at 31 December 2015, including the purchase options, fall due as follows (see Note 8):

Thousands of Euros						
Maturing in:						Total
2016	2017	2018	2019	2020	2021 and Later	
1,432	1,232	769	1,161	418	169	<b>5,181</b>

This financing accrues interest at a variable market rate.

## (18) DERIVATIVE FINANCIAL INSTRUMENTS

### Transactions with derivative instruments-

The Group contracts financial derivatives over the counter (OTC), with Spanish and international financial institutions with high credit ratings. The purpose of these contracts is to offset the impact of a rise in variable interest rates (Euribor) on a significant part of the impact on the Group's financing flows.

The value of these derivative financial instruments at 31 December 2015 and 2014 was as follows:

Balances	Thousands of Euros		
	Assets	Non-Current Liabilities	Current Liabilities
At 31 December 2015	-	4,048	-
At 31 December 2014	-	6,862	-

The financial derivatives contracted by the Group at 31 December 2015 and 2014 and their fair values at said dates are:

Start Date	Notional Amount Contracted in Thousand Euros		Contract Start Date	Contract End Date	Value in Thousand Euros	
	At 31/12/15	At 31/12/14			At 31/12/15	At 31/12/14
<b>Not classified as a hedge-</b>						
Interest Rate Swap (IRS) (a)	15,448	23,671	1/9/09	29/7/17	(626)	(1,242)
Interest Rate Swap (IRS) (a)	-	85,460	1/9/09	29/7/15	-	(1,527)
<b>Classified as a hedge-</b>						
Interest Rate Swap (IRS) (b)	70,000	70,000	28/1/13	28/10/22	(3,422)	(4,093)
	<b>85,448</b>	<b>179,131</b>			<b>(4,048)</b>	<b>(6,862)</b>

- (a) The increase in the fair value of financial instruments not classified as hedging instruments in the financial year to 31 December 2015, amounting to 2,142 thousand euros, has been credited to "Net fair value gain/loss on financial instruments" in the consolidated profit or loss for the year. With respect to these financial instruments, the Group recognised finance costs of 2,229 thousand euros in the consolidated profit or loss for the financial year to 31 December 2015 (*4,687 thousand euros in the financial year to 31 December 2014*) corresponding to the payment of interest accrued.
- (b) This swap specifically hedges the interest rate risk associated with a loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE). The swap continues to be classified as hedging instruments. The amount recognised at 31 December 2015 in equity under "Adjustments for Changes in Value" in the consolidated statement of financial position (see Note 13), as the effective portion of the cash flow hedging relationship totalled 3,098 thousand euros (*3,613 thousand euros as at 31 December 2014*), excluding the corresponding tax effect. The Group recognised an expense of 156 thousand euros for the ineffective portion of the hedge under "Net fair value gain/loss on financial instruments" in the consolidated profit or loss for the year ended 31 December 2015 (*the amount taken to income by the Group in 2014 totalled 480 thousand euros*). With respect to this derivative financial instrument, the Group recognised finance costs of 1,237 thousand euros in the consolidated profit or loss for the financial year to 31 December 2015 (*1,048 thousand euros in the financial year to 31 December 2014*) corresponding to the payment of interest accrued.

The expected schedule for the notionals contracted during which the cash flows on the outstanding contracted derivatives at 31 December 2015 will be taken to income is as follows:

Derivative	Thousands of Euros					
	Notional Amount Outstanding at 31 December:					
	2016	2017	2018	2019	2020	2021
<i>Not classified as a hedge-</i> Interest Rate Swap (IRS)	9,506	-	-	-	-	-
<i>Classified as a hedge-</i> Interest Rate Swap (IRS)	60,000	50,000	40,000	30,000	20,000	10,000
	<b>69,506</b>	<b>50,000</b>	<b>40,000</b>	<b>30,000</b>	<b>20,000</b>	<b>10,000</b>

### ***Change in fair value of derivative financial instruments-***

These derivative financial instruments are classified as level 2 in the hierarchy of fair value measurement as their fair value is based on valuation techniques using observable market data. Furthermore, the unobservable market data, such as credit risk, is not a significant input for the instrument as a whole.

The valuation method used for these derivative financial instruments covers both the valuation of the interest rate derivative and the valuation of credit risk.

The Group determines the fair value of interest rate swaps by discounting cash flows on the basis of the implicit interest rate curves calculated to reflect market conditions at the measurement date.

The effect of credit risk on the valuation of the interest rate derivatives will depend on the future settlement of the instrument. If the instrument is to be settled in the Group's favour, the counterparty's credit spread will be used to quantify the probability of non-payment at maturity, while if the settlement is expected to be negative for the Group, its own credit risk spread will be applied to the final settlement. To value the risk, the Group has applied CVA (*Credit Value Adjustment*) and DVA (*Debt Value Adjustment*) calculations to determine its own and the counterparty's exposure to each other and the probability of default. The CVA is deducted from and the DVA is added to the risk-free value of the derivatives.

The inputs used to value interest rate derivatives are the euro interest rate curves for the periods corresponding to each flow or review of operations, discounting all flows at the valuation date.

The valuation of credit risk takes into account the listed price of euro deposits, futures and swaps, the listed price of the share capital and the CDS (*credit default swap*) spread of each counterparty, and an estimate of the Group's own spread. The impact of credit risk on the valuation of the derivatives at 31 December 2015 was not significant (*a lower negative value of the derivatives*).

### ***Sensitivity analysis of interest rate derivatives-***

The changes in fair value of the derivatives contracted by the Group depend on movements in the long-term euro interest-rate curve.

The sensitivity of the fair values of derivatives recognised in equity (*"accounting hedges"*), for the effective portion of said derivatives, and of the derivatives taken to income (*changes in fair value at 31 December 2015*), to changes in the euro interest rate curve is shown in the sensitivity analysis below:

Sensitivity	Thousands of Euros
Classified as a hedge:	
+0.5% (rise in the interest rate curve)	1,236
-0.5% (rise in the interest rate curve)	(1,236)
Not classified as a hedge:	
+0.5% (rise in the interest rate curve)	77
-0.5% (rise in the interest rate curve)	(77)

The sensitivity analysis shows that the value of interest rate derivatives increases when the interest curve shifts upward as they are interest rate swaps on which the Group pays interest at a fixed rate, thereby protecting the Company against such increases.

The Group has also carried out a sensitivity analysis on the total amount of its financial debt at variable interest rates outstanding as at 31 December 2015 (see Note 24).

#### ***Planned settlement of derivative financial instruments-***

The expected net settlements in 2016 of the derivative financial instruments contracted by the Group and outstanding at 31 December 2015 is around 1.8 million euros. The amount will decrease gradually each year until 2021.

## **(19) OTHER FINANCIAL LIABILITIES**

“Other current financial liabilities” and “Other non-current financial liabilities” in the consolidated statement of financial position at 31 December 2015 and 2014 were as follows:

Description	Thousands of Euros					
	At 31/12/15			At 31/12/14		
	Current Liabilities	Non-current Liabilities	Total	Current Liabilities	Non-current Liabilities	Total
Loans granted by Spanish public bodies	4,445	36,306	40,751	3,973	40,222	44,195
Payables in respect of the acquisition of business combinations	67,703	-	67,703	-	-	-
Other payables to the Magna Automotive group	86,167	-	86,167	-	-	-
Other financial liabilities	283	2,616	2,899	32	3,537	3,569
Less- financial remeasurement	-	(4,147)	(4,147)	-	(5,065)	(5,065)
	<b>158,598</b>	<b>34,775</b>	<b>193,373</b>	<b>4,005</b>	<b>38,694</b>	<b>42,699</b>

#### **Loans granted by Spanish public bodies-**

Most of the balances under this heading at 31 December 2015 and 2014 corresponded to loans granted to Grupo Antolin by certain Spanish public bodies to finance research and development projects and improve competitiveness. In 2009, 2010, 2011 and 2012, the Ministry for Industry, Tourism and Trade, through the Plan for Competitiveness of the Motor Industry, granted long-term interest-free loans to Grupo Antolin for 20,150, 5,627, 4,003 and 5,079 thousand euros, respectively. Generally, these loans must be repaid in 10 regular annual instalments falling due between 2015 and 2026.

The nominal amount of these and other loans granted by Spanish public bodies outstanding at 31 December 2015 and 2014 will be repaid in accordance with the following maturity schedule:

	Thousands of Euros							
	Maturing in:							Total
	2015	2016	2017	2018	2019	2020	2021 and Later	
31/12/14	3,973	4,441	4,840	4,871	4,880	4,890	16,300	44,195
31/12/15	-	4,445	4,842	4,898	4,898	4,909	16,759	40,751

### Payables in respect of the acquisition of business combinations

The balance under heading at 31 December 2015 includes amounts pending payment for the acquisition of the 50% shareholding in Silesia Plastic, Sp. zo.o. (10,000 thousand euros, which was paid in early 2016) and for the acquisition of shareholdings in certain companies from the Magna Automotive group (57,703 thousand euros). The final amount payable in respect of the latter operation is still being negotiated although it is not expected to differ materially from the amount recognised by the Group at 31 December 2015 and it expected to be paid during 2016.

### Other payables to the Magna Automotive group-

The liabilities assumed by the Group for the business combination involving the interior components division acquired from the international Magna Automotive group in 2015 include certain payables to companies in said group which will be paid when the acquired companies recognise certain receipts. These payables do not bear interest unless paid late. The amount pending repayment at 31 December 2015 totalled 86,167 thousand euros and is it expected that most of it will be paid in 2016.

## (20) TAX MATTERS AND TAX RECEIVABLES AND PAYABLES

### Balances with the tax authorities and Social Security administration-

Grupo Antolin's balances with the Tax and Social Security authorities at 31 December 2015 and 2014 were as follows:

	Thousands of Euros			
	31/12/15		31/12/14	
	Current	Non-Current	Current	Non-Current
<b>TAX ASSETS:</b>				
Deferred tax assets	-	<b>85,599</b>	-	<b>79,163</b>
Tax receivables (Note 11)- VAT and other receivables	61,411	-	39,573	-
<b>TOTAL TAX ASSETS</b>	<b>61,411</b>	<b>85,599</b>	<b>39,573</b>	<b>79,163</b>
<b>TAX LIABILITIES:</b>				
Deferred tax liabilities	-	<b>65,267</b>	-	<b>19,672</b>
Tax payables-				
Current tax liabilities	22,985	-	12,040	-
Other taxes	70,163	-	41,351	-
Social security contributions payable	17,221	-	14,867	-
<b>TOTAL TAX LIABILITIES</b>	<b>110,369</b>	<b>65,267</b>	<b>68,258</b>	<b>19,672</b>

### Corporation Tax-

As indicated in Note 3-p, Grupo Antolin-Irausa, S.A. and all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has holdings of 75% or more file consolidated corporation tax returns. The parent of the consolidated tax group under which these companies file has been Avot Inversiones, S.L. (until 31 December 2014 the parent of the consolidated tax group was Grupo Antolin-Irausa, S.A.).

The corporate income tax charge is calculated for each consolidated subsidiary based on accounting profit, determined in accordance with generally accepted accounting principles, which need not coincide with taxable income, this latter being the tax base.

The reconciliation of consolidated accounting income to the expected tax base for corporate income tax purposes for 2015 and 2014 is as follows:

Description	Thousands of Euros	
	2015	2014
<b>Consolidated income for the year before taxes</b>	<b>219,752</b>	<b>134,149</b>
<b>Permanent differences-</b>		
Losses incurred by certain foreign consolidated companies for which no tax asset has been recorded	54,565	27,431
Individual companies and adjustments in consolidation:		
Increases (a)	37,196	40,976
Decreases (a)	(7,783)	(5,122)
Profit of companies accounted for using the equity method	(16,524)	(9,640)
<b>Timing differences-</b>		
Increases:		
Individual companies (b)	25,031	23,617
Consolidation adjustments	11,370	4,887
Decreases:		
Individual companies (b)	(29,067)	(12,163)
Consolidation adjustments	-	-
<b>Application of tax loss carryforwards-</b>		
For which a tax credit had been recorded	(10,764)	(10,103)
For which no tax credit had been recorded	(26,913)	(11,164)
Reduction due to capitalisation reserve in Spain	(4,400)	-
<b>Consolidated taxable income</b>	<b>252,463</b>	<b>182,868</b>

(a) Increases include reversals to provisions made by the Parent for impairments to its holdings in the share capital of consolidated subsidiaries that do not form part of the consolidated tax group, since these reversals are generally considered as tax deductible revenues. The effect of these increases is offset by the application of tax loss carryforwards for which no tax credit had been recognised.

(b) The most significant increases correspond to allocations made to certain provisions and other expenses incurred which the Group considers are not tax-deductible (*timing differences*). The most significant decreases correspond to the reversal of certain provisions that were not considered to be tax deductible when originally allocated (*timing differences*).

The balance under "Current payables to Group and associated companies" in the consolidated statement of financial position at 31 December 2015 corresponds to tax expense payable to Avot Inversiones, S.L. (*Parent of the Spanish consolidated tax group*) derived from the tax bases, deductions, withholdings and payments on account contributed by the Group's Spanish companies to the consolidated income tax declaration for 2015.

### Corporate income tax expense-

The balances on the "Corporate income tax" heading in the consolidated profit or loss for the financial years to 31 December 2015 and 2014 have been determined as follows:

Description	Thousands of Euros	
	2015	2014
Profit before tax on continuing operations	219,752	134,149
Permanent differences	67,454	53,645
Application of prior year tax losses for which no tax credit had been recognised	(26,913)	(11,164)
Reduction due to capitalisation reserve in Spain	(4,400)	-
	<b>255,893</b>	<b>176,630</b>
<b>Estimated tax charge (at 28% in 2015 and at 30% in 2014)</b>	<b>71,650</b>	<b>52,989</b>
Tax deductions applied for which no tax credit had been capitalised	(6,866)	(6,829)
Capitalisation of deductions	-	(8,456)
Other items (a)	132	(2,487)
<b>Corporate income tax expense</b>	<b>64,916</b>	<b>35,217</b>
Other adjustments (b)	(477)	9,249
<b>Balance of "Corporate income tax" in the consolidated profit or loss</b>	<b>64,439</b>	<b>44,466</b>

(a) Corresponding principally to the net effect of the different tax rates used in other countries and taxes paid in other countries on dividends, interest and other amounts paid to the Parent and other Spanish consolidated subsidiary companies for which said companies have made no deductions.

(b) These amounts mainly correspond to adjustments effected at 31 December 2015 and 2014 to certain deferred tax assets and liabilities recognised in previous financial years, as a result of amendments introduced in the year to current tax legislation in certain countries affecting the tax rate payable and other items (*principally, Spain and Mexico*).

### Tax loss carryforwards-

Although as at 31 December 2015 some of the consolidated companies were carrying significant tax loss carryforwards (*around 699 million euros in total*), the consolidated statement of financial position at that date only includes a tax asset of 37,251 thousand euros relating to the tax effect of offsetting the following tax loss carryforwards, which can reasonably be expected to be applied (*specifically, they correspond to tax losses generated in 2009, 2010 and 2012 by the Spanish consolidated tax group and by other Spanish, Portuguese and Mexican companies*).

Tax losses generated in a given year can be carried forward for offset against the taxable income of the immediately following years, as established in the tax legislation of the countries in which the consolidated companies are located.

The Group has recognised a large part of the tax effect of the losses generated by the consolidated subsidiary companies that are not in the Spanish consolidated tax Group (*for which said consolidated subsidiaries capitalised no tax credit*) through provisions made by the Parent for impairments to the value of its shareholdings in said consolidated subsidiaries which were treated as tax-deductible expenses until 2013.

### Foreign subsidiaries-

At 31 December 2015 there were no proposed dividend distributions by foreign consolidated subsidiary companies and associates which were pending execution. There is therefore no impact on the Corporate income tax payable by the Group.

### Deferred tax assets and liabilities-

The movements in the financial years to 31 December 2015 and 2014 under "Deferred tax assets" and "Deferred tax liabilities" in the consolidated statement of financial position were as follows:



Description	Thousands of Euros	
	Assets	Liabilities
<b>Balances at 31 December 2013</b>	<b>82,334</b>	<b>24,876</b>
Application of tax loss carryforwards	(2,909)	-
Application of deductions for which a deferred tax asset had been recognised	(1,601)	-
Capitalisation of unused deduction	8,456	-
Market valuation of derivative financial derivatives (Note 13)	804	-
Changes for timing differences	2,989	(1,914)
Adjustment for deferred tax assets and liabilities (a)	(12,298)	(2,445)
Effect of additions to the scope of consolidation (Note 5)	410	356
Changes in other items, reclassifications and exchange differences	978	(1,201)
<b>Balances at 31 December 2014</b>	<b>79,163</b>	<b>19,672</b>
Application of tax loss carryforwards	(2,691)	-
Capitalisation of tax loss carryforwards	2,467	-
Application of deductions for which a deferred tax asset had been recognised	(55)	-
Capitalisation of unused deduction	-	-
Market valuation of derivative financial derivatives (Note 13)	(93)	-
Changes for timing differences	(291)	(2,863)
Effect of additions to the scope of consolidation (Note 5)	10,108	48,099
Changes in other items, reclassifications and exchange differences	(3,009)	359
<b>Balances at 31 December 2015</b>	<b>85,599</b>	<b>65,267</b>

- (a) These amounts mainly corresponded to the effect of the difference between the corporate income tax rate prevailing in Spain to 31 December 2014 (30%) and the nominal rate prevailing in the financial years in which the Group expected to use the tax loss carryforwards or reverse the timing differences which generated the deferred tax assets and liabilities recognized at that date (28% in 2015 and 25% in subsequent years), together with other adjustments.

The aforementioned deferred tax assets have been recognised in the consolidated statement of financial position because the Parent's Directors are reasonably sure that they will be recovered, based on recent forecasts of the future tax bases of the consolidated subsidiaries. The key figures set out in the Group's Business Plan for 2016-2019, prepared by its Directors and approved by the Parent's Board of Directors in March 2016 are as follows:

	Million Euros			
	2016	2017	2018	2019
Consolidated income	5,287	5,671	6,045	6,279
Consolidated EBITDA	512	580	640	671
Consolidated EBIT	317	363	401	417

The deferred tax assets recognised in the consolidated statement of financial position at 31 December 2015 and 2014 were generated as follows:

Deferred Tax Assets Originating in:	Thousands of Euros	
	31/12/15	31/12/14
Tax loss carryforwards and unused deductions and refunds	53,344	55,780
Elimination of internal gain / (loss) in the consolidation process on development expenses invoiced by G.A. Ingeniería, S.A.U.	3,396	3,249
Amortisation and depreciation not deductible in the period	2,087	3,431
Finance costs not deductible in the period	37	37
Timing differences as a result of certain provisions, expenses that are not deductible in the period and other items	25,924	15,762
Market valuation of derivative financial derivatives (Note 13)	811	904
	<b>85,599</b>	<b>79,163</b>

The deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2015 and 2014 were generated as follows:

Deferred Tax Liabilities Originating in:	Thousands of Euros	
	31/12/15	31/12/14
Revaluation of certain plots of land recognised under property, plant and equipment and investment property on first application of the "IFRS-EU" (Note 8)	6,657	7,254
Recognition of assets at fair value in the consolidation process and in prior years business combinations	3,689	4,893
Recognition of assets at fair value ( <i>customer relations</i> ) in business combinations in 2015	30,744	-
Difference between carrying amount and taxable value of assets and liabilities	15,198	-
Accelerated depreciation and amortisation of property, plant and equipment and intangible assets	8,979	7,525
	<b>65,267</b>	<b>19,672</b>

#### Tax credits-

The corporate income tax legislation in force provides for various tax incentives. The tax credits earned in one year in excess of the applicable legal limits may be deducted from the corporate income tax payable in subsequent years, up to the limits and within the periods established in this connection by the related tax regulations. The Group has availed itself of the tax benefits provided for by this legislation and deducted 6,921 and 8,429 thousand euros, respectively, from the consolidated corporate income tax charge for 2015 and 2014, for which the Group had recorded tax credits of 55 thousand euros for the deductions applied in 2015 and 1,600 thousand euros for those applied in 2014.

At 31 December 2015 and 2014, after the aforementioned tax credits had been applied, the Group's French subsidiaries had unused deductions amounting to approximately 3 million euros, while the Group's Spanish subsidiaries the following unused deductions:

Description	Thousands of Euros	
	31/12/15	31/12/14
Deductions for research and development activities (a)	60,294	65,071
Other deductions	653	657
	<b>60,947</b>	<b>65,728</b>

(a) At 31 December 2015 these corresponded to deductions for R&D activities from 2001 to 2014, and can be applied for 18 years from the year in which they were generated.

"Deferred tax assets" in the consolidated statement of financial position at 31 December 2015 includes a tax credit totalling 16,093 thousand euros (*16,148 thousand euros at 31 December 2014*), for unused deductions at that date, generated by the companies in the Spanish consolidated tax Group, which are reasonably expected to be used on the basis of recent estimates made by the Parent's Directors about the future performance of the consolidated tax Group.

#### Tax inspections and appeals in Spain-

In recent years the tax authorities have carried out inspections of the Spanish consolidated tax Group headed by Grupo Antolin-Irausa, S.A. until 2014 in respect of a significant portion of the taxes for the years 2002 to 2012.

Specifically, in late 2015 the Tax Authority completed the inspections initiated in February 2015 of Grupo Antolin-Irausa, S.A. and the consolidated tax group it headed, for the following taxes and periods:

Tax	Period
Corporation Tax	2011 and 2012
Value added tax	2011 and 2012
Personal income tax withholdings and receipts on account	2011 and 2012
Capital gains tax withholdings and receipts on account	2011 and 2012
Withholdings in respect of income tax for non-residents	2011 and 2012

These inspections, including those completed in 2015, gave rise to a number of rulings which the Group in general accepted and which did not produce any material impact.

However, in 2012 the Group issued a notice of disagreement to the assessment against the Spanish consolidated tax Group in respect of corporate income tax for 2006 and 2007 as a result of deductions to eliminate international double taxation applied by the Parent. The Group lodged an appeal against this assessment with the Central Economic and Administrative Court, which has not yet given a ruling. The amount concerned is not material. As the assessment was paid in previous financial years, the ruling on this appeal will not give rise to any unforeseen liabilities for the Group.

#### Years open to tax inspection-

Under current legislation, tax settlements cannot be considered to be final until the tax returns filed have been inspected by the tax authorities or until the statute-of-limitations period has expired (*generally four or five years in the countries in which the Group's companies are located*).

In Spain, upon completion of the inspection by the tax authorities of the 2011 and 2012 tax years (*see section above on "Tax inspections and appeals in Spain"*), at 31 December 2015 the Group had the years 2013, 2014 and 2015 open to inspection for all applicable taxes.

The Parent's Directors believe that the settlements of those taxes have been done properly, so, even if differences were to arise in the interpretation of the regulations governing the tax treatment of its operations, such liabilities as could arise as a result of inspections of the aforementioned years would not have a material effect on the consolidated financial statements for the financial year to 31 December 2015.

## (21) REVENUES AND EXPENSES

#### Net turnover-

The breakdown of the Group's net turnover by geographical market for the financial years to 31 December 2015 and 2014 is as follows:

Product or Function	Thousands of Euros	
	2015	2014
Seating	215,037	206,847
Doors	879,094	695,029
Overheads	1,408,511	1,158,661
Lighting	190,279	164,870
Cockpits and instrument panels	813,305	-
	<b>3,506,226</b>	<b>2,225,407</b>

Geographical market	Thousands of Euros	
	2015	2014
Spain	442,699	346,107
Germany	446,782	233,600
France	323,882	286,685
USA	793,319	472,010
Brazil	61,920	78,187
United Kingdom	310,299	103,883
Mexico	273,455	125,656
Czech republic	117,338	97,139
China	184,912	113,117
Other countries	551,620	369,023
	<b>3,506,226</b>	<b>2,225,407</b>

The breakdown of the Group's ordinary revenues by customer is as follows:

Car Manufacturer	Percentage	
	2015	2014
Volkswagen Group	16	18
Renault-Nissan Group	12	15
Ford Group	17	19
Chrysler-Fiat Group	13	12
P.S.A.-Citroën Group	7	11
Other manufacturers	35	25
	<b>100</b>	<b>100</b>

### Other operating income-

The balances of this heading in the consolidated profit or loss for the financial years to 31 December 2015 and 2014 break down as follows:

Description	Thousands of Euros	
	2015	2014
Revenues on the sale of project tools	33,295	18,507
Operating grants	1,699	1,475
Income from leases of investment property	935	802
Revenues from the assignment of industrial property	553	309
Other income	74,954	45,541
	<b>111,436</b>	<b>66,634</b>

### Supplies-

The balances of this heading in the consolidated profit or loss for the financial years to 31 December 2015 and 2014 break down as follows:

Description	Thousands of Euros	
	2015	2014
Purchases of goods for resale and raw materials	2,115,703	1,338,631
Purchases of other supplies	18,035	13,036
Purchases of prototypes	9,859	3,717
Transportation of purchases	52,010	29,083
Work performed by third parties	17,563	10,705
Less- bulk discounts and returns	(1,244)	(612)
Change in inventories of goods for resale, raw materials and other supplies	(18,176)	(19,401)
	<b>2,193,750</b>	<b>1,375,159</b>

### Personnel expenses-

The balances of this heading in the consolidated profit or loss for the financial years to 31 December 2015 and 2014 break down as follows:

Description	Thousands of Euros	
	2015	2014
Wages, salaries and similar expenses	438,610	292,860
Termination benefits	898	908
Employer's social security contributions	114,000	83,587
Other welfare expenses	32,999	16,740
	<b>586,507</b>	<b>394,095</b>

### Average number of employees-

Set out below is the average number of employees working for the Group in the financial years to 31 December 2015 and 2014:

	Average Number of Employees	
	2015	2014
Direct labour	9,943	7,499
Indirect labour	5,429	3,988
General employees	2,445	2,058
	<b>17,817</b>	<b>13,545</b>

The average number of employees in Associates in 2015 and 2014 was 2,224 and 1,925, respectively.

The average number of employees in the Group in the financial years to 31 December 2015 and 2014 with disabilities of 33% or more was 210 and 144, respectively, distributed as follows by function:

	Average Number of Employees	
	2015	2014
Direct labour	115	92
Indirect labour	47	39
General employees	48	13
	<b>210</b>	<b>144</b>

### Functional analysis by gender-

Set out below is a functional breakdown of the work force of the group by gender as at 31 December 2015 and 2014:

	Number of Employees					
	At 31/12/15			At 31/12/14		
	Men	Women	Total	Men	Women	Total
Direct Labour	8,355	6,620	14,975	4,528	3,057	7,585
Indirect Labour	6,819	1,694	8,513	3,252	760	4,012
General employees	1,972	1,116	3,088	1,323	669	1,992
	<b>17,146</b>	<b>9,430</b>	<b>26,576</b>	<b>9,103</b>	<b>4,486</b>	<b>13,589</b>

The number of employees of Associates as at 31 December 2015 was 1,737 (*1,109 men and 628 women*), and at 31 December 2014 there were 1,971 employees (*1,118 men and 853 women*).

At 31 December 2015 the Parent's Board of Directors comprised four members who are private individuals (*all men*), and four members who are legal entities, represented by one man and three women, while at 31 December 2014 it had two members who were private individuals (*both men*), and four members who were legal entities, represented by two men and two women. At 31 December 2015, the Group's senior management comprised 9 private individuals (*10 at 31 December 2014*), all of them men.

## (22) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### Balances and transactions with associates and joint ventures-

The Group's balances with associates and joint ventures at 31 December 2015 and 2014 are as follows:

Company	Thousands of Euros					
	31/12/15			31/12/14		
	Current Loans (Note 9)	Trade Receivables	Trade Suppliers	Current Loans	Trade Receivables	Trade Suppliers
International Door Systems, S.R.L. de C.V.	-	1	-	-	3	2
Slovakian Door Company, s.r.o	317	1	-	305	574	-
NHK Antolin (Thailand) Co., Ltd.	-	866	2	-	644	(12)
Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd.	-	7	-	-	-	-
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	-	199	-	-	540	-
Gongzhuling Huaxiang Auto Interior Trim Co., Ltd.	-	855	-	-	612	602
Silesia Plastic, Sp. zo.o	-	-	-	-	54	393
Irauto, S.A.	-	815	26	-	687	15
Krishna Grupo Antolin Private, Ltd.	-	303	29	-	157	-
Dongfeng Antolin (Wuhan) Automotive Trim, Co., Ltd.	-	460	51	-	-	-
Dongwon Technology Co., Ltd.	-	26	61	-	-	-
CREA-Antolin Co., Ltd.	-	1	-	-	-	-
	<b>317</b>	<b>3,534</b>	<b>169</b>	<b>305</b>	<b>3,271</b>	<b>1,000</b>

The Group's transactions with associates and joint ventures (*sales and services provided and received*) during 2015 and 2014 are as follows:

Company	Thousands of Euros			
	Sales and Services Provided		Goods and Services Received	
	2015	2014	2015	2014
Slovakian Door Company, s.r.o.	390	896	1	-
International Door Systems, S.R.L. de C.V.	-	25	-	13
NHK Antolin (Thailand) Co., Ltd.	498	943	-	-
Dongwon Technology Co., Ltd.	-	-	-	63
Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd.	7	-	-	-
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	370	321	4,526	-
Chengdu Antolin Huaxiang Auto Interior Trim Co., Ltd.	-	-	-	-
Gongzhuling Huaxiang Auto Interior Trim Co.	969	798	-	4,240
Dongguan Antolin Huaxiang Auto Parts Co., Ltd.	-	27	-	-
Krishna Grupo Antolin Private, Ltd.	435	157	-	-
Silesia Plastic, Sp. zo.o	1,182	791	2,936	3,546
Irauto, S.A.	739	733	68	54
Dongfeng Antolin (Wuhan) Automotive Trim, Co., Ltd.	622	-	44	-
CREA-Antolin Co., Ltd.	1	-	-	-
	<b>5,213</b>	<b>4,691</b>	<b>7,575</b>	<b>7,916</b>

The transactions detailed above were carried out in the normal course of business and under market conditions.

#### **Balances and operations with shareholders and Directors of the Parent-**

The Parent had no balances with its shareholders and Directors at 31 December 2015 or 2014.

The Group's transactions with shareholders and Directors of the Parent during the financial years to 31 December 2015 and 2014 are as follows:

Shareholders and/or Directors and Type of Operation	Thousands of Euros	
	2015	2014
<b>Finance income:</b>		
Avot Inversiones, S.L. ( <i>indirect shareholder</i> )	1	-
<b>Services received:</b>		
Canea, S.L.	-	375
Injat, S.L.	-	642
<b>Remuneration, wages, salaries and other benefits paid to the Directors</b>	<b>4,270</b>	<b>2,928</b>

#### **Balances and transactions with related parties-**

During the financial years to 31 December 2015 and 2014 the Group made purchases from Compras y Logística Burgalesa, S.L.U., a company owned by Grupo Asuari Inversor (see Note 2-h) in the amounts of 8,305 and 6,951 thousand euros, respectively. It also acquired property, plant and equipment from this related company amounting to 134 and 136 thousand euros, respectively. These transactions were carried out in the normal course of business and under market conditions. As a consequence of these transactions, at 31 December 2015 and 2014 the Group had payables with this related company totalling 1,913 and 1,604 thousand euros, respectively. Purchases and services were received in the financial year to 31 December 2015 from other companies related to said group amounting to 174 thousand euros (*170 thousand euros in the year to 31 December 2014*). In addition, as a result of financing granted by a related company to certain Directors of the Parent, interest accrued in favour of said company amounting to 123 thousand euros (*237 thousand euros in 2014*) (Note 9).

Meanwhile, during the financial year to 31 December 2015 the Parent received services costing 152 thousand euros from Asesores Financieros Internacionales (AFI), an entity related to a Director of the Parent, who has held this post since 25 April 2014 (*113 thousand euros in the period from 25 April to 31 December 2014*).

As a consequence of these transactions, at both 31 December 2015 and 2014 the Parent had a payable balance with this related entity amounting to 45 thousand euros. Other transactions with parties and persons indirectly related to the Directors were effected in the ordinary course of the Group's business. These were not however material and are not relevant for the purposes of giving a true and fair view of the consolidated net assets, financial position or results of the Group.

## **(23) INFORMATION ABOUT THE DIRECTORS OF THE PARENT AND KEY STAFF OF THE GROUP**

### **Parent Directors' remuneration and other benefits-**

In 2015 the members of the Board of Directors of the Parent received 2,985 thousand euros in remuneration for their work as administrators of the Parent (*1,900 thousand euros in 2014*). Some of the members of the Parent's Board of Directors are also employees and, as such, earned wages and salaries and other benefits totalling 1,285 thousand euros in the year to 31 December 2015 (*1,028 thousand euros in 2014*).

In 2015 the Parent's Directors did not provide any service for which remuneration was paid (*1,017 thousand euros in 2014*).

The sum of these amounts represents the total remuneration earned by the Parent's Directors in the year to 31 December 2015 in all connections.

The Group does not have any pension or life insurance commitments to any of the Parent's Directors.

At 31 December 2015 and 2014 the Parent had not conceded any loan or advance to any of its Directors or given any guarantees in their favour.

### **Remuneration and other benefits paid to senior management of the Group-**

The remuneration accruing to the Group's senior managers (*members of the Management Committee who are not Directors of the Company*) during the year to 31 December 2015 totalled 2,823 thousand euros (*2,643 thousand euros in the year to 31 December 2014*).

The Group has not entered into any pension commitments, nor has it granted any advances, loans or guarantees to any member of the Group's senior management. On 25 June 2015, however, it approved a "Multi-year remuneration plan" for the Group's senior managers for the years 2015-2017, subject to certain strategic targets being met. A payout is planned in 2018 and at 31 December 2015 a provision had been constituted for this purpose amounting 950 thousand euros. At 31 December 2014 the Group had in place a "Multi-year remuneration plan" for the Group's senior managers for the years 2011-2014, subject to certain strategic targets being met. The amount of 5,661 thousand euros was paid out in March 2015 in respect of this plan, a provision for this amount being recorded at 31 December 2014.

### **Disclosure on conflicts of interest of the Parent's Directors-**

In compliance with article 229 "Duty to prevent situations of conflict of interest" of the revised text of the Spanish Corporate Enterprise Act, approved by Royal Decree 1/2010, of 2 July and amended 4 December 2014, it is disclosed that none of the members of the Board of Directors of the Parent nor any party related to said Board members or the companies comprising the Group has any direct or indirect conflict of interest with the Group. Transactions between the Group and companies related to certain directors are detailed in Note 22.



## (24) RISK MANAGEMENT POLICY

### Financial risk factors-

The Group's activities are exposed to a number of financial risks: market risk (*fair value risk and price risk*), credit risk, liquidity risk and interest-rate risk on cash flows. The Group's global risk management programme is focused on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Grupo Antolin uses financial derivatives to hedge against certain risks.

Risk management is controlled by the Group's Financial Department in accordance with policies approved by the Board of Directors of the Parent. This Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Parent's Board of Directors determines policies for the global management of risk, and for specific risk areas such as currency risk, interest rate risk, liquidity risk, risk derived from the use of derivative and non-derivative financial instruments and the investment of cash surpluses.

#### i) *Market risk-*

The Group is exposed to the risk of changes in market value of the investments held as "available for sale" which are classified under "Non-current financial assets" in the consolidated statement of financial position, although this risk is not significant as the investments held at 31 December 2015 are not material.

The risk deriving from a possible increase in the prices of raw materials, including the purchase of components used in the production processes, is mitigated by the fact that Grupo Antolin operates with its main suppliers under long-term agreements which afford stability in prices. On the other hand, Grupo Antolin negotiates with its customers to pass on increases in the prices of certain raw materials.

The terms of agreements with customers have resulted in lower prices, which could reduce the Group's margins. The Group develops improvement programmes and tools to offset such impacts with higher productivity. Grupo Antolin also negotiates with its suppliers to help it absorb these price reductions.

#### ii) *Credit risk-*

Grupo Antolin's customer portfolio is diversified across the major vehicle manufacturing groups, as a result of which there is no particular concentration of credit risk. In the past, motor vehicle manufacturers were deemed not to have a major credit risk. The Group therefore considers that the credit ratings of its debtors are sound and its receivables in the first months of 2016 will be collectable as normal. The Group has policies for other customers to ensure that it sells to customers who have suitable credit histories.

At 31 December 2015 the trade receivables past due for which provision had not been made were not material.

The credit risk on cash and cash equivalents, financial derivatives and deposits with banks and financial institutions is deemed to be immaterial, as these operations are only entered into with financial institutions with high credit ratings. Grupo Antolin has policies for limiting the amount of the risk with any financial institution.

#### iii) *Liquidity risk-*

Grupo Antolin manages liquidity risk prudently, based on maintaining sufficient cash and negotiable securities, the availability of funding by means of sufficient committed credit facilities and the capacity to liquidate positions in the market. Furthermore, the centralised cash system the Group has set up allows it to manage financial resources with greater efficiency. Given the dynamic nature of the underlying

businesses, the Group's Financial Department aims to keep financing flexible, by contracting credit lines or factoring lines without recourse (*assigning receivables to third parties*).

Group Management monitors cash requirements, and developments in its borrowings. The key figures in Grupo Antolin's cash budget for 2016 are as follows:

Description	Thousands of Euros
EBITDA	511,892
Net finance income	(58,772)
Other items ( <i>basically, payment of corporate income tax</i> )	(83,500)
<b>Cash-flow from ordinary operations</b>	<b>369,620</b>
CAPEX	(336,410)
Project tools and changes in working capital	(114,248)
<b>Free cash flow of the business</b>	<b>(81,038)</b>
Repayments of financial debt	(36,327)
Distribution of dividends	(6,000)
Dividends received	12,000
<b>Decrease in cash or cash equivalents in 2016</b>	<b>(111,365)</b>
<b>Cash or cash equivalents at 31 December 2015</b>	<b>361,869</b>
<b>Forecast cash or cash equivalents at 31 December 2016</b>	<b>250,504</b>

*iv) Interest rate risk for cash flows and fair value risk-*

Given that the Group does not carry major amounts of interest-earning assets, its operating revenues and cash flows are fairly independent of the variations in market interest rates.

The Group's interest rate risk stems from its non-current borrowings. The Group's variable rate borrowings expose it to interest-rate risks for cash flows. The Group's fixed rate borrowings expose it to fair value interest rate risks. At the end of the 2015 reporting period, taking into account financial derivatives contracted, approximately 67% of borrowings were at fixed interest rates.

The Group mainly manages the interest rate risk on cash flows using variable to fixed interest rate swaps (*with the aim of covering approximately 50% of its non-current financial debts*). These interest rate swaps have the financial effect of converting variable interest rate borrowings into fixed interest rate borrowings. The Group generally borrows long term at variable interest rates and swaps them for fixed interest rates that are normally lower than those that the Group would have obtained had it borrowed directly at fixed rates. Under the terms of the interest rate swaps, the Group undertakes to exchange with other parties, at set intervals (*normally every six months*), the difference between the fixed interest and the variable interest calculated based on the notional contracted.

The Group has carried out a sensitivity analysis for the amounts of the variable interest rate debt as at 31 December 2015, taking into account the contractual terms of the funding in force as at said date, and concluded that a 0.50% change in interest rates would lead to an increase of approximately 500 thousand euros in interest expense. This sensitivity analysis did not take into account the debt hedged by the interest rate swaps contracted (*for a notional of 85 million euros*).

The Group considers that there are no significant differences between the carrying amount and the fair value of financial assets and liabilities.

**v) Foreign-exchange risk-**

The international expansion of the Group and its ever-growing volume of business outside the euro zone expose it, principally, to exchange rate risks in currencies such as the Czech crown, the Brazilian real, the US dollar or the Mexican peso, which could have an impact on its results. To reduce its exposure to this risk, the Group avails itself of a variety of mechanisms, such as using local suppliers and negotiating with customers and suppliers to hedge against major movements in currencies. Grupo Antolin has not entered into any foreign-currency hedge rate agreements or forward contracts.

The Group has carried out a sensitivity analysis of the key figures in its 2016 budget profit or Loss, and has concluded that a 5% rise in the euro against currencies such as the Czech crown, the Brazilian real, the US dollar the Mexican peso, UK sterling and the Chinese yuan, would reduce net turnover by approximately 167 million euros (3%, *approximately*), and budgeted consolidated profit and loss for 2016 (*before tax*) would fall by approximately 9 million euros.

**(25) OTHER INFORMATION**

**Guarantees given to third parties and other contingent Liabilities-**

At 31 December 2015 and 2014 various financial institutions had also provided guarantees to public bodies on the Group's behalf to guarantee compliance with the general and particular terms of certain capital and operating grants made to the Group (see Note 15), and the repayment of a number of loans granted by public bodies to fund research and development projects (see Note 19).

The Parent's Directors consider that any liabilities which might arise from the guarantees provided and for which provision was not made at 31 December 2015 would not be material.

With respect to the acquisition of the "CML Innovative Technologies" group by Grupo Antolin in 2012, the contingent liabilities existing at the acquisition date were guaranteed by the sellers and part of the purchase price was held in escrow to guarantee said liabilities (*1,853 thousand euros at 31 December 2014*). This escrow account was in the seller's name but was restricted for a determined period of time. The monies in this account were drawn by the seller in early 2015 and the account was cancelled.

**Other current Liabilities-**

The balance of "Other Current Liabilities" in the accompanying balance sheet as at 31 December 2015 relates basically to employee remuneration payable and to accrual accounts recorded to achieve an appropriate correlation of income and expenses and to recognise transactions on an accrual basis.

**Fees paid to the auditors-**

The fees for audit and other services provided during 2015 and 2014 by the Group's main auditor, or by companies related to it through common control, ownership interests or management, together with fees for services provided by other auditors to companies included in the scope of consolidation, or by companies related to them through common control, ownership interests or management, are as follows:

Description	Thousands of Euros			
	2015		2014	
	Services Provided by the Main Auditor	Services Provided by Other Audit Firms	Services Provided by the Main Auditor	Services Provided by Other Audit Firms
Audit services	2,325	395	1,391	395
Other verification services	1,050	189	1,175	86
<b>Total audit and related services</b>	<b>3,375</b>	<b>584</b>	<b>2,566</b>	<b>481</b>
<b>Other services</b>	<b>2,908</b>	<b>602</b>	<b>460</b>	<b>369</b>
<b>Total professional services</b>	<b>6,283</b>	<b>1,186</b>	<b>3,026</b>	<b>850</b>

### Disclosure on the average payment period to suppliers in Spain-

This Note contains the information required in accordance with Law 15/2010, of 5 July, modifying Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions (*amended by the Second Final Provision of Law 31/2014, of 3 December*), prepared in compliance with the Resolution issued on 29 January 2016 by the Institute of Accounting and Account Auditing (ICAC) on the disclosures required in the notes to the financial statements with regard to the average payment period to trade suppliers and service providers in Spain. Trade payables are understood to include amounts payable for the supply of goods or services in Spain, including, where applicable, Group and associated companies (*not including suppliers of property, plant and equipment*).

In the application of the provisions of the aforementioned Resolution of the Institute of Accounting and Account Auditing (ICAC) and for the purposes of preparing this report, only transactions involving goods or services received by the Group where payment fell due after Law 31/2014 of 3 December came into force (*24 December 2014*) have been taken into account. Given the nature of the Group's activities and operations, the "payment period" is treated as the period between the invoice date (*which in practice is generally on or close to the date the goods and services are received from the supplier*) and the payment date.

In accordance with the Sole Additional Provision to said Resolution, as 2015 is the first year in which it applies, no figures for 2014 are presented for the purposes of comparison with regard to this disclosure requirement, classifying this consolidated annual financial statements as initial financial statements for the exclusive purpose of complying with the principle of uniformity and the requirement for comparability.

In accordance with the above, the information required under this legislation for the financial year ended 31 December 2015 for the Group's Spanish companies is as follows:

	Days (a)
Average payment period to suppliers	40.61
Ratio of transactions paid	42.94
Ratio of transactions outstanding	25.74
	Amount (Thousand Euros)
Total payments made	584,315
Total payments outstanding	91,455

- (a) In accordance with Law 11/2013, of 26 July, establishing measures to support entrepreneurs and stimulate growth and the creation of jobs, amending Law 3/2004, the maximum legal payment period is 30 days, which may be extended to up to 60 days with the agreement of both parties.

### **Environmental information-**

Grupo Antolin's environmental activities focus on two general areas:

- Environmental Management System. Based on manuals and procedures common to all the centres defining the measures to ensure strict compliance with current legislation, the rational use of resources and energy and minimising the generation of waste.
- Environment-Sensitive Design. Through its research and development centres, the Group designs its products with a view to minimising the environmental impact of the vehicle over its useful life.

The Group's property, plant and equipment include certain investments whose carrying amount at 31 December 2015 and 2014 totalled approximately 1,215 and 1,190 thousand euros respectively, whose purpose is to reduce the environmental impact of the Group's activity and to protect and enhance the environment. In 2015 and 2014 the Group also incurred in certain expenses aimed at protecting and enhancing the environment, totalling approximately 2,254 and 1,564 thousand euros, respectively.

Grupo Antolin has no other environmental liabilities, provisions or contingencies that could have a significant impact on its equity, financial position or results (see Note 16).

In particular, given the nature of its activity, the facilities of the Spanish consolidated companies were not included in the national plan for the allocation of greenhouse gas emission allowances and, therefore, they have been allotted no greenhouse effect gas emission rights. No greenhouse effect gas emission rights have therefore been recognised in the consolidated statement of financial position at 31 December 2015. Nor has any movement occurred under this heading in 2015. Furthermore, in 2015, the Group has incurred no expenses nor has it recorded any provision in connection with this item. The Group has not entered into any futures contract relating to emission rights, nor has it received any grants associated with such rights, nor are there any contingencies arising from greenhouse effect gas emission rights.

### **(26) EVENTS AFTER THE REPORTING PERIOD**

There have been no other major events since the end of 2015.

### **(27) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

### CONSOLIDATED DIRECTORS' REPORT FOR 2015

#### **Performance of the businesses in 2015-**

Global GDP increased by an estimated 2.5% in 2015 although growth rates were very uneven across regions. Although growth in China has slowed compared to previous years, its economy still grew by around 7%. Growth was positive in Europe, at 1.5%, and in the United States, at 2.5%, but Brazil and Russia's economies shrank by 1.5% and 3.4%, respectively. Other issues affecting the global economy in 2015 that have had an impact on the automobile industry include volatile exchange rates and a significant downturn in commodities prices, especially oil. With regard to exchange rates, the euro fell against virtually all other currencies, boosting exports from the euro zone countries.

Global output for the automobile industry increased by 1.1% in 2015, held back by the poor performance of the Brazilian Russian and Japanese markets, where production volumes fell by 21%, 27% and 6%, respectively.

Stripping out the drops in the Brazilian, Russian and Japanese markets, worldwide output was up by 3.6%.

Output in Western Europe grew by 6%, with outstanding growth in Spain where output was up by 12.7%. Volumes fell by 1.5% in Eastern Europe as a result of the difficult situation in Russia, where production fell by 27%. Excluding Russia, combined growth in Western and Eastern Europe would have been around 7.4%.

Production in the NAFTA area grew by around 3.8%.

Output in the Asia Pacific regions grew by just 0.3%, held back by Japan and by modest growth in China, at 1.6% the smallest increase in the last five years. On the other hand, output volumes in India were up by 6.5%.

Production in the Mercosur region was down, with volumes down by 21% in Brazil and 8% in Argentina compared with 2014.

Against this backdrop, Grupo Antolin's businesses reported record figures in 2015, with sales of over 3,500 million euros, EBITDA of over 388 million euros and consolidated profit attributable to the Parent of around 4% of sales, an increase of 68% on 2014.

Grupo Antolin's reported turnover was up by 1,281 million euros (+57.6%). This higher turnover is mainly due to sales from September to December 2015 by the "Cockpits and instrument panels" business acquired from Magna (813 million euros), together with favourable exchange rates, with the weakening euro helping to bring in additional sales of around 131 million euros. In addition, new projects launched in 2014 made significant contributions to turnover, as did the new companies incorporated in the scope of consolidation which were not active in 2014, such as Grupo Antolin-Missouri, LLC (65 million euros) in the United States, Grupo Antolin-Valplas, S.A.U. (19 million euros) in Spain, Grupo Antolin-Chakan, Ltd. (7 million euros) in India and Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS) (8 million euros) and Dongfeng Antolin (Wuhan) Overhead Systems, Ltd. (2.3 million euros) in China. Stripping out the acquisition of the interior components business from Magna Automotive and the effect of exchange differences, Like-for-Like growth in the period would have been around 15%, comfortably outperforming the market.

Stripping out the sales of the “Cockpits and instrument panels” business acquired from Magna, by region, the Group's growth was accounted for by strong sales in Europe (*up +18.6% or 245 million euros*), the NAFTA region (*+28.3% or 191 million euros*) and Asia Pacific (*+30% or 43 million euros*).

Turnover in the Mercosur region, however, fell by 15 million euros to 59.5 million euros, representing 1.7% of the Group's total sales.

The main generators of growth in Europe were the “Doors” and “Overheads” business units and, to a lesser degree, the “Lighting” and “Seating” units. Sales by the European companies belonging to the “Cockpits and instrument panels” unit from September to December 2015 amounted to 445 million euros.

Turnover in the NAFTA region, excluding the companies belonging to the new “Cockpits and instrument panels” business, grew by 28%, boosted by the strength of the dollar and the Mexican peso against the euro, together with new programmes and the start of operations by the company Grupo Antolin-Missouri, LLC. Stripping out the effect of exchange rates (*113 million euros*), growth in the NAFTA region would have been around 12%.

Sales by the “Cockpits and instrument panels” unit in the NAFTA region from September to December 2015 amounted to 311 million euros.

Sales by the “Cockpits and instrument panels” unit in the Asia Pacific region from October to December 2015 amounted to 57.5 million euros.

By function, the fastest growing businesses compared with 2014 were “Overheads” (*up +24%*), “Doors” (*+21%*) and “Lighting” (*+15%*). The turnover of the “Seating” business unit also grew in the year, albeit less strongly (*4.7%*) as Grupo Antolin-Loire, S.A.S. finished work in 2015 on the PSA G9 project while there was a slight reduction in output at Grupo Antolin-Vigo, S.A.U. on the Picasso project for PSA.

Growth in the “Doors” business unit was mainly generated by companies in Europe and, to a lesser extent, by the companies in the NAFTA region.

The “Overheads” function, meanwhile, saw significant growth (*+24%*), boosted largely by the weakness of the euro against other currencies which pushed sales up by 111 million euros, of which around 87 million euros were generated in the NAFTA region.

Following the acquisition of the “Cockpits instrument panels” business unit, sales to some customers, including BMW, Tata Motors, Daimler and General Motors doubled compared with the previous year. As a percentage of sales, the Group's five main customers are Ford (*16.5%*), the VW Group (*16.3%*), Fiat-Chrysler (*13%*), Renault-Nissan (*11.7%*) and Daimler (*7.4%*).

Two major indicators once again highlight the success of our international expansion and diversification strategy. 89.6% of our staff were employed outside Spain at the end of the year, while foreign sales accounted for 87.4% of Group turnover.

In terms of results, the Group has consolidated its operating margins, reporting EBITDA of around 11% and EBIT of 7.6% of turnover.

### **Significant events in 2015-**

Key events in 2015 include:

- On 16 April 2015 Grupo Antolin reached an agreement with Canadian multinational Magna Automotive to acquire its interior components unit for approximately 600 million dollars. The annual turnover of this division is around 2,000 million euros and it has some 12,000 employees. The operation includes 36 production centres located in Europe, the NAFTA region, China, Korea and India. The agreement came into effect on 31 August 2015.
- In June 2015, Grupo Antolin-Dutch, B.V. issued bonds on the capital markets for a total of 400 million euros, maturing in 2022. In parallel, the principal of a syndicated loan was increased by 200 million euros. The main purpose of these operations was to finance the acquisition of the interior components division from Magna.
- In December 2015 a number of agreements were reached under which Grupo Antolin gained full ownership and control of Silesia Plastic, Sp. zo.o., a joint venture in which the Group held 50% of the share capital, acquiring the remaining 50% from the other shareholder (*Industrias Alegre, S.A.*).

### **Research and development activities-**

The main features of research and development work in 2015 were as follows:

- Investment in cutting-edge technology has once again enabled us to incorporate the most advanced support for design work and ensure the analysis and validation of our products and processes.
- We continue to see industrial design and innovation as a distinguishing feature that customers appreciate in the advanced stages of projects.

### **Environmental and human resources issues-**

In other areas (*including environmental and human resources matters*) we would draw attention to the following measures taken by Grupo Antolin in 2015:

- In 2015, Grupo Antolin increased its commitment to the environment through its policies for "Environmental Management" and "Design for the Environment", leading to technological solutions which favour sustainability, prioritising innovative approaches that reduce weight, facilitate recycling and make use of natural materials, features widely demanded by the market.
- In order to reduce CO2 emissions and minimise the use of energy from fossil fuels, we are developing numerous products based on two environmental concepts: *Light & Green*. The Group works with makers on projects to reduce CO2 emissions and develop technologically sustainable products.
- In 2015, Grupo Antolin maintained and strengthened the commitment it made in 2003 to the United Nations Global Compact and its principles of "good governance" based on respect for human rights, protecting the environment and ensuring decent working conditions.

### **Main risks deriving from activities-**

The main risks which could affect the future development of our business and the corresponding measures put in place by the Group to offset them, are as follows:



- Derivatives are used to eliminate or reduce exposure to interest rate fluctuations in certain financial operations given the impact an increase in interest rates could have on the Group's results.
- The risk deriving from a possible increase in the prices of raw materials, including the purchase of components used in the production processes, is mitigated by the fact that Grupo Antolin deals with its main suppliers under Long-term agreements which help keep prices stable. On the other hand, Grupo Antolin negotiates with its customers to pass on increases in the prices of certain raw materials.
- The terms of agreements with customers have resulted in lower prices, which could reduce the Group's margins. The Group develops improvement programmes and tools to offset such impacts with higher productivity. Grupo Antolin also negotiates with its suppliers to help it absorb these price reductions.
- The international expansion of the Group and its ever-growing volume of business outside the euro zone expose it to exchange rate risks in currencies such as the Brazilian real, the US dollar or the Mexican peso, which could have an impact on its results. To reduce its exposure to this risk, the Grupo uses a variety of mechanisms, such as using local suppliers and negotiating with customers and suppliers to hedge against major movements in currencies.

### **Outlook for the Group-**

The macro-economic forecast for 2016 is highly uncertain and volatile. The main threats to growth identified by analysts and international bodies include a greater than expected slowdown of the Chinese economy, the outcomes of monetary policy in the United States and its effects on the global economy, growing tensions in the Middle East and fluctuations in commodity prices. Nevertheless, analysts expect global GDP to grow by around 3%, with particularly strong growth in the United States, at around 3%, and in China, where the economy is expected to grow by slightly over 6%. The forecasts for Europe are more conservative, with growth of a little under 2%, distributed very unevenly across the continent.

Global car production volumes are expected to increase in 2016 by 4.1% to over 90 million units. This growth will be led by China, with expected output of around 24.4 million vehicles (*up +6.8% on 2015*).

In Europe, volumes are forecast to grow by 2.1%, lagging behind the NAFTA region with estimated growth of 2.5%.

In the Mercosur regions volumes are forecast to shrink, with virtually no growth in Brazil and a drop of around 12% in Argentina.

According to our latest forecasts, we expect turnover of around 5,200 million euros in 2016, of which the new "Cockpits instrument panels" business unit accounts for 2,540 million euros.

With regard to profit margins, the Group continues to implement new measures to improve and streamline spending and to ensure investments are more efficient, and expects the businesses generate EBITDA and EBIT of around 10% and 6%, respectively, as a percentage of turnover.

We are confident that our know-how and global presence in terms of products, customers and markets, combined with the talent and experience of our teams, will enable us to successfully meet the challenges facing us in the future.

### Disclosure on the average payment period to suppliers in Spain-

The details of the average payment period to supplier in 2015 by the consolidated companies in Spain, prepared in compliance with the Resolution issued on 29 January 2016 by the Institute of Accounting and Account Auditing (ICAC), is as follows:

	Days (a)
Average payment period to suppliers	40.61
Ratio of transactions paid	42.94
Ratio of transactions outstanding	25.74
	Amount (Thousand Euros)
Total payments made	584,315
Total payments outstanding	91,455

- (a) In accordance with Law 11/2013, of 26 July, establishing measures to support entrepreneurs and stimulate growth and the creation of jobs, amending Law 3/2004, the maximum legal payment period is 30 days, which may be extended to up to 60 days with the agreement of both parties.

In accordance with the aforementioned regulations, only information relating to payments to suppliers and trade creditors located in Spain has been included.

In general, the Group is complying with the maximum legal payment periods to trade suppliers established in Spanish law to combat late payment. It is currently assessing measures to be implemented in the next financial year to reduce the payment period in those cases where the maximum period has been exceeded. These measures will centre on reducing the processing time for receiving, checking, approving and accounting for invoices (*with improved use of electronic channels and technology*) and improving procedures for resolving incidents in this process, so that payment orders can be released on the monthly payment dates established by the Group and within the maximum period established in legislation to combat late payment.

### Events after the reporting period-

There have been no other major events since the end of 2015.

### Shares in the Parent-

The Group companies held no shares in the Parent at 31 December 2015, and no operations were performed with such shares during the year to 31 December 2015.

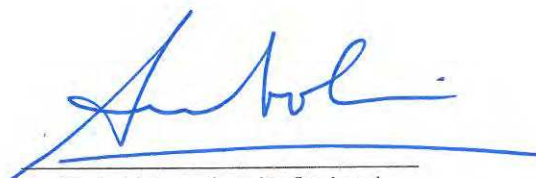
## SIGNATURES OF THE DIRECTORS

The Directors of Grupo Antolin-Irausa, S.A. hereby sign these Consolidated Annual Financial Statements and Directors' Report for the year ended 31 December 2015, which precede this page, signed, in acceptance, by all the Directors.

In Burgos, on 31 March 2016



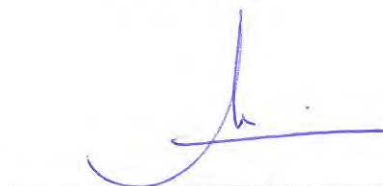
Ernesto Antolín Arribas  
(for and on behalf of  
CANEIA, S.L.)



María Helena Antolín Raybaud  
(for and on behalf of  
INJAT, S.L.)



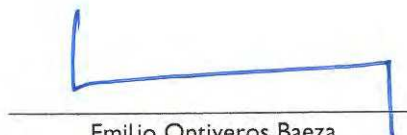
Ana Berta Antolín Arribas  
(for and on behalf of  
AMPABER, S.L.U.)



Emma Antolín Granet  
(for and on behalf of  
Agrícola Cinegética San Quirce, S.L.U.)



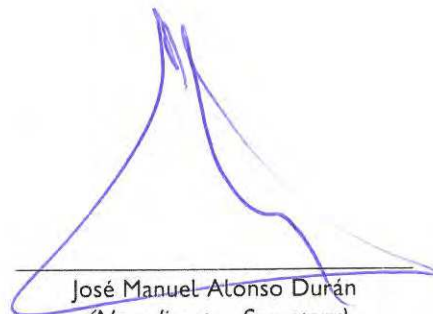
José Manuel Temiño Estefanía



Emilio Ontiveros Baeza



Jesús Pascual Santos



José Manuel Atonso Durán  
(Non-director Secretary)

# **Grupo Antolin-Irausa, S.A. and Subsidiaries**

## **Auditor's Report**

**Consolidated Financial Statements for the  
year ended 31 December 2014, prepared in  
accordance with International Financial  
Reporting Standards as adopted by the  
European Union, together with Consolidated  
Directors' Report for 2014**

*Translation of a report originally issued in Spanish based on  
our work performed in accordance with the audit regulations  
in force in Spain and of consolidated financial statements  
originally issued in Spanish and prepared in accordance  
with the regulatory financial reporting framework applicable  
to the Group in Spain (see Notes 2 and 27). In the event of  
a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Grupo Antolin-Irausa, S.A.:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES, which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

The directors of Grupo Antolin-Irausa, S.A. (*"the Parent"*) are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Grupo Antolin-Irausa, S.A. and Subsidiaries (*"the Group"*) in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (*identified in Note 2-a to the accompanying consolidated financial statements*) and for such internal control as the directors 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations 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 judgement, 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 by the Parent's directors of the consolidated financial statements 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 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grupo Antolin-Irausa, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated companies.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Rodrigo Cabrejas

2 March 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013 (NOTES 1 TO 6)

(Thousands of Euros)

ASSETS	31/12/2014	31/12/2013	EQUITY AND LIABILITIES	31/12/2014	31/12/2013
<b>NON-CURRENT ASSETS:</b>			<b>EQUITY (Notes 13 and 14):</b>		
Intangible assets (Note 7)-	214,476	198,537	<b>CAPITAL AND RESERVES-</b>	329,030	248,825
Goodwill	53,368	52,766	Share capital	37,469	37,469
Other intangible assets	161,108	145,771	Additional paid-in capital	72,578	72,578
Property, plant and equipment (Note 8)	431,373	399,681	Reserves	137,454	201,107
Investment property	4,698	4,756	Other reserves of the Parent Company	77,139	(992)
Investments in companies accounted for using the equity method (Note 1)	43,745	34,896	Reserves in fully or proportionally consolidated companies	35,402	183,202
Non-current financial assets (Note 9)	4,766	4,052	Reserves in companies accounted for using the equity method	24,913	18,897
Deferred tax assets (Note 20)	79,163	82,334	Profit attributable to the Parent Company	81,529	55,876
Non-current assets	778,221	724,256	Interim dividend	-	(118,205)
			<b>ADJUSTMENTS FOR CHANGES IN VALUE-</b>	(41,672)	(56,858)
			Available-for-sale financial assets	-	-
			Hedging operations	(2,709)	(654)
			Exchange differences	(35,320)	(55,300)
			Other	(3,643)	(904)
			Net equity attributable to the Parent Company	287,358	191,967
			<b>NON-CONTROLLING INTERESTS</b>	26,212	25,641
			Total net equity	313,570	217,608
			<b>NON-CURRENT LIABILITIES:</b>		
			Grants (Note 15)	5,871	6,937
			Non-current provisions (Note 16)	29,920	22,654
			Non-current financial liabilities-	701,422	530,064
			Bank loans, debentures and other marketable securities (Note 17)	655,866	485,069
			Derivatives (Note 18)	6,862	5,658
			Other financial liabilities (Note 19)	38,694	39,337
			Deferred tax liabilities (Note 20)	19,672	24,876
			Total non-current liabilities	756,885	584,531
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Non-current assets held for sale (Note 3-g)	6,760	-	Current provisions	860	2,098
Inventories (Note 10)	368,250	266,453	Current financial liabilities-	40,574	49,960
Trade and other receivables-	458,887	203,484	Bank loans, debentures and other marketable securities (Note 17)	36,569	48,871
Trade receivables	406,083	146,010	Other financial liabilities (Note 19)	4,005	1,089
Associates (Note 22)	3,271	1,435	Trade and other payables-	605,098	472,400
Other receivables (Note 11)	56,111	63,838	Trade, sundry and other payables	536,840	402,322
Provisions	(6,578)	(7,799)	Current tax liabilities (Note 20)	12,040	16,023
Other current financial assets (Note 9)	987	1,413	Other taxes and Social Security contributions (Note 20)	56,218	54,055
Cash and bank balances (Note 12)	154,167	163,638	Other current liabilities	50,285	32,647
Total current assets	989,051	634,988	Total current liabilities	696,817	557,105
<b>TOTAL ASSETS</b>	<b>1,767,272</b>	<b>1,359,244</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,767,272</b>	<b>1,359,244</b>

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of financial position at 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27).  
In the event of a discrepancy, the Spanish-language version prevails.

**GRUPO ANTOLIN-IRAUSA, S.A.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2014 AND 2013 (NOTES 1 TO 6)**

(Thousands of Euros)

	2014	2013
<b>CONTINUING OPERATIONS:</b>		
Revenue (Note 21)	2,225,407	2,084,689
Changes in inventories of finished goods and work in progress	6,261	4,169
Capital grants and other grants taken to income (Note 15)	1,194	1,321
Other operating income (Note 21)	66,634	63,337
<b>Total operating income</b>	<b>2,299,496</b>	<b>2,153,516</b>
Supplies (Note 21)	(1,375,159)	(1,312,700)
Staff costs (Note 21)	(394,095)	(387,916)
Depreciation and amortisation expense	(91,612)	(97,914)
Change in trade provisions	(344)	28
Other operating expenses	(317,091)	(279,165)
Less - Own work capitalised	54,192	51,212
<b>Total operating expenses</b>	<b>(2,124,109)</b>	<b>(2,026,455)</b>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>175,387</b>	<b>127,061</b>
Finance income	1,475	5,083
Finance costs	(43,503)	(35,741)
Net fair value gain/(loss) on financial instruments (Notes 9 and 13)	1,439	(4,724)
Exchange differences	(2,375)	(3,404)
Impairment and gains/(losses) on disposal of financial instruments (Note 9)	-	13,250
<b>NET FINANCE INCOME</b>	<b>(42,964)</b>	<b>(25,536)</b>
Net impairment loss on non-current assets (Notes 7 and 8)	(7,314)	(7,256)
Gain/(loss) on disposal of non-current assets (Notes 7 and 8)	(456)	(726)
Profit of companies accounted for using the equity method (Note 1)	9,640	5,687
Impairment and gains/(losses) on the loss of significant influence over investees accounted for using the equity method (Note 2-g)	(144)	-
<b>PROFIT BEFORE TAX</b>	<b>134,149</b>	<b>99,230</b>
Corporate income tax (Note 20)	(44,466)	(35,741)
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>89,683</b>	<b>63,489</b>
Profit after tax for the year from discontinued operations	-	-
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>89,683</b>	<b>63,489</b>
Profit attributable to non-controlling interests (Note 13)	(8,154)	(7,613)
Profit attributable to the Parent Company	81,529	55,876
<b>Earnings per share (Note 14) (Euros)-</b>		
From continuing operations:		
Basic	10.16	6.96
Diluted	10.16	6.96

The accompanying Notes 1 to 27 are an integral part  
of the consolidated income statement for  
the year ended 31 December 2014.



*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27).  
In the event of a discrepancy, the Spanish-language version prevails.*

## GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR

### THE YEARS ENDED 31 DECEMBER 2014 AND 2013 (NOTES 1 TO 6)

(Thousands of Euros)

	2014	2013
<b>CONSOLIDATED PROFIT FOR THE PERIOD (I)</b>	<b>89,683</b>	<b>63,489</b>
Items to be reclassified to profit or loss in subsequent periods-		
- From measurement of financial instruments (Note 13)	-	2,767
- From cash flow hedges (Notes 13 and 18)	(3,727)	487
- From exchange differences (Note 13)	21,353	(34,154)
- From actuarial gains and losses (Notes 13 and 16)	(2,739)	183
- Tax effect (Note 13)	938	(976)
<b>TOTAL INCOME RECOGNISED DIRECTLY IN EQUITY (II)</b>	<b>15,825</b>	<b>(31,693)</b>
Transfers to the consolidated income statement-		
- From measurement of financial instruments (Note 13)	-	(13,250)
- From cash flow hedges (Notes 13 and 18)	1,048	11,335
- Tax effect (Note 13)	(314)	575
<b>NET INCOME TO BE RECLASSIFIED TO CONSOLIDATED PROFIT OR LOSS IN SUBSEQUENT PERIODS (III)</b>	<b>734</b>	<b>(1,340)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR (I+II+III)</b>	<b>106,242</b>	<b>30,456</b>
Attributable to the Parent Company	96,715	26,971
Attributable to non-controlling interests	9,527	3,485

The accompanying Notes 1 to 27 are an integral part of the statement of comprehensive income for the year ended 31 December 2014.

**GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013 (NOTES 1 TO 6)**

	Thousands of Euros													
	Reserves					Remeasurements								
	Share Capital	Share Premium	Other Reserves of the Parent Company		Reserves in Fully Consolidated Companies and Companies Accounted for Using the Proportionate Method	Reserves in Companies Accounted for Using the Equity Method	Profit Attributable to the Parent Company	Interim Dividend	Financial Assets Classified as Available for Sale	Hedging Instruments	Exchange Differences	Other	Non-controlling Interests	Total Net Equity
			Restricted	Other										
Closing balance at 31 December 2012	37,469	72,578	7,635	(15,889)	173,376	15,092	41,623	-	7,337	(8,929)	(25,274)	(1,087)	24,886	328,817
Adjustments for changes in accounting policy 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to correct errors 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2013	37,469	72,578	7,635	(15,889)	173,376	15,092	41,623	-	7,337	(8,929)	(25,274)	(1,087)	24,886	328,817
Consolidated recognised income and expense	-	-	-	-	-	-	55,876	-	(7,337)	8,275	(30,026)	183	3,485	30,456
Allocation of profit for the year ended 31 December 2012:	-	-	-	-	-	-	(20,823)	-	-	-	-	-	-	-
- To reserves	-	-	-	-	9,622	3,818	(20,800)	-	-	-	-	-	-	(20,800)
- To dividend	-	-	-	-	-	-	-	(118,205)	-	-	-	-	-	(118,205)
Distribution of interim dividends out of 2013 profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions by minority interests and dividends, net (Note 13)	-	-	-	-	-	-	-	-	-	-	-	-	(2,756)	(2,756)
Other changes	-	-	-	-	204	(13)	-	-	-	-	-	-	26	96
Closing balance 2013	37,469	72,578	7,635	(8,627)	183,202	18,897	55,876	(118,205)	-	(654)	(35,300)	(904)	25,641	217,608
Adjustments for changes in accounting policy 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to correct errors 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2014	37,469	72,578	7,635	(8,627)	183,202	18,897	55,876	(118,205)	-	(654)	(35,300)	(904)	25,641	217,608
Consolidated recognised income and expense	-	-	-	-	-	-	81,529	-	-	(2,055)	19,980	(2,739)	9,527	106,242
Allocation of profit for the year ended 31 December 2013:	-	-	-	-	-	-	62,329	-	-	-	-	-	-	-
- To reserves	-	-	-	-	(146,182)	5,687	(118,205)	-	-	-	-	-	-	-
- To dividend	-	-	-	-	-	-	-	118,205	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(27)	-	-	-	-	-	-	-	(249)	(249)
Capital contributions by minority interests and dividends, net (Note 13)	-	-	-	-	(1,225)	-	-	-	-	-	-	-	(8,707)	(9,932)
Other changes	-	-	-	(35)	(366)	329	-	-	-	-	-	-	-	(72)
Closing balance 2014	37,469	72,578	7,635	69,504	35,402	24,913	81,529	-	-	(2,709)	(35,320)	(3,643)	26,212	313,570

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27).  
In the event of a discrepancy, the Spanish-language version prevails.

**GRUPO ANTOLIN-IRAUSA, S.A.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2014 AND 2013 (NOTES 1 TO 6)**

(Thousands of Euros)

	2014	2013
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Consolidated profit for the year before taxes	<b>134,149</b>	<b>99,230</b>
Adjustments for:		
Depreciation and amortisation expense	91,612	97,914
Allocation to/(reversal of) current provisions	344	616
Allocation to/(reversal of) non-current provisions	15,165	9,728
Capital grants and other grants taken to income (Note 15)	(1,194)	(1,321)
Financial income and expense	44,403	20,812
Net impairment Loss on non-current assets	7,314	7,256
Gain/(Loss) on disposal of non-current assets (Notes 7 and 8)	456	726
Net fair value gain/(Loss) on financial instruments	(1,439)	4,724
Profit of companies accounted for using the equity method (Note 1)	(9,640)	(5,687)
Impairment and gains or losses due to loss of significant influence over investments accounted for using the equity method (Note 2-g)	144	-
<b>Operating profit before movements in working capital</b>	<b>281,314</b>	<b>233,998</b>
(Increase)/decrease in trade and other receivables	(254,313)	7,453
(Increase)/decrease in inventories	(102,025)	(22,761)
Increase/(decrease) in trade and other payables	133,338	19,460
Increase/(decrease) in other current liabilities	17,182	(5,926)
Payments of provisions	(10,300)	(3,628)
Unrealised exchange differences and other items	(2,197)	(18,912)
<b>Cash generated from operations</b>	<b>62,999</b>	<b>209,684</b>
Corporate income tax paid	(34,140)	(32,452)
<b>Net cash generated by/(used in) operating activities</b>	<b>28,859</b>	<b>177,232</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Dividends received (Note 1)	<b>1,128</b>	<b>474</b>
Proceeds from disposal of:		
Associates (Note 1)	3,025	-
Intangible assets	137	-
Property, plant and equipment	3,989	11,199
Non-current financial assets (Note 9)	1,200	22,011
Current financial assets	659	5,271
Non-current assets held for sale	-	1,500
Payments for investments in:		
Group and associated companies (Note 5)	(1,292)	(3,288)
Property, plant and equipment	(85,864)	(72,310)
Intangible assets	(57,630)	(43,285)
Investment property	-	-
Non-current financial assets	(1,873)	3,778
Non-current assets classified as held for sale	(6,760)	-
<b>Net cash generated by/(used in) investing activities</b>	<b>(143,281)</b>	<b>(74,650)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from/(payments for) equity instruments:		
Acquisition of investments from non-controlling interests	(276)	-
Returns to non-controlling interests (Note 13)	(9,932)	(2,730)
Proceeds from/(payments for) financial liabilities:		
Issue of bonds and syndicated loan, nominal (Note 17)	600,000	-
Repayment of syndicated loan (Note 17)	-	(249,689)
Obtainment (repayment) of syndicated loan (Note 17)	(400,000)	400,000
Proceeds from other bank borrowings, net	(33,748)	(114,243)
Proceeds from/(repayment of) other financial liabilities, net	330	2,386
<b>Other cash flows from financing activities:</b>		
Finance income and expense paid, net	(51,423)	(34,053)
Dividends paid and payments on other equity instruments (Note 13)	-	(139,005)
<b>Net cash generated by/(used in) financing activities</b>	<b>104,951</b>	<b>(137,334)</b>
<b>NET DECREASE IN CASH OR CASH EQUIVALENTS</b>	<b>(9,471)</b>	<b>(34,752)</b>
<b>CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>163,638</b>	<b>198,390</b>
<b>CASH OR CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)</b>	<b>154,167</b>	<b>163,638</b>

The accompanying Notes 1 to 27 are an integral part  
of the consolidated statement of cash flows for the year  
ended 31 December 2014.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.*

## **GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2014**

## **(1) DESCRIPTION OF THE GROUP**

### **Parent and Group activities-**

Grupo Antolin-Irausa, S.A. (*hereinafter referred to as "the Parent"*) was set up on 5 November 1987, as "Grupo Antolin, S.A.". Subsequently, on 1 November 1993, it adopted its current name "Grupo Antolin-Irausa, S.A.". Its registered office is in Burgos, Carretera Madrid-Irún, km. 244.8.

### *Corporate purpose of the Parent-*

The corporate purpose of Grupo Antolin-Irausa, S.A. is to manufacture, sell, process, import and export products relating to the car industry and similar products, as well as to acquire holdings or controlling interests in other companies engaging in business activities relating to said industry.

### *Activities of the Group-*

Grupo Antolin-Irausa, S.A. (*hereinafter "the Group" or "Grupo Antolin"*) heads an international group made up of companies that engage basically in manufacturing and selling automobile components.

### *Ownership of the Group-*

At 31 December 2014 and 2013 all the share capital of the Parent was held directly or indirectly by Avot Inversiones, S.L., a company whose registered offices are in Burgos and whose owners are members of the Antolin family (see Note 13).

### **Subsidiary companies-**

"Subsidiary companies" are defined as those companies over which the Group has control. In accordance with IFRS 10, an investor controls an investee if, and only if, the following three conditions are met:

- it has power over the investee;
- it receives, or has the right to receive, variable returns from its investment;
- it has the ability to use its power to affect the amount of these returns.

The Parent assesses if it controls an investee when events or circumstances indicate that changes apply to one or more of the cited conditions.

Set out below is the most significant information at 31 December 2014 about the subsidiary companies which have been included in the consolidated annual financial statements for 2014 as "*fully consolidated companies*".

**Companies in which Grupo Antolin-Irausa, S.A. has a direct shareholding-**

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
Grupo Antolin-Álava, S.A.U.	Vitoria	Automobile components	100.00	70
Grupo Antolin-Ara, S.A.U.	Burgos	Automobile components	100.00	13,565
Grupo Antolin-Aragusa, S.A.U.	Burgos	Automobile components	100.00	12,127
Grupo Antolin-Ardasa, S.A.U.	Burgos	Automobile components	100.00	10,495
Grupo Antolin-Autotrim, S.A.U.	Burgos (Plant: <i>Almussafes</i> )	Automobile components	100.00	1,328
Grupo Antolin-Dapsa, S.A.U.	Burgos	Automobile components	100.00	3,039
Grupo Antolin-Eurotrim, S.A.U.	Burgos	Automobile components	100.00	10,197
Grupo Antolin-Gestión de Inversiones, S.L.U.	Burgos	Holding company	100.00	241,861
Grupo Antolin-Glass, S.A.U.	Burgos	Provision of services	100.00	10,328
Grupo Antolin-Ingeniería, S.A.U.	Burgos	Technical studies	100.00	2,238
Grupo Antolin-Magnesio, S.A.U.	Burgos	Automobile components	100.00	10,209
Grupo Antolin-Martorell, S.A.U.	Burgos (Plant: <i>Martorell</i> )	Automobile components	100.00	9,224
Grupo Antolin-Navarra, S.A.U.	Pamplona	Automobile components	100.00	3,316
Grupo Antolin-PGA, S.A.U.	Porriño (Pontevedra)	Automobile components	100.00	2,225
Grupo Antolin-Plasbur, S.A.U.	Burgos	Automobile components	100.00	1,862
Grupo Antolin-RyA, S.A.U.	Burgos (Plant: <i>Valladolid</i> )	Automobile components	100.00	5,704
Grupo Antolin-Valplas, S.A.U.	Burgos (Plant: <i>Sollana-Valencia</i> )	Automobile components	100.00	1,800
Grupo Antolin-Vigo, S.A.U.	Vigo (Pontevedra)	Automobile components	100.00	6,003
ASH Reciclado de Techos, S.L.	Burgos	Recycling industrial waste	96.43	2,748
Cidut, S.L.	Burgos	Automobile components	50.00 (a)	370
Keyland Sistemas de Gestión, S.L.	Burgos	Provision of services	50.00 (a)	100
Grupo Antolin-Lusitânia, S.A.	Vila Nova (Portugal)	Automobile components	100.00	2,658
Grupo Antolin-Valença Componentes Automóvel, Soc. Unipersonal, Lda.	Valença do Minho (Portugal)	Automobile components	100.00	1,400
Grupo Antolin-France, S.A.S.	Saint-Etienne (France)	Holding company and Technical services and sales	92.56 (b)	196,974
Grupo Antolin-Amsterdam, B.V.	Amsterdam (Netherlands)	Holding company	100.00	2,427
Grupo Antolin-Holland, B.V.	Amsterdam (Netherlands)	Holding company	100.00	75,569
Grupo Antolin-Dutch, B.V.	Amsterdam (Netherlands)	Financial company	100.00	2,000
Broomco (3051), Ltd.	Bury St Edmunds (United Kingdom)	Holding company	100.00	-
Grupo Antolin-UK, Ltd.	Essex (United Kingdom)	Technical services and sales	100.00	765
Alba Speziallampen Holding, GmbH	Bamberg (Germany)	Holding company	100.00	74,409
Grupo Antolin-Autoform, GmbH & Co. KG	Saal Donau (Germany)	Automobile components	74.32 (b)	29,624
Grupo Antolin-Deutschland, GmbH	Weyhausen (Germany)	Technical services and sales	100.00	1,292
Grupo Antolin-Logistik Deutschland, GmbH	Cologne (Germany)	Automobile components	100.00	6,279
Grupo Antolin-Italia, S.r.l.	Milan (Italy)	Automobile components	100.00	3,410
Grupo Antolin-Bohemia, a.s.	Chrastava (Czech Republic)	Automobile components	100.00	42,235
Grupo Antolin-Ostrava, s.r.o.	Hranická (Czech Republic)	Automobile components	100.00	3,400
Grupo Antolin-Turnov, s.r.o.	Turnov (Czech Republic)	Automobile components	100.00	6,415
Antolin-CIE Czech Republic, s.r.o.	Hranická (Czech Republic)	Automobile components	70.00	676
Grupo Antolin-Bratislava, s.r.o.	Bratislava (Slovakia)	Automobile components	100.00	704
Grupo Antolin-Saint Petersburg	Saint Petersburg (Russia)	Automobile components	100.00	45,535
Antolin Avtotechnika Nizhny Nóvgorod, Ltd.	Nizhny Nóvgorod (Russia)	Automobile components	100.00	8,198
Antolin Tanger, S.A.R.L.	Tangiers (Morocco)	Automobile components	100.00	21,100
Grupo Antolin-South Africa, Ltd.	Port Elizabeth (South Africa)	Automobile components	100.00	12,445
Gestión Industrial de Sonora, S.A. de C.V.	Hermosillo (Mexico)	Provision of services	99.99	151
Grupo Antolin-Salttillo, S. de R.L. de C.V.	Salttillo (Mexico)	Automobile components	99.99	10,832
Grupo Antolin-Silao, S.A. de C.V.	Silao (Mexico)	Automobile components	70.82 (b)	31,501
Grupo Antolin-Tlaxcala, S. de R.L. de C.V.	Tlaxcala (Mexico)	Automobile components	100.00	163
Intertrim, Ltda.	Caçapava (Brazil)	Automobile components	85.28	17,806
Trimtec, Ltda.	Caçapava (Brazil)	Automobile components	100.00	113,747
Grupo Antolin-India PVT, Ltd. (formerly, Grupo Antolin-Pune PVT, Ltd.)	Pune (India)	Automobile components	99.99 (b)	24,234
Grupo Antolin-Japan, Co.	Tokyo (Japan)	Technical services and sales	100.00	691
Grupo Antolin-Korea, L.L.C.	Suwon-si (South Korea)	Automobile components	100.00	350
Antolin Shanghai Auto-Parts Co., Ltd.	Shanghai (China)	Automobile components	100.00	4,000
Chongqing Antolin Tuopu Overhead System Co., Ltd.	Chongqing (China)	Automobile components	61.00	1,084
Guangzhou Antolin Auto-Parts Co., Ltd.	Guangzhou (China)	Automobile components	100.00	1,500
				<b>1,092,383</b>

**Companies in which the Group has a shareholding via other consolidated companies-**

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Company in which the Group has a shareholding via Grupo Antolin-Glass, S.A.U.-</b>				
Grupo Antolin-Autoform, GmbH & Co. KG	Saal Donau (Germany)	Automobile components	25.68 (b)	10,179
<b>Company in which the Group has a shareholding via Grupo Antolin-Ingenieria, S.A.U.-</b>				
Grupo Antolin-India PVT, Ltd. (formerly, Grupo Antolin-Pune PVT, Ltd.)	Pune (India)	Automobile components	0.01 (b)	-
<b>Company in which the Group has a shareholding via Grupo Antolin-India PVT, Ltd.-</b>				
Grupo Antolin-Chakan, Ltd.	Delhi (India)	Automobile components	100.00	5,937
<b>Companies in which the Group has a shareholding via Grupo Antolin-Holland, B.V.-</b>				
Grupo Antolin-France, S.A.S.	Saint-Etienne (France)	Holding company and Technical services and sales	7.44 (b)	15,802
Grupo Antolin-Silao, S.A. de C.V.	Silao (Mexico)	Automobile components	29.18 (b)	14,237
Grupo Antolin-Leamington, Ltd.	Kent (United Kingdom)	Automobile components	100.00	50,906
<b>Companies in which the Group has a shareholding via Grupo Antolin-Amsterdam, B.V.-</b>				
Ototrim Panel Sanayi ve Ticaret, A.S.	Bursa (Turkey)	Automobile components	50.00 (a)	2,413
<b>Companies in which the Group has a shareholding via Grupo Antolin-Gestión de Inversiones, S.L.U.-</b>				
Grupo Antolin-North America, Inc.	Detroit (United States)	Technical services and sales	100.00	232,000
<b>Companies in which the Group has a shareholding via Grupo Antolin-North America, Inc.-</b>				
Grupo Antolin-Kentucky, Inc.	Kentucky (United States)	Automobile components	100.00	20,033
Grupo Antolin-Michigan, Inc.	Marlette (United States)	Automobile components	100.00	12,495
Grupo Antolin-Illinois, Inc.	Troy (United States)	Automobile components	100.00	2,649
Grupo Antolin-Missouri, LLC	Clayton (United States)	Automobile components	100.00	1,501
<b>Companies in which the Group has a shareholding via Grupo Antolin-Kentucky, Inc.-</b>				
Grupo Antolin-Wayne, LLC	Wayne (United States)	Automobile components	49.00 (a)	18
<b>Companies in which the Group has a shareholding via Grupo Antolin-France, S.A.S.-</b>				
Grupo Antolin-IGA, S.A.S.	Henin Beaumont (France)	Automobile components	100.00	57,953
Grupo Antolin-Vosges, S.A.S.	Rupt-Sur-Moselle (France)	Automobile components	100.00	53,196
Grupo Antolin-Ingenierie Sieges, S.A.S.	Roche La Moliere (France)	Technical studies	100.00	1,821
Grupo Antolin-Loire, S.A.S.	Roche La Moliere (France)	Automobile components	100.00	40,100
Grupo Antolin-Cambrai, S.A.S.	Paris (France)	Automobile components	100.00	33,000
Grupo Antolin-Jarny, S.A.S.	Jarny (France)	Automobile components	100.00	12,400
CML Innovative Technologies, S.A.S.	Besançon (France)	Automobile components	100.00	65,000
<b>Companies in which the Group has a shareholding via Keyland Sistemas de Gestión, S.L. (in which the Group has a 50% holding)-</b>				
Keyland USA, Inc.	Auburnhill (United States)	Provision of services	100.00 (a)	4
Keyland México, S. de R.L. de C.V.	Mexico D.C. (Mexico)	Provision of services	100.00 (a)	-
<b>Companies in which the Group has a shareholding via International Door Company, B.V. (in which the Group has a 50% holding)-</b>				
Iramec Autopeças, Ltda.	Caçapava (Brazil)	Automobile components	100.00 (a)	1,300
Mexican Door Company, S.R.L. de C.V.	Mexico D.C. (Mexico)	Automobile components	100.00 (a)	7,866
<b>Company in which the Group has a shareholding via Broomco (3051), Ltd.-</b>				
CML Innovative Technologies, Ltd.	Bury St Edmunds (United Kingdom)	Lighting products	100.00	7,982
<b>Companies in which the Group has a shareholding via Alba Speziallampen Holding, GmbH-</b>				
Grupo Antolin-Hranice, s.r.o. (formerly, CML Innovative Technologies, s.r.o.)	Hranice (Czech Republic)	Automobile components	100.00	116
CML Technologies, GmbH & Co. KG	Bad Dürkheim (Germany)	Lighting products	100.00	9,711
CML Innovative Technologies, GmbH & Co. KG	Bamberg (Germany)	Automobile components	100.00	30,660

Company	Registered Office	Activity	Percentage Held	Thousands of Euros
				Cost of the Holding
<b>Companies in which the Group has a shareholding via CML Innovative Technologies, S.A.S.-</b> Grupo Antolin-Sibiu, S.R.L. (formerly, CML Innovative Technologies, S.R.L.) Guangzhou Socop Lamps Co, Ltd. <b>Company in which the Group has a shareholding via Antolin Tanger, S.A.R.L.-</b> Gold Set, S.A.R.L.A.U. <b>Company in which the Group has a shareholding via Chongqing Antolin Tuopu Overhead System Co., Ltd. (in which the Group has a 61% holding)-</b> Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS)	Sibiu (Romania)	Automobile components	100.00	306
	Guangzhou (China)	Automobile components	100.00	1,310
	Tangiers (Morocco)	Automobile components	100.00	1
	Hangzhou (China)	Automobile components	100.00	398
				<b>691,294</b>

- (a) These companies, in which the Group has a direct or indirect holding of 50% or less, have been included in the consolidated financial statements as "fully consolidated companies", because the Group has control over them.
- (b) As indicated in the tables above, the Group has direct or indirect shareholdings in the share capital of these subsidiary companies, bringing the total holding in their capital up to 100%.

The following companies in which the Group has a majority shareholding were incorporated during 2014: Grupo Antolin-Dutch, B.V. and Grupo Antolin-Tlaxcala, S. de R.L. de C.V. (both wholly owned by the Group), and Hangzhou Antolin Tuopu Overhead System Co., Ltd. (HATOS) (of the Group holds 61%). The Indian company Machino Auto Comp, Ltd., now known as Grupo Antolin-Chakan, Ltd., and the Moroccan company Gold Set, S.A.R.L.A.U., were also acquired in the year. The Group holds 100% of their share capital (see Note 5).

#### Financial year of the subsidiary companies-

The financial year of all the subsidiary companies, like that of the Parent, is the same as the calendar year, except for the Indian companies whose reporting period ends on 31 March. The financial statements for the rolling 12 months from 1 January 2014 to 31 December 2014 were used in the consolidation process for the Indian companies. The individual financial statements for the year ended 31 December 2014 were used for all other companies. The figures in the tables above correspond to the financial position at 31 December 2014. The financial position of the subsidiaries is stated in their individual financial statements.

#### Audit of the individual annual financial statements of the subsidiary companies-

The individual annual financial statements for 2014 of most of the subsidiary companies are audited by Deloitte or by other auditors. Set out below are the subsidiary companies whose annual financial statements are examined by auditors other than Deloitte:

Company	Audited by
Mexican Door Company, S.R.L. de C.V.	KPMG
Gestión Industrial de Sonora, S.A. de C.V.	KPMG
Grupo Antolin-Kentucky, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Michigan, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Illinois, Inc.	Urbach Hacker Young International, LLP
Grupo Antolin-Wayne, LLC	Urbach Hacker Young International, LLP
Chongqing Antolin Tuopu Overhead System Co., Ltd.	BDO China Li Xin Da Hua
Guangzhou Antolin Auto-Parts Co., Ltd.	GuangZhou HuaDu CPA, Ltd.
Guangzhou Socop Lamps Co, Ltd.	Mazars
Grupo Antolin-Hranice, s.r.o.	Chebska Auditorska spol. s r.o.
Grupo Antolin-Sibiu, S.R.L.	T&T Audit, S.R.L.
Keyland Mexico, S. de R.L. de C.V.	Consultores y Auditores PSG, S.C.

## Associates and joint ventures-

"Associates" are defined as companies where the Group has powers to exercise a significant influence.

The Company has the power to participate in financial and operating policy decisions but does not have control or joint control.

IFRS 11 defines a joint venture (*as opposed to a joint operation as described in the next section of this Note*) as an agreement under which the controlling parties ("*joint venturers*"), have rights to the net assets of the company. Joint control is the contractually agreed sharing of control and requires all substantive decisions to be unanimously agreed by all parties sharing joint control.

The Group's holdings in Associates and joint ventures (*accounted for in 2014 using the equity method*), and the corresponding carrying amounts recognised under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position for the years ended 31 December 2014 and 2013, are as follows:

Company	Registered Office	Activity	Percentage of Group's Holding		Thousands of Euros Carrying Amount of the Holding	
			31/12/13	31/12/14	31/12/13	31/12/14
<b>Companies in which Grupo Antolin-Irausa, S.A. has a direct shareholding-</b>						
Dongwon Technology Co., Ltd.	Kyoung-Nam (South Korea)	Automobile components	30.00	30.00	2,836	2,890
Antolin Kasai Tek Chennai PVT, Ltd.	Chennai (India)	Automobile components	50.00	- (b)	3,115	-
NHK Antolin (Thailand) Co., Ltd.	Samutprakarn (Thailand)	Automobile components	50.00	50.00	1,631	617
Antolin Kasai International Kabushiki Kaisya	Kanagawa (Japan)	Technical services and sales	50.00	- (b)	54	-
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	Ningbo (China)	Automobile components	50.00 (a)	50.00 (a)	12,356	20,999
Silesia Plastic, Sp. z o.o	Wroclaw (Poland)	Automobile components	50.00	50.00	8,173	8,264
Yangzhou Antolin Huaxiang Auto-Parts Co., Ltd.	Yangzhou (China)	Automobile components	50.00	50.00	3,606	6,368
Krishna Grupo Antolin Private, Ltd.	Chandigarh (India)	Automobile components	50.00	50.00	2,584	3,501
<b>Companies in which the Group has a shareholding via International Door Company, B.V.-</b>						
Slovakian Door Company, s.r.o	Bratislava (Slovakia)	Automobile components	25.00	25.00	(220)	374
International Door Systems, S.R.L. de C.V.	Hermosillo (Mexico)	Automobile components	25.00	25.00	273	268
<b>Companies in which the Group has a shareholding via Grupo Antolin-Amsterdam, B.V.-</b>						
Irauto, S.A.	Buenos Aires (Argentina)	Automobile components	50.00	50.00	488	464
					<b>34,896</b>	<b>43,745</b>

- (a) This company in turn holds 94% of the share capital of Gongzhuling Huaxiang Auto Interior Trim Co., Ltd. which, in turn, holds 100% of the share capital of Chengdu Antolin Huaxiang Auto Interior Trim Co., Ltd. and Foshan Antolin Huaxiang Auto Interior Trim Co., Ltd. Ningbo Antolin Huaxiang Auto Parts Co., Ltd. likewise holds 100% of the share capital of Dongguan Antolin Huaxiang Auto Parts Co., Ltd. The carrying amount of the investment in this company at 31 December 2014 and 2013 corresponded to the consolidated carrying amount of the subgroup which it heads.
- (b) During 2014 the Group sold its investments in Antolin Kasai Tek Chennai PVT, Ltd. and Antolin Kasai International Kabushiki Kaisya to the non-controlling shareholder.



Movements in 2014 and 2013 recorded under "Investments in companies accounted for using the equity method" in the consolidated statement of financial position were as follows:

	Thousands of Euros
<b>Balances at 31 December 2012</b>	<b>33,361</b>
Additions on the incorporation of companies and contributions effected	3,288
Profit of companies accounted for using the equity method	5,687
Impairment to goodwill	(2,344)
Dividends, exchange differences and other	(5,096)
<b>Balances at 31 December 2013</b>	<b>34,896</b>
Retirements on the sale of investments in Associates	(3,169)
Profit of companies accounted for using the equity method	9,640
Dividends	(1,128)
Translation differences and other	3,506
<b>Balances at 31 December 2014</b>	<b>43,745</b>

During 2014 the Group received dividends from the Associates and Joint ventures Silesia Plastic, Sp. zo.o, Krishna Grupo Antolin Private, Ltd. and Dongwon Technology Co., Ltd., totalling 1,128 thousand euros. During 2013 the Group received dividends from International Door Systems, S.R.L. de C.V. totalling 474 thousand euros which were recognised as a reduction in the carrying amount of the investment.

***Financial year and audit of the individual annual financial statements of Associates and joint ventures included in the scope of consolidation-***

The financial year of all the subsidiary companies, like that of the Parent, is the same as the calendar year, except for Krishna Grupo Antolin Private, Ltd., whose reporting period ends on 31 March. The financial statements for the rolling 12 months from 1 January 2014 to 31 December 2014 were used in the consolidation process for Krishna Grupo Antolin Private, Ltd. The individual financial statements for the year ended 31 December 2014 were used for all other companies. Some annual financial statements were reviewed by the following auditors:

Company	Audited by
Slovakian Door Company, s.r.o.	Auditea, s.r.o.
Dongwon Technology Co., Ltd.	PriceWaterhouseCoopers
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	Zhejiang Pan-China CPA, Ltd.
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	Zhejiang Pan-China CPA, Ltd.
Gongzhuling Huaxiang Auto Interior Trim Co., Ltd.	Zhejiang Pan-China CPA, Ltd.
Irauto, S.A.	Alberto A. Gonzales
NHK Antolin Thailand Co., Ltd.	KPMG

**Joint operations-**

IFRS 11 defines a joint operation as an agreement under which the parties (*"joint operators"*) have rights to the assets and obligations for the liabilities of the agreement. Joint control is the contractually agreed sharing of control and requires all substantive decisions to be unanimously agreed by all parties sharing joint control.

Following an assessment by the Group, the only investment which is deemed a joint operation is International Door Company, B.V., a holding company registered in Amsterdam (Netherlands), in which the Parent has a 50% holding (*this holding cost 2,158 thousand euros*). The other 50% is held by Küster Holding, GmbH. This investment is proportionally consolidated.

The figures for assets and liabilities, and the net turnover and the result for 2014 contributed by this "joint venture" are not significant compared to the figures for consolidated totals of the Group.

## **(2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES**

### ***a) True and fair view-***

In accordance with Final Provision Eleven of Law 62/2003 on Tax, Administrative and Social Order Measures, of 30 December, companies with holdings are required to draw up consolidated annual financial statements and directors' reports. At year end none of the companies in the Group have issued shares that are listed on an official market of any member State of the European Union. They may therefore opt to present their consolidated annual financial statements for the years beginning from 1 January 2005 in accordance with Spanish accounting standards or in accordance with the International Financial Reporting Standards adopted by the European Union. Accordingly, Grupo Antolin-Irausa, S.A. decided to apply voluntarily, for the first time in the financial year 2007, said International Financial Reporting Standards adopted by the European Union for drawing up its consolidated annual financial statements. In 2014, however, Grupo Antolin was required to apply these standards as a Group company (*Grupo Antolin-Dutch, B.V.*) issued bonds in March 2014 that are listed on an official market of any member State of the European Union (see Note 17).

The consolidated annual financial statements for 2014, which were prepared from the individual accounting records of the Parent and of the companies included in consolidation (*listed in Note 1*), are presented in accordance with the International Financial Reporting Standards adopted by the European Union (*hereinafter referred to as "IFRS-EU"*) and, accordingly, give a true and fair view of the Group's consolidated net worth, consolidated financial position at 31 December 2014, and results of operations, changes in consolidated equity and cash flows that have taken place during the year then ended.

These consolidated annual financial statements for 2014 have been prepared by the Directors of the Parent and will be submitted to the Annual General Meeting of Shareholders of the Parent for approval. They are expected to be approved unchanged.

The Group's consolidated financial statements for 2013 were approved by the General Meeting of Shareholders of the Parent held on 03 March 2014.

### ***b) Adopting new standards and interpretations issued-***

Grupo Antolin's consolidated annual financial statements for the years ended on 31 December 2014 and 2013 have been drawn up in accordance with International Financial Reporting Standards, in accordance with the terms of Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002, taking into account all mandatory accounting principles, standards and measurement bases with a material impact and the alternatives permitted under the standards in this respect.

#### ***Standards and interpretations in force in 2014-***

In 2014, the following new accounting standards have come into force and have been taken into account when drawing up the consolidated annual financial statements for 2014:

Amendments:		Mandatory Application for Financial Years Beginning on or After:
<i>Approved for use in the European Union</i>		
IFRS 10	Consolidated financial statements	1 January 2014 (*)
IFRS 11	Joint arrangements	1 January 2014 (*)
IFRS 12	Disclosure of interests in other entities	1 January 2014 (*)
Amendment to IAS 27 (revised)	Separate financial statements	1 January 2014 (*)
Amendment to IAS 28 (revised)	Investments in associates and joint ventures	1 January 2014 (*)
Transitional guidance: Amendments to IFRS 10, 11 and 12	Clarifying transitional guidance on the application of these standards	1 January 2014 (*)
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27	Consolidation exemption for parent companies that meet the definition of an investment entity	01 January 2014
Amendment to IAS 32	Financial instruments: Presentation-Offsetting financial assets and financial liabilities	01 January 2014
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets	01 January 2014
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting	01 January 2014

(\*) The Accounting Regulatory Committee of the EU deferred the effective dates for IFRS 10, 11 and 12 and new IAS 27 and 28 to the financial years beginning on or after 1 January 2014. The IASB's original effective date was 1 January 2013.

- IFRS 10 "Consolidated financial statements". This standard replaces the guidance on consolidation contained in IAS 27 and SIC 12 on the consolidation of special-purpose entities. The main change in IFRS 10 is the modification of the definition of control to remove the perceived conflict of emphasis between IAS 27 (*power to govern financial and operating policies*) and SIC 12 (*risks and rewards*).
- IFRS 11 "Joint arrangements". Replaces IAS 31, changing the focus of analysis of joint arrangements and reducing the types of joint agreements to two: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement, the joint operators, have been found to have direct rights to the assets and obligations for the liabilities in proportion to their investment. By contrast, in a joint venture the parties, the joint venturers, have rights to the net assets and results of the arrangement. The accounting treatment of an agreement will depend on how it is classified.
- IFRS 12 "Disclosure of interests in other entities". IFRS 12 defines the accounting requirements related to interests held in other entities (*subsidiaries, associates, joint arrangements and other investments*), including new disclosure requirements.
- Amendment to IAS 27 "Equity method in separate financial statements" and IAS 28 "Investments in associates and joint ventures". These amendments were issued in parallel with the amendments to IFRS 10 and 11 described above. IAS 27 was revised as it now only covers an entity's separate financial statements while IAS 28 also includes the treatment of joint ventures as it will be obligatory to consolidate such joint arrangements using the equity method, as for associates.
- Transitional guidance: "Amendments to IFRS 10, 11 and 12". Clarifying that IFRS 10 came into force on the first day of the financial year in which the standard was applied for the first time (*in this case, 1 January 2014*). With respect to the figures presented for the purposes of comparison, it is established that if the application of these amendments produces any change thereto, only the preceding year's figures must be restated (*in this case the year ended 31 December 2013*).

The initial application of IFRS 10 and 11 had an impact on the Group's consolidated annual financial statements and therefore the figures presented for the purposes of comparison with respect to the consolidated statement of financial position, income statement, statements of comprehensive income and changes in net equity and statement of cash flows for the year ended 31 December 2013 have been restated to reflect the new standards. The information included for the purposes of comparison with these consolidated annual financial statements does not therefore coincide with the amounts reported in the consolidated annual financial statements for the year ended 31 December 2013 which were approved by the General Meeting of Shareholders of the Parent. The effects of applying these new IFRS

on the different headings of the consolidated statement of financial position, income statement, statements of comprehensive income and changes in net equity and statement of cash flows are detailed below:

*Impact on the consolidated statement of financial position at 31 December 2013:*

*Assets:*

	Thousands of Euros		
	Balances per Accounts Approved in 2013	Effect of Retrospective Application IFRS 10 and 11	Balances per Comparative Information in 2013
<b>NON-CURRENT ASSETS:</b>			
Intangible assets	199,440	(903)	198,537
Property, plant and equipment	428,565	(28,884)	399,681
Investment property	4,756	-	4,756
Investments in companies accounted for using the equity method	15,566	19,330	34,896
Non-current financial assets	5,727	(1,675)	4,052
Deferred tax assets	82,706	(372)	82,334
<b>Total non-current assets</b>	<b>736,760</b>	<b>(12,504)</b>	<b>724,256</b>
<b>CURRENT ASSETS:</b>			
Inventories	262,766	3,687	266,453
Trade and other receivables	237,410	(33,926)	203,484
Other current financial assets	3,832	(2,419)	1,413
Cash and cash equivalents	170,502	(6,864)	163,638
<b>Total current assets</b>	<b>674,510</b>	<b>(39,522)</b>	<b>634,988</b>
<b>TOTAL ASSETS</b>	<b>1,411,270</b>	<b>(52,026)</b>	<b>1,359,244</b>

*Equity and Liabilities:*

	Thousands of Euros		
	Balances per Account Approved in 2013	Effect of Retrospective Application IFRS 10 and 11	Balances per Comparative Information in 2013
<b>EQUITY:</b>			
<b>CAPITAL AND RESERVES-</b>	248,825	-	248,825
Share capital	37,469	-	37,469
Share premium	72,578	-	72,578
Reserves	201,107	-	201,107
Profit attributable to the Parent	55,876	-	55,876
Interim dividend	(118,205)	-	(118,205)
<b>ADJUSTMENTS FOR CHANGES IN VALUE-</b>	(56,858)	-	(56,858)
Hedging operations	(654)	-	(654)
Exchange differences	(55,300)	-	(55,300)
Others	(904)	-	(904)
Net equity attributable to the Parent Company	191,967	-	191,967
<b>NON-CONTROLLING INTERESTS</b>	46,501	(20,860)	25,641
Total equity	238,468	(20,860)	217,608
<b>NON-CURRENT LIABILITIES:</b>			
Grants	6,937	-	6,937
Non-current provisions	23,302	(648)	22,654
Non-current financial liabilities	532,652	(2,588)	530,064
Deferred tax liabilities	25,021	(145)	24,876
Total non-current liabilities	587,912	(3,381)	584,531
<b>CURRENT LIABILITIES:</b>			
Current provisions	2,098	-	2,098
Current financial liabilities	55,315	(5,355)	49,960
Trade and other payables	492,178	(19,778)	472,400
Other current liabilities	35,299	(2,652)	32,647
Total liabilities	584,890	(27,785)	557,105
<b>TOTAL EQUITY AND LIABILITIES</b>	1,411,270	(52,026)	1,359,244

*Impact on the consolidated income statement for the year ended 31 December 2013:*

	Thousands of Euros		
	Balances per Financial Statements Approved in 2013	Effect of Retrospective Application IFRS 10 and 11	Balances per Comparative Information in 2013
<b>CONTINUING OPERATIONS:</b>			
Revenue	2,128,152	(43,463)	2,084,689
Changes in inventories of finished goods and work in progress	3,371	798	4,169
Capital grants and other grants taken to income	1,321	-	1,321
Other operating revenues	64,710	(1,373)	63,337
<b>Total operating income</b>	<b>2,197,554</b>	<b>(44,038)</b>	<b>2,153,516</b>
Supplies	(1,325,287)	12,587	(1,312,700)
Staff costs	(398,548)	10,632	(387,916)
Depreciation and amortisation expenses	(102,189)	4,275	(97,914)
Change in trade provisions	(166)	194	28
Other operating expenses	(286,526)	7,361	(279,165)
Less- Own work capitalised	51,212	-	51,212
<b>Total operating expenses</b>	<b>(2,061,504)</b>	<b>35,049</b>	<b>(2,026,455)</b>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>136,050</b>	<b>(8,989)</b>	<b>127,061</b>
Financial income	5,076	7	5,083
Financial expenses	(36,279)	538	(35,741)
Change in fair value of financial instruments	(4,724)	-	(4,724)
Net exchange differences (negative)	(3,532)	128	(3,404)
Impairment and gains/(losses) on disposal of financial statements	13,250	-	13,250
<b>NET FINANCE INCOME</b>	<b>(26,209)</b>	<b>673</b>	<b>(25,536)</b>
Net impairment loss on non-current assets	(7,092)	(164)	(7,256)
Gain/(loss) on disposal of non-current assets	(726)	-	(726)
Profit of companies accounted for using the equity method	1,497	4,190	5,687
<b>PROFIT BEFORE TAXES</b>	<b>103,520</b>	<b>(4,290)</b>	<b>99,230</b>
Corporate income tax	(36,959)	1,218	(35,741)
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>66,561</b>	<b>(3,072)</b>	<b>63,489</b>
Profit for the year from discontinued operations, net of taxes	-	-	-
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>66,561</b>	<b>(3,072)</b>	<b>63,489</b>
Profit attributable to non-controlling interests	(10,685)	3,072	(7,613)
Profit attributable to the Parent Company	55,876	-	55,876

*Impact on the consolidated statement of comprehensive income and consolidated statement of changes in net equity for the year ended 31 December 2013:*

The impacts of applying IFRS 10 and 11 in these financial statements was not material.

**Impact on the consolidated statement of cash flows for the year ended 31 December 2013:**

	Thousands of Euros		
	Balances per Financial Statements Approved in 2013	Effect of Retrospective Application IFRS 10 and 11	Balances per Comparative Information In 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Consolidated profit for the year before taxes	103,520	(4,290)	99,230
Adjustments for:			
Depreciation and amortisation expense	102,189	(4,275)	97,914
Allocation to/(reversal of) current provisions, net	616	-	616
Allocation to/(reversal of) non-current provisions, net	9,728	-	9,728
Capital grants and other grants taken to income	(1,321)	-	(1,321)
Finance income and expense	21,485	(673)	20,812
Net impairment loss on non-current assets	7,092	164	7,256
Gain/(loss) on disposal of non-current assets	726	-	726
Net fair value gain/(loss) on financial instruments	4,724	-	4,724
Profit of companies accounted for using the equity method	(1,497)	(4,190)	(5,687)
<b>Operating profit before movements in working capital</b>	<b>247,262</b>	<b>(13,264)</b>	<b>233,998</b>
(Increase)/decrease in trade and other receivables	3,639	3,814	7,453
(Increase)/decrease in inventories	(19,911)	(2,850)	(22,761)
Increase/(decrease) in trade and other payables	15,378	4,082	19,460
Increase/(decrease) in other current liabilities	(3,274)	(2,652)	(5,926)
Payments of provisions	(4,592)	964	(3,628)
Unrealised exchange differences and other items	(8,772)	(10,140)	(18,912)
<b>Cash generated from/(used in) operations</b>	<b>229,730</b>	<b>(20,046)</b>	<b>209,684</b>
Corporate income tax paid	(33,680)	1,228	(32,452)
<b>Net cash generated by / (used in) operating activities</b>	<b>196,050</b>	<b>(18,818)</b>	<b>177,232</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Dividends received	474	-	474
Proceeds from disposal of:			
Property, plant and equipment	3,761	7,438	11,199
Non-current financial assets	22,011	-	22,011
Current financial assets	2,858	2,413	5,271
Non-current assets held for sale	1,500	-	1,500
Payments for investments in:			
Group companies and associates	(3,288)	-	(3,288)
Property, plant and equipment	(76,803)	4,493	(72,310)
Intangible assets	(43,571)	286	(43,285)
Non-current financial assets	(956)	4,734	3,778
<b>Net cash generated by / (used in) investing activities</b>	<b>(94,014)</b>	<b>19,364</b>	<b>(74,650)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from/(payments for) equity instruments:			
Returns to non-controlling interests	(2,769)	39	(2,730)
Proceeds from/(payments for) financial liabilities:			
Repayment of syndicated loan	(249,689)	-	(249,689)
Proceeds from syndicated bridging loan	400,000	-	400,000
Proceeds from other bank borrowings, net	(115,324)	1,081	(114,243)
Proceeds from/(repayment of) other financial liabilities, net	(460)	2,846	2,386
Other cash flows from financing activities:			
Finance income and expense paid, net	(34,726)	673	(34,053)
Dividends paid and payments on other equity instruments	(139,005)	-	(139,005)
<b>Net cash generated by / (used in) financing activities</b>	<b>(141,973)</b>	<b>4,639</b>	<b>(137,334)</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(39,937)</b>	<b>5,185</b>	<b>(34,752)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>210,439</b>	<b>(12,049)</b>	<b>198,390</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>170,502</b>	<b>(6,864)</b>	<b>163,638</b>

- Investment entities “Amendments to IFRS 10, IFRS 12 and IAS 27”. This amendment establishes an exception to the guidelines on consolidation contained in IFRS 10 for companies that meet the requirements to be treated as investment entities. This amendment had no impact on the Group's consolidated annual financial statements.
- Amendment to IAS 32 “Financial instruments: Offsetting financial assets and financial liabilities”. The amendment introduces additional clarifications to the guidelines on offsetting financial assets and liabilities in the statement of financial position, stating that an entity may only offset such assets and liabilities if it currently has the legally enforceable right to do so. An entity has this legally enforceable right if it is not contingent on any future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The introduction of this amendment has not produced any change in the Group's accounting policies with respect to offsetting financial assets and liabilities.
- Amendment to IAS 36 “Recoverable amount disclosures for non-financial assets”. This amendment clarifies when disclosure is required and extends the requirements when the recoverable amount is based on fair value less costs to sell. The application of this standard did not have a material effect on the consolidated financial statements.
- Amendment to IAS 39 “Novation of derivatives and continuation of hedge accounting”. Clarifying the circumstances under which hedge accounting may be continued following novation of a derivative instrument. The application of this standard did not have a material effect on the consolidated financial statements.

#### **Standards and interpretations issued not in force-**

As at the date these consolidated annual financial statements for 2014 were drawn up, the most significant standards, changes and interpretations that had been published by the IASB that had not yet come into force, either because their effective date is later than the date of the consolidated annual financial statements, or because they have not yet been endorsed by the European Union, are as follows:

Standards, changes and interpretations:		Mandatory Application for Financial Years Beginning on or After:
<i>Approved for use in the European Union</i>		
IFRIC 21	Leases	17 June 2014 (*)
<i>Not approved for use in the European Union (*)</i>		
IFRS 9	Financial instruments: Recognition and measurement	1 January 2018
IFRS 15	Revenues from contracts with customers	1 January 2017
Amendment to IAS 19	Defined benefit plans: employee contributions	1 July 2014
IFRS Annual Improvements 2010-2013 and 2011-2014 Cycles	Minor amendments to a collection of standards	1 July 2014
Amendment to IAS 16 and IAS 38	Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendment to IFRS 11	Acquisitions of Interests in Joint Operations	1 January 2016
IFRS Annual Improvements 2011-2014 Cycle	Minor amendments to a collection of standards	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	1 January 2016
Amendment to IAS 16 and IAS 41	Bearer plants	1 January 2016

(\*) The Accounting Regulatory Committee of the EU deferred the effective date for IFRIC 21 to the financial years beginning on or after 17 June 2014. The IASB's original effective date was 1 January 2014.

None of the aforementioned standards has been applied prior to the mandatory effective date in 2014.



The Group has begun to assess the potential impacts of applying these standards in the future. A first analysis shows that they should have no material effect on its consolidated annual financial statements.

**c) Functional currency-**

The consolidated annual financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates. Foreign operations are recorded in accordance with the policies described in Notes 2-f and 3-L.

**d) Comparative information-**

In accordance with the requirements of IAS 1, the information set out in these Notes to the financial statements relating to 2013 is presented, for the purposes of comparison, with the figures for 2014. The figures for 2013 that are presented in the consolidated annual financial statements for 2014 vary from the figures set out in the consolidated annual financial statements for 2013, which were approved by the General Meeting of Shareholders of the Parent held on 3 March 2014, as this comparative information was adjusted in accordance with IFRS 10 "Consolidated financial statements" and IFRS 11 "Joint arrangements", which came into effect on 1 January 2014. The impact of applying these standards is detailed in Note 2-b.

There have been no major changes in the accounting policies that affect 2014 and 2013. Neither have any corrections of errors relating to prior years been made, nor have any major changes been made in the accounting estimates that affect said years or that are likely to affect future years.

**e) Responsibility for the information provided and estimates made-**

The information set out in these consolidated annual financial statements for 2014 is the responsibility of the Directors of the Parent.

In preparing the annual financial statements for 2014 estimates made by senior management (*subsequently ratified by the Parent's Directors*) have been used on occasion to measure certain assets, liabilities, revenues, expenses and commitments that are recorded therein. These estimates basically refer to:

- The assessment of possible impairment losses on certain assets.
- The measurement of goodwill.
- The useful life of property, plant and equipment, intangible fixed assets and investment property.
- The classification of leases as operating or financial leases.
- The market value of certain financial instruments.
- The fair value of certain unlisted assets.
- The amount of the provisions.
- The application of deferred tax assets.
- The capacity to exercise control in some consolidated companies.

Although these estimates were made based on the best information available at 31 December 2014 for the events being analysed, future events may make it necessary to revise these estimates (*upward or downward*) in coming years. Any such changes would be applied prospectively, and the effects of the change in estimate would be taken to the consolidated income statement in the years affected, as provided for in IAS 8.

**f) Basis of consolidation-**

*Subsidiary companies-*

The individual annual financial statements of the *subsidiary companies* have been *fully consolidated* with those of the Parent and, therefore:

1. All major balances and transactions between the fully consolidated companies and material gains or losses on internal operations not carried out with third parties have been eliminated on consolidation.
2. In the consolidation process adjustments and reclassifications have been made so as to bring the accounting principles and policies used by the subsidiary companies into line with those used by the Parent.
3. When a subsidiary is acquired, its assets, liabilities and contingent liabilities are recorded at their fair values at the acquisition date. Any excess of the acquisition price over the fair values of the identifiable net assets acquired is recognised in "Intangible assets-Goodwill". Negative differences are taken directly to income on the acquisition date.
4. The share of profit or loss and net changes in subsidiaries' equity attributable to non-controlling interests is calculated based on the voting rights existing at that time, excluding any potential exercisable or convertible rights. Any loss attributable to the non-controlling interests over and above the carrying amount of said non-controlling interests is charged to the holdings of the Parent, except when the non-controlling interests are under a binding obligation to cover part or all of the losses and provided that they are able to make the necessary additional investment.
5. The equity and results of the subsidiary companies attributable to non-controlling interests are presented in consolidated net equity, under "Non-controlling interests", in the consolidated statement of financial position, and under "Profit attributable to non-controlling interests" in the consolidated income statement, respectively.
6. Changes in the net worth of the consolidated subsidiary companies since they were acquired that cannot be attributed to changes in the percentage held are recorded under "Equity-Reserves-Reserves of fully and proportionally consolidated companies" in the consolidated statement of financial position.
7. The results generated by subsidiary companies acquired during the year are included in the consolidated income statement only from the date of acquisition to the year end. Similarly, the results of subsidiary companies disposed of during the year are included in the consolidated income statement only as from the beginning of the year to the date of disposal.
8. Acquisitions from non-controlling shareholders of their holdings in subsidiary companies in which the Group already had effective control of the companies and which, therefore, lead only to an increase in the Group's percentage holding in these companies, are treated, for the purposes of consolidation, as operations with equity instruments. The balance recorded under "Non-controlling interests" is therefore reduced and consolidated reserves are restated for the difference between the value of the consideration paid by the Group and the amount by which the balance recognised under "Non-controlling interests" has been changed. No "Goodwill" whatsoever is recorded for this operation.

The annual financial statements of the subsidiary companies used in the consolidation process refer to the same reporting date and cover the same period as those of the Parent.

#### *Associates and joint ventures-*

"Associates" and "joint ventures" are stated in the consolidated annual financial statements using the *equity method*, i.e. the investment is recorded originally at cost and the carrying amount is later increased or reduced so as to recognise the Group's share in the profit and loss of the year recorded by the investee company, after the date of acquisition. The Group thus recognises in its consolidated income statement for the year its proportional share in the profit and loss of the Associate or Joint venture. Dividends received from Associates and Joint ventures reduce the carrying amount of the investment. It may also be necessary to make adjustments to record any changes that may occur in the proportional holding in the Associate or Joint venture as a result of any changes in net equity that it may not have taken to income in the year. Gains and losses on transactions with Associates and Joint ventures are eliminated in proportion to the Group's investment in them.

*Joint operations-*

The annual financial statements of investee companies classified as “*joint ventures*” are consolidated into those of the Group using the *proportionate method*, i.e. recognising the assets, rights and obligations and the income and expenses of these companies in proportion to the Group's holding in these companies.

*Translation of annual financial statements of foreign companies included in the scope of consolidation-*

The statements of financial positions and income statements of the foreign companies included in the scope of consolidation denominated in currencies other than the euro were translated to euros using the *closing rate method*. All the assets, rights and obligations of these companies were translated to euros at the year-end exchange rates. Their share capital and reserves were translated at their historical exchange rates. To counteract seasonal effects, the income statement items of these companies were translated to euros at the average exchange rates for the year, based on the volume of transactions performed in each period.

The exchange differences arising from the application of these methods are taken to equity under “Remeasurements-Exchange differences” in the consolidated statement of financial position, net of the portion of these differences corresponding to non-controlling interests, which is taken to equity under “Non-controlling interests” in the consolidated statement of financial position. Such translation differences are recognised as income or as expense in the year in which the investment is made or divested.

**g) Changes in the scope of consolidation-**

*2014:*

In 2014 there were no material changes in the scope of consolidation. The only additions to the Group's scope of consolidation in the year, which had no material effects on these consolidated annual financial statements, were as follows:

- The companies Grupo Antolin-Dutch, B.V. and Grupo Antolin-Tlaxcala, S. de R.L. de C.V. were incorporated during the year. The Group subscribed 100% of their share capital for 2,000 thousand euros and 163 thousand euros, respectively. The Chinese company Hangzhou Antolin Tuopu Overhead System Co., Ltd (HATOS) was also incorporated in the year, with share capital equivalent to 398 thousand euros. The Group has a 61% indirect holding in its share capital.
- In September 2014 the Group acquired for an amount equivalent to 1.4 million euros 100% of the share capital of Machino Auto Comp, Ltd., now known as Grupo Antolin-Chakan, Ltd. (see Note 5).
- In December 2014 the Group acquired for an amount of 1 thousand euros 100% of the share capital of Gold Set, S.A.R.L.A.U.

The Group also acquired in 2014 the investment held by the non-controlling interests in subsidiary Antolin Avtotechnika Nizhny Nóvgorod, Ltd., representing 25% of its share capital, for 276 thousand euros. As a result of this capital increase, the Group's holding in this company increased from 75% to 100%.

In 2014 the only companies which were removed from the scope of consolidation were Associates Antolin Kasai Tek Chennai PVT, Ltd. and Antolin Kasai International Kabushiki Kaisya following the sale of the Group's 50% shareholding in these companies. The Group recognised a net loss of 144 thousand euros as a result of these operations which was taken to income under “Impairment and gains/(losses) on the loss of significant influence over investees accounted for using the equity method” in the accompanying consolidated income statement for the year ended 31 December 2014.

2013:

The main changes to the Group's scope of consolidation in 2013 were as follows:

- The associate company Antolin Kasai International Kabushiki Kaisya was incorporated. The Group subscribed 50% of its share capital for 38 thousand euros. At 31 December 2013 this company remained virtually inactive.
- The companies Antolin-CIE Czech Republic, s.r.o. and Antolin Avtotechnika Nizhny Nóvgorod, Ltd were incorporated during the year. The Group subscribed 70% and 75% of their share capital for 676 and 1,422 thousand euros, respectively.
- The companies Grupo Antolin-Gestión de Inversiones, S.L.U., a holding company, and Grupo Antolin-Valplas, S.A.U., were incorporated during the year. The Group subscribed 100% of their share capital for 60 thousand euros in the case of both companies. Grupo Antolin-Missouri, LLC was incorporated in the United States. The Group subscribed 100% of its share capital for an amount equivalent to 1 thousand euros.

In 2013 no companies left the scope of consolidation and there were no changes to the percentages held by the Group in consolidated subsidiary companies, associates or joint ventures from 31 December 2012.

**h) Definition of the Group for the purposes of preparing consolidated annual financial statements-**

Although Grupo Antolin-Irausa, S.A. is directly and indirectly controlled by Avot Inversiones, S.L. (see Notes 1 and 13), these consolidated annual financial statements correspond to the group of subsidiary companies headed by Grupo Antolin-Irausa, S.A. All companies belonging to this Group have been included in these consolidated financial statements for the year ended 31 December 2014, being understood to refer to all the companies making up a single decision-making unit, in accordance with Article 42 of the Commercial Code. No company has been excluded.

Avot Inversiones, S.L. is a holding company whose principal assets are indirect equity investments in Grupo Antolin-Irausa, S.A. (*a holding company whose main activity is to hold shares in Grupo Antolin-Irausa, S.A.*). Consequently, the other companies in the Parent Group headed by Avot Inversiones, S.L. contributed little or no assets, turnover or profit to the consolidated financial statements of said Group for the year ended 31 December 2014.

With regard to Grupo Asuari Inversor, S.L., a group of companies associated with Grupo Antolin, the Directors and legal advisers of the Parent consider that the companies do not form a decision-making unit nor are they managed on a unified basis as their activities are distinct and independent and the commercial and financial relationships between them are not significant, there being no common activity.

**(3) ACCOUNTING PRINCIPLES, POLICIES AND MEASUREMENT CRITERIA**

In preparing the consolidated financial statements for 2014 the following accounting principles and policies and measurement criteria were applied:

**a) Going-concern principle-**

In 2008 and 2009, the motor industry was hit hard by the world economic and financial crisis, and sales of motor vehicles plummeted for a number of reasons, including a severe shortage of credit and growing unemployment. From 2010 sales began to recover. Grupo Antolin also implemented measures to improve short- and medium-term returns, enabling it to report profits and to generate significant financial resources in

the course of its operations in recent years. Although the global economic and financial situation will continue to affect the Group's performance in 2015, the major car manufacturers are forecasting higher production levels than in 2014 (*especially in the Asia-Pacific region and, to a lesser extent, in Europe and the NAFTA region*). According to the latest estimates, therefore, the output of the worldwide automobile industry will grow by more than 5% between 2015 and 2018.

The Parent's Directors consider that the Group's technological know-how and its global presence in terms of products, customers and markets will enable it to strengthen its market position. Meanwhile, government support for the industry around the world, together with the coordinated financial and economic measures being taken by the major economies, will greatly help the industry to weather the current situation.

The consolidated annual financial statements for 2014 have accordingly been prepared on a going-concern basis.

#### **b) Goodwill and negative goodwill on first consolidation-**

Business combinations are accounted for using the acquisition method, which requires the identifiable assets acquired and liabilities assumed (*including any contingent liabilities*) to be measured at their fair values at the acquisition date, provided said fair value can be reliably measured. The assets and liabilities recognised by the Group will be those received and assumed, respectively, as a result of the operation, irrespective of whether these assets and liabilities were previously not recognised in the annual financial statements of the investee because they did not meet the criteria for recognition in said financial statements.

Any positive difference between the acquisition cost of the Group's holdings in the capital of the subsidiary companies and the fair values of the identifiable net assets acquired is recognised as "Goodwill". Negative differences are taken directly to income on the acquisition date.

"Goodwill" is only recorded when it has been acquired for consideration and represents, therefore, advance payments made by the acquiring entity for the future economic benefits deriving from the assets of the acquired entity that are not individually and separately identifiable and recognisable.

In accordance with IFRS 3, goodwill is not amortised but is reviewed for impairment (*i.e. a reduction in the recoverable amount of the "Goodwill" to below its carrying amount*) at the end of each reporting period and any impairment is charged to "Net impairment losses on non-current assets" in the consolidated income statement. Impairment losses relating to "Goodwill" cannot subsequently be reversed.

The recoverable value of goodwill is measured as the higher of fair value less costs to sell and value in use, understood as the present value of expected future cash flows from the investment. The Group's Directors apply the following methodology to test goodwill, other intangible assets and property, plant and equipment for impairment (see Notes 7 and 8):

- The recoverable amount is calculated for each cash generating unit, although wherever possible individual, item-by-item impairment calculations are performed on property, plant and equipment.
- The Group's Directors regularly prepare a business plan for each cash generating unit, broken down by market and activity, covering a period of at least five years. An annual budget is also prepared each year for the following financial year. The main components of said plan and budget are:
  - Results forecasts.
  - Investment and working capital forecasts.
- Other variables influencing the calculation of recoverable value are:

- The discount rate to be applied, i.e. the weighted average cost of capital. The main factors affecting this are the cost of the liabilities and specific risks related to the assets.
- The growth rate applied to cash flows to extrapolate them beyond the period covered by budgets and forecasts, up to five financial years.

Forecasts are prepared on the basis of past experience and the best available estimates in line with externally obtained information.

The business plans thus prepared are reviewed and approved by the Parent's Board of Directors.

If an impairment loss must be recognised for a cash generating unit to which all or part of the goodwill has been assigned, first the carrying amount of the goodwill corresponding to the cash generating unit will be reduced. If the impairment is greater than the amount of goodwill carried, the remaining assets of the cash generating unit will be reduced, in proportion to their carrying amount, up to the higher of their fair value less costs to sell, value in use, and zero.

At the end of the 2014 and 2013 reporting periods the Group had recognised no impairment to the goodwill of the consolidated subsidiary companies, although in 2013 it did recognise an impairment to the goodwill of the company Dongwon Technology Co., Ltd., which is accounted for using the equity method (see Note 1).

"Goodwill" recognised in the consolidated statement of financial position at 31 December 2014 corresponds basically to the consolidated subsidiary companies comprising the subgroup "CML Innovative Technologies" acquired during 2012, to the consolidated subsidiary company Machino Auto Comp, Ltd. acquired in 2014 and other non-material goodwill recognised in previous financial years (see Notes 2-g, 5 and 7).

### **c) Other intangible assets-**

Intangible assets are defined as identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed in-house by the consolidated companies. Only intangible assets whose cost can reasonably be objectively estimated and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are stated initially at acquisition or production cost and subsequently at cost less any accumulated amortisation and impairment losses.

#### *Development expenses-*

The costs incurred in each development project are capitalised when the following conditions are met:

- The development cost of the asset can be assessed reliably.
- The costs are specifically itemised for each project and correspond to an identifiable asset.
- The Group can prove that the project is technically viable.
- The project is likely to generate profits in the future.

Development expenses incurred using the Group's own resources are recorded (*by type*) in the consolidated income statement, while development expenses for projects which meet the above conditions are debited to "Development Expenses" in the consolidated statement of financial position and credited to "Own work capitalised" in the consolidated income statement.

Capitalised development expenses are in practically all cases amortised on a straight-line basis over the estimated useful lives of the projects as from the date the related projects are completed.

Development expenses relate mainly to the costs incurred in this connection by the consolidated subsidiary Grupo Antolin-Ingeniería, S.A.U. Research expenses are taken directly to income in the financial year in which they are incurred.

*Software and other intangible assets-*

Other intangible assets with a finite useful life are amortised accordingly, using criteria similar to those used for property, plant and equipment. Specifically, "Computer software" is written off over a period of 5 years as from when it starts to be used.

When accounting for the business combination of the subgroup "CML Innovative Technologies" effected in 2012, "Customer relations" in the automobile industry was identified as an intangible asset, on the basis that one of the Group's aims in carrying out said operation was to develop new services and products in this sector. This intangible asset has been measured at its fair value determined using the multi-period excess earnings (MPEE) method, based on calculating the operating cash flows generated for the acquired company by the asset, net of any expenses charged for the assets involved in generating said cash flows. These cash flows are discounted using the weighted average cost of capital (*between 8.3% and 12.9% according to country*) plus a spread of 2% to reflect the intangible nature of the asset. The remaining useful life of this asset was estimated to be seven years, over which period it will be amortised.

The annual amortisation expense for intangible assets with finite useful lives is charged to "Depreciation and amortisation expense" in the consolidated income statement.

*Impairment losses-*

The consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Net impairment losses on non-current assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment for own use.

**d) Property, plant and equipment**

Property, plant and equipment include the assets that the Group has for its current or future use in producing or supplying goods and services or for administrative purposes and which are expected to be used for more than one financial year. Property, plant and equipment are stated on the consolidated statement of financial position at their acquisition or production cost, adjusted or revalued, whenever applicable, in accordance with applicable legal provisions, or at their "fair value" as determined by independent experts on the date of transition to "IFRS-EU" (1 January 2006), which amount is recorded as an attributed cost, less accumulated depreciation and any impairment losses.

The cost of extensions, modernisations or improvements that increase the productivity, capacity or efficiency or prolong the useful life of an asset are capitalised as an increase in the cost of said asset.

Borrowing costs directly attributable to building or developing property, plant and equipment, that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready to become operational. In cases where financing has been received specifically for building said assets, the amount of the interest and other financial expense capitalised reflects the actual costs incurred during the period, less income earned from temporarily reinvesting the financing that has not yet been invested in the qualifying assets. Where the financing received is of a general nature, the amount of interest capitalised is calculated using a rate based on the weighted average of the interest costs applicable to the average unrepaid financing in the year excluding financing for specific purposes. However, the capitalisation of interest is suspended during the periods when the construction work is at a standstill, provided that such periods are not particularly long. In 2014 and 2013, the Group has not capitalised any financial expense as an increase in the carrying amount of "Property, plant and equipment".

Upkeep and maintenance expenses for property, plant and equipment for own use are expensed in the year they are incurred.

The Group transfers PP&E under construction to PP&E used in operations when the assets in question become operational, from which time depreciation is charged.

Property, plant and equipment used in operations are depreciated on a straight-line basis, based on the acquisition or production cost of the assets or their restated value, less their residual value. The land on which buildings and other constructions are located is deemed to have an indefinite lifespan and is therefore not subject to depreciation. Annual depreciation charges on property, plant and equipment are charged to "Depreciation and amortisation expense" in the consolidated income statement over the average estimated useful life of the assets, as indicated below:

Type of Asset	Years of Estimated Useful Life
<b>Buildings and other structures</b>	25 to 50
<b>Plant and machinery-</b>	
Machinery	5 to 12.5
Plant	6 to 25
<b>Other plant, tools and furniture-</b>	
Tools, dies and moulds	2 to 5
Office furniture and equipment	5 to 10
<b>Other property, plant and equipment-</b>	
Vehicles	5 to 10
Computer hardware	4 to 5

Reviews are made at regular intervals of the estimated useful life of property, plant and equipment for own use in order to identify any significant changes therein. If any such changes are identified, the relevant adjustment is made to the depreciation charged to the consolidated income statements in future years based on the new useful lives.

At the end of each reporting period, the consolidated companies test for any internal or external signs that the recoverable amount of their property, plant and equipment is less than the carrying amount. If so, the carrying amount is reduced to the recoverable value and the future charges for depreciation in proportion are adjusted in proportion to their adjusted carrying amount and their new remaining useful life if it was also necessary to re-estimate this. Any such reduction in the carrying amount of property, plant and equipment for own use is charged to "Net impairment losses on non-current assets" in the consolidated income statement.

Similarly, whenever there are signs that the value of an impaired tangible asset has recovered, the consolidated companies reverse impairment losses recognised in prior years, crediting "Net impairment losses on non-current assets" in the consolidated income statement and adjusting future depreciation charges accordingly. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset.

#### **e) Investment property-**

Investment property comprises land, buildings or other constructions held to earn rents or for capital appreciation upon disposal due to future increases in their respective market prices. At 31 December 2014, this included a plant (*land and buildings*) in Almussafes (Valencia), to be operated under a Lease.

The same methods of valuation, depreciation, and for estimating their respective useful lives and for recording any impairment losses are used as for property, plant and equipment for own use.



## **f) Accounting for Leasing operations-**

Leases are classified as "finance leases" whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as "operating leases".

### *Finance Leases-*

During 2013 and 2014, the Group has not signed any lease agreement as a lessor which might be classified as a finance lease.

In finance lease transactions where the Group acts as lessee, the cost of the leased assets is recognised in the consolidated statement of financial position according to the nature of the leased assets and, simultaneously, a liability for the same amount is also recognised. That amount will be the lower of the fair value of the leased assets and the present value at the start of the lease of the minimum payments agreed, including the purchase option if there are no reasonable doubts as to its exercise. This calculation will not include contingent payments, the cost of services and the taxes payable by the lessor. The total financial cost of the contract is taken to the consolidated income statement in the years it accrues, applying the "effective interest rate method" (as defined in paragraph j) below). Contingent rentals are recognised as expenses in the year incurred.

Assets recorded for operations of this type are depreciated following a similar policy to that applied to property, plant and equipment as a whole, in accordance with the nature of the asset.

### *Operating Leases-*

In operating leases, the lessor retains ownership of the asset leased and substantially all the risks and benefits of ownership of the asset.

Whenever the Group acts as lessor, the cost of acquiring the assets leased is stated in "Investment property". Depreciation is charged on these assets in accordance with the policies adopted for similar PP&E items for own use, and the revenues from the lease contracts are released to the consolidated income statement on a straight-line basis.

Whenever the Group acts as lessee, the lease expenses, including any incentives that may be granted by the lessor, are charged to the consolidated income statement on a straight-line basis.

## **g) Non-current assets held for sale-**

Assets which are most likely to be sold, in their present condition, within one year from the end of the reporting period are recorded under this heading in the consolidated statement of financial position. The carrying amount of these assets is, therefore, expected to be recovered via their selling price rather than from their ongoing use. Assets classified as "Non-current assets held for sale" are stated at the lower of their carrying amount when they are classified as such and their fair value net of their estimated cost to sell. Amortisable intangible assets and depreciable PP&E are not amortised or depreciated while classified as held for sale.

At 31 December 2013 the Group had no assets classified as "Non-current assets held for sale". In 2014 the Group has classified as "Non-current assets held for sale" land in Tangiers (Morocco) acquired in the same year. Based on recent offers received, the fair value of this building is considered to be at least equal to its carrying amount. It is expected to be sold over the next twelve months.

## **h) Inventories-**

The Group values its inventories as follows:

- Raw materials and other supplies, packaging and containers, replacement parts, sundry materials, add-on parts and stocks for resale are valued at the lower of cost applying the weighted average price method, and net realisable value.
- Finished goods, semi-finished goods and work-in-process are stated at the lower of real average production cost (raw and other materials used, labour and direct and indirect manufacturing expenses) and net realisable value.
- Tools for new projects, which are developed and manufactured by the Group to be sold later on to its customers, are stated at the lower of either the costs incurred to manufacture them, as and when they are incurred, and their estimated realisable value.

Net realisable value corresponds to the estimated selling price less the estimated costs of completing the products and the costs to be incurred in marketing, selling and distribution.

Obsolete, defective or slow-moving inventories have been reduced to their realisable value. The Group recognises the appropriate valuation adjustments as an expense when the net realisable value of inventory is lower than its acquisition or production cost.

#### ***i) Trade receivables and customer advances-***

Trade receivables do not accrue interest and are carried at their nominal amount. However, a provision is set up for impairment losses on trade receivables when there is objective evidence that the amounts receivable cannot be collected.

Customer advances received prior to recognising the sale of the corresponding assets (*specifically tools for projects*), are recorded in current liabilities under "Trade and other payables" in the consolidated statement of financial position (see Note 3-r).

#### ***j) Financial instruments-***

##### ***Definitions-***

A "*financial instrument*" is a contract representing a financial asset for one entity and, simultaneously, a financial liability or equity instrument for another.

An "*equity instrument*" is any contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "*financial derivative*" is a financial instrument the value of which changes in response to changes in an observable market variable (*such as an interest rate, exchange rate, the price of a financial instrument or a market index*), where the initial investment is very low compared to other financial instruments with similar responses to changes in market conditions and which is, as a general rule, settled on a future date.

The operations referred to below are not treated for accounting purposes as financial instruments:

- Shareholdings in Associates.
- Rights and obligations arising from employee benefits schemes.
- Rights and obligations originating in insurance contracts.
- Contracts and obligations relating to employee remuneration based on equity instruments.

#### *Recording financial instruments for the first time-*

Financial instruments are recorded for the first time in the consolidated statement of financial position when the Group becomes party to the contract that originates them, in accordance with the terms thereof. Specifically, debt instruments are recorded as from the date the effective legal right to receive or the effective legal obligation to pay arise respectively. Financial derivatives are, as a general rule, recorded on the date they are contracted.

Operations to sell and buy financial assets in the form of conventional contracts, defined as contracts where the reciprocal obligations of the parties must be fulfilled by a deadline set under the regulations or conventions of the market, and may not be settled as differences, are recorded as from the date the benefits, risks, rights and duties of ownership pass to the acquiring party. Depending on the type of financial asset bought or sold, this may be the contract date or the settlement or delivery date.

#### *Derecognition of financial instruments-*

A financial asset is derecognised in the following circumstances:

- The contractual rights regarding the cash flows it generates have expired; or
- the financial asset is transferred and the risks and benefits of the financial asset are substantially transferred, or, even when they are not transferred or substantially withheld, control over the financial asset is transferred.

When the Group assigns without recourse a portion of its receivables to various financial institutions, as this involves transferring part of the risks and benefits of the assets and control thereof, the Group directly reduces its trade receivables by the amount of the receivables assigned to the financial institutions and does not, therefore, recognise any financial liability in this connection. At 31 December 2014 the Group had no receivables assigned without recourse to financial institutions (*at 31 December 2013 the outstanding receivables totalled approximately 158,684 euros*).

Financial liabilities are derecognised from the consolidated statement of financial position when the obligations that have generated them have been discharged.

#### *Fair value of financial instruments-*

The “fair value” of a financial instrument on a particular date is defined as the amount at which it could have been exchanged at that date between knowledgeable parties in arm's length transactions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market (“quoted price” or “market price”).

When there is no market price for a specific financial instrument, fair value is estimated on the basis of recent arm's length transactions in similar instruments and, if there are none, using measurement models that have been sufficiently verified by the international financial community, bearing in mind the specific nature of the instrument to be valued and, in particular, the different types of risk associated with it.

Specifically, the fair value of the financial derivatives traded on organised, transparent, deep markets included in trading portfolios is deemed to be their daily listed price and if, for exceptional reasons, their listed price cannot be determined on a particular date, the methods used to state them are similar to those used for stating derivatives contracted OTC.

The fair value of OTC derivatives or derivatives traded in shallow markets or markets where there is little transparency, is deemed to be the sum of the future cash flows originating in the instrument, discounted as at the valuation date (“present value” or “theoretical closing”), using methods recognised by financial markets (“net present value”, “options pricing systems”, etc.).

For financial reporting purposes, measurements of fair value are classified under three levels according to the extent to which the inputs applied are observable and according to how significant said inputs are for the entire measurement:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in active markets for similar assets or liabilities (*not included within Level 1*), quoted prices for identical or similar assets or liabilities in markets that are not active, and techniques based on measurement models for which all the significant inputs that are derived from or corroborated by observable market data.
- Level 3 inputs are generally unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in measurement models are a significant part of the fair value of the assets and liabilities.

#### *Amortised cost of financial instruments-*

"*Amortised cost*" is deemed to be the cost of acquiring a financial asset or liability, adjusted up or down, depending on the case, for repayments of principal and interest payments and, adjusted up or down, depending on the case, for the part taken to the consolidated income statement, using the "*effective interest rate*" method, of the difference between the initial amount and the repayment value of said financial instrument. The amortised cost of financial instruments also includes any impairment adjustments recognised.

The "*effective interest rate*" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. For fixed-rate financial instruments, the effective interest rate coincides with the rate of interest established in the contract at the time of acquisition, adjusted as necessary for any commissions or fees which should be included in the calculation of this effective interest rate. For floating interest rate financial instruments, the effective interest rate is estimated in a similar fashion as for fixed interest rate operations, and is recalculated on every contractual interest rate adjustment date of the operation, taking into account the changes in the effective future cash flows of the instruments.

#### *Classification and valuation of financial assets and liabilities-*

Financial liabilities are classified in the consolidated statement of financial position into the following categories:

##### *Financial assets-*

- Financial assets held for trading: assets acquired with the intention of selling them in the short term, or which form part of a portfolio of identified and jointly managed financial instruments for which there is evidence that action has recently been taken to make short-term profits, and derivatives that have not been designated as hedges.
- Investments held to maturity: assets yielding income of a determinable amount and maturing on a fixed date, where the Company states its intent and ability to maintain these assets under its control until their maturity. This category does not include loans or receivables from third parties.
- Loans and receivables generated by the Group: financial assets originated by the Group in exchange for providing cash flow, assets or services directly to a debtor. They are stated at "amortised cost".
- Available-for-sale financial assets: securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments, and equity instruments held by the Group in companies that are not subsidiary or associate companies or joint ventures.

Held-for-trading and available-for-sale financial assets are stated at fair value at subsequent statement dates. Gains and losses arising from changes in fair value of traded securities are taken to income in the year. In the case of available-for-sale investments, gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time any cumulative gains or losses previously recognised in equity are taken to income in the year.

Held-to-maturity investments, loans and accounts receivable generated by the Group are stated at amortised cost, and accrued interest income is taken to the consolidated income statement using the "effective interest rate". Amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the amount on maturity, minus any reduction for impairment or default.

#### *Financial liabilities-*

Financial liabilities are classified in accordance with the content of the contractual arrangements. The main financial liabilities held by the consolidated companies are held-to-maturity financial liabilities that are stated at amortised cost.

Bank loans and overdrafts: interest bearing liabilities that are stated at the amount received net of direct issue costs. Financial expenses, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method and any portion of such expenses that is not settled in the period in which they arise is added to the carrying amount of the instrument.

Trade payables, which accrue no interest, are recorded at their nominal value.

#### *Equity-*

Equity instruments are classified in accordance with the content of the contractual arrangements. The amounts received for equity instruments issued by the Parent are recognised in consolidated equity, net of the direct issue costs.

### **k) Financial derivatives and accounting for hedges-**

The Parent's bank borrowings expose the Group to interest-rate risk (see Note 17). To hedge against this exposure, the Group uses derivatives, essentially "Interest Rate Swaps" (IRS). The Group does not use derivative financial instruments for speculative purposes.

The Group classifies such financial instruments, provided they meet the requirements laid down by IAS 39 in this regard, as hedges in a cash flow hedge relationship. Under IAS 39, to qualify as an accounting hedge, a financial derivative must be used to hedge against one of the three types of risk listed below:

1. "*Fair-value hedges*": exposure to changes in fair value of a recognised asset or liability due to changes in price, interest rate and/or foreign exchange rate affecting the position or balance to be covered.
2. "*Cash-flow hedges*": exposure to variability in estimated cash flows generated from financial assets, liabilities and commitments or from highly probable forecast transactions.
3. "*Hedging of net investments in foreign operations*".

In addition, hedges must effectively eliminate the risk inherent in the hedged item or position during the entire term planned for the hedge, and it must be formally documented that the financial derivative was arranged specifically to be used as a hedge for certain balances or transactions.

Under IAS 39, all financial instruments must be recognised as an asset or a liability on the statement of financial position, at their fair value, and any changes in this value must be taken to profit and loss for the year, except in those cases where, having opted for "hedge accounting", the effective portion of the hedging relationship must be recorded under net equity ("*cash-flow hedges*" and "*hedges of net investment in foreign subsidiaries*").

Hedge accounting, when applied, is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. Any cumulative gain or loss on the hedging instrument that has been recognised in equity shall remain in equity until the forecast transaction occurs. When the hedged transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in equity shall be reclassified from equity to the consolidated income statement.

As at 31 December 2014 and 2013, the Group treated said derivatives as cash flow hedges and therefore subject to "hedge accounting", recognising changes in the fair value of the effective portion of the hedge in consolidated net equity (see Notes 13 and 18).

***l) Balances and transactions denominated in foreign currencies-***

The Group uses the euro as its working currency. Consequently, operations in non-euro currencies are considered to be denominated in foreign currency and are recorded at the exchange rates prevailing on the dates of the operations. Gains or losses on transactions denominated in foreign currencies are taken to the consolidated income statement as and when they occur.

At the year end, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rate prevailing at the end of the reporting period. Any resulting gains or losses are recognised directly in the consolidated income statement.

***m) Provisions and contingencies-***

Provisions are current obligations of the Group, arising as a result of past events, the nature of which is clearly specified as at the date of the consolidated annual financial statements, but whose amount and/or reversal date are uncertain and the reversal of which will probably result in an outflow of resources embodying economic benefits.

Contingent liabilities are possible obligations of the Group, arising as a result of past events, which depend on whether or not one or more events beyond the Group's control occur in the future. They include the Group's current obligations whose settlement will probably not require an outflow of resources embodying economic benefits, or where a sufficiently reliable estimate of the amount of the obligation cannot be made.

Provisions are recognised in the consolidated statement of financial position wherever it is more likely than not that an outflow of resources will be required to settle the obligation. Contingent liabilities are not recognised in the consolidated statement of financial position, but rather, whenever applicable, are disclosed in the Notes to the financial statements.

Provisions are measured using the best information available of the expenditures required to settle the obligation and are reviewed and adjusted at the end of each reporting period to reflect the current best estimate. They are used to meet the specific obligations for which they were originally recognised and are fully or partially reversed when those obligations cease to exist or are reduced.

The provisions deemed necessary in accordance with these criteria, and the reversals thereof, are recorded as a charge or credit, respectively, in the consolidated income statement.

**n) Termination benefits-**

Under current employment legislation, the Group companies are obliged to pay termination benefits to employees whose contract is terminated under certain conditions.

Where the amount of the benefits can be reasonably estimated, such benefits are recognised as an expense in the year in which the decision is made, provided the parties involved have been formally notified and there is, therefore, a valid expectation on the part of those involved that the consolidated companies will make the dismissals. The accompanying consolidated statement of financial position at 31 December 2014 includes a number of provisions under this heading, albeit for amounts that are not material.

**o) Pension commitments-**

Some Grupo Antolin companies forming part of the "CML Innovative Technologies" subgroup, acquired in January 2012, have assumed commitments to pay contributions to the retirement pensions of some of their current and former employees (*retirement plans based on years of service, age and salary*). These commitments affect, primarily, companies of this subgroup located in Germany and the United Kingdom.

A significant portion of these commitments has been outsourced and is covered by insurance policies or pension plans with insurance companies. The Group pays fixed contributions into a fund and is obliged to make additional contributions if the fund does not have sufficient assets to pay all the employees the benefits to which it is committed.

The Group records the present value of these defined benefit commitments as liabilities in the consolidated statement of financial position under "Non-current provisions", net of the fair value of the assets that meet the requirements to be treated as "assets earmarked for the plan". The aforementioned insurance policies (*or pension plans*) are treated as earmarked assets as they are not owned by the Group but by an unassociated third party, they may only be used to pay or finance employee benefits and may not be returned to the Group unless the assets held within the plan are sufficient to meet all obligations.

Changes in the provision recognised for these commitments in the consolidated statement of financial position corresponding to the cost of the service in the financial year, to interest or changes in the cost for past services provided, are taken to the income statement in the financial year in which they are incurred. "Actuarial gains and losses" (*as a result of differences between previous actuarial assumptions and real outcomes or of changes to the actuarial assumptions used*) are taken directly to equity as "Remeasurements".

**p) Corporate income tax-**

Grupo Antolin-Irausa, S.A. and all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has holdings of 75% or more file consolidated corporation tax returns.

The income tax expense is calculated as the tax payable with respect to the taxable profit for the year, after considering any changes in the assets and liabilities recognised arising from temporary differences and from tax credit and tax loss carryforwards (see Note 20).

The Group considers that a timing difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base for assets and liabilities is treated as the amount attributed to it for tax purposes. A taxable timing difference is understood to be a difference that will generate a future obligation for the Group to pay taxes to the related tax authorities. A deductible timing difference is one that will generate a right for the Group to a refund or to make a lower payment to the related tax authorities in the future.

Tax credits and deductions and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in tax regulations are met, provided that the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within twelve months from the date they are recognised. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in future years.

Deferred tax liabilities are recognised for all taxable temporary differences. In this regard, a deferred tax liability is recognised for the taxable timing differences resulting from investments in subsidiary companies and associate companies, and from holdings in joint ventures, except when the Group can control the reversal of the timing differences and they are not expected to be reversed in the foreseeable future.

The consolidated companies only recognise deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carryforwards to the extent that it is probable that they will have sufficient future taxable profits against which these assets can be utilised.

Deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability (*other than in a business combination*) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed each year in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

#### **q) Recognition of income and expense-**

Income and expenses are taken to the consolidated income statement on an accruals basis.

Revenue is measured at the fair value of the consideration received and represents the amounts received or receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other recoverable sales-related taxes. Where it is doubtful as to whether the revenues will be collected, recognition is deferred until they are effectively collected.

- ❖ Revenues on sales of assets are recognised when all the risks and rewards of ownership of the asset are substantially transferred to the buyer.
- ❖ Ordinary revenue from the provision of services is recognised in line with the stage of completion of the transaction as at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.
- ❖ Revenues on the sale of project tools. The Group records the income arising from the sale of these tools under the "Other operating income-Revenues on the sale of project tools" in the consolidated statement of income, once the aforementioned tools have been technically approved by the customer and title thereto has been transferred, or when mass production of the products manufactured with these tools is well under way and, therefore, it is considered that the aforementioned technical approval has been given and no difficulties are expected in the transfer of title. Moreover, any final losses expected to be sustained on tools are recognised in full when such a loss becomes apparent, and the related provisions are recognised under this heading in the consolidated income statement.

Amounts billed in advance by the Group until title to these tools has been transferred are recorded as a liability under "Trade and other payables" in the consolidated statement of financial position.

- ❖ Rental income is recorded on an accrual basis, with incentive benefits and the up-front costs of the lease agreements released on a straight-line basis.
- ❖ Capital grants are recognised in the consolidated statement of financial position as deferred income when the Group has met the relevant qualifying conditions and there are, therefore, no reasonable doubts about their being collected. These capital grants are taken to the consolidated income statement under "Capital grants and other grants taken to income" on a straight-line basis over the useful lives of the assets.



Government grants to cover or finance expenses incurred by the Group are recognised once all the conditions attaching to them have been fulfilled and will be taken to income when the financed expenses are incurred.

- ❖ Interest income and expense is recognised on an accruals basis using the “*effective interest rate method*”.
- ❖ Dividends received from other companies are recognised as income in the income statement when the consolidated companies' right to receive them arises.

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that the recognition of an expense takes place simultaneously with the recognition of the increase in the liability or the depletion of the asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

An expense is also recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

**r) *Classification of assets and liabilities as current-***

In the consolidated statement of financial position, assets and liabilities that are expected to be recovered, consumed or settled in twelve months or less, as from the end of the reporting period, are classified as current, except for project tools, which are recorded as “Inventories” under “Current assets” in the consolidated statement of financial position, as they are expected to be realised in the normal course of the Group's business (*as part of its normal operating cycle*), and the liabilities connected with said inventories (*customer advances*) which are recognised under “Current liabilities” in the consolidated statement of financial position, regardless of when they fall due. When the Group does not have an unconditional right by the year end to defer settlement of a liability for at least twelve months as from the end of the reporting period, the liability is recorded as current.

**s) *Set-off of balances-***

Balances receivable and payable are only set off against each other, and therefore stated as a net figure in the consolidated statement of financial position, when they arise from transactions that provide, either contractually or in accordance with prevailing legislation, for the possibility of set-off and the intention is to settle the balance for the net amount, or to realise the asset and pay the liability at the same time.

**t) *Discontinued operations-***

A discontinued operation is a line of business that it has been decided to abandon and/or sell and whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes. Revenues and expenses from discontinued operations are disclosed separately in the consolidated income statement.

No line of business or business segment was discontinued in 2014 or 2013.

**u) *Consolidated cash-flow statement-***

The consolidated statement of cash flows is prepared using the indirect method using the following terms with the meanings given below:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to low risk of changes in value.

- **Operating activities:** the typical activities of companies in the motor parts industry and other activities that cannot be classified as investing or financing activities.
- **Investment activities:** the acquisition, sale or disposal by other means of non-current assets and other assets not classified as cash and cash equivalents.
- **Financing activities:** activities that result in changes in the size and composition of equity and liabilities that are not part of operating activities.

For the purposes of preparing the consolidated cash flow statement, cash and cash equivalents include cash and demand deposits at banks and highly liquid current investments which are easily convertible into determinate cash amounts and are subject to insignificant risk as regards changes in value.

#### (4) ALLOCATION OF THE PARENT'S PROFIT

The profit of the Parent for 2014, as formulated by its Directors, will be applied as presented below, together with the allocation of profit for the year ended 31 December 2013 which was approved by the General Meeting of Shareholders held on 3 March 2014:

	Thousands of Euros	
	2014	2013
<b>Distributable profit:</b> Profit for the year	<b>3,984</b>	<b>196,371</b>
<b>Allocation:</b> Voluntary reserves	3,984	78,166
Dividends	-	118,205
	<b>3,984</b>	<b>196,371</b>

#### Interim dividend paid in 2013-

The profit for the year ended 31 December 2013 allocated to dividends was fully distributed during 2013. On 16 December 2013, the General Meeting of Shareholders of the Parent agreed to distribute an interim dividend of 118,205 thousand euros against the profit for the year ended 31 December 2013, recognised under "Interim dividend" in the accompanying consolidated statement of financial position and charged to "Capital and Reserves" (see Note 13).

The statutory provisional financial statement prepared by the Parent's Board of Directors, in accordance with article 277 of the revised text of the Spanish Corporate Enterprise Act, disclosing that the Group has sufficient liquidity to allow the distribution of said interim dividend against the profits for the year ended 31 December 2013, is reproduced below:

Liquidity Statement for the Distribution of an Interim Dividend 16 December 2013	Thousands of Euros
Liquid assets at the distribution agreement date	159,234
Less- Interim dividend to be distributed	(118,205)
<b>Remaining liquid assets after distribution</b>	<b>41,029</b>
Plus- Forecast increases in liquid assets in the next 12 months	-
Less- Forecast decreases in liquid assets in the next 12 months	(2,168)
<b>Forecast liquid assets in 12 months</b>	<b>38,861</b>

Furthermore, in order to distribute this interim dividend, the Parent's Board of Directors ensured that it met the requirement that the amount distributed may not exceed the profits generated to that date, after deducting the estimated amount of the Income Tax payable on said profit for the year ended 31 December 2013.

## (5) BUSINESS COMBINATIONS

No business combinations were effected during 2013.

In September 2014, as detailed in Note 2-g, the Parent acquired all the share capital of the company Machino Auto Comp, Ltd., for a cost of 1.4 million euros. This operation formed part of the Group's planned expansion process in line with the guidelines established in its Strategic Plan. The name of this company was changed to "Grupo Antolin-Chakan, Ltd." prior to 31 December 2014.

The assets and liabilities recognised at the month end closest to the acquisition date (30 September 2014) were measured at fair value as follows:

	Thousands of Euros
<b>ASSETS-</b>	
Non-current assets:	
Intangible assets (Note 6)	19
Property, plant and equipment (Note 7)	4,158
Non-current financial assets	41
Deferred tax assets	410
Current assets:	
Inventories	245
Trade and other receivables	961
Current financial investments	233
Cash and cash equivalents	152
<b>Total assets</b>	<b>6,219</b>
<b>LIABILITIES-</b>	
Non-current liabilities:	
Non-current provisions	(11)
Other non-current payables	(1,205)
Deferred tax liabilities	(356)
Current liabilities:	
Other current payables	(456)
Trade and other payables, and others	(3,349)
<b>Total liabilities</b>	<b>(5,377)</b>
<b>Net</b>	<b>842</b>

The amounts recognised for these business combinations do not differ significantly from the carrying amount immediately prior to the operation determined in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) except in respect of the measurement of certain items of property, plant and equipment (*the fair value of which was deemed to be 1,047 thousand euros higher than the carrying amount in the financial statements*) and the corresponding deferred tax liability.

As a result of the recognition of the aforementioned assets and liabilities, goodwill amounting to 602 thousand euros was recognised under "Intangible assets-Goodwill" in the consolidated statement of financial position at 31 December 2014. The amount of goodwill was calculated as follows:

Description	Thousands of Euros
Cost of the business combination	1,444
Less fair value of the assets acquired	(842)
<b>Goodwill (Note 7)</b>	<b>602</b>

The breakdown of income and expenses and profit attributable to the business combination in the period from its acquisition date or incorporation in the scope of consolidation (1 October 2014) and 31 December 2014 is as follows:

Description	Thousands of Euros
Net turnover	2,426
Other operating income	85
Supplies	(1,767)
Staff costs	(176)
Depreciation and amortisation expenses	(99)
Other operating expenses	(230)
<b>Operating profit</b>	<b>239</b>
Financial income and expense	(41)
<b>PROFIT BEFORE TAX</b>	<b>198</b>
Corporate income tax	-
<b>Profit for the year</b>	<b>198</b>
<b>Profit for the year attributable to non-controlling interests</b>	<b>-</b>
<b>Profit attributable to the Parent Company</b>	<b>198</b>

## (6) INFORMATION BY SEGMENT

The information by segments used by Group Management for management purposes is structured on the basis of the Group's different business units, and also by geographical segments. Group companies are classified into business segments according their main activity, although they may carry out occasional or secondary activities relating to another segment.

Based on the nature of the products, the Group's main units or business segments are "Seating", "Doors (or Panels)" and "Overheads", and "Lighting". There is also a "Corporate Unit" (included under "Other") which centrally manages certain assets and the funding received by the Group from third parties, and other minor activities.

### Basis and methodology for segment reporting-

The business segment reports below are based on monthly reports prepared by Group Management, which are generated using the same computer application as is used to obtain all the Group's accounting data.

The revenues reported for each segment are those which are directly attributable to the Group companies included in that segment for management purposes, and therefore also include secondary revenues recognised by said companies in respect of sales for the provision of services to other segments. The income of each segment does not include interest or dividend income or the gains on sales of investments or of non-current assets.

The expenses of each segment are calculated as being the expenses arising out of the operating activities of the segment that may be directly attributed to the Group companies included in that segment for management purposes, and include the overheads of the Corporate Unit that have been passed on to it and invoiced to each segment. The expenses of each segment do not include interest expense, impairments or losses on sales of investments or of non-current assets.

Assets and liabilities in the segments are those that are directly connected with the operations of the Group's companies in each segment, although virtually all the financial debt of the Group has been centralised in the Corporate Unit.

2014

By business segment

Description	Thousands of Euros					
	Seating	Doors	Overheads	Lighting	Other (a)	Total
Net turnover	205,040	644,122	1,210,350	164,871	1,024	2,225,407
Other operating (expenses) / income, net	(177,327)	(552,045)	(1,094,147)	(136,052)	1,163	(1,958,408)
<b>EBITDA</b>	<b>27,713</b>	<b>92,077</b>	<b>116,203</b>	<b>28,819</b>	<b>2,187</b>	<b>266,999</b>
Depreciation and amortisation	(9,900)	(33,218)	(34,275)	(7,344)	(6,875)	(91,612)
<b>Operating income / (loss) (EBIT)</b>	<b>17,813</b>	<b>58,859</b>	<b>81,928</b>	<b>21,475</b>	<b>(4,688)</b>	<b>175,387</b>
Net finance income						(42,964)
Other profit and loss						1,726
Corporate income tax						(44,466)
<b>Consolidated profit</b>						<b>89,683</b>

<b>Other information:</b>						
Investments in intangible assets in 2014	6,475	20,152	14,782	9,863	6,397	57,669
Capital expenditures on property, plant and equipment in 2014	4,992	35,122	30,046	19,442	1,728	91,330
<b>Assets attributable to the segment at 31 December 2014</b>	<b>135,740</b>	<b>534,665</b>	<b>635,130</b>	<b>157,614</b>	<b>304,123</b>	<b>1,767,272</b>
<b>Liabilities attributable to the segment at 31 December 2014</b>	<b>(55,248)</b>	<b>(283,325)</b>	<b>(302,881)</b>	<b>(70,252)</b>	<b>(741,996)</b>	<b>(1,453,702)</b>

- (a) The operating income (EBIT) presented in this column corresponds principally to the amortisation of gains assigned to intangible assets and property plant and equipment in the business combination of the CML Innovative Technologies subgroup. The goodwill arising on this operation also forms part of the assets presented in this column.

By geographical segment

Description	Thousands of Euros					
	Asia/Pacific	Europe	Mercosur	NAFTA	Other	Total
Net turnover	144,305	1,314,883	74,580	671,085	20,554	2,225,407
Other operating (expenses) / income, net	(119,943)	(1,151,376)	(78,020)	(592,113)	(16,956)	(1,958,408)
Depreciation and amortisation	(4,933)	(69,539)	(3,442)	(12,065)	(1,633)	(91,612)
<b>Operating income / (loss) (EBIT)</b>	<b>19,429</b>	<b>93,968</b>	<b>(6,882)</b>	<b>66,907</b>	<b>1,965</b>	<b>175,387</b>
<b>EBITDA</b>	<b>24,362</b>	<b>163,507</b>	<b>(3,440)</b>	<b>78,972</b>	<b>3,598</b>	<b>266,999</b>
<b>Assets attributable to the segment at 31 December 2014</b>	<b>147,601</b>	<b>1,243,916</b>	<b>45,380</b>	<b>294,237</b>	<b>36,138</b>	<b>1,767,272</b>
<b>Liabilities attributable to the segment at 31 December 2014</b>	<b>(61,683)</b>	<b>(1,217,702)</b>	<b>(12,634)</b>	<b>(154,588)</b>	<b>(7,095)</b>	<b>(1,453,702)</b>

2013

By business segment

Description	Thousands of Euros					
	Seating	Doors	Overheads	Lighting	Other (a)	Total
Net turnover	185,576	597,703	1,170,349	130,348	713	2,084,689
Other operating (expenses) / income, net	(166,024)	(520,873)	(1,061,945)	(109,556)	(1,316)	(1,859,714)
<b>EBITDA</b>	<b>19,552</b>	<b>76,830</b>	<b>108,404</b>	<b>20,792</b>	<b>(603)</b>	<b>224,975</b>
Depreciation and amortisation	(10,935)	(38,116)	(35,408)	(5,785)	(7,670)	(97,914)
<b>Operating income / (loss) (EBIT)</b>	<b>8,617</b>	<b>38,714</b>	<b>72,996</b>	<b>15,007</b>	<b>(8,273)</b>	<b>127,061</b>
Net finance income						(25,536)
Other profit and loss						(2,295)
Corporate income tax						(35,741)
<b>Consolidated profit</b>						<b>63,489</b>
<b>Other information:</b>						
Investments in intangible assets in 2013	7,802	17,737	8,731	7,672	1,343	43,285
Capital expenditures on property, plant and equipment in 2013	6,115	19,822	29,142	15,792	1,439	72,310
<b>Assets attributable to the segment at 31 December 2013</b>	<b>104,029</b>	<b>387,248</b>	<b>462,887</b>	<b>122,026</b>	<b>283,054</b>	<b>1,359,244</b>
<b>Liabilities attributable to the segment at 31 December 2013</b>	<b>(57,563)</b>	<b>(215,172)</b>	<b>(257,357)</b>	<b>(61,534)</b>	<b>(550,010)</b>	<b>(1,141,636)</b>

- (a) The operating income (EBIT) presented in this column corresponds principally to the amortisation of gains assigned to intangible assets and property plant and equipment in the business combination of the CML Innovative Technologies subgroup. The goodwill arising on this operation also forms part of the assets presented in this column.

By geographical segment

Description	Thousands of Euros					
	Asia/Pacific	Europe	Mercosur	NAFTA	Other	Total
Net turnover	112,372	1,177,549	114,450	662,639	17,679	2,084,689
Other operating (expenses) / income, net	(91,776)	(1,047,191)	(118,654)	(586,632)	(15,461)	(1,859,714)
Depreciation and amortisation	(5,289)	(73,803)	(3,754)	(13,365)	(1,703)	(97,914)
<b>Operating income / (loss) (EBIT)</b>	<b>15,307</b>	<b>56,555</b>	<b>(7,958)</b>	<b>62,642</b>	<b>515</b>	<b>127,061</b>
<b>EBITDA</b>	<b>20,596</b>	<b>130,358</b>	<b>(4,204)</b>	<b>76,007</b>	<b>2,218</b>	<b>224,975</b>
<b>Assets attributable to the segment at 31 December 2013</b>	<b>98,447</b>	<b>955,764</b>	<b>46,064</b>	<b>234,164</b>	<b>24,805</b>	<b>1,359,244</b>
<b>Liabilities attributable to the segment at 31 December 2013</b>	<b>(36,929)</b>	<b>(945,793)</b>	<b>(15,904)</b>	<b>(137,050)</b>	<b>(5,960)</b>	<b>(1,141,636)</b>

## (7) PROPERTY, PLANT AND EQUIPMENT

### Goodwill-

The movements in "Goodwill" in 2013 and 2014 are as follows:

	Thousands of Euros
<b>Balance at 31 December 2012</b>	<b>52,766</b>
Additions	-
Impairment	-
<b>Balances at 31 December 2013</b>	<b>52,766</b>
Additions	602
Impairment	-
<b>Balances at 31 December 2014</b>	<b>53,368</b>

The balance under this item in the consolidated statement of financial position at 31 December 2013 corresponded to goodwill pertaining to the group "CML Innovative Technologies" acquired by the Group in January 2012 (50,816 thousand euros) and to goodwill recognised by the consolidated subsidiary companies for non-material amounts. The addition in 2014 corresponds to goodwill arising on the acquisition of Machino Auto Comp, Ltd., now known as "Grupo Antolin-Chakan, Ltd." (see Note 5).

This goodwill has been assigned to three cash generating units: Germany and the Czech Republic (15,959 thousand euros), the United Kingdom (3,407 thousand euros) and the French subsidiary and its subsidiaries in other countries (31,450 thousand euros).

At the end of each reporting period, the Group makes an estimate of whether there has been any impairment that reduces the recoverable value of goodwill to less than its carrying amount and makes any adjustments necessary. The policies applied by the Group to test for impairment to goodwill are described in Note 3-b.

The Group carried out the following review at 31 December 2014 and found that the recoverable amount of goodwill is higher than its carrying amount (*corresponding almost entirely to consolidated subsidiaries which currently generate profits*). To determine the recoverable amount, the Parent's Directors reviewed and updated the assumptions relating to the future activities and forecast results of the corresponding consolidated subsidiaries and their impact on cash flows, taking into consideration the performance of the main variables in 2014 and any variances from the estimates made at the start of the year.

The recoverable amount of the cash generating units associated with the goodwill recognised was revised taking their value in use based on best estimates of cash flows for the next five years (*reviewed and updated by the Group's Directors*) with a terminal value estimated assuming a growth rate in perpetuity. The sales of the "CML Innovative Technologies" group are forecast to grow strongly, especially in 2015 and 2016, when production will commence in respect of new contracts with Mercedes, VW, Renault, Nissan and PSA in Europe and with the last two in China. EBITDA will also grow in line with revenues (*starting from the 29 million euros obtained in 2014*). The discount rate before tax used for the purposes of this impairment test varies from country to country from 8.27% to 10%, approximately. The terminal value is calculated assuming sustainable average cash flows and a forecast growth rate of zero or one.

The Group's Directors have also performed a sensitivity analysis estimating that even if the expected sales growth is not achieved (*and current levels are maintained*) and/or the discount rates increase there is no expected risk of impairment, except in the case of the goodwill assigned to the companies of the CML subgroup in the United Kingdom, where the impairment would not be material.

#### Other intangible assets-

The movements under this heading and the related accumulated amortisation and provisions for impairments in 2014 and 2013 were as follows:

	Thousands of Euros			
	Development Expenses	Computer Software	Other Intangible Assets	Total
<b>Cost:</b>				
<b>Balances at 31 December 2012</b>	<b>404,476</b>	<b>41,130</b>	<b>13,086</b>	<b>458,692</b>
Additions	40,441	2,684	160	43,285
Retirements or disposals	(10,427)	(995)	(677)	(12,099)
Translation differences and other items	(7,419)	57	(298)	(7,660)
<b>Balances at 31 December 2013</b>	<b>427,071</b>	<b>42,876</b>	<b>12,271</b>	<b>482,218</b>
Additions	54,422	3,165	43	57,630
Retirements or disposals	(6,866)	(229)	(13)	(7,108)
Investments incorporated in the scope of consolidation (Note 5)	-	39	-	39
Transfers to "Property, plant and equipment"	-	(225)	-	(225)
Transfers between accounts	(188)	188	-	-
Translation differences and other items	8,233	337	63	8,633
<b>Balances at 31 December 2014</b>	<b>482,672</b>	<b>46,151</b>	<b>12,364</b>	<b>541,187</b>
<b>Accumulated amortisation:</b>				
<b>Balances at 31 December 2012</b>	<b>(254,865)</b>	<b>(34,052)</b>	<b>(5,492)</b>	<b>(294,409)</b>
Amortisation	(30,915)	(2,183)	(2,630)	(35,728)
Retirements or disposals	8,195	853	535	9,583
Transfers from "Impairment of intangible assets"	(881)	-	-	(881)
Translation differences and other items	7,897	(1,397)	142	6,642
<b>Balances at 31 December 2013</b>	<b>(270,569)</b>	<b>(36,779)</b>	<b>(7,445)</b>	<b>(314,793)</b>
Amortisation	(29,352)	(2,384)	(1,911)	(33,647)
Investments incorporated in the scope of consolidation (Note 5)	-	(20)	-	(20)
Retirements or disposals	5,535	224	-	5,759
Transfers between accounts	(67)	67	-	-
Translation differences and other items	(9,033)	(293)	(70)	(9,396)
<b>Balances at 31 December 2014</b>	<b>(303,486)</b>	<b>(39,185)</b>	<b>(9,426)</b>	<b>(352,097)</b>
<b>Impairment:</b>				
<b>Balances at 31 December 2012</b>	<b>(23,571)</b>	-	-	<b>(23,571)</b>
Impairments taken to income and reversals thereof, net	158	-	-	158
Transfers to "Accumulated amortisation on intangible assets"	881	-	-	881
Translation differences and other items	878	-	-	878
<b>Balances at 31 December 2013</b>	<b>(21,654)</b>	-	-	<b>(21,654)</b>
Impairments taken to income and reversals thereof, net	(7,620)	-	-	(7,620)
Transfers from "Property, plant and equipment"	(1,943)	-	-	(1,943)
Translation differences and other items	3,235	-	-	3,235
<b>Balances at 31 December 2014</b>	<b>(27,982)</b>	-	-	<b>(27,982)</b>
<b>Net intangible assets at 31 December 2013</b>	<b>134,848</b>	<b>6,097</b>	<b>4,826</b>	<b>145,771</b>
<b>Net intangible assets at 31 December 2014</b>	<b>151,204</b>	<b>6,966</b>	<b>2,938</b>	<b>161,108</b>

#### Development expenses-

Capitalised development expenses at 31 December 2014 correspond to a range of projects relating to automobile overheads, trays, panels, seating and mechanisms. A portion of the capitalised development expenses (*approximately 81 million euros*) corresponds to projects in progress at 31 December 2014 (*approximately 90 million euros at 31 December 2013*), and, accordingly, the related expenses will not start to be amortised until the projects have been completed. The Directors of the Parent forecast that during 2015 and 2016 most of the development projects under way at 31 December 2014 will be completed, at which time the corresponding products will go into mass production.

The main additions to development expenses in 2014 correspond to the following projects: "Asiento Mercedes VS20", "Pilar Ford CD390/391", "Panel/Pilares Renault BFB-KFB", "Panel Renault Laguna XFD" and "Panel VW Passat B8". Mass production for some of these projects began in 2014.



Development costs derecognised in 2014 correspond principally to the development of certain projects which were almost fully amortised. The Group recognised a net loss of 1,212 thousand euros as a result of these operations which was taken to income under "Gain/(loss) on disposal of non-current assets" in the accompanying consolidated income statement (*losses of 714 thousand euros were taken to income in 2013 following the derecognition of development costs which were not technically or economically viable*).

#### *Impairment losses-*

At the end of every reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. Should any such signs of impairment exist, the recoverable amount of these assets is quantified in order to determine any impairment loss suffered. The recoverable amount of the cash generating units associated with these intangible assets was measured taking their value in use based on best estimates of cash flows over the life of corresponding projects. The discount rate before tax used for the purposes of these impairment tests is around 10%.

Accordingly, at 31 December 2014, the Group had recorded provisions for impairment totalling 27,982 thousand euros (*21,654 thousand euros at 31 December 2013*), corresponding to a decrease in the value of the capitalised development expenses of certain seating, panelling and overhead projects which are currently loss-making, and for which the recoverable value is lower than their carrying amount. Approximately 7.7 million euros of this amount was recognised under "Net impairment losses on non-current assets" in the accompanying consolidated income statement for 2014 (*approximately 1.7 million euros in 2013*). In addition, the impairment provisions reversed in 2014 and 2013 with a credit to this heading in the accompanying consolidated income statements for 2014 and 2013 were practically zero.

#### *Other intangible assets-*

At 31 December 2014 this item corresponded almost entirely to customer relations recognised in the business combinations of the CML Innovative Technologies group in 2012 and the business acquired from the Italian company CRS, which will be amortised over 7 and 5 years, respectively.

#### *Fully amortised assets-*

The Group's intangible assets include certain assets which had been fully amortised at 31 December 2014 and 2013. The total cost and related accumulated amortisation of these assets amounted to approximately 189 and 164 million euros, respectively.

## **(8) PROPERTY, PLANT AND EQUIPMENT**

The movements in 2014 and 2013 in property, plant and equipment and in the related accumulated depreciation and provisions for impairments were as follows:

	Thousands of Euros			
	Land and Buildings	Technical Plant, Machinery and Other PP&E	PP&E under Construction and Prepayments	Total
<b>Cost:</b>				
<b>Balances at 31 December 2012</b>	217,959	764,205	36,148	1,018,312
Additions	13,208	41,916	17,186	72,310
Retirements or disposals	(100)	(26,869)	(793)	(27,762)
Transfers between accounts	(1,555)	26,043	(24,488)	-
Translation differences and other items	(2,603)	(11,115)	(2,981)	(16,699)
<b>Balances at 31 December 2013</b>	<b>226,909</b>	<b>794,180</b>	<b>25,072</b>	<b>1,046,161</b>
Additions	10,812	53,215	21,837	85,864
Investments incorporated in the scope of consolidation (Note 5)	2,520	2,946	-	5,466
Retirements or disposals	(825)	(16,744)	(2,521)	(20,090)
Transfers between accounts	-	13,197	(13,197)	-
Transfers from "Intangible assets"	225	-	-	225
Translation differences and other items	652	12,098	(1,115)	11,635
<b>Balances at 31 December 2014</b>	<b>240,293</b>	<b>858,892</b>	<b>30,076</b>	<b>1,129,261</b>
<b>Accumulated amortisation:</b>				
<b>Balances at 31 December 2012</b>	(56,477)	(534,091)	-	(590,568)
Amortisation	(6,034)	(55,420)	-	(61,454)
Retirements or disposals	66	16,375	-	16,441
Transfers from "Impairment of property, plant and equipment"	-	(1,274)	-	(1,274)
Translation differences and other items	(2,390)	1,429	-	(961)
<b>Balances at 31 December 2013</b>	<b>(64,835)</b>	<b>(572,981)</b>	<b>-</b>	<b>(637,816)</b>
Amortisation	(6,353)	(51,554)	-	(57,907)
Inclusions in the scope of consolidation (Note 5)	(149)	(1,159)	-	(1,308)
Retirements or disposals	281	15,694	-	15,975
Translation differences and other items	(472)	(10,469)	-	(10,941)
<b>Balances at 31 December 2014</b>	<b>(71,528)</b>	<b>(620,469)</b>	<b>-</b>	<b>(691,997)</b>
<b>Impairment:</b>				
<b>Balances at 31 December 2012</b>	-	(8,016)	-	(8,016)
Taken to income	(3,017)	-	-	(3,017)
Retirements or disposals	-	38	-	38
Transfers to "Accumulated amortisation on property, plant and equipment"	-	1,274	-	1,274
Exchange differences	137	920	-	1,057
<b>Balances at 31 December 2013</b>	<b>(2,880)</b>	<b>(5,784)</b>	<b>-</b>	<b>(8,664)</b>
Taken to income (reversals thereof)	(445)	751	-	306
Transfers to "Intangible assets"	1,943	-	-	1,943
Exchange differences	27	497	-	524
<b>Balances at 31 December 2014</b>	<b>(1,355)</b>	<b>(4,536)</b>	<b>-</b>	<b>(5,891)</b>
<b>Net property, plant and equipment at 31 December 2013</b>	<b>159,194</b>	<b>215,415</b>	<b>25,072</b>	<b>399,681</b>
<b>Net property, plant and equipment at 31 December 2014</b>	<b>167,410</b>	<b>233,887</b>	<b>30,076</b>	<b>431,373</b>

### Additions and retirements in 2014 and 2013-

The main additions to the Group's property plant and equipment in 2014 correspond to investments in expanding production facilities, some of which were still in progress at 31 December 2014. Significant investments include those by CML Innovative Technologies, S.A.S. (France), CML Innovative Technologies, GmbH & Co. KG (Germany), Grupo Antolin-Loire, S.A.S. (France), and Grupo Antolin-Turnov, s.r.o. (Czech Republic). Fully implemented investments made in 2014 include those by Grupo Antolin-Valplas, S.A.U. (Spain), Grupo Antolin-Missouri, LLC (United States), Grupo Antolin-Aragusa, S.A.U. (Spain), Grupo Antolin-Silao, S.A. de C.V. (Mexico), Grupo Antolin-India PVT, Ltd. and Grupo Antolin-Sibiu, S.R.L. (Romania).

The main additions to the Group's property plant and equipment in 2013 correspond to new plants in Sibiu (Romania), Nizhny Nóvgorod (Russia) and Sollana-Valencia (Spain), and to investments in expanding production facilities, some of which were still in progress at 31 December 2013. Significant investments include those by CML Innovative Technologies, S.A.S. (France), CML Innovative Technologies, GmbH & Co. KG (Germany), Grupo Antolin-Turnov, s.r.o. and Grupo Antolin-Bohemia, s.r.o. (Czech Republic), Grupo Antolin-Kentucky, Inc. (United States) and Grupo Antolin-Ara, S.A.U. (Spain).

The most significant retirements in 2014 and 2013 correspond to those recognised by Trimtec, Ltda. (Brazil), Grupo Antolin-Logistik Deutschland, GmbH (Germany), Ototrim Panel Sanayi ve Ticaret, a.s. (France), and Grupo Antolin-Turnov, s.r.o. (Czech Republic) in respect of machinery and other items which were fully depreciated and which were not in productive use. No material gains were generated.

#### **Land-**

The cost of "Land and constructions" at 31 December 2014 and 2013 includes 55,860 thousand euros and 54,326 thousand euros, respectively, corresponding to the carrying amount of the land at those dates.

The Group's land holdings in the Iberian peninsula were stated at their fair value at the transition date to IFRS-EU (1 January 2006) in accordance with the stipulations of IFRS 1. The highest value attributed to said assets at that date was 29,011 thousand euros (*26,892 thousand euros of which corresponded to property, plant and equipment and the remainder to investment property*) and was determined on the basis of valuations performed by independent experts based on market prices or estimated discounted future cash flows.

#### **Investment budget for 2015-**

The Group's Directors plan to invest 93,304 thousand euros in property, plant and equipment in 2015, broken down as follows:

Business Segment	Thousands of Euros
Doors	31,907
Overheads	34,532
Seating	11,917
Lighting	12,822
Other	2,126
	<b>93,304</b>

Investments are planned for many of the Group's plants, the most significant of which (*over 2 million euros*) correspond to the new plant in Tlaxcala (Mexico) linked to a new project for Audi being developed by the "Doors" business unit and the acquisition of replacement machinery and plant by Grupo Antolin-Cambrai, S.A.S. and Grupo Antolin-Loire, S.A.S. (France), in Antolin CIE-Czech Republic, s.r.o. (Czech Republic) and Grupo Antolin-Kentucky, Ltd. (United States).

#### **Assets located outside Spain-**

The cost of the Group's property, plant and equipment located outside Spain and the corresponding accumulated depreciation and provisions for impairment at 31 December 2014 and 2013 are as follows:

Type of Asset	Thousands of Euros		
	Cost	Accumulated Depreciation and Impairment	Net
<b>As at 31 December 2013-</b>			
Land and buildings	127,353	(45,275)	82,078
Technical plant, machinery and other PP&E	518,470	(346,145)	172,325
Advances and fixed assets in progress	24,713	-	24,713
	<b>670,536</b>	<b>(391,420)</b>	<b>279,116</b>
<b>As at 31 December 2014-</b>			
Land and buildings	139,665	(52,058)	87,607
Technical plant, machinery and other PP&E	565,503	(388,294)	177,209
Advances and fixed assets in progress	29,420	-	29,420
	<b>734,588</b>	<b>(440,352)</b>	<b>294,236</b>

### Finance Leases (*leasing*)-

Shown below is a breakdown of the leased assets recognised by the Company at 31 December 2014 and 2013 as lessee under finance leases (*valued in accordance with the criterion described in Note 3-f*) with details of their key features and the corresponding finance leases signed (see Note 17:

*At 31 December 2014*

Description of Asset	Contract Term (Months)	Months Elapsed to 31/12/14	Thousands of Euros ( <i>excluding VAT and interest</i> )			
			Original Cost	Lease Instalments Paid in Prior Years	Lease Instalments Paid in 2014	Lease Payments Outstanding, Including Purchase Option
Buildings and facilities (a)	180	156	10,430	6,718	637	1,703
Buildings and facilities (b)	144	132	17,180	13,990	1,613	1,577
Machinery (b)	72	52	1,810	1,046	764	-
Machinery (d)	33	33	692	457	235	-
Construction (d)	93	36	2,952	366	240	1,601
Machinery (c)	50	15	291	-	70	221
			<b>33,355</b>	<b>22,577</b>	<b>3,559</b>	<b>5,102</b>

At 31 December 2013

Description of Asset	Contract Term (Months)	Months Elapsed to 31/12/13	Thousands of Euros (excluding VAT and interest)			
			Original Cost	Lease Instalments Paid in Prior Years	Lease Instalments Paid in 2013	Lease Payments Outstanding, Including Purchase Option
Buildings and facilities (a)	180	144	10,430	6,079	639	2,341
Buildings and facilities (b)	144	120	17,180	11,963	2,027	3,190
Machinery (b)	72	44	1,810	743	303	764
Machinery (d)	33	24	692	307	150	235
Construction (d)	93	24	2,952	154	212	1,840
Machinery (c)	50	3	291	-	-	291
			<b>33,355</b>	<b>19,246</b>	<b>3,331</b>	<b>8,661</b>

- (a) These items relate to investments made in the production plant of the consolidated subsidiary Grupo Antolin-Cambrai, S.A.S. The Group received from Communauté d'Agglomération de Cambrai (France) a capital grant to partially fund these structures and facilities, which was used to reduce its borrowings. In 2009, the purchase option in the contracts relating to the machinery was taken up.
- (b) Buildings and facilities correspond to investments made in 2003 and 2004 in the construction of the production plant belonging to consolidated subsidiary Grupo Antolin-Turnov, s.r.o., and an extension built in 2008. Machinery corresponds to investments made by the same company in 2010. In 2014 the aforementioned subsidiary company exercised its purchase option on said machinery prior to the end of the contract.
- (c) This machinery corresponds to an investment made by the subsidiary Intertrim, Ltda.
- (d) These assets correspond to certain items of machinery and buildings incorporated by the Group at their carrying amount as a result of the acquisition by Grupo Antolin-Italia, S.r.l., of the business of the Italian CRS group in February 2012. These items were used under finance leases to which the Group was subrogated.

### Operating Leases-

The consolidated companies lease buildings which house a part of their warehouses, production facilities and offices. The related contracts signed with the owners of these buildings provide that the rental periods will expire over the coming years, although they provide for the possibility of successive, tacit extensions.

The Group depreciates the property, plant and equipment installed in these buildings based on the shorter of the useful life of the assets or the estimated life of the project, as the Directors of the Parent do not foresee any difficulties in extending the terms of the corresponding lease contracts indefinitely.

The rental cost of said buildings for 2014 totalled 21 million euros, approximately (20 million euros, approximately, in 2013), recorded under "Other operating expenses" on the accompanying consolidated income statement.

The lease instalments payable to the lessors under the operating leases signed by the Group with third parties at 31 December 2014 and 2013 are as follows:

Period	Thousands of Euros	
	31/12/14	31/12/13
Not later than one year	19,286	18,227
One to five years	51,119	49,187
More than five years	7,549	10,385
	<b>77,954</b>	<b>77,799</b>

### **Impairment Losses-**

At the end of each reporting period, the Group tests for any internal or external signs that the recoverable amount of their property, plant and equipment is less than the carrying amount. If so, the carrying amount is reduced to the recoverable value and the future charges for depreciation in proportion are adjusted in proportion to their adjusted carrying amount and their new remaining useful life if it was also necessary to re-estimate this. Any such reduction in the carrying amount of property, plant and equipment for own use is charged to "Net impairment losses on non-current assets" in the consolidated income statement.

Similarly, whenever there are signs that the value of an impaired asset has recovered, the consolidated companies reverse impairment losses recognised in prior years. The increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss previously been recognised for the asset.

At 31 December 2014 the Group's consolidated companies tested for signs of any impairment to the recoverable amount of its property, plant and equipment, and quantified the recoverable amount where such signs were detected. Where the asset does not itself generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

An asset's recoverable amount is the higher of its fair value (*less sale costs*) and its value in use. In calculating value in use at 31 December 2014, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. These future cash flows are derived from the forecasts made by the Group for each cash generating unit for a period of five years (*using assumptions concerning changes in sale prices, costs and volumes based on experience and future expectations in accordance with the currently approved strategic plan and the budget for the coming year*), with a residual value calculated using a growth rate of zero.

Based on this analysis, at 31 December 2014 the Group recognised impairment losses to property, plant and equipment totalling 5,891 thousand euros (*practically all of which was recognised in prior years*). These losses corresponded mainly to assets at plants owned by Grupo Antolin-Bohemia, a.s. (*in Chrástava*), Trimtec, Ltda., Grupo Antolin-Saint Petersburg and Antolin-Avtotekhnika Nizhny Nóvgorod, Ltd., which are presently generating losses and whose recoverable amount is less than their carrying amount (*at 31 December 2013 the Group had recognised impairment losses of 8,664 thousand euros*).

### **Fully depreciated property, plant and equipment-**

The Group's property, plant and equipment include certain assets which had been fully depreciated at 31 December 2014 and 2013. The total cost and related accumulated depreciation of these assets amounted to approximately 391 million euros and 334 million euros, respectively.

### **Insurance policy-**

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The Parent's directors consider that the policies taken out are adequate in view of the various locations of its property, plant and equipment.

## **(9) NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS**

The balances on these headings in the consolidated statement of financial position at 31 December 2014 and 2013 are broken down below by type:

	Thousands of Euros			
	31/12/14		31/12/13	
	Non-Current	Current	Non-Current	Current
Available-for-sale financial assets	-	-	-	-
Non-current investment securities	826	-	825	-
Other financial assets	3,940	987	4,605	1,413
<b>Total, gross</b>	<b>4,766</b>	<b>987</b>	<b>5,430</b>	<b>1,413</b>
Less- Impairment	-	-	(1,378)	-
<b>Net total</b>	<b>4,766</b>	<b>987</b>	<b>4,052</b>	<b>1,413</b>

#### Available-for-sale financial assets-

At 31 December 2014 the Group had no investments classified as "Available-for-sale financial assets" and no investments of this nature were acquired or retired during 2014. The movements under this heading in 2013 were:

Holding in the Share capital of:	Thousands of Euros				
	Balances at 31/12/12	Change in Fair Value (Note 13)	Taken to Income under "Financial Assets"	Disposals	Balances at 31/12/13
CIE Automotiva, S.A.	13,104	1,082	(11,565)	(2,621)	-
Banca Cívica, S.A./Caixabank, S.A.	6,104	1,711	(1,711)	(6,104)	-
Bankia, S.A.	26	(26)	26	(26)	-
	<b>19,234</b>	<b>2,767</b>	<b>(13,250)</b>	<b>(8,751)</b>	<b>-</b>

In 2013 the Group disposed of shares in CIE Automotiva, S.A., Caixabank, S.A. and Bankia, S.A. for a total of 22,001 thousand euros. The Group recognised a net loss of 13,250 thousand euros as a result of these operations which was taken to income under "Impairment and gains/(losses) on disposal of financial instruments" in the accompanying consolidated income statement for the year ended 31 December 2013.

During 2013 the Group received dividends from these investee companies totalling 548 thousand euros, recognised under "Finance income" in the consolidated income statement.

#### Non-current investment securities-

The balances under this heading at 31 December 2014 and 2013 correspond to a number of shareholdings in unlisted companies. Additions amounting to 1 thousand euros were recorded under this heading in 2014, with no retirements or other movement.

Additions and retirements totalling 251 thousand euros and 10 thousand euros, respectively, were recognised under this heading in 2013, together with increases in fair value due to exchange differences of 156 thousand euros.

#### Other financial assets-

The breakdown by type of these financial assets at 31 December 2014 and 2013 is as follows:

	Thousands of Euros			
	31/12/14		31/12/13	
	Non-Current	Current	Non-Current	Current
Other loans (a)	2,173 (a)	305	2,773	1,087
Guarantee deposits and deposits given	1,767	682	1,832	326
	<b>3,940</b>	<b>987</b>	<b>4,605</b>	<b>1,413</b>

(a) The balance under this heading includes 1,872 thousand euros corresponding to the amount receivable against the loan granted in June 2014 by the Parent to an entity related to certain directors to the Parent, which matures in 2018 and bears annual interest at a variable market rate (see Note 22).

## (10) INVENTORIES

The Group's inventories at 31 December 2014 and 2013 were as follows:

Description	Thousands of Euros	
	31/12/14	31/12/13
Raw materials and supplies	108,115	89,130
Other supplies	1,334	1,286
Merchandise	8,598	8,229
Work-in-process and semifinished goods	18,851	16,191
Project tools	194,790	115,258
Finished products	36,113	32,265
Byproducts, waste and recovered materials	97	54
Advances to suppliers	8,499	11,895
Impairment provisions	(8,147)	(7,855)
	<b>368,250</b>	<b>266,453</b>

### Project tools-

The balances of this item at 31 December 2014 and 2013 correspond to the costs incurred by the Group on the project tools being manufactured at said dates. As at 31 December 2014 and 2013, the Group had billed approximately 151 and 68 million euros respectively as advances, recorded as current liabilities under "Trade and other payables" caption in the accompanying consolidated statement of financial position.

The Directors of the Parent consider that the income in respect of the sale of practically all the project tools being manufactured at 31 December 2014 will be realised in 2015 with significant profits.

### Insurance policy-

The Group takes out insurance policies to cover the possible risks to which practically all its inventories are exposed. In the opinion of the Parent's Directors, the cover provided by the policies taken out at 31 December 2014 is sufficient.

## (11) OTHER RECEIVABLES

The composition of other receivables in the consolidated statement of financial position at 31 December 2014 and 2013 is as follows:



Description	Thousands of Euros	
	31/12/14	31/12/13
<b>Sundry receivables, staff and prepaid expenses</b>	<b>13,828</b>	<b>14,606</b>
<b>Taxes and Social Security-</b>		
Taxes refundable (Note 20)	39,573	43,327
Receivable from public authorities for grants awarded	2,015	5,151
Other receivables from public authorities	695	754
	<b>42,283</b>	<b>49,232</b>
	<b>56,111</b>	<b>63,838</b>

## (12) CASH AND BANK BALANCES

Cash and cash equivalents in the consolidated statement of financial position include the cash and current bank accounts of the Group and short-term bank deposits (*totalling 55,135 thousand euros at 31 December 2014 and 90,665 thousand euros at 31 December 2013*), generally maturing in January of the following year and accruing interest at an annual rate of around 1%. The carrying amounts of these assets are the same as their fair value.

## (13) EQUITY

### Share capital-

The share capital of the Parent at 31 December 2014 and 2013 comprised 8,023,241 registered shares (*3,114,603 "class A" shares, 3,074,733 "class B" shares and 1,833,905 "class C" shares*), fully subscribed and paid in, each with a par value of 4.67 euros. The shareholder structure of the Parent Company as at said date, was as follows:

Shareholders	Percentage Held	
	31/12/14	31/12/13
Grupo Antolin-Holdco, S.A.	67.38	-
Castilfalé Gestión, S.A.U.	32.62	-
Avot Inversiones, S.L.	-	67.38
Sarmental Gestión, S.L.U.	-	32.62
	<b>100.00</b>	<b>100.00</b>

In early 2014 Castilfalé Gestión, S.A.U. and Grupo Antolin-Holdco, S.A. acquired 100% of the share capital of Grupo Antolin-Irausa, S.A. by purchase or non-monetary contribution. Nevertheless, at 31 December 2014 and 2013, all the share capital of the Parent was held, directly or indirectly, by Avot Inversiones, S.L., a company whose registered offices are in Burgos and whose owners are members of the Antolin family (see Note 1).

All the Grupo Antolin-Irausa, S.A. shares carry the same voting and dividend rights, although they are distinguished by their transfer regime.

All the shares of the Parent, held by Castilfalé Gestión, S.A.U. and Grupo Antolin-Holdco, S.A., were pledged on 2 April 2014 and 16 September 2014, respectively, as guarantee for the bonds issued by subsidiary company Grupo Antolin-Dutch, B.V., the "Senior Facilities Agreement" signed by the Parent with a number of financial institutions and the long-term loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) for the "RDI & CONVERGENCE" project (see Note 17).

### **Additional paid-in capital-**

The revised text of the Spanish Corporate Enterprise Act expressly allows the use of the additional paid-in capital balance to increase share capital and establishes no specific restrictions as to its use.

### **Other reserves of the Parent-**

This heading in the accompanying consolidated statement of financial position at 31 December 2014 and 2013 includes the following reserves:

#### *Legal reserve-*

The revised text of the Spanish Corporate Enterprise Act stipulates that 10% of the net profits of the year must be appropriated to the Legal reserve until it attains at least 20% of share capital. At both 31 December 2014 and 2013, the legal reserve amounted to 7,494 thousand euros.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except for the aforesaid purpose, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

#### *Other reserves-*

The balance under this heading at 31 December 2014 includes losses carried forward from previous financial years (41,241 thousand euros) and other unrestricted reserves of the Parent.

### **Distribution of dividends-**

#### *Restrictions on the distribution of dividends-*

As indicated in Note 14, on 21 March 2014 the Parent signed a "Senior Facilities Agreement" with major Spanish and international financial institutions under which the Group obtained financing by means of a 200 million euro syndicated loan ("*Loan Facility*"), and a multi-currency Revolving Credit Facility with a 200 million euro limit. The terms of these financing facilities allow the distribution of dividends provided certain conditions are met, although the Parent will not be able to distribute any dividend in 2014 and in 2015 the maximum dividend which may be distributed is 6,000 thousand euros.

#### *Dividends distributed 2014 and 2013-*

No dividends were distributed by the Parent in 2014.

On 8 May 2013 the Ordinary General Meeting of Shareholders of the Parent agreed the distribution of a dividend against profits for 2012 of 20,800 thousand euros (2.5927 euros per share). On 16 December 2013 the General Meeting of Shareholders of the Parent agreed the distribution of a dividend against profits for 2013 of 118,205 thousand euros (14.7328 euros per share). Both dividends were paid to the shareholders of the Parent prior to 31 December 2013 and met the requirements for the distribution of dividends or were distributed with the authorisation of the financial institutions with which the Parent had signed financing agreements whose terms included limits on said distribution.

### **Capital management-**

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital to ensure a sound financial position. This policy enables value creation for shareholders to be compatible with access to financial markets at a competitive cost to cover the needs for refinancing debt and financing the investment plan not covered by the funds generated by the business.

In this regard, in line with standard practice in the business world and in the industry in which it operates, the Group uses the following ratios to analyse its situation:

- Financial leverage (Net borrowing/net equity attributable to the Parent): The Group's ratio at 31 December 2013 was 2.83 (eliminating the effect of factoring without recourse). As at the end of 2014, it was 1.94.
- Debt-to-income (Net borrowing/EBITDA): The Group's ratio at 31 December 2013 was 2.41 (eliminating the effect of factoring without recourse). As at the end of 2014, it was 2.09.
- Interest coverage (EBITDA/Net financial income): The Group's ratio at 31 December 2013 was 7.3. As at the end of 2014, it was 6.6.

As stated in Note 17, the Group has been granted certain loans by third parties which require that certain specific financial ratios be fulfilled.

**Contribution of the consolidated companies to the Group's reserves and exchange differences-**

Set out below is a breakdown by company, of the balances recorded under "Reserves of fully and proportionally consolidated companies", "Reserves of companies accounted for using the equity method" and "Exchange differences" in the accompanying consolidated statement of financial position at 31 December 2014 and 2013:

Company	Thousands of Euros			
	Reserves in Consolidated Companies		Exchange Differences	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>Fully consolidated companies-</b>				
Grupo Antolin-Irausa, S.A. (a)	(39,479)	190,543	(7,927)	(11,681)
Grupo Antolin-Ara, S.A.U.	16,010	14,426	-	-
Grupo Antolin-Dapsa, S.A.U.	2,477	3,285	-	-
Grupo Antolin-Aragusa, S.A.U.	5,721	4,779	-	-
Grupo Antolin-Eurotrim, S.A.U.	6,024	5,991	-	-
Grupo Antolin-RyA, S.A.U.	17,462	15,792	-	-
Grupo Antolin-Autoform, S.A.U.	35,026	32,593	-	-
Grupo Antolin-Ardasa, S.A.U.	16,000	14,694	-	-
Grupo Antolin-Martorell, S.A.U. (b)	(6,152)	(5,954)	-	-
Grupo Antolin-Plasbur, S.A.U.	33,359	30,160	-	-
Grupo Antolin-Lusitania, S.A.	14,434	12,925	-	-
Grupo Antolin-Ingenieria, S.A.U.	20,362	19,171	(425)	(425)
Grupo Antolin-Amsterdam, B.V.	2,949	3,166	(299)	-
Grupo Antolin-Deutschland, GmbH	1,777	1,800	-	-
Grupo Antolin-Holland, B.V.	5,349	5,398	-	-
Grupo Antolin-Autoform, GmbH & Co. KG	(39,391)	(39,243)	(141)	(141)
Grupo Antolin-Bohemia, a.s. (b)	(18,219)	(13,395)	(3,904)	(3,588)
Grupo Antolin-North America, Inc.	3,131	2,995	(2,262)	(3,558)
Grupo Antolin-IGA, S.A.S. (b)	(57,570)	(57,825)	-	-
Grupo Antolin-France, S.A.S. (formerly Grupo Antolin-H.F.R., S.A.S.)	(42,748)	(40,446)	-	-
Grupo Antolin-Turnov, s.r.o.	47,021	40,517	(940)	(545)
Grupo Antolin-Kentucky, Inc.	34,092	26,474	1,310	(4,008)
Ototrim Panel Sanayi ve Ticaret, A.S.	23,789	21,773	(5,985)	(6,668)
Grupo Antolin-Sitao, S.A. de C.V. (b)	(7,525)	(20,647)	(9,192)	(9,404)
Trimtec, Ltda. (b)	(97,350)	(92,018)	(3,184)	(3,093)
Iramec Autopeças, Ltda.	9,688	9,103	485	465
Intertrim, Ltda.	2,278	5,909	(1,576)	(1,589)
Grupo Antolin-South Africa, Ltd.	(4,742)	(4,688)	(649)	(845)
Grupo Antolin-India PTV, Ltd. (b)	(2,969)	(3,239)	(3,376)	(4,838)
Grupo Antolin-Leamington, Ltd. (b)	(20,228)	(29,188)	3,442	980
Grupo Antolin-Logistik Deutschland, GmbH	21,283	19,879	-	-
Grupo Antolin-Vosges, S.A.S. (b)	(37,492)	(39,126)	-	-
Grupo Antolin-Glass, S.A.U.	1,195	1,163	-	-
Grupo Antolin-Navarra, S.A.U.	16,609	16,178	-	-
Grupo Antolin-Ingenierie Sièges, S.A.S.	2,085	1,547	-	-
Grupo Antolin-Loire, S.A.S. (b)	(34,210)	(34,552)	-	-
Grupo Antolin-Saint Petersburg	(28,068)	(19,463)	(6,321)	(1,088)
Antolin Tanger, S.A.R.L. (b)	(11,833)	(11,154)	110	32
Grupo Antolin-Magnesio, S.A.U. (b)	(1,675)	(2,880)	-	-
Grupo Antolin-Cambrai, S.A.S. (b)	(23,549)	(22,446)	-	-
Grupo Antolin-Ostrava, s.r.o.	12,549	8,686	(1,728)	(1,616)
Grupo Antolin-Bratislava, s.r.o.	5,527	5,204	713	713
Grupo Antolin-Álava, S.A.U.	2,162	2,427	-	-
Grupo Antolin-PGA, S.A.U.	17,871	15,232	-	-
Grupo Antolin-Michigan, Inc.	24,448	15,043	284	(3,768)
Grupo Antolin-Illinois, Inc.	49,199	38,528	303	(2,321)
Grupo Antolin-Vigo, S.A.U.	14,814	13,487	-	-
Mexican Door Company, S.R.L. de C.V.	3,568	1,787	(1,319)	(1,459)
Antolin Shanghai Autoparts Co., Ltd.	14,865	9,900	4,631	2,053
Chongqing Antolin Tuopu Overhead System Co., Ltd.	7,652	6,039	924	450
Grupo Antolin-Salttillo, S. de R.L. de C.V. (b)	(2,560)	(3,650)	239	8
Grupo Antolin-Jarney, S.A.S. (b)	(4,713)	(6,017)	-	-
Grupo Antolin-Wayne, LLC	3,734	2,048	(206)	(137)
Other companies	19,241	8,344	(789)	2,353
	<b>33,278</b>	<b>181,055</b>	<b>(37,782)</b>	<b>(53,718)</b>
<b>Proportionally consolidated companies-</b>				
International Door Company, B.V.	<b>2,124</b>	<b>2,147</b>	<b>(136)</b>	<b>(140)</b>

Continued...

Company	Thousands of Euros			
	Reserves in consolidated companies		Exchange differences	
	31/12/14	31/12/13	31/12/14	31/12/13
<b>Companies accounted for using the equity method-</b>				
International Door Systems, S.R.L. de C.V.	6,867	6,736	(285)	(288)
Slovakian Door Company, s.r.o.	1,343	1,608	-	-
Dongwon Technology Co., Ltd.	1,506	1,543	263	14
Antolin Kasai Tek Chennai PVT, Ltd.	-	(74)	-	(659)
NHK Antolin (Thailand) Co., Ltd.	(768)	-	(99)	(234)
Antolin Kasai International Kabushiki Kaisya	-	-	-	(10)
Silesia Plastic, Sp. zo.o	4,779	3,479	92	(373)
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	7,616	3,419	2,780	1,133
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	306	(509)	683	102
Irauto, S.A.	176	84	(299)	(249)
Krishna Grupo Antolin Private, Ltd.	3,088	2,611	(537)	(878)
	<b>24,913</b>	<b>18,897</b>	<b>2,598</b>	<b>(1,442)</b>
<b>Total</b>	<b>60,315</b>	<b>202,099</b>	<b>(35,320)</b>	<b>(55,300)</b>

- (a) These figures are for the reserves of consolidated companies attributable to the Parent as a result of consolidation (eliminating dividends received, etc.).
- (b) In recent financial years the Group has implemented an efficiency programme and measures to improve the performance of these consolidated subsidiaries with the medium-term goal of reversing the recurring losses currently being reported by most of them. In general this is being achieved.

#### **Contribution of the consolidated companies to profit and loss for 2014 and 2013 attributable to the Parent-**

The contribution of each of the consolidated companies to the 2014 and 2013 profit and loss attributable to the Parent is as follows:

Company	Thousands of Euros					
	2014			2013		
	Consolidated Profit/(loss) for 2014	Profit Attributable to Non-controlling Interests	Profit Attributable to the Parent	Consolidated Profit/(loss) for 2013	Profit Attributable to Non-controlling Interests	Profit Attributable to the Parent
<b>Fully consolidated companies-</b>						
Grupo Antolin-Irausa, S.A.	(38,571)	-	(38,571)	(32,234)	-	(32,234)
Grupo Antolin-Ara, S.A.U.	1,544	-	1,544	1,680	-	1,680
Grupo Antolin-Dapsa, S.A.U.	(164)	-	(164)	(808)	-	(808)
Grupo Antolin-Aragusa, S.A.U.	3,981	-	3,981	942	-	942
Grupo Antolin-Álava, S.A.U.	513	-	513	(266)	-	(266)
Grupo Antolin-Eurotrim, S.A.U.	974	-	974	33	-	33
Grupo Antolin-RyA, S.A.U.	753	-	753	1,669	-	1,669
Grupo Antolin-Autotrim, S.A.U.	2,844	-	2,844	2,433	-	2,433
Grupo Antolin-Ardasa, S.A.U.	3,591	-	3,591	1,306	-	1,306
Grupo Antolin-Martorell, S.A.U.	693	-	693	(198)	-	(198)
Grupo Antolin-Plasbur, S.A.U.	3,534	-	3,534	3,199	-	3,199
Grupo Antolin-Magnesio, S.A.U.	3,057	-	3,057	1,205	-	1,205
Grupo Antolin-Lusitânia, S.A.	1,176	-	1,176	1,509	-	1,509
Grupo Antolin-Ingeniería, S.A.U.	8,721	-	8,721	1,190	-	1,190
Grupo Antolin-Autoform, GmbH & Co. KG	(88)	-	(88)	(148)	-	(148)
Grupo Antolin-Bohemia, a.s. (a)	(1,311)	-	(1,311)	(4,826)	-	(4,826)
Grupo Antolin-Vigo, S.A.U.	2,226	-	2,226	1,326	-	1,326
Grupo Antolin-IGA, S.A.S.	746	-	746	255	-	255
Grupo Antolin-France, S.A.S.	(3,597)	-	(3,597)	(2,302)	-	(2,302)
Grupo Antolin-Turnov, s.r.o.	8,895	-	8,895	6,506	-	6,506
Ototrim Panel Sanayi ve Ticaret, A.S.	9,260	(4,630)	4,630	3,997	(1,999)	1,998
Grupo Antolin-Silao, S.A. de C.V.	8,102	-	8,102	13,121	-	13,121
Trimtec, Ltda. (a)	(5,334)	-	(5,334)	(5,332)	-	(5,332)
Iramec Autopeças, Ltda.	347	(174)	173	1,170	(585)	585
Intertrim, Ltda. (a)	(4,198)	618	(3,580)	(4,258)	627	(3,631)
Grupo Antolin-India Private PVT, Ltd.	1,373	-	1,373	266	-	266
Grupo Antolin-Leamington, Ltd.	7,832	-	7,832	8,960	-	8,960
Grupo Antolin-Logistik Deutschland, GmbH	1,770	-	1,770	1,404	-	1,404
Grupo Antolin-Vosges, S.A.S.	3,166	-	3,166	1,635	-	1,635
Grupo Antolin-Navarra, S.A.U.	641	-	641	430	-	430
Grupo Antolin-Glass, S.A.U.	(63)	-	(63)	32	-	32
Grupo Antolin-Loire, S.A.S.	303	-	303	343	-	343
Antolin Shanghai Autoparts Co. Ltd.	4,162	-	4,162	4,959	-	4,959
Mexican Door Company, S.A. de C.V.	4,183	(2,092)	2,091	3,553	(1,777)	1,776
Antolin Tanger, S.A.R.L.	164	-	164	(679)	-	(679)
Chongqing Antolin Tuopu Overhead System Co., Ltd.	3,653	(1,424)	2,229	2,644	(1,031)	1,613
Grupo Antolin-Bratislava, s.r.o.	1,470	-	1,470	323	-	323
Grupo Antolin-Cambrai, S.A.S. (a)	(906)	-	(906)	(1,103)	-	(1,103)
Grupo Antolin-PGA, S.A.U.	3,278	-	3,278	2,639	-	2,639
Grupo Antolin-Illinois, Inc.	13,228	-	13,228	10,671	-	10,671
Grupo Antolin-Michigan, Inc.	11,844	-	11,844	9,406	-	9,406
Grupo Antolin-Salttillo, S. de R.L. de C.V.	3,848	-	3,848	1,090	-	1,090
Grupo Antolin-Jarny, S.A.S.	2,808	-	2,808	1,305	-	1,305
ASH Reciclado de Techos, S.L.	(133)	5	(128)	(139)	5	(134)
Guangzhou Antolin Auto-Parts Co., Ltd.	849	-	849	1,815	-	1,815
Alba Speziallampen Holding, GmbH	2,845	-	2,845	1,799	-	1,799
Grupo Antolin-Kentucky, Inc.	11,436	-	11,436	7,624	-	7,624
Grupo Antolin-Ostrava, s.r.o.	4,379	-	4,379	3,863	-	3,863
CML Innovative Technologies, GmbH & Co. KG	3,644	-	3,644	2,208	-	2,208
CML Technologies, GmbH & Co. KG	1,092	-	1,092	847	-	847
CML Innovative Technologies, S.A.S.	5,741	-	5,741	3,608	-	3,608
Guangzhou Socop Lamps Co., Ltd.	3,309	-	3,309	1,597	-	1,597
Grupo Antolin-Saint Petersburg (a)	(9,911)	-	(9,911)	(8,612)	-	(8,612)
Grupo Antolin Wayne, LLC	9	(4)	5	5,757	(2,937)	2,820
Grupo Antolin-Gestión de Inversiones, S.L.U. (a)	(6,876)	-	(6,876)	-	-	-
Antolin Autotechnika Nizhny Nóvgorod, Ltd. (a)	(4,587)	-	(4,587)	-	-	-
Grupo Antolin-Valplas, S.A.U. (a)	(3,138)	-	(3,138)	-	-	-
Other companies	751	(453)	298	(1,590)	84	(1,506)
	<b>79,858</b>	<b>(8,154)</b>	<b>71,704</b>	<b>57,824</b>	<b>(7,613)</b>	<b>50,211</b>
<b>Proportionally consolidated companies-</b>						
International Door Company, B.V.	185	-	185	(22)	-	(22)

Continued...

Company	Thousands of Euros					
	2014			2013		
	Consolidated Profit/(Loss) for 2014	Profit Attributable to Non-controlling Interests	Profit Attributable to the Parent	Consolidated Profit/(Loss) for 2013	Profit Attributable to Non-controlling Interests	Profit Attributable to the Parent
<b>Companies accounted for using the equity method-</b>						
International Door Systems S.R.L. de C.V.	(11)	-	(11)	131	-	131
Slovakian Door Company, s.r.o.	(156)	-	(156)	(264)	-	(264)
Dongwon Technology Co., Ltd.	(192)	-	(192)	(69)	-	(69)
Antolin Kasai Tek Chennai PVT, Ltd.	-	-	-	(177)	-	(177)
Antolin Kasai International Kabushiki Kaisya	-	-	-	26	-	26
NHK Antolin (Thailand) Co., Ltd.	(1,148)	-	(1,148)	(768)	-	(768)
Krishna Grupo Antolin Private, Ltd.	692	-	692	452	-	452
Yangzhou Antolin Huaxiang Auto Parts Co., Ltd.	2,179	-	2,179	813	-	813
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	6,713	-	6,713	4,197	-	4,197
Silesia Plastic, Sp. zo.o	1,537	-	1,537	1,254	-	1,254
Irauto, S.A.	26	-	26	92	-	92
	<b>9,640</b>	<b>-</b>	<b>9,640</b>	<b>5,687</b>	<b>-</b>	<b>5,687</b>
	<b>89,683</b>	<b>(8,154)</b>	<b>81,529</b>	<b>63,489</b>	<b>(7,613)</b>	<b>55,876</b>

- (a) In recent financial years the Group has implemented an efficiency programme and measures to improve the performance of some of these consolidated subsidiaries with the medium-term goal of reversing the recurring losses currently being reported. This is being achieved in most cases, such as those of Grupo Antolin-Bohemia, a.s. and Grupo Antolin-Cambrai, S.A.S. Others are currently just starting up operations or are expanding their facilities.

#### Adjustments for changes in value-

The balances on this heading at 31 December 2014 and 2013 in the accompanying consolidated statement of financial position include net changes in the fair value of:

- Financial assets classified as available for sale (see Note 9).
- Financial derivatives designated as hedges in a cash flow hedge relationship (see Note 18).
- Actuarial gains and losses (see Note 16).
- Exchange differences.

Set out below is the movement in these items during 2014 and 2013:

Description	Thousands of Euros							
	Balance at 31/12/12	Amounts Transferred to Income	Change in Fair Value, Net	Balance at 31/12/13	Amounts Transferred to Income	Change in Fair Value, Net	Other Changes	Balance at 31/12/14
Available-for-sale financial assets	10,483	(13,250)	2,767	-	-	-	-	-
Less- Tax effect (Note 20)	(3,146)	3,976	(830)	-	-	-	-	-
	<b>7,337</b>	<b>(9,274)</b>	<b>1,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash flow hedges	(12,756)	11,335	487	(934)	1,048	(3,727)	-	(3,613)
Less- Tax effect (Note 20)	3,827	(3,401)	(146)	280	(314)	1,118	(180)	904
	<b>(8,929)</b>	<b>7,934</b>	<b>341</b>	<b>(654)</b>	<b>734</b>	<b>(2,609)</b>	<b>(180)</b>	<b>(2,709)</b>
Actuarial gains and losses	<b>(1,087)</b>	<b>-</b>	<b>183</b>	<b>(904)</b>	<b>-</b>	<b>(2,739)</b>	<b>-</b>	<b>(3,643)</b>

Exchange Differences	Thousands of Euros				
	Balance at 31/12/12	Net Change	Balance at 31/12/13	Net Change	Balance at 31/12/14
Net exchange differences in fully or proportionally consolidated companies	(33,576)	(33,230)	(66,806)	17,313	(49,493)
Less- Exchange differences attributable to non-controlling interests	8,820	4,128	12,948	(1,373)	11,575
	(24,756)	(29,102)	(53,858)	15,940	(37,918)
Net exchange differences in companies consolidated using the equity method	(518)	(924)	(1,442)	4,040	2,598
	<b>(25,274)</b>	<b>(30,026)</b>	<b>(55,300)</b>	<b>19,980</b>	<b>(35,320)</b>

### Non-controlling interests-

The balance of this heading in the consolidated statement of financial position relates to the equity held by non-controlling interests in the fully consolidated companies. The balance of "Profit attributable to non-controlling interests" in the consolidated income statement relates to the non-controlling shareholders' share of profit and loss for the year.

The movements in this heading in the consolidated statement of financial position in 2014 and 2013 are as follows:

2014

Company	Thousands of Euros					
	Opening Balance	Additions and Retirements	Dividends and Other Items	Profit / (loss) for 2014 Attributable to Non-controlling Interests	Exchange Differences	Closing Balance
Ototrim Panel Sanayi ve Ticaret, A.S.	11,162	-	(3,852)	4,630	682	12,622
Iramec Autopeças, Ltda.	2,223	-	(249)	174	20	2,168
Intertrim, Ltda.	(71)	-	1,224	(618)	2	537
Mexican Door Company, S.R.L de C.V.	5,894	-	(2,564)	2,092	141	5,563
Chongqing Antolin Tuopu Overhead System Co., Ltd.	1,716	-	(1,030)	1,424	322	2,432
Keyland Sistemas de Gestión, S.L.	93	-	(4)	(22)	-	67
ASH Reciclado de Techos, S.L.	57	-	-	(5)	-	52
Cidut, S.L.	646	-	(104)	446	-	988
Keyland USA, Inc.	10	-	-	3	1	14
Keyland México, S. de R.L de C.V.	10	-	-	7	-	17
Grupo Antolin-Wayne, LLC	3,497	-	(2,124)	4	203	1,580
Antolin-CIE Czech Republic, s.r.o.	155	-	(4)	19	2	172
Antolin-Avtotehnika Nizhny Nóvgorod, Ltd.	249	(249)	-	-	-	-
	<b>25,641</b>	<b>(249)</b>	<b>(8,707)</b>	<b>8,154</b>	<b>1,373</b>	<b>26,212</b>



2013

Company	Thousands of Euros					
	Opening Balance	Additions and Retirements	Dividends and Other Items	Profit / (loss) for 2013 Attributable to Non-controlling Interests	Exchange Differences	Closing Balance
Ototrim Panel Sanayi ve Ticaret, A.S.	13,641	-	(1,692)	1,999	(2,786)	11,162
Iramec Autopeças, Ltda.	2,552	-	(440)	585	(474)	2,223
Intertrim, Ltda.	902	-	-	(627)	(346)	(71)
Mexican Door Company, S.R.L. de C.V.	4,443	-	-	1,777	(326)	5,894
Chongqing Antolin Tuopu Overhead System Co., Ltd.	1,108	-	(381)	1,031	(42)	1,716
Keyland Sistemas de Gestión, S.L.	165	-	-	(72)	-	93
ASH Reciclado de Techos, S.L.	62	-	-	(5)	-	57
Cidut, S.L.	340	-	(42)	348	-	646
Keyland USA, Inc.	29	-	-	(18)	(1)	10
Keyland México, S. de R.L. de C.V.	8	-	-	2	-	10
Grupo Antolin-Wayne, LLC	1,636	-	(939)	2,937	(137)	3,497
Antolin-CIE Czech Republic, s.r.o.	-	290	-	(125)	(10)	155
Antolin-Avtotechnika Nizhny Nóvgorod, Ltd.	-	474	-	(219)	(6)	249
	<b>24,886</b>	<b>764</b>	<b>(3,494)</b>	<b>7,613</b>	<b>(4,128)</b>	<b>25,641</b>

Set out below is an itemised analysis, by consolidated subsidiary, of the balance of this heading at 31 December 2014:

Company	Thousands of Euros				
	Share Capital	Reserves and Prior Year Losses, Net	Profit/(loss) for 2014	Exchange Differences	Total
Ototrim Panel Sanayi ve Ticaret, A.S.	2,413	15,076	4,630	(9,497)	12,622
Iramec Autopeças, Ltda.	4,810	(1,309)	174	(1,507)	2,168
Intertrim, Ltda.	1,678	(55)	(618)	(468)	537
Mexican Door Company, S.R.L. de C.V.	3,933	302	2,092	(764)	5,563
Chongqing Antolin Tuopu Overhead System Co., Ltd.	693	(281)	1,424	596	2,432
Keyland Sistemas de Gestión, S.L.	100	(11)	(22)	-	67
ASH Reciclado de Techos, S.L.	112	(55)	(5)	-	52
Cidut, S.L.	202	340	446	-	988
Keyland USA, Inc.	4	7	3	-	14
Keyland México, S. de R.L. de C.V.	-	10	7	-	17
Grupo Antolin-Wayne, LLC	25	1,474	4	77	1,580
Antolin-CIE Czech Republic, s.r.o.	290	(125)	19	(12)	172
	<b>14,260</b>	<b>15,373</b>	<b>8,154</b>	<b>(11,575)</b>	<b>26,212</b>

Set out below are the non-controlling interests with holdings of more than 5% in the share capital of any subsidiary company:

Subsidiary Company	Non-controlling Interest	Percentage Held
Ototrim Panel Sanayi ve Ticaret, A.S.	SKT Yedek Parça ve Makina Sanayi ve Ticaret, A.S.	50.00
Iramec Autopeças, Ltda.	Küster Holding, GmbH (a)	50.00
Intertrim, Ltda.	Luiz Rodovil Rossi	14.72
Mexican Door Company, S.R.L. de C.V.	Küster Holding, GmbH (a)	50.00
Chongqing Antolin Tuopu Overhead System Co., Ltd.	Ningbo Tuopu Vibration Control System Co., Ltd.	39.00
Keyland Sistemas de Gestión, S.L.	Matchmind, S.L.	50.00
ASH Reciclado de Techos, S.L.	Juan A. Saldise	3.57
Cidut, S.L.	Roberto Bocanegra Varona	50.00
Keyland USA, Inc.	Matchmind, S.L. (b)	50.00
Keyland México, S. de R.L. de C.V.	Matchmind, S.L. (b)	50.00
Grupo Antolin-Wayne, LLC	Crown Automotive Systems, LLC	51.00
Antolin-CIE Czech Republic, s.r.o.	CIE Bériz, S.L.	30.00

(a) Holding held indirectly via International Door Company, B.V.

(b) Holding held indirectly via Keyland Sistemas de Gestión, S.L.

## (14) EARNINGS PER SHARE

### Basic earnings per share-

Basic earnings per share are calculated by dividing the net profit attributed to the holders of equity instruments in the Parent by the weighted average number of shares outstanding during that year, excluding the average number of treasury shares held during the year.

Set out below is an analysis of basic earnings per share:

Description	2014	2013
Income for the year attributed to holders of net equity instruments in the Parent ( <i>thousand euros</i> )	81,529	55,876
Weighted average number of shares outstanding in the year ( <i>thousand shares</i> )	8,023	8,023
<b>Earnings per share (euros)</b>	<b>10.16</b>	<b>6.96</b>

The weighted average number of shares outstanding at 31 December 2014 and 2013 was 8,023,241.

### Diluted earnings per share-

Diluted earnings per share are calculated in much the same way as basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential diluting effect of the share options, warrants and convertible debt current at the year end.

As at 31 December 2014 and 2013, diluted earnings per share was the same as basic earnings per share as the Group had no diluting instruments.

## (15) GRANTS

The movements in this heading in the consolidated statement of financial position in 2013 and 2014 are as follows:

	Thousands of Euros
<b>Balance at 31 December 2012</b>	<b>8,315</b>
Income recognised in the year	(1,321)
Other items	(57)
<b>Balance at 31 December 2013</b>	<b>6,937</b>
Income recognised in the year	(1,194)
Other items	128
<b>Balance at 31 December 2014</b>	<b>5,871</b>

During 2012 the Romanian consolidated subsidiary Grupo Antolin-Sibiu, S.R.L. was awarded a grant of 4,494 thousand euros to finance investments in a new plant (*land, buildings and equipment*). Of this amount, 2,267 thousand euros was received in 2013 and the remaining amount (*2,227 thousand euros*), which was recorded under "Other receivables" in the consolidated statement of financial position at 31 December 2013, was received in 2014 (see Note 11).

The remaining non-refundable grants were awarded by Spanish, French and German public bodies, to finance certain investments made by the Group in a number of production plants.

In order for these grants to qualify as non-refundable, the companies receiving them must fulfil a number of general and specific conditions, such as making the approved investments, creating and maintaining a given number of jobs and evidencing a certain level of capital and reserves at the end of a specified period. The Parent's Directors consider that all the general and specific conditions established in the respective Individual Grant Resolutions relating to the capital grants made to the consolidated companies have been and/or will be met.

Capital grants received by the Group at 31 December 2014 will be taken to income as follows:

Released to Income	Thousands of Euros
In one year	1,150
One to five years	2,335
After five years	2,386
	<b>5,871</b>

## (16) NON-CURRENT PROVISIONS

The movements in this heading in the consolidated statement of financial position in 2014 and 2013 are as follows:

Description	Thousands of Euros		
	Provisions for Pension Commitments	Other Provisions	Total
<b>Balance at 31 December 2012</b>	<b>8,514</b>	<b>10,698</b>	<b>19,212</b>
Taken to income for the year	357	11,320	11,677
Reversals credited to income for the year	-	(3,194)	(3,194)
Provisions applied	-	(2,775)	(2,775)
Contributions to the pension plan contracted with an insurance entity and payments to beneficiaries	(836)	-	(836)
Remeasurements recognised <i>(for actuarial gains and losses)</i>	(183)	-	(183)
Translation differences and other items	(86)	(1,161)	(1,247)
<b>Balance at 31 December 2013</b>	<b>7,766</b>	<b>14,888</b>	<b>22,654</b>
Taken to income for the year	372	16,470	16,842
Reversals credited to income for the year	-	(1,677)	(1,677)
Provisions applied	-	(8,186)	(8,186)
Contributions to the pension plan contracted with an insurance entity and payments to beneficiaries	(876)	-	(876)
Remeasurements recognised <i>(for actuarial gains and losses)</i>	2,739	-	2,739
Translation differences and other items	254	(1,830)	(1,576)
<b>Balance at 31 December 2014</b>	<b>10,255</b>	<b>19,665</b>	<b>29,920</b>

#### Provisions for pension commitments-

The balance on this heading at 31 December 2014 corresponds to a provision to meet long-term commitments to staff (*pension commitments to certain current and former employees*) in the British, French and German companies of the "CML Innovative Technologies" group acquired by Grupo Antolin in January 2012. Some of these companies have outsourced their pensions liabilities with an insurance company.

The amounts recognised in the consolidated statement of financial position at 31 December 2014 and 2013 were determined as follows:

	Thousands of Euros	
	31/12/14	31/12/13
Present value of the obligations at the end of the reporting period	25,001	20,669
Fair value of the assets assigned to the plan at the end of the reporting period	(14,746)	(12,903)
<b>Liability in the consolidated statement of financial position at the end of the reporting period</b>	<b>10,255</b>	<b>7,766</b>

These amounts have been calculated using appropriate actuarial studies. The technical assumptions applied by the consolidated subsidiaries (*interest rates, mortality tables, accumulated annual CPI, etc.*) are in line with the socio-economic situation of each country. The discounted interest rates used at 31 December 2014 ranged from 1.9% to 3.4% while at 31 December 2013 they ranged from 3.5% to 4.4%.

#### Other provisions-

The balance of this heading on the accompanying consolidated statement of financial position at 31 December 2014 essentially comprises provisions set up to meet commitments entered into with the personnel of some of the consolidated companies (*5,028 thousand euros*), some claims by suppliers and customers (*8,321 thousand euros*), and certain liabilities in respect of court proceedings and claims that have been brought against the consolidated subsidiaries during the normal course of their business and which are pending resolution at 31 December 2014 (*6,315 thousand euros*). The appeals in progress include an environmental appeal and an appeal in respect of judicial proceedings concerning VAT on certain operations in Brazil.

Neither the legal advisers of the Group nor the Directors of the Parent expect any of these proceedings and claims pending resolution at 31 December 2014 to produce a material impact on the consolidated annual financial statements for the years in which said proceedings are concluded.

## (17) BANK LOANS, DEBENTURES AND OTHER MARKETABLE SECURITIES

The financing facilities granted to the Group by financial institutions and the debentures and bonds issued at 31 December 2014 and 2013 are as follows:

Description	Thousands of Euros					
	31/12/14			31/12/13		
	Current Liabilities	Non-current Liabilities	Total	Current Liabilities	Non-current Liabilities	Total
Debentures and bonds	-	400,000	400,000	-	-	-
Payables under finance leases	2,521	2,581	5,102	3,080	5,581	8,661
Syndicated loan facility	9,000	191,000	200,000	-	-	-
Multi-currency Revolving Credit Facility	-	-	-	-	-	-
Syndicated Bridging Loan	-	-	-	-	400,000	400,000
Loan for "RDI & CONVERGENCE" project	-	70,000	70,000	-	70,000	70,000
Syndicated loan	-	-	-	11,200	-	11,200
Other loans	3,555	4,092	7,647	18,563	11,595	30,158
Other credit lines	15,482	-	15,482	7,581	-	7,581
Invoice discount lines	-	-	-	4,469	-	4,469
Interest payable	7,180	-	7,180	3,978	-	3,978
Less- financial remeasurement	(1,169)	(11,807)	(12,976)	-	(2,107)	(2,107)
	<b>36,569</b>	<b>655,866</b>	<b>692,435</b>	<b>48,871</b>	<b>485,069</b>	<b>533,940</b>

The schedule of maturities of this financial debt at 31 December 2014 and 2013, excluding the reduction for financial remeasurement, is as set out below:

Maturing in the Year	Thousands of Euros	
	Debt as at 31/12/14	Debt as at 31/12/13
2014	-	48,871
2015	37,738	408,243
2016	29,960	15,001
2017	41,323	12,686
2018	66,492	10,419
2019	99,837	10,447
2020 and later	430,061	30,380
	<b>705,411</b>	<b>536,047</b>

### Debentures and bonds-

On 21 March 2014, Grupo Antolin-Dutch, B.V., a wholly-owned subsidiary of Grupo Antolin-Irausa, S.A. whose registered offices are at Muiderstraat 1, NL-1011 PZ Amsterdam (Netherlands), completed the process of placing with qualified and institutional investors an issue of ordinary long-term bonds totalling 400 million euros. This operation was effected in parallel to the formalisation of a 200 million euros syndicated Loan Facility and a multi-currency Revolving Credit Facility of up to 200 million euros. Part of this amount was used to repay a Syndicated Bridging Loan, the drawn down amount of a syndicated factoring contract and other loans granted to the Group at 31 December 2013.

The key terms and conditions of this bond issue are:

- The amount of the issue was 400 million euros maturing in 7 years (*1 April 2021*).
- The credit rating of the issuer and/or the issue was BB-/Ba3.
- The issue's ISIN code is XS1046537665 and the bonds are traded on the Luxembourg Euro MTF market.
- The bonds bear annual interest at 4.75% payable six-monthly.
- The bonds are jointly guaranteed by Grupo Antolin-Irausa, S.A. and certain subsidiaries of the Group, and, in addition, a lien on 100% of the shares of the Parent has been established (see Note 13).
- The issuer, the subsidiary company Grupo Antolin-Dutch, B.V., may redeem all or part of the bonds at any date after 1 April 2017. Prior to that date, it may redeem all or part of the bonds subject to certain conditions. Grupo Antolin-Dutch, B.V. may also redeem all or part of the bonds at any date if any changes to tax legislation are introduced whereby the issuer would be required to pay additional amounts for the bonds.
- With respect to this bond issue, an Intercreditor Agreement has been signed governing the relationship between the Group's creditors (*bondholders, the financial institutions which signed the Senior Facilities Agreement, and the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León*), under which said creditors will have an equal share in any guarantee issued.
- Certain limits have been established with respect to the Group's capacity to perform specific operations (*the distribution of dividends, the signing or provision of additional debt guarantees, certain investments and acquisitions, mergers with other companies, the sale of assets or investments, etc.*), subject to some exceptions and conditions. The Parent's Directors consider that these limits and acquired commitments have been and/or will be met.

At 31 December 2014 the bonds were trading at 104.287%.

#### **Payables under finance leases-**

The lease payments outstanding at 31 December 2014, including the purchase options, fall due as follows (see Note 8):

Thousands of Euros					
Maturing in:					Total
2015	2016	2017	2018	2019	
<b>2,521</b>	<b>952</b>	<b>744</b>	<b>252</b>	<b>633</b>	<b>5,102</b>

This financing accrues interest at a variable market rate.

#### **Syndicated loan ("*Loan Facility*"), and a multi-currency Revolving Credit Facility-**

On 21 March 2014 the Parent signed a "Senior Facilities Agreement" with major Spanish and international financial institutions under which the Group obtained financing by means of a 200 million euro syndicated loan ("*Loan Facility*"), and a multi-currency Revolving Credit Facility with a 200 million euro limit. These funds are being used to restructure the Group's bank borrowings, finance the expenses incurred in respect of the bond issue effected in March 2014, to finance the Group's growth strategy and, in the case of the credit facility, to finance the Group's working capital needs. These loans mature on 21 March 2019.

The principal pending repayment on the syndicated loan at 31 December 2014 was 200 million euros. At that date the Group had not drawn down any amount against the revolving credit facility. The repayment schedule for the principal of the syndicated loan is as follows:

Thousands of Euros					
Maturing in:					Total
2015	2016	2017	2018	2019	
9,000	17,000	29,000	56,000	89,000	<b>200,000</b>

Notwithstanding the above schedule, the Group may, at any moment during the life of the loan, opt to repay all or part of the outstanding syndicated loan or multi-currency revolving credit facility, provided certain conditions are met. Furthermore, the following events will trigger full or partial early repayment of these loans:

- Subject to certain exceptions and amounts, the disposal of specific asset categories, the receipt of indemnities from insurance companies or the flotation of the Parent (*with no change of control of the Group*).
- In the event of a change of control in the Group, any of the financial institutions may decide to leave the financing arrangements in place or may request early repayment of the proportional part of the loan corresponding to said institution.

#### *Interest-*

These loans bear annual interest benchmarked to the Euribor, plus a variable market spread of 3.25% in the first year, and between 2.75% and 3.5% in subsequent years, to be reviewed annually on the basis of certain financial ratios.

The Group must also pay a commission with respect to the undrawn amount of the multi-currency revolving credit facility.

#### *Loan guarantees-*

These loans are backed by an irrevocable and unconditional guarantee from a significant number of the companies forming Grupo Antolin, although the guarantees provided by some subsidiary companies (*specifically certain Portuguese, Czech and German companies*) are limited to amounts established by the applicable local legislation. In order to comply with the obligations related to these loans, the Group has given a commitment to each of the subsidiary companies in which it holds at least 90% of the share capital, that it will become a guarantor if any of the following circumstances arises: its EBITDA for the year represents at least 2.5% of the Group's EBITDA and exceeds 5 million euros, or its net assets represent at least 2.5% of the net assets of the Group.

In addition, Liens have been established on the share capital of the Parent (see Note 13).

#### *Early repayment-*

The Senior Facilities Agreement under which these loans were ceded includes clauses specifying that the following events will trigger their full early repayment:

- Failure to repay the principal or pay the interest on the loans as and when they fall due.

- Failure of the Group to meet the financial ratios set in the agreement under which these loans were ceded or to remedy said failure within 20 days of the issue of the "ratio compliance certificate" in which it is detailed.
- Failure to comply with other obligations established in the loan agreement (*false disclosures, failure to provide information, etc.*) without rectifying said failure within a determined period.
- Failure to pay other borrowings falling due, provided certain circumstances are met, or the insolvency of the Parent, a material subsidiary, or the shareholders.
- A change in the ownership of the shares of the Parent, or the cession of businesses, expropriation, lawsuits and legal claims, the seizure of or embargoes on assets, material changes and any other circumstance which have a material adverse effect on the Group. The loans will also be repayable if the Group's auditors issue a disclaimer of opinion, or an adverse or qualified opinion.

As at 31 December 2014, the agreed "financial ratios and covenants" had been met and the Parent's Directors considered that all the clauses and obligations set out in the agreement in respect of the loans had been fulfilled and no event which could trigger full or partial early repayment had occurred. They also considered that all conditions will be met in the next 12 months.

#### *Other obligations and commitments-*

The Senior Facilities Agreement contains certain obligations and commitments limiting the Group's capacity to perform certain operations during the life of the loans, including the following:

- Limits on obtaining additional financing, the constitution of charges or guarantees against its assets, and the granting of guarantees or sureties to third parties.
- Limits on the sale, cession, transfer or disposal of its assets.
- Limits on the acquisition of companies or businesses.
- Limits on the distribution of dividends by the Parent (see Note 13).

#### **Syndicated Bridging Loan-**

On 12 December 2013, Grupo Antolin-Irausa, S.A. signed a financing contract (*Syndicated Bridging Loan*) with a group of financial institutions for the amount of 400 million euros, used to repay certain loans conceded to the Group by various Spanish and international financial institutions (*totalling 315 million euros*) and to distribute a dividend. The principal of this Syndicated Bridging Loan pending repayment at 31 December 2013 totalled 400,000 thousand euros, maturing on 12 December 2014. The Group may exercise its option to extend the maturity date on up to two occasions for an additional six months. In March 2014 the Group obtained long-term refinancing for this entire amount via bank borrowings (*in the form of a syndicated loan and a revolving credit facility*) and the issue of long-term bonds, the Syndicated Bridging Loan being repaid early in March 2014.

If this process had not been completed in this period, the Parent's Directors had planned to exercise the option to extend the maturity date of the Syndicated Bridging Loan to 2015. Therefore, as the Group had, prior to 31 December 2013, an unconditional right to defer repayment of this liability for a period of over twelve months from that date, the amount pending repayment at that date was classified as a "Non-current liability" in the consolidated statement of financial position at 31 December 2013.

The syndicated loan bears annual interest benchmarked to the Euribor, plus a variable market spread of 3.25%.



**Long-term loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) for the "RDI & CONVERGENCE" project-**

On 22 October 2012 the Parent and the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) (a company wholly owned by the Regional Government of Castilla y León) signed an agreement under which the public body granted a long term loan of 70 million euros to finance a project entitled "RDI & CONVERGENCE". This funding will be invested in research, development and innovation activities to develop lightweight materials for the construction of motor vehicles and in property plant and equipment to improve productivity, flexibility and energy efficiency and to reduce costs in converging regions in Spain, Portugal and the Czech Republic and in Turkey. The total planned investment in the project is 145,570 thousand euros and had to be implemented by various Group companies in 2011 to 2014.

The funding for this loan was granted to the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) by the European Investment Bank (EIB) via a loan agreement between the two entities for the same amount signed on 20 August 2012 with the stated purpose of passing the funding on to Grupo Antolin for this project. On 13 September 2012 the Group signed an agreement in this respect with the European Investment Bank ("*RDI & CONVERGENCE Project Agreement*").

The loan accrues annual interest benchmarked to the 6-month Euribor plus a market supplement, to be reviewed annually with the agreement of all parties, and is backed by a joint and several guarantee from almost all of the companies composing Grupo Antolin acting as guarantors.

The principal is to be repaid in 28 quarterly instalments of 2,500 thousand euros, the first of which falls due on 28 January 2016 and the last on 28 October 2022. The outstanding principal of this loan totalled 70 million euros. The repayment schedule is set out below:

Thousands of Euros						
Maturing in:						Total
2015	2016	2017	2018	2019	2020 and Later	
-	10,000	10,000	10,000	10,000	30,000	<b>70,000</b>

With respect to the bond issue effected by the Group in March 2014 and the signing of the Senior Facilities Agreement, the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE) signed the Intercreditors Agreement governing the relationship between the bondholders, the Group's lenders and the Group, having agreed to amend the covenants and conditions regulating the distribution of dividends included in the RDI & CONVERGENCE Project Agreement to match those established in said Intercreditors Agreement.

In the light of this inscription, at 31 December 2014 the Parent's Directors considered that all the clauses and obligations set out in the loan agreement have been fulfilled and no event which could trigger full or partial early repayment has occurred. They also consider that all conditions will be met in the next 12 months.

**Other loans-**

Other loans granted to the Group at 31 December 2014 are as follows:

Nature of Loan	Thousands of Euros						Total
	Maturing in:						
	2015	2016	2017	2018	2019	2020 and Later	
Euro loans	2,730	2,008	1,579	240	204	61	6,822
Foreign currency loans	825	-	-	-	-	-	825
	<b>3,555</b>	<b>2,008</b>	<b>1,579</b>	<b>240</b>	<b>204</b>	<b>61</b>	<b>7,647</b>

These loans accrue interest at a variable market rate.

#### Guarantees-

Two further loans were granted to the Group to finance the acquisition of the land, buildings and plant of one of its factories, located in Spain, the combined outstanding balance of which was, as at 31 December 2014, 3.2 million euros (*4.1 million at 31 December 2013*). These properties have been mortgaged as security for repayment of the loans.

#### Other credit lines-

The following other credit lines had been granted to the Group as at 31 December 2014:

Nature of Loan	Thousands of Euros
	Total Undrawn in the Short Term
Euro credit lines	12,015
Foreign currency credit lines	3,467
	<b>15,482</b>

At 31 December 2014 the combined limit on the credit lines granted to the Group maturing in the short term totalled 29,204 thousand euros (*including a current account overdraft limit of 17,000 thousand euros granted to the Group as part of a framework agreement with a financial institution for the provision of banking services*). The Directors of the Parent foresee no difficulty renewing these credit lines when they expire.

In March 2014 the Group also contracted a multi-currency Revolving Credit Facility with a 200 million euro limit. At 31 December 2014 no amount had been drawn down against this facility. As a result, as at 31 December 2014 the undrawn amount available to the Group from credit lines and overdraft facilities totalled 213,722 thousand euros. These credit lines and overdraft facilities accrue interest at variable market rates.

#### Syndicated factoring agreement-

In late 2010 Grupo Antolin signed a syndicated factoring contract with recourse with eleven financial institutions, with an established total limit of 220 million euros at 31 December 2013. Notwithstanding the above, the parties expressly agreed that Grupo Antolin, in the period running from 1 through 31 December every year, would not be obliged to assign under said contract any receivables that may be *factored without recourse* by means of bilateral agreements with said financial institutions. Similarly, during this period, Grupo Antolin may *factor without recourse* those receivables assigned under said contract, provided it reaches bilateral agreements in this regard with said financial institutions.

Outstanding receivables assigned to financial institutions at 31 December 2013 totalled approximately 158,684 euros, the entire amount under factoring with recourse contracts. As this involved transferring part of the risks and benefits of the assets and control thereof, the Group directly reduced its trade receivables by the amount of the receivables assigned to the financial institutions and does not, therefore, recognise any financial liability in this connection.

This contract was no longer used from March 2014 and therefore there was no outstanding amount at 31 December 2014.

## (18) DERIVATIVE FINANCIAL INSTRUMENTS

### Derivative operations-

The Group contracts financial derivatives over the counter (OTC), with Spanish and international financial institutions with high credit ratings. The purpose of these contracts is to offset the impact of a rise in variable interest rates (Euribor) on a significant part of the impact on the Group's financing flows.

The value of these derivative financial instruments at 31 December 2014 and 2013 was as follows:

Balances in the Consolidated Statement of Financial Position	Thousands of Euros		
	Assets	Non-current Liabilities	Current Liabilities
At 31 December 2013	-	5,658	-
At 31 December 2014	-	6,862	-

The financial derivatives contracted by the Group at 31 December 2014 and 2013 and their fair values at said dates are:

Derivative	Notional Amount Contracted in Thousands of Euros		Contract Start Date	Contract End Date	Value in Thousands of Euros	
	At 31/12/14	At 31/12/13			At 31/12/14	At 31/12/13
<b>Not classified as a hedge-</b>						
Interest Rate Swap (IRS) (a)	23,671	25,834	01/09/2009	29/07/2017	(1,242)	(1,549)
Interest Rate Swap (IRS) (a)	85,460	93,268	01/09/2009	29/07/2015	(1,527)	(3,317)
Interest Rate Swap (IRS) (a)	-	51,800	09/09/2009	09/03/2014	-	142
<b>Classified as a hedge-</b>						
Interest Rate Swap (IRS) (b)	70,000	70,000	28/01/2013	28/10/2022	(4,093)	(934)
	<b>179,131</b>	<b>240,902</b>			<b>(6,862)</b>	<b>(5,658)</b>

- (a) The Group used Interest Rate Swaps to hedge a significant portion of the syndicated loan granted to it. On 12 December 2013 this syndicated loan was repaid. The associated hedging operations were therefore discontinued as the original underlying liability no longer existed, and the cumulative adjustments recognised in equity, totalling 4,724 thousand euros, were taken to the consolidated income statement for the year ended 31 December 2013 under "Change in fair value of financial instruments-Trading portfolio and other securities". From this date these derivative financial instruments were no longer classified as hedging instruments and the increase in the fair value of these instruments in 2014, amounting to 1,919 thousand euros, was recognised in the consolidated income statement for the year ended 31 December 2014 under "Change in fair value of financial instruments". With respect to these financial instruments, the Group recognised finance costs of 4,687 thousand euros in the consolidated income statement for the year ended 31 December 2014 (5,637 thousand euros in 2013) corresponding to the payment of interest accrued.
- (b) This swap specifically hedges the interest rate risk associated with a loan granted by the Agencia de Innovación, Financiación e Internacionalización Empresarial de Castilla y León (ADE). The swap continues to be classified as hedging instruments. The amount recognised at 31 December 2014 in equity under "Remeasurements" in the accompanying consolidated statement of financial position (see Note 13), as the effective portion of the

cash flow hedging relationship totalled 3,613 thousand euros (*934 thousand euros as at 31 December 2013*), excluding the corresponding tax effect. The Group recognised an expense of 480 thousand euros for the ineffective portion of the hedge under "Change in fair value of financial instruments" in the consolidated income statement for the year ended 31 December 2014 (*no ineffective portion was recognised in the consolidated income statement for the year ended 31 December 2013*). With respect to this derivative hedging instrument, the Group recognised finance costs of 1,048 thousand euros in the consolidated income statement for the year ended 31 December 2014 (*974 thousand euros in 2013*) corresponding to the payment of interest accrued.

The schedule for the notional amounts contracted during which period it is expected that the flows generated by the derivatives contracted and outstanding at 31 December 2014 will affect the Group's results is as follows:

Derivative	Thousands of Euros						
	Notional Outstanding at 31 December:						
	2015	2016	2017	2018	2019	2020	2021
<i>Not classified as a hedge-</i> Interest Rate Swap (IRS)	15,448	9,506	-	-	-	-	-
<i>Classified as a hedge-</i> Interest Rate Swap (IRS)	70,000	60,000	50,000	40,000	30,000	20,000	10,000
	<b>85,448</b>	<b>69,506</b>	<b>50,000</b>	<b>40,000</b>	<b>30,000</b>	<b>20,000</b>	<b>10,000</b>

#### ***Change in fair value of derivative financial instruments-***

These derivative financial instruments are classified as Level 2 in the hierarchy of fair value measurement as their fair value is based on valuation techniques using observable market data. Furthermore, the unobservable market data, such as credit risk, is not a significant input for the instrument as a whole.

The valuation method used for these derivative financial instruments covers both the valuation of the interest rate derived the valuation of credit risk.

The Group determines the fair value of interest rate swaps by discounting cash flows on the basis of the implicit interest rate curves calculated to reflect market conditions at the measurement date.

The effect of credit risk on the valuation of the interest rate derivatives will depend on the future settlement of the instrument. If the instrument is to be settled in the Group's favour, the counterparty's credit spread will be used to quantify the probability of non-payment at maturity, while if the settlement is expected to be negative for the Group, its own credit risk spread will be applied to the final settlement. To value the risk, the Group has applied CVA (*Credit Value Adjustment*) and DVA (*Debt Value Adjustment*) calculations to determine its own and the counterparty's exposure to each other and the probability of default. The CVA is deducted from and the DVA is added to the risk-free value of the derivatives.

The inputs used to value interest rate derivatives are the euro interest rate curves for the periods corresponding to each flow or review of operations, discounting all flows at the valuation date.

The valuation of credit risk takes into account the listed price of euro deposits, futures and swaps, the listed price of the share capital and the CDS (*credit default swap*) spread of each counterparty, and an estimate of the Group's own spread. The impact of credit risk on the valuation of the derivatives at 31 December 2014 was not significant (*a lower negative value of the derivatives*).

#### ***Sensitivity analysis of interest rate derivatives-***

The changes in fair value of the derivatives contracted by the Group depend on movements in the long-term euro interest-rate curve.

The sensitivity of the fair values of derivatives recognised in equity (*"accounting hedges"*), for the effective portion of said derivatives, and of the derivatives taken to income (*changes in fair value at 31 December 2014*), to changes in the euro interest rate curve is shown in the sensitivity analysis below:

Sensitivity	Thousands of Euros
Classified as a hedge:	
+0,5% ( <i>rise in the interest rate curve</i> )	1,588
-0,5% ( <i>rise in the interest rate curve</i> )	(1,588)
Not classified as a hedge:	
+0,5% ( <i>rise in the interest rate curve</i> )	371
-0,5% ( <i>rise in the interest rate curve</i> )	(371)

The sensitivity analysis shows that the value of interest rate derivatives increases when the interest curve shifts upward as they are interest rate swaps on which the Group pays interest at a fixed rate, thereby protecting the Company against such increases.

The Group has also carried out a sensitivity analysis on the total amount of its financial debt at variable interest rates outstanding as at 31 December 2014 (see Note 21).

#### ***Payment schedule for derivative financial instruments-***

The expected net payments over the next few years for the derivative financial instruments contracted by the Group and in force at 31 December 2014, excluding any adjustments for credit risk, amount to approximately 4.8 million euros in 2015 and will decrease gradually until 2021.

## **(19) OTHER FINANCIAL LIABILITIES**

"Other current financial liabilities" and "Other non-current financial liabilities" in the consolidated statement of financial position at 31 December 2014 and 2013 were as follows:

Description	Thousands of Euros					
	At 31/12/14			At 31/12/13		
	Current Liabilities	Non-current Liabilities	Total	Current Liabilities	Non-current Liabilities	Total
Loans granted by Spanish public bodies	3,973	40,222	44,195	1,089	41,272	42,361
Other financial liabilities	32	3,537	3,569	-	3,867	3,867
Less- financial remeasurement	-	(5,065)	(5,065)	-	(5,802)	(5,802)
	<b>4,005</b>	<b>38,694</b>	<b>42,699</b>	<b>1,089</b>	<b>39,337</b>	<b>40,426</b>

#### **Loans granted by Spanish public bodies-**

Most of the balances under this heading at 31 December 2014 and 2013 corresponded to loans granted to Grupo Antolin by certain Spanish public bodies to finance research and development projects and improve competitiveness. In 2009, 2010, 2011 and 2012, the Ministry for Industry, Tourism and Trade, through the Plan for Competitiveness of the Motor Industry, granted long-term interest-free loans to Grupo Antolin for 20,150, 5,627, 4,003 and 5,079 thousand euros, respectively. Generally, these loans must be repaid in 10 regular annual instalments falling due between 2015 and 2026.

The nominal amount of these and other loans granted by Spanish public bodies outstanding at 31 December 2014 and 2013 will be repaid in accordance with the following maturity schedule:

	Thousands of Euros							
	Maturing in:							Total
	2014	2015	2016	2017	2018	2019	2020 and Later	
31/12/13	1,089	3,809	4,460	4,820	4,820	5,413	17,950	<b>42,361</b>
31/12/14	-	3,973	4,441	4,840	4,871	4,880	21,190	<b>44,195</b>

## (20) TAX MATTERS AND TAX RECEIVABLES AND PAYABLES

### Balances with the tax authorities and Social Security administration-

Grupo Antolin's balances with the Tax and Social Security authorities at 31 December 2014 and 2013 were as follows:

	Thousands of Euros			
	31/12/14		31/12/13	
	Current	Non-current	Current	Non-current
<b>TAX ASSETS:</b>				
Deferred tax assets	-	<b>79,163</b>	-	<b>82,334</b>
Tax receivables (Note 11)- VAT and other receivables	39,573	-	43,327	-
<b>TOTAL TAX ASSETS</b>	<b>39,573</b>	<b>79,163</b>	<b>43,327</b>	<b>82,334</b>
<b>TAX LIABILITIES:</b>				
Deferred tax liabilities	-	<b>19,672</b>	-	<b>24,876</b>
Tax payables-				
Current tax liabilities	12,040	-	16,023	-
Other taxes	41,351	-	40,536	-
Social security contributions payable	14,867	-	13,519	-
<b>TOTAL TAX LIABILITIES</b>	<b>68,258</b>	<b>19,672</b>	<b>70,078</b>	<b>24,876</b>

### Corporation Tax-

As indicated in Note 3-p, Grupo Antolin-Irausa, S.A. Grupo Antolin-Irausa, S.A. and all of its consolidated Spanish subsidiaries domiciled in Spanish "common territory" in which it has holdings of 75% or more file consolidated corporation tax returns.

The consolidated companies taxed included in this tax group are as follows:

Company
Grupo Antolin-Irausa, S.A.
ASH Reciclado de Techos, S.L.
Grupo Antolin-Ara, S.A.U.
Grupo Antolin-Aragusa, S.A.U.
Grupo Antolin-Ardasa, S.A.U.
Grupo Antolin-Autotrim, S.A.U.
Grupo Antolin-Dapsa, S.A.U.
Grupo Antolin-Eurotrim, S.A.U.
Grupo Antolin Gestión de Inversiones, S.L.U.
Grupo Antolin-Glass, S.A.U.
Grupo Antolin-Ingeniería, S.A.U.
Grupo Antolin-Magnesio, S.A.U.
Grupo Antolin-Martorell, S.A.U.
Grupo Antolin-Navarra, S.A.U.
Grupo Antolin-PGA, S.A.U.
Grupo Antolin-Plasbur, S.A.U.
Grupo Antolin-RyA, S.A.U.
Grupo Antolin-Vigo, S.A.U.
Grupo Antolin-Valplas, S.A.U.

The corporate income tax charge is calculated for each consolidated subsidiary based on accounting profit, determined in accordance with generally accepted accounting principles, which need not coincide with taxable income, this latter being the tax base.

The reconciliation of consolidated accounting income to the expected tax base for corporate income tax purposes for 2014 and 2013 is as follows:

Description	Thousands of Euros	
	2014	2013
<b>Consolidated income for the year before taxes</b>	<b>134,149</b>	<b>99,230</b>
<b>Permanent differences-</b>		
Losses incurred by certain foreign consolidated companies for which no tax asset has been recorded	27,431	34,932
Individual companies and adjustments in consolidation:		
Increases (a)	40,976	27,722
Decreases (a)	(5,122)	(1,266)
Share in profit and loss of companies consolidated using the equity method	(9,640)	(5,687)
<b>Timing differences-</b>		
Increases:		
Individual companies (b)	23,617	22,166
Consolidation adjustments	4,887	6,023
Decreases:		
Individual companies (b)	(12,163)	(13,808)
Consolidation adjustments	-	(2,500)
<b>Application of tax loss carryforwards-</b>		
For which a tax credit had been recorded	(10,103)	(12,603)
For which no tax credit had been recorded	(11,164)	(10,829)
<b>Consolidated taxable income</b>	<b>182,868</b>	<b>143,380</b>

- (a) Increases include reversals to provisions made by the Parent for impairments to its holdings in the share capital of consolidated subsidiaries that do not form part of the consolidated tax group, since these reversals are generally considered as tax deductible revenues. The effect of these increases is offset by the application of tax loss carryforwards for which no tax credit had been recognised.
- (b) The most significant increases correspond to allocations made to certain provisions and other expenses incurred which the Group considers are not tax-deductible (*timing differences*). The most significant decreases correspond to the reversal of certain provisions that were not considered to be tax deductible when originally allocated (*timing differences*).

### Corporate income tax expense-

The balances on the "Corporate income tax" heading in the consolidated income statement for 2014 and 2013 have been determined as follows:

Description	Thousands of Euros	
	2014	2013
Profit before tax on continuing operations	134,149	99,230
Permanent differences	53,645	55,701
Application of prior year tax losses for which no tax credit had been recognised	(11,164)	(10,829)
	<b>176,630</b>	<b>144,102</b>
<b>Estimated tax charge (at 30%)</b>	<b>52,989</b>	<b>43,231</b>
Tax deductions applied for which no tax credit had been capitalised	(6,829)	(10,152)
Capitalisation of rights for deductions	(8,456)	-
Other items (a)	(2,487)	1,207
<b>Corporate income tax expense</b>	<b>35,217</b>	<b>34,286</b>
Other adjustments (b)	9,249	1,455
<b>Balance of "Corporate income tax" in the consolidated income statement</b>	<b>44,466</b>	<b>35,741</b>

(a) Corresponding principally to the net effect of the different tax rates used in other countries and to taxes paid in other countries on dividends, interest and other amounts paid to the Parent and other Spanish consolidated subsidiary companies for which said companies have made no deductions.

(b) These amounts include, basically, adjustments made at 31 December 2014 and 2013 to certain deferred tax assets and liabilities recognised in prior years, as a result of changes in the year in the applicable tax legislation in certain countries regarding tax rates and other items (*mainly Spain and Mexico*).

### Tax loss carryforwards-

Although as at 31 December 2014 some of the consolidated companies were carrying significant tax loss carryforwards (*around 569 million euros in total*), the accompanying consolidated statement of financial position at that date only includes a tax asset of 39,632 thousand euros relating to the tax effect of offsetting the following tax loss carryforwards, which can reasonably be expected to be applied (*specifically, they correspond to tax losses generated in 2008-2012 by the Spanish tax consolidated group*).

Tax losses generated in a given year can be carried forward for offset against the taxable income of the immediately following years, as established in the tax legislation of the countries in which the consolidated companies are located.

The Group has recognised a large part of the tax effect of the losses generated by the consolidated subsidiary companies that are not in the Spanish consolidated tax Group (*for which said subsidiary companies capitalised no tax credit*) through provisions made by the Parent for impairments to the value of its shareholdings in said consolidated subsidiaries which were treated as tax-deductible expenses until 2013.

### Foreign subsidiaries-

At 31 December 2014 there were no proposed dividend distributions by foreign consolidated subsidiary companies and associates which were pending execution. There is therefore no impact on the Corporate income tax payable by the Group.



### Deferred tax assets and liabilities-

The movements in 2014 and 2013 under "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated statement of financial position were as follows:

Description	Thousands of Euros	
	Assets	Liabilities
<b>Balances at 31 December 2012</b>	<b>88,691</b>	<b>29,908</b>
Change in the fair value of available for sale financial assets (Note 13)	-	(3,146)
Tax loss carryforwards	(3,431)	-
Market valuation of derivative financial derivatives (Note 13)	(3,547)	-
Changes for timing differences	3,947	721
Changes in other items, reclassifications and translation differences	(3,326)	(2,607)
<b>Balances at 31 December 2013</b>	<b>82,334</b>	<b>24,876</b>
Tax loss carryforwards	(2,909)	-
Application of deductions for which a deferred tax asset was recognised	(1,601)	-
Market valuation of derivative financial derivatives (Note 13)	804	-
Capitalisation of rights for unused deductions	8,456	-
Changes for timing differences	2,989	(1,914)
Adjustments to deferred tax assets and liabilities (a)	(12,298)	(2,445)
Effect of inclusions in the scope of consolidation (Note 5)	410	356
Changes in other items, reclassifications and translation differences	978	(1,201)
<b>Balances at 31 December 2014</b>	<b>79,163</b>	<b>19,672</b>

- (a) These amounts mainly correspond to adjustments effected for the difference between the corporate income tax rate applicable in Spain to 31 December 2014 (30%) and the rate applicable in the financial years in which it is expected to offset tax loss carryforwards or reverse timing differences which at that date had generated recognised deferred tax assets and liabilities (28% in 2015 and 25% in later financial years), together with other adjustments.

The aforementioned deferred tax assets have recognised in the consolidated statement of financial position because the Parent's Directors are reasonably sure that they will be recovered, based on recent forecasts of the future tax bases of the consolidated subsidiaries. The key figures set out in the Group's Business Plan for 2015-2018, prepared by its Directors and approved by the Parent's Board of Directors in May 2014 are as follows:

	Million Euros			
	2015 (a)	2016	2017	2018
Consolidated income	2,401	2,465	2,607	2,679
Consolidated EBITDA	328	300	329	334
Consolidated EBIT	219	179	198	192

- (a) These figures differ to those in the Business Plan, being based on the latest estimates made by the Group's management with respect to the end of the 2015 reporting period.

The deferred tax assets recognised in the consolidated statement of financial position at 31 December 2014 and 2013 were generated as follows:

Deferred Tax Assets Originating in:	Thousands of Euros	
	31/12/14	31/12/13
Tax loss carryforwards and unused deductions and refunds	55,780	61,446
Elimination of internal gain / (loss) in the consolidation process on development expenses invoiced by G.A. Ingeniería, S.A.U.	3,249	3,570
Amortisation and depreciation not deductible in the period	3,431	2,138
Finance costs not deductible in the period	37	838
Timing differences as a result of certain provisions, other expenses that are not deductible in the period and other items	15,762	14,062
Market valuation of derivative financial derivatives (Note 13)	904	280
	<b>79,163</b>	<b>82,334</b>

The deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2014 and 2013 were generated as follows:

Deferred Tax Liabilities Originating in:	Thousands of Euros	
	31/12/14	31/12/13
Revaluation of certain plots of land under property, plant and equipment and investment property on first application of the "IFRS-EU" (Note 8)	7,254	8,703
Unrealised capital gains assigned to assets in the consolidation process	4,893	5,806
Accelerated depreciation and amortisation of property, plant and equipment and intangible assets	7,525	10,367
	<b>19,672</b>	<b>24,876</b>

### Tax credits-

The corporate income tax legislation in force provides for various tax incentives. The tax credits earned in one year in excess of the applicable legal limits may be deducted from the corporate income tax payable in subsequent years, up to the limits and within the periods established in this connection by the related tax regulations. The Group has availed itself of the tax benefits provided for by this legislation and deducted 8,429 thousand euros and 10,152 thousand euros, respectively, from the consolidated corporate income tax charge for 2014 and 2013, for which a tax asset had been recorded by the Group for an amount of 1,600 thousand euros for the tax credit applied in 2014 (*no tax asset had been recorded by the Group for 2013*).

As at 31 December 2014 and 2013, after the aforementioned tax credits had been applied, the French Group companies had unused tax credits for an amount of 3 million euros, approximately, in so far as the Spanish Group companies had the following unused tax credits:

Description	Thousands of Euros	
	31/12/14	31/12/13
Deductions to eliminate international and intercompany double taxation	-	3,414
Other deductions (a)	65,728	65,894
	<b>65,728</b>	<b>69,308</b>

- (a) These correspond mainly to deductions for R&D activities from 2000 to 2014, and can be applied for 18 years from the year in which they were generated.

"Deferred tax assets" in the accompanying consolidated statement of financial position at 31 December 2014 includes a tax credit totalling 16,148 thousand euros (*9,293 thousand euros at 31 December 2013*), for unused deductions at that date, generated by the companies in the Spanish consolidated tax Group, which are reasonably expected to be used on the basis of recent estimates made by the Parent's Directors about the future performance of the consolidated tax Group.

### **Tax inspections and appeals in Spain-**

In recent years the tax authorities have carried out inspections of the Spanish consolidated tax Group headed by the Parent in respect of a significant portion of the taxes for the years 2002 to 2010. In 2014 inspections were completed on the main taxes applicable to the Group in 2008, 2009 and 2010. These inspections gave rise to a number of rulings which the Group in general accepted and which did not produce any material impact.

However, in 2012 the Parent issued a notice of disagreement to the assessment against the Spanish consolidated tax Group in respect of corporate income tax for 2006 and 2007 as a result of deductions to eliminate international double taxation applied by the Parent. The Group lodged an appeal against this assessment with the Central Economic and Administrative Court, which has not yet given a ruling. The amount concerned is not material. As the assessment was paid in previous financial years, the ruling on this appeal will not give rise to any unforeseen liabilities for the Group.

### **Years open to tax inspection-**

Under current legislation, tax settlements cannot be considered to be final until the tax returns filed have been inspected by the tax authorities or until the statute-of-limitations period has expired (*generally four or five years in the countries in which the Group's companies are located*).

In February 2015 the Tax Authority opened inspections of the Spanish consolidated tax group headed by the Parent in respect of the following taxes and fiscal years:

Tax	Period
Corporation Tax-	2011 to 2012
Value added tax	2011 to 2012
Personal income tax withholdings and receipts on account	2011 to 2012
Capital gains tax withholdings and receipts on account	2011 to 2012
Withholdings in respect of income tax for non-residents	2011 to 2012

At the date these consolidated annual financial statements were prepared, these inspections were still in progress.

As a general rule, at 31 December 2014, the remaining consolidated companies had the last four years open to inspection by the tax authorities for the main taxes applicable to them.

The Parent's Directors believe that the settlements of those taxes have been done properly, so, even if differences were to arise in the interpretation of the regulations governing the tax treatment of its operations, such liabilities as could arise as a result of the current inspection or inspections of the aforementioned years would not have a material effect on the accompanying financial statements for 2014.

## (21) REVENUES AND EXPENSES

### Net turnover-

The breakdown of the Group's net turnover by geographical market for 2014 and 2013 is as follows:

Product or Function	Thousands of Euros	
	2014	2013
Seating	206,847	186,776
Doors	695,029	656,110
Overheads	1,158,661	1,111,457
Lighting	164,870	130,346
	<b>2,225,407</b>	<b>2,084,689</b>

Geographical market	Thousands of Euros	
	2014	2013
Spain	346,107	291,989
Germany	233,600	222,273
France	286,685	248,539
USA	472,010	451,570
Brazil	78,187	118,121
United Kingdom	103,883	107,757
Mexico	125,656	129,805
Czech Republic	97,139	87,546
China	113,117	86,862
Other countries	369,023	340,227
	<b>2,225,407</b>	<b>2,084,689</b>

The breakdown of the Group's ordinary revenues by customer is as follows:

Car Manufacturer	Percentage	
	2014	2013
Volkswagen Group	18	19
Renault-Nissan Group	15	14
Ford Group	19	20
Chrysler-Fiat Group	12	12
P.S.A.-Citroën Group	11	11
Other manufacturers	25	24
	<b>100</b>	<b>100</b>

### Other operating income-

The balances of this heading in the consolidated income statement for 2014 and 2013 break down as follows:

Description	Thousands of Euros	
	2014	2013
Revenues on the sale of project tools	18,507	12,819
Operating grants	1,475	2,661
Income from leases of investment property	802	1,165
Revenues from the assignment of industrial property	309	26
Other revenue	45,541	46,666
	<b>66,634</b>	<b>63,337</b>

### Supplies-

The balances of this heading in the consolidated income statement for 2014 and 2013 break down as follows:

Description	Thousands of Euros	
	2014	2013
Purchases of goods for resale and raw materials	1,338,631	1,249,128
Purchases of other supplies	13,036	10,555
Purchases of prototypes	3,717	9,672
Transportation of purchases	29,083	26,048
Work performed by third parties	10,705	12,499
Less- bulk discounts and returns	(612)	(910)
Change in inventories of goods for resale, raw materials and other supplies	(19,401)	5,708
	<b>1,375,159</b>	<b>1,312,700</b>

### Personnel expenses-

The balances of this heading in the consolidated income statement for 2014 and 2013 break down as follows:

Description	Thousands of Euros	
	2014	2013
Wages, salaries and similar expenses	292,860	289,673
Termination benefits	908	1,995
Employer's social security contributions	83,587	80,685
Other welfare expenses	16,740	15,563
	<b>394,095</b>	<b>387,916</b>

### Average number of employees-

Set out below is the average number of employees working for the Group in 2014 and 2013:

	Average Number of Employees	
	2014	2013
Direct labour	7,499	7,289
Indirect labour	3,988	3,729
General employees	2,058	1,922
	<b>13,545</b>	<b>12,940</b>

The average number of employees at Associates in 2014 and 2013 was 1,925 and 1,893, respectively.

The average number of employees in the Group in 2014 and 2013 with disabilities of 33% or more was 144 and 128, respectively, distributed as follows by function:

	Average Number of Employees	
	2014	2013
Direct labour	92	81
Indirect labour	39	32
General employees	13	15
	<b>144</b>	<b>128</b>

### Functional analysis by gender-

Set out below is a functional breakdown of the work force of the group by gender as at 31 December 2014 and 2013:

	Number of Employees					
	At 31/12/14			At 31/12/13		
	Men	Women	Total	Men	Women	Total
Direct labour	4,528	3,057	7,585	4,253	2,931	7,184
Indirect labour	3,252	760	4,012	3,026	702	3,728
General employees	1,323	669	1,992	1,276	640	1,916
	<b>9,103</b>	<b>4,486</b>	<b>13,589</b>	<b>8,555</b>	<b>4,273</b>	<b>12,828</b>

The number of employees of Associates as at 31 December 2014 was 1,971 (*1,118 men and 853 women*), and at 31 December 2013 there were 1,907 employees (*1,050 men and 857 women*).

At 31 December 2014 the Parent's Board of Directors comprised two members who are private individuals (*two men*), and four members who are legal entities, represented by two men and two women, while at 31 December 2013 it had one member who was a private individual (*one man*), and four members who were legal entities, represented by two men and two women. At 31 December 2014, the Group's senior management comprised 10 private individuals (8 in 2013), all of them men.

## (22) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### Balances and transactions with Associates and Joint ventures-

The Group's balances with Associates and Joint ventures at 31 December 2014 and 2013 are as follows:

Company	Thousands of Euros					
	31/12/14			31/12/13		
	Non-current Loans (Note 9)	Trade Receivables	Trade Suppliers	Non-current Loans (Note 9)	Trade Receivables	Trade Suppliers
International Door Systems, S.R.L. de C.V.	-	3	2	1,043	7	11
Slovakian Door Company, s.r.o	305	574	-	-	75	-
NHK Antolin (Thailand) Co., Ltd.	-	644	(12)	-	79	-
Antolin Kasai Internacional Kabushiki Kaisha	-	-	-	-	-	61
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	-	540	-	-	349	-
Gongzhuling Huaxiang Auto Interior Trim Co., Ltd.	-	612	602	-	-	633
Dongguan Antolin Huaxiang Auto Parts Co., Ltd.	-	-	-	-	612	-
Silesia Plastic, Sp. z o.o	-	54	393	-	54	222
Irauto, S.A.	-	687	15	-	259	-
Krishna Grupo Antolin Private, Ltd.	-	157	-	-	-	-
	<b>305</b>	<b>3,271</b>	<b>1,000</b>	<b>1,043</b>	<b>1,435</b>	<b>927</b>

The Group's transactions with Associates and Joint ventures (*sales and services provided and purchases and services received*) during 2014 and 2013 are as follows:

Company	Thousands of Euros			
	Sales and Services Provided		Purchases and Services Received	
	2014	2013	2014	2013
Slovakian Door Company, s.r.o.	896	298	-	-
International Door Systems, S.R.L. de C.V.	25	54	13	96
NHK Antolin (Thailand) Co., Ltd.	943	1,262	-	-
Dongwon Technology Co., Ltd.	-	82	63	-
Ningbo Antolin Huaxiang Auto Parts Co., Ltd.	321	925	-	-
Chengdu Antolin Huaxiang Auto Interior Trim Co., Ltd.	-	35	-	-
Gongzhuling Huaxiang Auto Interior Trim Co.	798	300	4,240	2,079
Dongguan Antolin Huaxiang Auto Parts Co., Ltd.	27	-	-	-
Krishna Grupo Antolin Private, Ltd.	157	225	-	-
Silesia Plastic, Sp. zo.o	791	649	3,546	2,291
Irauto, S.A.	733	514	54	-
	<b>4,691</b>	<b>4,344</b>	<b>7,916</b>	<b>4,466</b>

The transactions detailed above were carried out in the normal course of business and under market conditions.

#### Balances and operations with shareholders and Directors of the Parent-

The Parent had no balances with its shareholders and Directors at 31 December 2014 or 31 December 2013.

The Group's transactions with shareholders and Directors of the Parent during 2014 and 2013 are as follows:

Shareholders and/or Directors and Description	Thousands of Euros	
	2014	2013
<b>Finance income:</b>		
Agrícola Cinegética San Quirce, S.L.	-	24
Injat, S.L.	-	30
Sarmental Gestión, S.L.U.	-	56
<b>Services received:</b>		
Canea, S.L.	375	750
Injat, S.L.	642	1,283
<b>Directors' Remuneration and salaries</b>	<b>2,928</b>	<b>4,084</b>

#### Balances and transactions with related parties-

During 2014 and 2013 the Group made purchases from Compras y Logística Burgalesa, S.L., a company owned by Grupo Asuari Inversor (see Note 2-h) in the amounts of 6,951 and 5,613 thousand euros, respectively. These transactions were carried out in the normal course of business and under market conditions. As a consequence of these transactions, at 31 December 2014 and 2013 the Group had payables with this related company totalling 1,604 and 1,221 thousand euros, respectively. Purchases and services were received in the year ended 31 December 2014 from other companies related to said group amounting to 170 thousand euros (372 thousand euros in 2013). In addition, as a result of financing granted by a related company to certain directors of the Parent, interest accrued in favour of said company amounting to 237 thousand euros (see Note 9).

Meanwhile, during 2014 the Parent received services costing 113 thousand euros from Asesores Financieros Internacionales (AFI), an entity related to a Director of the Parent, who has held this post since 25 April 2014. As a consequence of this transaction, at 31 December 2014 the Parent had a payable balance with this related entity amounting to 45 thousand euros. Other transactions with parties and persons indirectly related to the Directors were effected in the ordinary course of the Group's business. These were not however material and are not relevant for the purposes of giving a true and fair view of the consolidated net assets, financial position or results of the Group.

## **(23) INFORMATION ABOUT THE DIRECTORS OF THE PARENT AND KEY STAFF OF THE GROUP**

### **Parent Directors' remuneration and other benefits-**

In 2014 the members of the Board of Directors of the Parent received 1,900 thousand euros in remuneration for their work as administrators of the Parent (*501 thousand euros in 2013*). Some of the members of the Parent's Board of Directors are also employees and, as such, earned wages and salaries and other benefits totalling 1,028 thousand euros in 2014 (*3,583 thousand euros in 2013*).

In addition, several Parent directors provided certain services to the Parent in 2014, for a total amount of 1,017 thousand euros (*2,033 euros in 2013*).

The sum of these amounts represents the total remuneration earned by the directors of the Parent in 2014 in all connections.

The Group does not have any pension or life insurance commitments to any of the Parent's Directors.

At 31 December 2014 and 2013 the Parent had not conceded any loan or advance to any of its Directors and no guarantee had been issued in their favour at those dates.

### **Remuneration and other benefits paid to senior management of the Group-**

The remuneration accruing to the Group's senior managers (*members of the Management Committee who are not Directors of the Company*) during 2014 totalled 2,643 thousand euros (*2,334 thousand euros in 2013*).

The Group has not entered into any pension commitments, nor has it granted any advances, loans or guarantees to any member of the Group's senior management. It has established a "Multi-year remuneration plan" for the Group's senior managers, subject to certain strategic targets being met. A payout is planned in 2015 and at 31 December 2014 a provision had been constituted for this purpose.

### **Information regarding conflict of interest of directors of the Parent-**

In accordance with section 229 of the revised text of the Spanish Corporate Enterprise Act, enacted by Royal Legislative Decree 1/2010, dated 2 July and modified 4 December 2014, none of the members of the Board of Directors of the Parent nor any party related to said Board members has any direct or indirect conflict of interest with the companies comprising the Group. Note 22 discloses the transactions made by the Group with parties which are related to certain directors.

## **(24) RISK MANAGEMENT POLICY**

### **Financial risk factors-**

The Group's activities are exposed to a number of financial risks: market risk (*fair value risk and price risk*), credit risk, liquidity risk and interest-rate risk on cash flows. The Group's global risk management programme is focused on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Grupo Antolin uses financial derivatives to hedge against certain risks.

Risk management is controlled by the Group's Financial Department in accordance with policies approved by the Board of Directors of the Parent. This Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Parent's Board of Directors determines policies for the global management of risk, and for specific risk areas such as currency risk, interest rate risk, liquidity risk, risk derived from the use of derivative and non-derivative financial instruments and the investment of cash surpluses.



*i) Market risk-*

The Group is exposed to the risk of changes in market value of the investments held as “available for sale” which are classified under “Non-current financial assets” in the consolidated statement of financial position, although this risk has reduced significantly following the disposal of key investments in 2013.

The risk deriving from a possible increase in the prices of raw materials, including the purchase of components used in the production processes, is mitigated by the fact that Grupo Antolin operates with its main suppliers under long-term agreements which afford stability in prices. On the other hand, Grupo Antolin negotiates with its customers to pass on increases in the prices of certain raw materials.

The terms of agreements with customers have resulted in lower prices, which could reduce the Group's margins. Grupo Antolin nevertheless develops improvement programmes and tools to offset these decreases with increases in productivity. Grupo Antolin also negotiates with its suppliers to help it absorb these price reductions.

*ii) Credit risk-*

Grupo Antolin's customer portfolio is diversified across the major vehicle manufacturing groups, as a result of which there is no particular concentration of credit risk. In the past, motor vehicle manufacturers were deemed not to have a major credit risk. The Group therefore considers that the credit ratings of its debtors are sound and its receivables in the first months of 2015 will be collectable as normal. The Group has policies for other customers to ensure that it sells to customers who have suitable credit histories.

At 31 December 2014 the trade receivables past due for which provision had not been made were not material.

The credit risk on cash and cash equivalents, financial derivatives and deposits with banks and financial institutions is deemed to be immaterial, as these operations are only entered into with financial institutions with high credit ratings. Grupo Antolin has policies for limiting the amount of the risk with any financial institution.

*iii) Liquidity risk-*

Grupo Antolin manages liquidity risk prudently, based on maintaining sufficient cash and negotiable securities, the availability of funding by means of sufficient committed credit facilities and the capacity to liquidate positions in the market. Furthermore, the centralised cash system the Group has set up allows it to manage financial resources with greater efficiency. Given the dynamic nature of the underlying businesses, the Group's Financial Department aims to keep financing flexible, by contracting credit lines or factoring lines without recourse (*assigning receivables to third parties*).

Group Management monitors cash requirements, and developments in its borrowings. The key figures in Grupo Antolin's cash budget for 2015 are as follows:

Description	Thousands of Euros
EBITDA	287,600
Net finance income	(39,514)
Other items ( <i>basically, payment of corporate income tax</i> )	(50,809)
<b>Cash-flow from ordinary operations</b>	<b>197,277</b>
CAPEX	(156,998)
Project tools and changes in working capital	(13,246)
<b>Free cash flow of the business</b>	<b>27,033</b>
Repayments of financial debt	(19,056)
Distribution of dividends	(6,000)
Dividends received	12,000
<b>Decrease in cash or cash equivalents in 2015</b>	<b>13,977</b>
<b>Cash or cash equivalents at 31 December 2014</b>	<b>154,167</b>
<b>Forecast cash or cash equivalents at 31 December 2015</b>	<b>168,144</b>

*iv) Interest rate risk for cash flows and fair value risk-*

Given that the Group does not carry major amounts of interest-earning assets, its operating revenues and cash flows are fairly independent of the variations in market interest rates.

The Group's interest rate risk stems from its non-current borrowings. The Group's variable rate borrowings expose it to interest-rate risks for cash flows. The Group's fixed rate borrowings expose it to fair value interest rate risks. At the end of the 2014 reporting period, taking into account financial derivatives contracted, approximately 67% of borrowings were at fixed interest rates.

The Group mainly manages the interest rate risk on cash flows using variable to fixed interest rate swaps (*with the aim of covering approximately 50% of its non-current financial debts*). These interest rate swaps have the financial effect of converting variable interest rate borrowings into fixed interest rate borrowings. The Group generally borrows long term at variable interest rates and swaps them for fixed interest rates that are normally lower than those that the Group would have obtained had it borrowed directly at fixed rates. Under the terms of the interest rate swaps, the Group undertakes to exchange with other parties, at set intervals (*normally every six months*), the difference between the fixed interest and the variable interest calculated based on the notionals contracted.

The Group has carried out a sensitivity analysis for the amounts of the variable interest rate debt as at 31 December 2014, taking into account the contractual terms of the funding in force as at said date, and concluded that a 0.50% change in interest rates would lead to an increase of approximately 500 thousand euros in interest expense. This sensitivity analysis did not take into account the debt hedged by the interest rate swaps contracted (*for a notional of 179 million euros*).

The Group considers that there are no significant differences between the carrying amount and the fair value of financial assets and liabilities.

*v) Foreign-exchange risk-*

The international expansion of the Group and its ever-growing volume of business outside the euro zone expose it, basically, to exchange rate risks in currencies such as the Czech crown, the Brazilian real, the US dollar or the Mexican peso, which could have an impact on its results. To reduce its exposure to this risk, the Group avails itself of a variety of mechanisms, such as using local suppliers and negotiating with

customers and suppliers to hedge against major movements in currencies. Grupo Antolin has not entered into any foreign-currency hedge rate agreements or forward contracts.

The Group has carried out a sensitivity analysis of the key figures in its 2015 budget income statement, and has concluded that a 5% rise in the euro against currencies such as the Czech crown, the Brazilian real, the US dollar, the Mexican peso, the pound sterling and the Chinese yuan, would reduce net turnover by approximately 55 million euros (2%, approximately), and budgeted consolidated profit and loss for 2015 (before tax) would fall by approximately 5 million euros.

## (25) OTHER INFORMATION

### Guarantees given to third parties and other contingent liabilities-

As at 31 December 2013 the Parent had provided guarantees to various financial institutions for other related non-Group companies, for an amount of 0.4 million euros, to facilitate the granting of financing to these companies, which were cancelled in 2014. Also, as at 31 December 2014 and 2013 various financial institutions had provided guarantees to public bodies on the Group's behalf to guarantee compliance with the general and particular terms of certain capital and operating grants made to the Group (see Note 15), and the repayment of a number of loans granted by public bodies to fund research and development projects (see Note 19).

The Controlling Company's directors consider that any liabilities which might arise from the guarantees provided and for which provision was not made at 31 December 2014 would not be material.

With respect to the acquisition of the "CML Innovative Technologies" group by Grupo Antolin in 2012, the contingent liabilities existing at the acquisition date were guaranteed by the sellers and part of the purchase price (1,853 thousand euros at 31 December 2014) is held in escrow to guarantee said liabilities. This escrow account is in the seller's name but is restricted for a determined period of time.

### Fees paid to the auditors-

The fees for audit and other services provided during 2014 and 2013 by the Group's main auditor, or by companies related to it through common control, ownership interests or management, together with fees for services provided by other auditors to companies included in the scope of consolidation, or by companies related to them through common control, ownership interests or management, are as follows:

Description	Thousands of Euros			
	2014		2013	
	Services Provided by the Main Auditor	Services Provided by Other Audit Firms	Services Provided by the Main Auditor	Services Provided by Other audit Firms
Audit services	1,391	395	1,265	364
Other verification services	277	86	570	116
<b>Total audit and related services</b>	<b>1,668</b>	<b>481</b>	<b>1,835</b>	<b>480</b>
<b>Other services</b>	<b>1,358</b>	<b>369</b>	<b>955</b>	<b>373</b>
<b>Total professional services</b>	<b>3,026</b>	<b>850</b>	<b>2,790</b>	<b>853</b>

### Disclosure on deferred payments to suppliers-

In accordance with Law 15/2010, of 5 July, modifying Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, applied in the Resolution issued on 29 December 2010 by the Institute of Accounting and Account Auditing (ICAC), taking into account the Second Transitional Provision of said Resolution, the payments made in 2014 and 2013 by the Spanish consolidated subsidiaries to

trade suppliers and service providers in Spain are presented below, distinguishing between those paid within the maximum legal period and those not, together with the weighted average number of days past due and the payments to said trade suppliers and service providers outstanding at 31 December 2014 and 2013 which at those dates exceeded the legal time limit:

	2014		2013	
	Amount (Thousand Euros)	% of the Total	Amount (Thousand Euros)	% of the Total
<b>Payments made in the year:</b>				
Paid within the legal maximum period (*)	179,698	76.96	187,840	72.67
Remainder of payments made	53,805	23.04	70,651	27.33
<b>Total payments in the year</b>	<b>233,503</b>	<b>100.00</b>	<b>258,491</b>	<b>100.00</b>
Weighted average number of days past due	11	-	12	-
Overdue payments exceeding the maximum legal limit as at the year end (*)	4,738	11.81	5,054	5.52

(\*) The legal limit has been determined in each case in accordance with that applying to the specific type of goods or service received by the Company, in accordance with Law 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, and modified by article 33 of Royal Decree Law 4/2013, of 22 February, and specifically article 4.3 of the aforementioned Law 3/2004.

In accordance with the aforementioned regulations, only information relating to suppliers located in Spain has been included.

### Environmental information-

Grupo Antolin's environmental activities focus on two general areas:

- **Environmental Management System.** Based on manuals and procedures common to all the centres defining the measures to ensure strict compliance with current legislation, the rational use of resources and energy and minimising the generation of waste.
- **Environment-Sensitive Design.** Through its research and development centres, the Group designs its products with a view to minimising the environmental impact of the vehicle over its useful life.

The Group's property, plant and equipment include certain investments whose carrying amount at 31 December 2014 and 2013 totalled approximately 1,190 and 1,159 thousand euros respectively, whose purpose is to reduce the environmental impact of the Group's activity and to protect and enhance the environment. In 2014 and 2013 the Group also incurred in certain expenses aimed at protecting and enhancing the environment, totalling approximately 1,467 thousand euros and 1,564 thousand euros, respectively.

Grupo Antolin has no other environmental liabilities, provisions or contingencies that could have a significant impact on its equity, financial position or results (see Note 16).

In particular, given the nature of its activity, the facilities of the Spanish consolidated companies were not included in the national plan for the allocation of greenhouse gas emission allowances and, therefore, they have been allotted no greenhouse effect gas emission rights. No greenhouse effect gas emission rights have therefore been recognised in the consolidated statement of financial position at 31 December 2014. Nor has any movement occurred under this heading in 2014. Furthermore, in 2014, the Group has incurred no expenses nor has it recorded any provision in connection with this item. The Group has not entered into any futures contract relating to emission rights, nor has it received any grants associated with such rights, nor are there any contingencies arising from greenhouse effect gas emission rights.

**(26) EVENTS AFTER THE REPORTING PERIOD**

There have been no major events since the end of 2014.

**(27) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **GRUPO ANTOLIN-IRAUSA, S.A. AND SUBSIDIARIES**

### CONSOLIDATED DIRECTORS' REPORT FOR 2014

#### **Performance of the businesses in 2014-**

In macro-economic terms, global growth in 2014 was more balanced, with worldwide GDP up by over 3%. Europe is beginning to make a contribution to this growth, while growth in emerging economies is slowing. Negative GDP growth in the euro zone in 2012 and 2013 was reversed in 2014, with growth of over 1%, while the United States economy began to recover from the 2013 slump, returning to GDP growth levels of over 2.5%. At 7.5% growth in China was slightly slower than in the previous year.

Global output for the automobile industry increased by 2.3% from 2013, despite being held back by the poor performance of the Brazilian and Russian markets, where production volumes fell by 16% and 12%, respectively. Stripping out the drops in the Brazilian and Russian markets, worldwide output was up by 3.5%, a similar level of growth to that seen in 2013.

Output in Europe grew by 2.4%, although growth was practically zero in Eastern Europe (0.1%) as a result of falling production volumes in Russia (-12%). Western Europe, in contrast, saw strong growth of 3.6%, led by Spain where output was up by 8.7%.

Production in the NAFTA area grew by around 4.7%.

Growth in the Asia Pacific region was once more driven by China, with output volumes of over 22 million vehicles, up 6.4% on 2013.

Production in the Mercosur region was down, with volumes down on 2013 by 15.7% in Brazil and 22.6% in Argentina.

Against this backdrop, Grupo Antolin's businesses reported record figures in 2014, with sales of over 2,225 million euros, EBITDA of 267 million euros and consolidated profit attributable to the Parent of 3.5% of sales, an increase of approximately 46% on 2013.

Grupo Antolin's reported turnover was up by 141 million euros (6.75%), significantly outperforming the market average. This was achieved in spite of a 35% decline in the revenues generated by our Mercosur businesses and the negative impact of most other currencies' weakness against the euro which, according to our estimates, depressed our turnover growth by almost 2 percentage points.

The Group's increasing sales figures in 2014 are thanks to the strong performance of the car industry in the Euro zone and Asia Pacific regions, where our turnover has grown by 11.7% and 28.4%, respectively.

Turnover in the NAFTA area grew more moderately (1.3%), as a result of some projects reaching the end of their life (*they will be replaced in 2015*) and the negative effect of the exchange rate of the Mexican peso against the euro.

By function, the fastest growing business was Seating (up 10.5%), boosted by the PSA "B78" and the Daimler "VS20" projects, and the strong performance of the sector in Spain. The "Lighting" business unit grew by 26.5%, driven by new projects which began in late 2013 and by the strength of the European and Chinese markets.

The “Doors” business grew by 7.8%, thanks to its greater exposure to Europe, which offset the decline in the Brazilian market and the exchange rate effect. The “Overheads” business, meanwhile, grew more slowly than the other business units (3.4%), hit by the situation of the Brazilian market, the effect of exchange rates and the end of certain projects in the NAFTA area which will be replaced in 2015.

In terms of customers, Renault-Nissan accounted for the greatest growth in sales *(+51 million euros)*, followed by Daimler *(+23 million euros)*, Fiat-Chrysler *(+18 million euros)*, PSA *(+16 million euros)* and the VW Group *(+14 million euros)*.

Two major indicators once again highlight the success of our international expansion and diversification strategy. 80.5% of our staff were employed outside Spain in 2014, while foreign sales accounted for 84.45% of Group turnover.

In terms of results, the Group has consolidated and improved its operating margins, reporting EBITDA of around 12% and EBIT of 7.9% on net turnover.

#### **Significant events in 2014-**

Key events in 2014 include:

- To facilitate the Bond issue and the payment of the coupons thereon, a new company was incorporated in the Netherlands, Grupo Antolin-Dutch, B.V.
- On 21 March 2014, Grupo Antolin-Dutch, B.V. completed the process of placing with qualified and institutional investors an issue of ordinary long-term bonds totalling 400 million euros. This operation was effected in parallel to the formalisation of a 200 million euros syndicated loan and a Revolving Credit Facility of up to 200 million euros.
- In August 2014 the Group acquired for 276 thousand euros the 25% stake held by non-controlling interests in a Russian subsidiary which manufactures overheads, Antolin Avtotechnika Nizhny Nóvgorod, Ltd. This subsidiary is now wholly owned by the Group.
- In September 2014, in order to strengthen the “Door” business in India, Grupo Antolin-India PVT, Ltd. acquired for 1.4 million euros 100% of the share capital of Indian plastic injection company Machino Auto Comp, Ltd.
- The Chinese joint venture Chongqing Antolin Tuopu Overhead System Co., Ltd., in which Grupo Antolin holds a 61% stake, incorporated a new company in China, “Hangzhou Antolin Tuopu Overhead System Co., Ltd.” (HATOS), dedicated to the assembly and sale of modular overhead systems and automobile parts for Ford.
- In December 2014 the company Grupo Antolin-Tlaxcala, S. de R.L. de C.V., was incorporated in Huamantla (Mexico), to supply panels and plastic parts to Audi.
- The first half of 2014 saw the inauguration of the production plant of Grupo Antolin-Missouri, LLC, a company incorporated in 2013 to manufacture overheads for Ford and General Motors.
- Grupo Antolin-Sibiu, S.R.L., a Group company located in Sibiu (Romania), transferred its operations to new facilities which will be able to house up to 100 assembly lines. This will allow the company to satisfy the expected significant growth in its order books over the next few years.
- In the second half of 2014 the company Grupo Antolin-Valplas, S.A.U., incorporated in 2013, began supplying parts for the new Ford Mondeo 391.

- In October 2014 Antolin Tanger, S.A.R.L. expanded its facilities with a new production centre in the Tangiers free trade zone dedicated to sewing seat covers for a range of customers. The new premises will also house a graphic engineering centre which will develop and support new projects for Grupo Antolin.

#### **Research and development activities-**

The main features of research and development work in 2014 were as follows:

- Investment in cutting-edge technology has once again enabled us to incorporate the most advanced support for design work and ensure the analysis and validation of our products and processes.
- We continue to see industrial design and innovation as a distinguishing feature that customers appreciate in the advanced stages of projects. For example, in 2014 we announced important innovations in interior lighting and in technologies for window mechanisms (*plastic, magnesium, aluminium and steel*).

#### **Environmental and human resources issues-**

In other areas (*including environmental and human resources matters*) we would draw attention to the following measures taken by Grupo Antolin in 2014:

- In 2014, Grupo Antolin increased its commitment to the environment through its policies for "Environmental Management" and "Design for the Environment", leading to technological solutions which favour sustainability, prioritising innovative approaches that reduce weight, facilitate recycling and make use of natural materials, features widely demanded by the market.
- In order to reduce CO2 emissions and minimise the use of energy from fossil fuels, we are developing numerous products based on two environmental concepts: Light & Green. The Group works with makers on projects to reduce CO2 emissions and develop technologically sustainable products.
- In 2014, Grupo Antolin maintained and strengthened the commitment it made in 2003 to the United Nations Global Compact and its principles of good governance based on respect for human rights, protecting the environment and ensuring decent working conditions.

#### **Main risks deriving from activities-**

The main risks which could affect the future development of our business and the corresponding measures put in place by the Group to offset them, are as follows:

- Derivatives are used to eliminate or reduce exposure to interest rate fluctuations in certain financial operations, given the impact an increase in interest rates could have on the Group's results.
- The risk deriving from a possible increase in the prices of raw materials, including the purchase of components used in the production processes, is mitigated by the fact that Grupo Antolin deals with its main suppliers under long-term agreements which help keep prices stable. On the other hand, Grupo Antolin negotiates with its customers to pass on increases in the prices of certain raw materials.
- The terms of agreements with customers have resulted in lower prices, which could reduce the Group's margins. The Group develops improvement programmes and tools to offset such impacts with higher productivity. Grupo Antolin also negotiates with its suppliers to help it absorb these price reductions.
- The international expansion of the Group and its ever-growing volume of business outside the euro zone expose it to exchange rate risks in currencies such as the Brazilian real, the US dollar or the Mexican



peso, which could have an impact on its results. To reduce its exposure to this risk, the Group uses a variety of mechanisms, such as using local suppliers and negotiating with customers and suppliers to hedge against major movements in currencies.

### **Outlook for the Group-**

The macro-economic outlook for 2015 is for global GDP growth of over 3.5%, with particularly strong growth forecast for the United States (3%) and China (6.5%). The situation in Europe is expected to be less buoyant and not without risk, resulting in overall growth of 1.1% distributed very unevenly throughout the region.

Worldwide vehicle production volumes are forecast to rise by over 3.5% in 2015. This growth will be led by China, with expected output of around 24 million vehicles (*up 7.3% on 2014*).

Analysts expect volumes to stabilise in the Brazilian market and to see slight growth in Europe (1.5%) and the NAFTA region (2.6%).

Falling oil prices and a weakening euro against the dollar could help push these numbers up.

According to our latest forecasts, we expect turnover to increase by almost 8% in 2015, mainly thanks to new projects in Europe and the NAFTA and Asia Pacific regions, as well as the start of mass production in new companies Grupo Antolin-Valplas, S.A.U. (Spain), Grupo Antolin-Missouri, LLC (United States), Grupo Antolin-Chakan, Ltd. (India), Wuhan (China) and HATOS (China).

Record operating results are expected for 2015 in absolute terms, with EBITDA, EBIT and attributable profits in line with those of 2014.

Grupo Antolin continues to expand into high-growth markets, such as Asia and the Latin American region, and to seek inorganic growth opportunities that enable it to strengthen and consolidate its current strong competitive position.

Grupo Antolin continues to implement new measures to improve and streamline spending and to ensure investments are more efficient so it can remain confident of its ability to maintain margins at levels that contribute to generating value for shareholders.

### **Disclosure on deferred payments to suppliers-**

In accordance with Law 15/2010, of 5 July, modifying Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, the payments made in 2014 and 2013 by the Spanish consolidated subsidiaries to trade suppliers and service providers in Spain within the maximum legal period accounted for 76.96% and 72.67% of the total, respectively, while the weighted average number of days past due was 11 and 12 days, respectively (*as detailed in the Notes to the consolidated annual financial statements*).

The legal limit has been determined in each case in accordance with that applying to the specific type of goods or service received by the Group, in accordance with Law 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, modified by article 33 of Royal Decree Law 4/2013, of 22 February, and specifically with article 4.3 of the aforementioned Law 3/2004.

In accordance with the aforementioned regulations, only information relating to suppliers located in Spain has been included.

In general, the Group is complying with the maximum legal payment periods to trade suppliers established in Spanish law to combat late payment. It is currently assessing measures to be implemented in the next

financial year to reduce the payment period in those cases where the maximum period has been exceeded. These measures will centre on reducing the processing time for receiving, checking, approving and accounting for invoices (*with improved use of electronic channels and technology*) and improving procedures for resolving incidents in this process, so that payment orders can be released on the monthly payment dates established by the Group and within the maximum period established in legislation to combat late payment.

#### **Events after the reporting period-**

There have been no major events since the end of 2014.

#### **Shares in the Parent-**

The Group companies held no shares in the Parent at 31 December 2014, and no operations were performed with such shares during 2014.

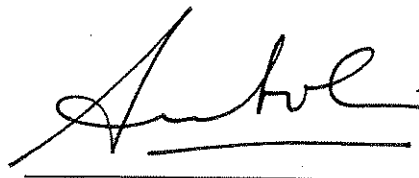
## SIGNATURES OF THE DIRECTORS

The Directors of Grupo Antolin-Irausa, S.A. hereby sign these Consolidated Annual Financial Statements and Directors' Report for the year ended 31 December 2014, which precede this page, signed, in acceptance, by all the Directors.

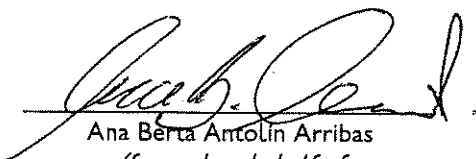
In Burgos, on 24 February 2015



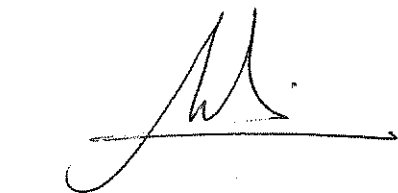
Ernesto Antolin Arribas  
(for and on behalf of  
CANEIA, S.L.)



Maria Helena Antolin Raybaud  
(for and on behalf of  
INJAT, S.L.)



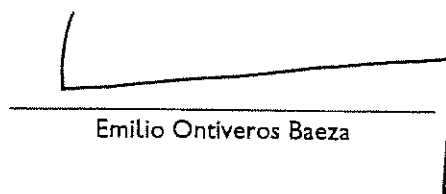
Ana Berta Antolin Arribas  
(for and on behalf of  
AMPABER, S.L.U.)



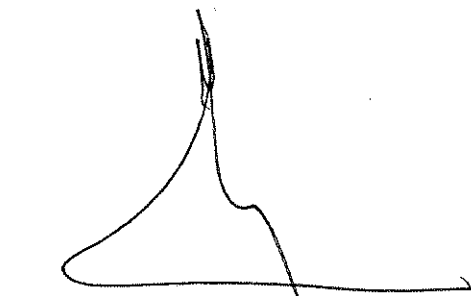
Emma Antolin Granet  
(for and on behalf of  
Agrícola Cinegética San Quirce, S.L.U.)



José Manuel Temiño Estefanía



Emilio Ontiveros Baeza



José Manuel Alonso Durán  
(Non-director Secretary)

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