

**CIE Automotive, S.A.**

Audit Report,  
Annual Accounts at 31 December 2018  
and Directors' Report for 2018



*"This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."*

## *Independent auditor's report on the annual accounts*

To the shareholders of CIE Automotive, S.A.:

### *Report on the annual accounts*

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#### *Opinion*

We have audited the annual accounts of CIE Automotive, S.A. (the Company), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2018, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2.1 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

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#### *Basis for opinion*

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

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#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matter**

**How our audit addressed the key audit matter**

*Recovery of investments in group companies and associates*

Investments in group companies and associates account for a significant percentage of the Company's net assets (Notes 7 and 8 to the accompanying annual accounts). Equity instruments and long-term and short-term loans granted to Group companies at the year-end amount to €319,635 thousand, €1,219,057 thousand and €25,894 thousand, respectively.

As indicated in Note 3.5 to the accompanying annual accounts, Management assesses annually whether there are indications of impairment and determines the recoverable amount of the investments recognised on the balance sheet.

Determining the recoverable value of these investments is mainly based on estimates of the value of future cash flows. The estimation of future cash flows requires significant judgement by Management, including, among other things, expectations regarding income and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Company in its analysis are summarised in Note 2.2 to the accompanying annual accounts.

Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of investments in group companies and associates.

First, we gained an understanding of the process used by the Company to assess the valuation of investments and analyse their recoverability and the impairment tests performed by management, and verified that the criteria used to perform these tests are consistent with those established in applicable reporting regulations.

For cash flows, we checked not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained in 2018, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them using available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's specialist team.

As a result of our analyses and tests performed, we consider that Management's conclusion concerning the absence of impairment of investments, the estimates made and the information disclosed in the accompanying annual accounts are adequately supported and are consistent with the information currently available.

**Key audit matter**

**How our audit addressed the key audit matter**

*Disposal of interest in Global Dominion Access, S.A.*

During 2018 the Company disposed of its interest in Global Dominion Access, S.A., parent of the Solutions and Services segment of the CIE Automotive Group as a result of the distribution of an extraordinary dividend in kind to the Company's shareholders. For the Company, this transaction entailed not only recognising a significant dividend payable against reserves, whose valuation on the payout date amounted to €405 million, but also recognising a capital gain of €299 million in the income statement for 2018 as a result of the difference between the value of that dividend and the carrying amount of that interest on the payout date (Note 1 to the accompanying financial statements).

In accordance with the applicable legislative framework, the results on this operation have been classified under profit/(loss) from discontinued operations and therefore have had a significant effect on the presentation of the income statement.

The materialisation of the agreement adopted has had significant accounting impacts on both the Company's balance sheet and income statement.

The derecognition of the interest in Global Dominion Access, S.A. during the year has required us to carry out an analysis of the agreement adopted, identifying and measuring the asset disposed of, measuring the dividend agreed and verifying the appropriate disclosure and reporting of the information in accordance with the applicable legislative framework.

In this regard, we obtained a comprehensive understanding of the agreement adopted, including the appropriate measurement of the dividend, in accordance with the price of the shares of Global Dominion Access, S.A., and the identification and measurement of the asset disposed of. We also checked the appropriate accounting recognition of the transaction, the presentation of the income statement and disclosures required in the accompanying financial statements, taking into account that, as mentioned, the operation has entailed recognising a gain from discontinued operations.

As a result of our analyses we were able to verify the consistency between the agreement adopted by the Company and the amounts recognised when accounting for the disposal of the interest in Global Dominion Access, S.A. and their appropriate presentation and the appropriateness of the information disclosed in the accompanying financial statements in accordance with the applicable legislative framework.

*Other information: Director's Report*

Other information comprises only the director's report for the 2018 financial year, the formulation of which is the responsibility of the Company's directors, and does not form an integral part of the annual accounts.

Our opinion on the annual accounts does not cover the directors' report. Our responsibility regarding the directors' report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

- a) A specific level which is applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of the Audit Law 22/2015, that consists of verifying solely that that information was furnished in the directors' report and if not, reporting this matter.

- b) A general level applicable to other information included in the directors' report that consists of assessing and reporting on the consistency of that information with the annual accounts, on the basis of the understanding of the company obtained in the performance of the audit of the accounts and without including information other than that obtained as evidence during the audit and assessing and reporting on whether the content and presentation of this part of the directors' report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report this fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is provided in the directors' report, and that the other information contained in the directors' report is consistent with that contained in the annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

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### *Responsibility of the directors and the audit committee for the annual accounts*

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of CIE Automotive, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

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### *Auditor's responsibilities for the audit of the annual accounts*

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



## *Report on other legal and regulatory requirements*

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### *Additional report to the audit committee*

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 25, 2019.

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### *Appointment period*

The General Ordinary Shareholders' Meeting held on April 24, 2018 appointed us as auditors for 2018.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.

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### *Services provided*

Services provided to the Company and its subsidiaries for services other than the audit of the accounts are detailed in Note 28 to the accompanying annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jose Antonio Simón Maestro (15886)

February 25, 2019



**CIE** *Automotive*

2018



MANAGING HIGH VALUE ADDED  
PROCESSES

**Annual Accounts and Directors' Report  
for the year ended 31 December 2018**



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**BALANCE SHEET AT 31 DECEMBER 2018**  
(Thousand euro)

		At 31 December	
	Note	2018	2017
<b>NON-CURRENT ASSETS</b>			
Intangible assets	5	22,072	23,877
Property, plant and equipment	6	1,500	1,683
Non-current investments in group companies and associates	7-8	1,538,692	1,579,889
Equity instruments		319,635	423,314
Loans to companies		1,219,057	1,156,575
Non-current financial investments	7	39,057	80
Equity instruments		81	62
Loans to third parties		38,958	-
Other financial assets		18	18
Deferred tax assets	17	14,910	20,114
<b>Total non-current assets</b>		<b>1,616,231</b>	<b>1,625,643</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	7-9	21,105	10,321
Receivables from Group companies and associates		21,014	10,222
Other receivables		21	16
Current tax assets		70	83
Current investments in group companies and associates	7-8	25,894	15,313
Loans to companies		25,894	15,313
Current financial investments	7	17,215	34,258
Loans to third parties		388	503
Derivatives	10	-	16,954
Other financial assets		16,827	16,801
Prepaid expenses		64	39
Cash and cash equivalents	7-11	5,381	12,839
<b>Total current assets</b>		<b>69,659</b>	<b>72,770</b>
<b>TOTAL ASSETS</b>		<b>1,685,890</b>	<b>1,698,413</b>

**BALANCE SHEET AT 31 DECEMBER 2018**  
(Thousand euro)

		At 31 December	
	Note	2018	2017
<b>EQUITY</b>			
<b>Capital and reserves</b>		413,185	558,453
Share capital	12	32,250	32,250
(Treasury shares)	12	-	(4,526)
Share premium	12	152,171	152,171
Reserves	13	(59,106)	335,675
Profit/(loss) for the year	14	327,860	78,932
Interim dividend	14	(39,990)	(36,049)
<b>Valuation adjustments</b>	10	(8,039)	(5,437)
Hedging transactions		(8,039)	(5,437)
<b>Total equity</b>		<b>405,146</b>	<b>553,016</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Non-current provisions</b>	16	21,058	5,478
<b>Long-term payables</b>	7-10-15	804,411	675,610
Bank borrowings		786,534	675,610
Derivatives		17,877	-
<b>Group companies and associates, non-current</b>	7-15	198,966	198,965
<b>Other non-current payables</b>	7-15	1,406	3,906
Other non-current payables		1,406	3,906
<b>Total non-current liabilities</b>		<b>1,025,841</b>	<b>883,959</b>
<b>CURRENT LIABILITIES</b>			
<b>Current provisions</b>	16	1,326	35,525
Short-term employee benefits		1,326	35,525
<b>Current borrowings</b>		195,069	174,494
Bank borrowings	7-15	104,069	166,350
Commercial paper program	7-15	91,000	-
Derivatives	7-10-15	-	8,144
<b>Group companies and associates, current</b>	7-15	2,130	5,167
<b>Other short term liabilities</b>	7-15	2,500	2,500
Other short term liabilities		2,500	2,500
<b>Trade and other payables</b>	7-15	53,878	43,752
Trade payables		3,923	2,835
Group suppliers		-	14
Other payables		39,990	36,049
Fixed asset suppliers		124	142
Accrued wages and salaries		6,480	3,670
Current tax liabilities		3,361	1,042
<b>Total current liabilities</b>		<b>254,903</b>	<b>261,438</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,685,890</b>	<b>1,698,413</b>

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Thousand euro)

		Year ended 31 December	
<b>CONTINUING OPERATIONS</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	18	103,845	137,169
Services rendered and other income		103,845	137,169
<b>Other operating income</b>	18	210	1,543
Non-trading and other operating income		210	1,543
<b>Employee benefit expense</b>	18	(18,253)	(22,863)
Wages and salaries		(17,436)	(22,134)
Social security		(817)	(729)
<b>Other operating expenses</b>	18	(7,977)	(10,861)
Taxes		(58)	(58)
Other expenses		(7,919)	(10,803)
<b>Depreciation and amortization</b>	5-6	(3,476)	(3,286)
<b>Impairment and profit/(loss) on fixed asset disposals</b>	-	-	7
<b>OPERATING PROFIT</b>		<b>74,349</b>	<b>101,709</b>
Finance income	20	569	1
Finance expense	20	(25,274)	(22,649)
Change in fair value of financial instruments	20	(7,386)	7,215
Net exchange differences	20	(179)	(1,865)
<b>FINANCIAL RESULTS</b>		<b>(32,270)</b>	<b>(17,298)</b>
<b>PROFIT BEFORE TAX</b>		<b>42,079</b>	<b>84,411</b>
Income tax	19	(13,410)	(5,479)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>28,669</b>	<b>78,932</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS</b>	1-8	<b>299,191</b>	-
<b>PROFIT/(LOSS)</b>		<b>327,860</b>	<b>78,932</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**
**A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE  
(Thousand euro)**

	Note	2018	2017
<b>Profit for the year</b>	<b>14</b>	<b>327,860</b>	<b>78,932</b>
<b>Income and expense recognised directly in equity</b>			
Cash flow hedges	10	(3,027)	3,399
Tax effect	17	425	(952)
		<b>(2,602)</b>	<b>2,447</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE</b>		<b>325,258</b>	<b>81,379</b>

**B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018  
(Thousand euro)**

	Share capital (Note 12)	Treasury shares (Note 12)	Share premium (Note 12)	Reserves (Note 13)	Profit for the year (Note 14)	Interim dividend (Note 14)	Valuation adjustments (Note 10)	Total
<b>Closing balance, 2016</b>	<b>32,250</b>	-	<b>152,171</b>	<b>324,749</b>	<b>63,765</b>	<b>(25,800)</b>	<b>(7,884)</b>	<b>539,251</b>
Total recognised income and expense	-	-	-	-	78,932	-	2,447	81,379
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	10,926	(63,765)	25,800	-	(27,039)
Interim dividend (Note 14)	-	-	-	-	-	(36,049)	-	(36,049)
Treasury shares acquisition	-	(4,526)	-	-	-	-	-	(4,526)
<b>Closing balance, 2017</b>	<b>32,250</b>	<b>(4,526)</b>	<b>152,171</b>	<b>335,675</b>	<b>78,932</b>	<b>(36,049)</b>	<b>(5,437)</b>	<b>553,016</b>
Total recognised income and expense	-	-	-	-	327,860	-	(2,602)	325,258
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	6,763	(78,932)	36,049	-	(36,120)
Interim dividend (Note 14)	-	-	-	-	-	(39,990)	-	(39,990)
Extraordinary dividend (Note 1)	-	-	-	(404,751)	-	-	-	(404,751)
Treasury shares disposal	-	4,526	-	3,207	-	-	-	7,733
<b>Closing balance, 2018</b>	<b>32,250</b>	-	<b>152,171</b>	<b>(59,106)</b>	<b>327,860</b>	<b>(39,990)</b>	<b>(8,039)</b>	<b>405,146</b>

**CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
(Thousand euro)

		Year ended 31 December	
	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	21		
Profit for the year before tax		42,079	84,411
Adjustments		(18,706)	(26,688)
Changes in working capital		(4,802)	4,538
Other cash flows from operating activities		198	48,083
<b>Cash flows from/(used in) operating activities</b>		<b>18,769</b>	<b>110,344</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	22		
Payments for investments		(47,279)	(1,053)
Proceeds from disposals		19,897	184
<b>Cash flows from/ (used in) investing activities</b>		<b>(27,382)</b>	<b>(869)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	23		
Proceeds from and payment of financial liabilities		65,591	(45,595)
Dividends and payments on other equity instruments		(64,436)	(57,363)
<b>Cash flows from /(used in) financing activities</b>		<b>(1,155)</b>	<b>(102,958)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(7,458)</b>	<b>6,517</b>
Cash and cash equivalents at beginning of period		12,839	6,322
Cash and cash equivalents at end of period	11	5,381	12,839

## 1. General information

### Composition and principal activities of CIE Automotive Group

CIE Automotive, S.A., parent company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive, S.A. has become a financially solid Group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

The CIE Automotive Group has been developing its activities in two different segments: the Automotive segment and the Solutions and Services segment (Smart Innovation). As of December 31, 2018, and after the disposal of the Solutions and Services segment (Smart Innovation), the Group operates only in the Automotive segment.

#### - Automotive

The automotive business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies on the world automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly.

Its main facilities are located in Europe: Spain (Álava/Araba, Barcelona, Cádiz, Gipuzkoa, Orense, Pontevedra, Madrid and Bizkaia), Germany, France, UK, Portugal, Czech Republic, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the US), South America (Brazil), India, Peoples Republic of China, Guatemala and Russia.

#### - Solutions and Services (Smart Innovation) – Until its disposal

The Dominion Group, through a group of companies led by the company Global Dominion Access, S.A. and with stable presence in 30 countries and more than 8,000 employees, supported on a business model which combines knowledge and technology, develops its activities, offering Solutions and Services that actively contribute to make more efficient the production processes of its clients. With a global and multisector approach, this subgroup operates, among others, in the Industry, Energy, Bank, Health, Education and Technology sectors, by covering both, the private and public fields.

On 24 April 2018, an extraordinary dividend was approved by the General Meeting, through which the Company has distributed to its shareholders all the shares held by Global Dominion Access, S.A., the parent company of this segment with effect of 3 July 2018.

The parent's registered office is located at "Alameda Mazarredo 69, 8º piso", Bilbao.

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S. and Autokomp Ingeniería, S.A.U.; which are, mainly, holding companies to which the CIE Automotive Group's productive companies report to.

Until July 3, 2018, CIE Automotive, S.A. also held 50.01% of Global Dominion Access, S.A., head of the Solutions and Services segment (Smart Innovation).

The list of subsidiaries and associates at 31 December 2018, together with the information concerning them, is disclosed in the Appendix I to these consolidated annual accounts.

These annual accounts were prepared by the Board of Directors on 22nd February 2019.



### Disposal of the Solutions and Services segment (Smart Innovation)

At the General Shareholders' Meeting held on 24 April 2018, the distribution of an extraordinary dividend in kind to the shareholders was approved, distributing 84,764,610 shares of Global Dominion Access, S.A., parent company of the Solutions and Services segment (Smart Innovation), and whose effective delivery has had effects on 3 July 2018. In the period between the approval of the extraordinary dividend and its effective distribution to the shareholders of the Parent Company, the net assets relating to the segment have been presented as "Group assets and liabilities available for sale".

The difference between the value of the net assets of the subgroup and the valuation of the dividend liability distributed on the date of transfer of the shares, which amounted to €405 million, has led to an accounting gain recorded in the financial statements of €299.2 million; and that has been recorded under the heading "Profit/(loss) for the year from discontinuing operations after tax" on the date of effective distribution of the dividend.

### Acquisition of Inteva

In September 2018, CIE Automotive, S.A. releases the submission of a final binding offer for the acquisition of the roof systems design and assembly business of US group Inteva Products Inc (Inteva).

The terms of such binding offer have been agreed with Inteva and the formalisation of a binding agreement is subject to the finalisation of the consultation process Inteva needs to carry out with its France and European Union works council. Once the consultation process is completed, the purchase agreement will be formalised and the closing of the transaction will be conditioned upon the corresponding antitrust approvals pursuant to applicable legislation. The transaction is expected to close during the first semester in 2019.

The transaction, upon its execution, shall entail, subject to customary adjustments, an investment of around USD755 million (approximately €650 million).

With more than 4,400 employees and estimated 2018 turnover of approximately USD1,000 million (more than €850 million), Inteva roof systems operates sixteen manufacturing facilities and six R&D centres in seven different countries (USA; Mexico, Germany, Slovakia, Romania, Peoples Republic of China and India).

The integration of the Inteva roof systems business enables CIE Automotive to reinforce its commitment for the comfort systems in the automotive- adapting to sector trends- as well as to increase its footprint in the sunroof segment.

### Consolidated annual accounts of CIE Automotive Group

Under Spanish Royal Decree 1,815/1,991 of 20 December, the Company is obliged to present consolidated annual accounts.

On 22nd February 2019, the Company authorized the issuance of the consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31 December 2018, which presented profit for the year attributable to owners of the parent of €396,754 thousand and equity, including profit for the year and non-controlling interests, of €1,048,886 thousand (2017: €215,408 thousand and €1,336,913 thousand, respectively).

Those consolidated annual accounts were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). Appendix II, attached, includes the Group's consolidated 2018 and 2017 balance sheets and income statements under IFRS-EU.

The consolidated annual accounts include all CIE Automotive Group companies defined under Article 42 of Spain's Code of Commerce, each of which is consolidated using the appropriate method. All the subsidiaries under control of CIE Automotive Group have been incorporated into the consolidation using the global integration method. The list of CIE Automotive Group companies is attached to these annual accounts as Appendix I.

## 2. Basis of presentation

### 2.1 Fair presentation

The accompanying annual accounts were prepared from the Company's accounting records and are presented in accordance with the Spanish General Accounting Plan, enacted by Spanish Royal Decree 1,514/2007, as amended by Royal Decree 1,159/2010, of 17 September and Royal Decree 602/2016 of 2 December, in order to give a true and fair view of the Company's equity and financial position at the year end and of its financial performance and cash flows for the year then ended. These annual accounts were authorized for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2017 annual accounts were approved at the Annual General Meeting held on 24 April 2018.

### 2.2 Key sources of estimation uncertainty

The preparation of the annual accounts requires the Company to make certain estimates and judgments concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events considered being reasonable under current circumstances.

The resulting accounting estimates will, by definition, seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Impairment of investments in Group companies and associates

CIE Automotive Group (Note 1) annually tests if investments in the equity of Group companies and associates have suffered an impairment applying, according to the accounting policy described in Note 3.5.d). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimations. These estimations are made at the level of the cash-generating units (CGUs) defined by CIE Automotive Group, where all plants or individual companies are grouped.

If the revised estimated pre-tax discount rate applied to discounted cash flows were 10% higher than management's estimates, CIE Automotive Group would still not need to reduce the carrying amount of its shareholdings in Group companies.

With respect to the assumptions used to determine the CGUs' EBITDA (operating profit plus depreciation and amortization, used as a starting point to calculate free cash flows) and future growth, the most reasonable scenario has been considered, such that negative distortions of this gross margin are unlikely to arise. Nonetheless simulations applying different growth rates or 10% changes to the EBITDA figures show no risk of impairment neither in 2018 nor 2017.

As in prior years, the pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the "Capital Asset Pricing Model" (CAPM), which is widely used for discount rate calculation purposes. In certain instances, the discount rate calculation additionally factors in a specific risk premium to reflect the characteristics and the risk profile intrinsic to the cash flow projections of each CGU.

The rates used to discount the cash flow projections classified by CIE Automotive Group segment, were as follows:

<u>CGUs</u>	<b>2018</b>	<b>2017</b>
<b>Automotive segment</b>		
Brazil	12.40%	11.92%
North America	6.77%-10.28%	6.85%-10.18%
Asia	7.02%-12.86%	7.63%-13.01%
Mahindra Europe	5.00%-5.48%	5.37%-5.60%
Rest of Automotive	5.45%-12.20%	5.58%-12.01%
<b>Solutions and Services (Smart Innovation)</b>	-	4%-17.5%

The applied WACC ranges are derived from the cash flows that are generated in different countries with different country risks characteristics.

This discount rate is after taxes and reflects the specific risks associated with the relevant segments.

The main changes in the discount rates used with respect to the previous year derive from fluctuations in risk-free rates.

Budgeted EBITDA (operating profit plus depreciation and impairments) is the figure determined by Company management in their strategic plans, taking into account operations with a similar structure to the current structure and based on prior-year experience. These margins vary by type of business as follows:

	% of revenue	
	2018	2017
Automotive	3.97%-40.24%	3.00%-39.52%
Solution and Services (Smart Innovation)	-	3.00%-12.30%

These EBITDA figures are increased by other forecast net cash movements and tax-related flows to arrive at the free cash flow generated each year.

The result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 1% and 6% both in 2018 and in 2017), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve these growth levels. For purposes of the calculation of the residual value, an annual flow standard is updated considering the discount rate used in the projections deducted from the growth rate considered.

#### Fair value of derivatives or other financial instruments

The fair value of unlisted financial instruments (for example, derivatives from outside official market) is determined by using valuation techniques. The Company exercises judgment in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date. The Company uses discounted cash flow analysis to measure financial instruments that are not traded on active markets.

#### Income tax

The legal status of the tax regulations applicable to the Company mean that estimates are employed and the final quantification of tax is uncertain. Tax is calculated based on Management's best estimates, always taking into account prevailing tax legislation and foreseeable legislative changes (Note 19).

When the final tax result differs from the amounts initially recognised, such differences will have an effect on income tax and provisions for deferred taxes in the year in which they are identified.

If the final outcome (on judgment areas) differs by 10% from management estimates, deferred assets would decrease and income tax would increase by approximately €0.6 million (2017: €2.5 million), if these were not favourable and contrary in an amount of approximately €0.8 thousand (2017: €2 thousand) if the difference was favourable.

#### Employee benefits

In order to quantify the impact of the profit-sharing and bonus schemes of which its current employees are beneficiaries, the Company makes estimates with respect to the amounts of benefits payable and the number of beneficiaries.

Any change in the number of employees that ultimately benefits from these remuneration schemes or in the assumptions used would have an impact on the carrying amounts of the related provisions and on the income statement.

In addition, the Company makes estimates to measure the benefits payable in respect of employees benefiting from share-

based payments or from additional incentives approved based on the value of the shares (Note 25.d)).

These estimates are reviewed at the end of each reporting period and the related provisions are adjusted to reflect the best estimates as of the year end (Note 16).

### **2.3 Aggregation**

For clarity, the items presented in the balance sheet, income statement, statement of changes in equity and cash flow statement are grouped together and, where necessary, a breakdown is included in the relevant notes to the accounts.

### **2.4 Presentation currency**

The annual accounts are expressed in thousand euros, unless otherwise indicated.

## **3. Accounting policies**

The principal accounting policies applied in the preparation of these annual accounts are set out below.

### **3.1. Intangible assets**

#### Goodwill

Goodwill is the excess at the acquisition date of the cost of a business combination over the fair value of the identifiable net assets acquired in the transaction. As a result, goodwill is only recognised when it is acquired for consideration and represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill recognized separately is amortized on a straight-line basis over its estimated useful life, being valued at acquisition cost less accumulated amortization, and, if applicable, the accumulated amount of recognized impairment corrections. The useful life is determined separately for each of the CGUs to which it has been assigned and is estimated to be 10 years (unless proven otherwise). At least annually, it is analyzed if there are indications of impairment of the value of the cash-generating units to which goodwill has been assigned, and if there is one, its eventual deterioration is checked.

The valuation adjustments for impairment recognized in goodwill are not reversed in subsequent years.

#### Computer applications

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the assets' estimated useful lives (between 4 to 6 years).

Software maintenance expenses are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of the relevant overheads.

Computer software development costs recognised as assets are amortized over their estimated useful lives, which do not exceed 6 years and the time it begins to be amortized once is capitalized is no longer than one year.

#### Patents

Patents are carried at cost less accumulated amortization and corrections for impairment of recognized value. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life (10 years).

### **3.2. Property, plant and equipment**

Property, plant and equipment are recognised at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognised.

Own work capitalized is calculated by summing the acquisition cost of consumable materials and the direct and indirect

costs attributable to the production of these assets.

Costs incurred to extend, modernize or improve property, plant and equipment are only recognised as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and always it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

Maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. The estimated useful lives are as follows:

	<b>Estimated useful life years</b>
Buildings	25 to 33
Furniture and other facilities	10
Other fixed assets	4 to 6.6

The residual value and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying amount and are recognised in the income statement. Retirements and disposals are accounted for by eliminating the item's cost and the corresponding accumulated depreciation charge.

### **3.3. Impairment of non-financial assets**

Depreciable assets are tested for impairment whenever there is any indication that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood this one as the asset's fair value less the higher of costs to sell or value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets, other than goodwill, which are impaired, are reviewed at the balance sheet date for possible reversal of the loss.

### **3.4. Exchanges of assets**

Whenever an item of property, plant and equipment, an intangible asset or an investment property is acquired by means of an exchange having a commercial substance, the asset received is measured at the fair value of the asset given up, plus any monetary consideration awarded, barring better evidence supporting the value of the asset received and up to the limit of the latter. For such purposes, the Company considers that an exchange is commercial in nature when the configuration of the cash flows from the fixed assets received differs from the configuration of the cash flows from the asset given up or when the present value of the cash flows after tax from the activities affected by the exchange is altered. In addition, any of the previous differences must be significant with respect to the fair value of the assets exchanged.

If the exchange is not commercial in nature or the fair value of the assets of the transaction cannot be determined, the asset received is measured at carrying amount plus the monetary consideration delivered, up to the fair value of the asset received if lower and provided that it is available.

### **3.5. Financial assets**

- a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets except for maturities of more than 12 months from the balance sheet date that are classified as non-current assets. Loans and receivables are included in 'Loans to companies', 'Loans to third parties' and 'Trade and other receivables' in the balance sheet.



Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortized cost. Accrued interests are recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At year end at least, the necessary value adjustments are made for impairment losses when there is objective evidence that not all amounts due will be collected.

The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

- b) Held-to-maturity investments: Held-to-maturity financial assets are securities representing debt with fixed payments or payments that may be determined and have a fixed maturity date, are traded on an active market and with respect to which Company management has the effective intention and capacity to hold to maturity. If the Company sells an immaterial amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date that are classified as current assets.

The measurement criteria applied to these investments are the same as for loans and receivables.

- c) Financial assets held for trading and other financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include all assets held for trading acquired for sale in the short term or as part of a portfolio of identified financial instruments that are managed together with a view to generating short term returns and financial assets designated within this category by management upon initial recognition based on the determination that so doing results in more meaningful disclosures. Derivatives are also classified as held for trading unless they constitute financial guarantee contracts or are designated as hedging instruments (Note 3.6).

These instruments are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the acquisition of these assets are expensed currently.

- d) Investments in equity of group companies, jointly controlled entities and associates: These assets are measured at cost, less any accumulated impairment losses. However, if the Company held an investment in these entities before they were classified as a group company, jointly controlled entity or associate, cost is deemed the carrying amount of that investment prior to the classification change. Prior measurement adjustments recognised directly in equity are kept in equity until the investments are derecognised.

If there is objective evidence that the carrying amount of these investments may not be recoverable, the Company recognizes the corresponding impairment losses, calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee's equity, adjusted for any unrealized capital gains at the measurement date. Impairment losses and any subsequent reversals are recognised in the income statement in the year in which they arise.

- e) Available-for-sale financial assets: This category includes debt securities and equity instruments that have not been classified in any of the preceding categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

They are measured at fair value insofar as fair value can be determined reliably and changes in fair value, if any, are recognised directly in equity until the asset is sold or deemed impaired, at which point the accumulated fair value adjustments recognised in equity are reclassified in profit or loss. If fair value cannot be reliably determined, these assets

are measured at cost less any impairment losses.

Available-for-sale financial assets are written down if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or the possible inability to recoup the asset's carrying amount in the case of investments in equity instruments. The impairment loss recognised is the difference between the asset's cost/amortized cost, less any impairment loss previously recognised in the income statement, and the fair value on the measurement date. In the case of equity investments measured at cost because their fair value cannot be determined reliably, impairment losses are calculated in the same way as for equity investments in group companies, jointly controlled entities and associates.

Whenever there is objective evidence of impairment, the Company reclassifies any cumulative fair value losses previously recognised in equity to profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market observable inputs and relying as little as possible on subjective judgments.

Financial assets are derecognised when substantially all the risks and rewards of ownership of the financial asset have been transferred. Specifically in relation to accounts receivable, this transfer is generally deemed to take place when the risks of insolvency and non-payment have been transferred.

Financial assets designated as hedged items are subject to hedge accounting measurement rules (Note 3.6).

### 3.6. Derivative financial instruments and accounting hedge

Financial derivatives are measured at fair value upon initial recognition and for subsequent measurement purposes. The method used to recognize the resulting gain or loss depends on whether the derivative has been designated as a hedging instrument, and if so, the nature of the hedge.

The Company designates certain derivatives as either:

- a) Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
- b) Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised temporarily in equity. These amounts are recycled to profit or loss in the year(s) in which the hedged forecast transaction affects profit or loss, unless the hedge corresponds to a forecast transaction that ultimately results in the recognition of a non-financial asset or liability, in which case the gains or losses previously deferred in equity are included in the initial cost of the asset when it is acquired or liability when it is assumed.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

- c) Hedges of net investments in foreign operations: In the case of hedges of net investments in unincorporated joint ventures and foreign branches, changes in the fair value of the derivatives attributable to the risk hedged are recognised temporarily in equity and are recycled to profit or loss in the year(s) in which the net investment in the foreign operation is disposed of.

Hedges of net investments in foreign operations consisting of subsidiaries, jointly controlled entities or associates are treated as fair value hedges in respect of the foreign currency component of the hedge.

Hedging instruments are measured and recognised by nature to the extent that they are not or cease to be effective hedges.

In the event that derivatives do not qualify for hedge accounting, the related fair value gains and losses are recognised



immediately in the income statement.

### 3.7. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### 3.8. Equity

The Company's share capital is represented by ordinary shares.

Costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

If the Company purchases treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, is included in equity.

### 3.9. Financial liabilities

#### Debts and payables

This includes trade and non-trade payables. These payables are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying amount of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

In the event of renegotiation of existing debts, it is considered that there are no substantial changes in financial liabilities when the new loan lender is the same as the one that granted the initial loan and the current value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the cash flows pending payment of the original liability calculated under the same method.

In the case of convertible bonds, the Company determines the fair value of the liability component using the rate of interest for similar non-convertible bonds. This figure is recorded as a liability on the basis of the amortized cost until it is settled upon conversion or maturity. Other income obtained is allocated to the conversion option and is recognised in equity.

### 3.10. Current and deferred income tax

The Company files its taxes under the consolidated tax system as the parent of a group of companies (Note 19). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Bizkaia provincial tax laws, in 2018 are as follows:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.

- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Berantevilla, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- PIA Forging Products, S.L.U.
- Industrias Amaya Tellería, S.L.U.
- Mecanizaciones del Sur - Mecasur, S.A. (incorporated in the 2018 financial year)
- CIE Automotive Goain, S.L.U. (incorporated in the 2018 financial year)

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Income tax is calculated on the basis of accounting profit adjusted for any permanent differences between profit for accounting and tax purposes. Tax credits available at the consolidated tax group level, arising mainly from corporate investing activities, are analyzed annually for future utilization and offset and are recognised as a function of current expectations regarding their utilization. This analysis not only encompasses estimable taxable income but also expectations regarding the use of tax credits granted (Note 17).

Both current and deferred tax expense (income) are recognised in the income statement. However, the tax effect of items recognised directly in equity is recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor tax base. Deferred income tax is determined implementing applicable legislation and the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

### 3.11. Employee benefit

#### a) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to its shareholders after certain adjustments as well as other ratios of a financial nature. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a

constructive obligation.

b) Termination benefits

Termination benefits are paid to employees as a result of a decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. They include benefits agreed under redundancy plans that terminate employment contracts before the normal retirement age. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

c) Share-based payments

At 31 December 2018 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix I).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiaries.

The fair value of the employee services received in exchange for the grant of such shares/ options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, CIE Automotive Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives rise to the corresponding change against the Group's equity.

Likewise, the General Meeting of shareholders, held on 30 April 2014, approved a long term incentive based on the increase of CIE Automotive S.A. share value, on behalf of a group of executives of the Group. The liquidation of this incentive, which due to Group decision was in cash, has been paid in 2018 (Note 25).

At the General Meeting of shareholders, held on April 24, 2018, the concession for the CEO of a long-term incentive was approved based on the evolution of the share price of CIE Automotive, S.A. (Note 25).

The total cost of this incentive is recognized as personnel costs, in the period in which the conditions to reach it must be met.

### 3.12. Provisions and contingent liabilities

The Company recognises provisions when it has a present legal or constructive obligation as a result of past events; it is

probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

Provisions due within one year or for which the effect of the time value of money is not material are not discounted.

When some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised separately when, and only when, it is virtually certain that reimbursement will be received.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed in the accompanying Notes as warranted.

### 3.13. Business combinations

Mergers, spin-offs and non-monetary contributions of businesses among entities under common control are recognised following the rules for accounting for related-party transactions (Note 3.18).

Mergers and spin-offs that are not common control transactions and business combinations arising from the acquisition of all of the assets and liabilities of a company or a portion thereof that constitutes one or more businesses are recognised using the acquisition method.

The Company recognises business combinations arising from the acquisition of shares or equity interests in another company in accordance with the rules for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5.d)).

### 3.14. Joint operations

#### Jointly-controlled entities

Investments in jointly-controlled entities are recognised and measured in keeping with the criteria for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5.d)).

### 3.15. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in exchange for the goods delivered and services rendered in the course of the Company's ordinary activities, less returns, discounts and value added tax.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the specific conditions applicable to each of its activities are met. The amount of revenue cannot be measured reliably until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

According to the interpretation published by the ICAC in its official journal in September 2009 (interpretation no. 79), companies classified as 'industrial holding companies', such as CIE Automotive, S.A., must present dividends, interest income and management fees from their investments in Group companies, jointly controlled entities and associates within revenue in their income statements.

#### a) Sales of services

The Company invoices CIE Automotive Group companies for sales commission, for providing general management and administration services, as well as services in the field of IT, according to contracts with each.

Service revenue is recognised in the financial year in which the services are provided with reference to the outcome of the

transaction in question and on the basis of the actual level of service performed as a percentage of total services performable. Revenue from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

c) Dividend income

Dividend income is recognised as revenue in the income statement when the right to receive payment is established. Notwithstanding the foregoing, dividend pay-outs from profits generated prior to the acquisition date are not recognised as revenue but are rather deducted from the carrying amount of the investment.

### 3.16. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 3.17. Foreign currency transactions

a) Functional and presentation currency

The Company's annual accounts are presented in euro, which is both its functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, unless they are deferred in equity as eligible cash flow hedges and eligible net investment hedges (Note 3.6).

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### 3.18. Related-party transactions

As a general rule, intragroup transactions are initially recognised at fair value. If the price agreed differs from fair value, the difference is recognised based on the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

Notwithstanding the foregoing, in mergers, spin-offs and non-monetary business contributions, the assets and liabilities constituting the acquired business are measured at the amount at which they would be recognised in the consolidated annual accounts of the group or subgroup after the transaction.

When the parent of the group or subgroup of the subsidiary does not intervene, the consolidated annual accounts used for this purpose are those of the highest-level Spanish-parented group or subgroup to recognize the assets and liabilities.

In these cases, any difference between the acquiree's net assets and liabilities, adjusted for grants, donations and bequests received, valuation adjustments and any equity (capital or share premium) issued by the acquiring company, is recognised in reserves.

### 3.19. Dividend distribution

The payment of dividends to shareholders is recognised, to the extent outstanding, as a liability in the annual accounts in the year in which the dividends are approved by the shareholders in General Meeting or declared by the Board of Directors.

## 4. Financial risk management

### 4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

#### a) Market risk

##### (i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection /payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

CIE Automotive Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation,

estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31 December 2018, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €140/€114 million (2017: increased/decreased by €120/€98 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average rate of exchange of the euro had depreciated/appreciated by 10% in 2018 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €12,751/€10,432 thousand higher/lower, respectively (2017: €13,126/€10,739 thousand higher/higher), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging

instrument and, by extension, hedge accounting.

If during 2018 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year in reference to these segments would have been €632 thousand lower/higher (2017: €754 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €1,359/2,048 thousand, respectively (2017: €1,078/€1,518 thousand increase/decrease, respectively) except from the impact on profit for the year.

#### **b) Liquidity risk**

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt of the Group at 31 December 2018 and 2017 as follows:

<b>Thousand euro</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Cash and cash equivalents	248,895	289,448
Other current financial assets	160,804	107,145
Undrawn lines of credit	542,726	419,433
<b>Liquidity buffer</b>	<b>952,425</b>	<b>816,026</b>
Bank borrowings	1,340,015	1,224,889
Other current financial liabilities	17,924	8,842
Cash and cash equivalents	(248,895)	(289,448)
Other current financial assets	(160,804)	(107,145)
<b>Net debt</b>	<b>948,240</b>	<b>837,138</b>

Group's financial department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2019 will allow facing all year payments without increasing net financial debt.

Group's financial department monitors Group's liquidity needs provisions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool, reducing Spanish and Brazilian banks burden.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2018: €14 million; 2017: €16 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

In addition, in 2018 a commercial paper program was issued that, at December 31, 2018, had a balance of €91 million and was also registered under this same heading.





## FINANCIAL STATEMENTS FOR THE YEAR 2018 (In thousand euros)

Noteworthy is the existence at 31 December 2018 of €543 million of undrawn credit lines and loans (31 December 2017: €419 million) at the consolidated CIE Automotive Group level.

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31 December 2018 as compared with 31 December 2017, stating the relative significance of each item:

Thousand euro	2018	2017
Inventories	405,739	450,218
Trade and other receivables	292,424	610,337
Other current assets	21,026	16,007
Current tax assets	47,191	96,616
<b>Current operating assets</b>	<b>766,380</b>	<b>1,173,178</b>
Other current financial assets	112,141	89,444
Cash and other cash equivalents	248,895	289,448
<b>CURRENT ASSETS</b>	<b>1,127,416</b>	<b>1,552,070</b>
Trade and other payables	721,022	1,218,098
Current tax liabilities	59,909	111,488
Current provisions	31,133	64,480
Other current liabilities	110,356	165,989
<b>Current operating liabilities</b>	<b>922,420</b>	<b>1,560,055</b>
Short-term bank borrowings	282,312	242,642
Other current financial liabilities	47	8,842
<b>CURRENT LIABILITIES</b>	<b>1,204,779</b>	<b>1,811,539</b>
<b>NET WORKING CAPITAL</b>	<b>(77,363)</b>	<b>(259,469)</b>

The consolidated balance sheet items that comprised the working capital as of December 31, 2017 included items corresponding to the segment of Solutions and Services - Smart Innovation, classified on April 24, 2018 as a group of assets and liabilities held for sale until disposal on July 3, 2018 (Note 1), and the biofuel and British forge businesses, classified as of December 31, 2018 as a group of assets and liabilities held for sale. If said businesses had been reclassified as "Non-current assets held for sale" at December 31, 2017, the working capital would have amounted to negative €225,248 thousand.

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables and to optimize the accounts payable, with the support of bank operational mobilization of resources, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

However, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2019 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

As a consequence of the above, there are no risks affecting the Company's liquidity situation.

In Note 7 it is disclosed the maturity of third-party resources and other non-current liabilities of the Company.

There are no restrictions to the use of cash/other cash equivalents.

**c) Credit risk**

Groups's credit risks are managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the Automotive segment, present no incurred credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

**d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these societies were the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

**4.2. Hedge accounting**

Accounting Standards are very strict about the need for documenting that an instrument meets the conditions to be considered as hedging.

To this end, the Group has established clear and specific guidance for preparing the documentation setting out all the necessary aspects for identifying and monitoring hedging relationships under this standard. At the inception of the hedge there is formal designation and documentation of the hedging relationship, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. A hedge is expected to be effective if at the inception of the hedge and in subsequent periods it is expected to achieve offsetting changes in cash flows attributable to the hedged risk within a range of 80% - 125%.

The treatment and classification of the Group's hedging transactions are described below:

**a) Fair value hedges of a recognised asset or liability or a firm commitment**

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

**b) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

**c) Net investment hedges**

As of December 31, 2018 and December 31, 2017, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment, since they ended in 2017.

**d) Derivatives that do not qualify for hedge accounting**

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

**e) Effectiveness testing and estimate of the fair value of hedging derivatives**

Effectiveness testing: The valuation method used by CIE Automotive Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be adequately offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

Based on the underlying asset and the type of hedge, CIE Automotive also uses the variance reduction and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: CIE Automotive Group uses several tools to measure and manage derivative-related risk. The valuation of derivative instruments is carried out internally; these valuations are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialized financial analytics libraries are used for this purpose.

**4.3. Valuation method (fair value estimation)**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The listed market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**4.4. Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which are as shown in the consolidated annual accounts. Total capital employed is calculated as 'equity', as shown in the consolidated annual accounts, plus net debt.

During 2018, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.50. The gearing ratios at 31 December 2018 and 2017 were as follows:

Thousand euro	31.12.2018	31.12.2017
Borrowings	1,340,015	1,224,889
Current financial liabilities	17,924	8,842
Less: cash, cash equivalents and current financial assets	(409,699)	(396,593)
<b>Net debt</b>	<b>948,240</b>	<b>837,138</b>
Equity	1,048,886	1,336,913
<b>Total capital employed</b>	<b>1,997,126</b>	<b>2,174,051</b>
<b>Gearing ratio</b>	<b>0.47</b>	<b>0.39</b>

The amounts for fiscal year 2017 include amounts corresponding to the segment of Solutions and Services - Smart Innovation sold on July 3, 2018, as well as the biofuels and British forges business classified as of December 31, 2018 as a group of assets and liabilities held for sale. The leverage ratio comparable to the year 2018 that would have corresponded to the fiscal year 2017 would be 0.48.

At 31 December 2018 and 2017, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 15).

## 5. Intangible assets

The movement schedule in software and goodwill during the period is as follows:

	Computer applications	Patents	Goodwill	Total
<b>Cost</b>				
<b>Balance at 31 December 2016</b>	<b>17,287</b>	-	<b>27,718</b>	<b>45,005</b>
Additions	535	-	-	535
Disposals	(59)	-	-	(59)
<b>Balance at 31 December 2017</b>	<b>17,763</b>	-	<b>27,718</b>	<b>45,481</b>
Additions	478	1,000	-	1,478
<b>Balance at 31 December 2018</b>	<b>18,241</b>	<b>1,000</b>	<b>27,718</b>	<b>46,959</b>
<b>Accumulated amortisation</b>				
<b>Balance at 31 December 2016</b>	<b>(15,723)</b>	-	<b>(2,772)</b>	<b>(18,495)</b>
Additions	(373)	-	(2,772)	(3,145)
Disposals	36	-	-	36
<b>Balance at 31 December 2017</b>	<b>(16,060)</b>	-	<b>(5,544)</b>	<b>(21,604)</b>
Additions	(411)	(100)	(2,772)	(3,283)
<b>Balance at 31 December 2018</b>	<b>(16,471)</b>	<b>(100)</b>	<b>(8,316)</b>	<b>(24,887)</b>
<b>Carrying amount</b>				
<b>Balance at 31 December 2016</b>	<b>1,564</b>	-	<b>24,946</b>	<b>26,510</b>
<b>Balance at 31 December 2017</b>	<b>1,703</b>	-	<b>22,174</b>	<b>23,877</b>
<b>Balance at 31 December 2018</b>	<b>1,770</b>	<b>900</b>	<b>19,402</b>	<b>22,072</b>

The main addition of the year corresponds to a patent of the Brazilian company Zanini Industria de Autopeças Ltd. (currently called Autometal ML Cromação, Pintura e Injeção de Plásticos Ltda.) for a price of €1,000 thousand and as part of the acquisition process of said company by the CIE Automotive Group (Note 8).

a) Goodwill

The goodwill arises in 2011 as a result of the reverse merger between the Company and its parent INSSEC.

The goodwill is allocated to the Company's cash-generating units (CGUs) by business segment and operating market. Goodwill is allocated to the automotive segment, specifically the Brazilian and European operations, as was the case at INSSEC.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond this five-year period are extrapolated using estimated growth rates. Note 2.2 details the key assumptions used to calculate the value in use of the various CGUs in a manner that is consistent with the overall situation of CIE Automotive Group's operating markets as well as the businesses' projected performance.

CIE Automotive Group has verified that neither its goodwill nor its investments in Group companies (Note 8) suffered any impairment loss in either 2018 or 2017.

If the revised estimated discount rate applied to discounted cash flows were 10% higher than management's estimates, CIE Automotive Group would still not need to reduce the carrying amount of goodwill or the value of its shareholdings in Group companies.

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortization, the starting point for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Nevertheless, simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment charges in either 2018 or 2017.

b) Fully-amortised intangible assets

At 31 December 2018, there are fully-amortized items of intangible assets still in use with an original cost of €15.3 million (2017: €15.1 million).

## 6. Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

<b>2018</b>	<b>Balance at 31.12.2017</b>	<b>Additions</b>	<b>Transfers</b>	<b>Balance at 31.12.2018</b>
<b>COST</b>				
Buildings	758	-	-	758
Other plant and furniture	1,808	-	-	1,808
Other fixed assets	3,137	10	-	3,147
PPE under construction	8	-	-	8
	<b>5,711</b>	<b>10</b>	-	<b>5,721</b>
<b>ACCUMULATED DEPRECIATION</b>				
Buildings	(394)	(23)	-	(417)
Other plant and furniture	(617)	(142)	-	(759)
Other fixed assets	(3,017)	(28)	-	(3,045)
	<b>(4,028)</b>	<b>(193)</b>	-	<b>(4,221)</b>
<b>CARRYING AMOUNT</b>	<b>1,683</b>			<b>1,500</b>

2017	Balance at 31.12.2016	Additions	Transfers	Balance at 31.12.2017
<b>COST</b>				
Buildings	758	-	-	758
Other plant and furniture	916	-	892	1,808
Other fixed assets	3,106	-	31	3,137
PPE under construction	413	518	(923)	8
	<b>5,193</b>	<b>518</b>	<b>-</b>	<b>5,711</b>
<b>ACCUMULATED DEPRECIATION</b>				
Buildings	(371)	(23)	-	(394)
Other plant and furniture	(523)	(94)	-	(617)
Other fixed assets	(2,993)	(24)	-	(3,017)
	<b>(3,887)</b>	<b>(141)</b>	<b>-</b>	<b>(4,028)</b>
<b>CARRYING AMOUNT</b>	<b>1,306</b>			<b>1,683</b>

a) Impairment losses

The Company neither recognised new impairment losses nor reversed previously recognised impairment losses on any individual item of property, plant and equipment in either 2018 or 2017.

b) Fully-depreciated assets

At 31 December 2018, there are fully-depreciated items of property, plant and equipment still in use with an original cost of €3.4 million (2017: €3.4 million).

c) Assets held under operating lease

The income statement recognises operating lease expenses related to employee vehicle leases in the amount of €280 thousand (2017: €277 thousand).

d) Insurance

The Company has taken out a range of insurance policies to cover the risks to which its property, plant and equipment are exposed. The hedge provided by these policies is considered to be sufficient.

e) Commitments

At 31 December 2018 and 2017, the Company had no material contractual commitments for the acquisition of property, plant and equipment.

## 7. Analysis of financial instruments

### 7.1. Analysis by category

The carrying amounts of the Company's financial instruments by each category of financial assets and liabilities (which analysis therefore does not include balances with public administrations) are as follows:

Thousand euro	Equity instruments		Loans		Derivatives and others	
	2018	2017	2018	2017	2018	2017
<b>Financial assets</b>						
<b>Non-current</b>						
- Balances with group companies						
- Investments in group companies (Note 8.a)	319,635	423,314	-	-	-	-
- Loans to group companies (Note 8.c)	-	-	1,219,057	1,156,575	-	-
- Other investments (Note 7.4)	81	62	-	-	-	-
- Loans to third parties (Note 7.5)	-	-	38,958	-	-	-
- Other financial assets (Note 7.6)	-	-	-	-	18	18
	<b>319,716</b>	<b>423,376</b>	<b>1,258,015</b>	<b>1,156,575</b>	<b>18</b>	<b>18</b>
<b>Current</b>						
- Trade and other receivables (Note 9)	-	-	21,035	10,238	-	-
- Loans to group companies (Note 8.c)	-	-	25,894	15,313	-	-
- Loans to third parties (Note 7.5)	-	-	388	503	-	-
- Other financial assets (Note 7.6)	-	-	-	-	16,827	33,755
- Cash and other cash equivalents (Note 11)	-	-	-	-	5,381	12,839

-	-	47,317	26,054	22,208	46,594
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Thousand euro	Debts and payables		Derivatives and others	
	2018	2017	2018	2017
<b>Financial liabilities</b>				
Non-current				
- Borrowings received (Note 15)	786,534	675,610	-	-
- Other current financial liabilities (Derivatives) (Note 10)	-	-	17,877	-
- Borrowings from group companies (Note 15)	198,966	198,965	-	-
- Other debts (Note 15)	1,406	3,906	-	-
	<b>986,906</b>	<b>878,481</b>	<b>17,877</b>	-
Current				
- Borrowings received (Note 15)	104,069	166,350	-	-
- Commercial paper program (Note 15)	91,000	-	-	-
- Borrowings from group companies (Note 15)	2,130	5,167	-	-
- Other current financial liabilities (Derivatives) (Note 10)	-	-	-	8,144
- Trade and other payables (Note 15)	50,517	42,710	-	-
- Other debts (Note 15)	2,500	2,500	-	-
	<b>250,216</b>	<b>216,727</b>	-	<b>8,144</b>

The financial assets except the Participations in Group companies, other participations and Loans to third parties (Note 18.c) are “Loans and receivables”.

Financial liabilities are “Debit and items to be paid”, except Derivatives.

## 7.2. Classification by maturity

The maturity schedule for financial instruments having fixed or determinable maturities is as follows:

	Financial assets					Subsequent years	Total
	2019	2020	2021	2022	2023		
<b>Investments in group companies and associates:</b>							
Loans to companies	25,894	-	-	-	-	1,219,057(*)	1,244,951
<b>Other financial investments:</b>							
Trade and other receivables	21,035	-	-	-	-	-	21,035
Loans to third parties	388	-	-	27,258	-	11,700	39,346
Derivatives	-	-	-	-	-	-	-
Other financial assets	16,827	-	-	-	-	18	16,845
	<b>64,144</b>	-	-	<b>27,258</b>	-	<b>1,230,775</b>	<b>1,322,177</b>
	Financial liabilities					Subsequent years	Total
	2019	2020	2021	2022	2023		
<b>Borrowings from group companies and associates</b>							
	2,130	-	-	-	-	198,966(*)	201,096
<b>Other financial liabilities:</b>							
Bank borrowings	104,069	112,559	97,842	122,333	368,633	85,167	890,603
Commercial paper program	91,000	-	-	-	-	-	91,000
Derivatives	-	-	-	-	17,877	-	17,877
Other liabilities	2,500	1,250	156	-	-	-	3,906
Trade and other payables	50,517	-	-	-	-	-	50,517
	<b>250,216</b>	<b>113,809</b>	<b>97,998</b>	<b>122,333</b>	<b>386,510</b>	<b>284,133</b>	<b>1,254,999</b>

(\*) The loans extended to group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed one year before its maturity for additional periods of one year unless it exists a cancellation previous to the established maturity. See Note 8.c).



### 7.3. Credit quality of financial assets

Financial assets that have not expired are not impaired. Management perceives no risk of impairment whatsoever as the Company's financial assets mainly relate to balances due from CIE Automotive Group companies and associates that present no indications of credit risk.

### 7.4. Other investments

At 31 December 2018 and 2017, the Company was still an investor in Fundación CIE I+D+i in its capacity as founding trustee, having given an initial (and unchanged) endowment of €60 thousand.

### 7.5. Loans to third parties

	Balance at 31.12.2016	(Collections)	Balance at 31.12.2017	Additions	Profit/(Loss) Adjustment	(Collections)	Balance at 31.12.2018
Loans to employees (Notes 18.c) and 25)	455	(152)	303	30,740	(1,397)	(2,237)	27,409
Advances (Note 26)	-	-	-	13,000	-	(1,300)	11,700
Other	200	-	200	37	-	-	237
	<b>655</b>	<b>(152)</b>	<b>503</b>	<b>43,777</b>	<b>(1,397)</b>	<b>(3,537)</b>	<b>39,346</b>

### 7.6. Other current financial assets

The Company records a short-term maturity account receivable with INSSEC DOS which balance at 31 December 2018 stood at €16,800 thousand (2017: €16,800 thousand).

## 8. Investments in and loans to group companies

### a) Investments in group companies, jointly-controlled entities and associates

The main group companies owned directly by the Company (none of which is listed) are as follows:

Name and registered office	Legal structure	Activity	% of total voting rights held directly	
			2018	2017
<b>Group companies and jointly-controlled entities</b>				
CIE Berriz, S.L. (Bizkaia)	S.L.	Holding company	100%	100%
Global Dominion Access, S.A. (Bizkaia)	S.A.	Holding company/IT and Communication Services	-	50.01%
Autokomp Ingeniería, S.A.U. (Bizkaia)	S.A.U.	Services and installations	100%	100%
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	S.L.U.	Manufacture of automotive components	100%	100%
Advanced Comfort Systems France, S.A.S. (France)	S.A.S.	Manufacture of automotive components	100%	100%

Movements and changes made by entities of the Group for 2018 and 2017 have been as follows:

### 2018

#### a) **Automotive Segment**

In January 2018, the acquisition of 100% of the shares of the Brazilian company Zanini Industria de Autopeças, Ltda. (currently named as Autometal ML Cromação, Pintura e Injeção de Plástico, Ltda.) was carried out for a price of €1,120 thousand. (Note 5)

On 29 June 2018, an additional 5% of the sharehold of the subsidiary Mahindra CIE Automotive, Ltd. was acquired for an approximate amount of €61 million. The effective percentage that the Group has of the company after the acquisition is

56.32%.

In November 2018, the company of the Group Mahindra CIE Automotive, Ltd. sold its subsidiary Mahindra Forgings Europe, A.G. to its also subsidiary CIE Galfor, S.A.U. for an approximate amount of €83 million.

#### **b) Solution and Services Segment (Smart Innovation)**

In February 2018, and before the distribution of the dividend that implies the disposal of the participation in said segment (Note 1), its subsidiary Global Near, S.L. has acquired 100% of the participation of the company Centro Near Servicios Financieros, S.L. Subsequently, a capital increase has been carried out in said company, for which a minority shareholder has acquired a 49.99% stake.

Subsequent to this operation, the company has been renamed from Centro Near Servicios Financieros, S.L. to Abside Smart Financial Technologies, S.L.

In April 2018, before the decline in participation in this segment, the Group, through its subsidiary Dominion Industry and Infrastructures, S.L. has acquired 100% of the capital of Go Specialist, S.L. for an amount of €1 million.

Additionally, once the dividend was approved that supposes the disposal of the participation in the aforementioned segment and until its exit from the CIE Automotive Group, the acquisitions of 100% of shares of Grupo Scorpio (composed by Instalaciones Eléctricas Scorpio, S.A. and Instalaciones Eléctricas Scorpio Rioja, S.A.) and the Colombian company Diseños y Productos Técnicos, S.A. were carried out through the subsidiary Global Dominion Access, S.A., as well as the constitution with a 50% stake of Smart Nagusi, S.L. through the subsidiary Global Near, S.L.

### **2017**

#### **a) Automotive Segment**

During 2017, the following company transactions were carried out:

- The companies Alurecy, S.A.U. and Alfa Deco, S.A.U. were merged, both subsidiaries of the company CIE Berriz, S.L., being Alurecy, S.A.U. the absorbing company.
- The merger between CIE Berriz, S.L. with its subsidiaries Grupo Amaya Tellería, S.L.U. and GAT Staff, S.L.U., the latter being absorbed.
- The reverse merger of Metalcastello, S.P.A. (absorbing company) and Mahindra Gears Global, Ltd. (absorbed company), companies located in Italy and Mauritius, respectively.
- The liquidation of the Brazilian company Bioauto Participações, S.A..
- The merger between the Brazilian subsidiaries Autometal, S.A. and Naturoil Combustíveis Renováveis, S.A.
- The Indian company Mahindra CIE Automotive, Ltd. (absorbing company) was merged with the companies, also Indian, Mahindra Gears and Transmissions Private Ltd. and Crest Geartech Private, Ltd. (absorbed companies); and with Mauritanian companies Mahindra Forgings Global, Ltd. and Mahindra Forgings International, Ltd. (absorbed companies).
- A merger took place between the US companies Rochester Gear, Inc and Deco Engineering, Inc, both subsidiaries of Newcor, Inc, being Rochester Gear, Inc the absorbing company and which has survived.
- The BillForge Global DMCC company was liquidated.

In January 2017, the Group through its Brazilian subsidiary Autometal, S.A., acquired an additional 34.9% of the share capital of the also Brazilian company, Durametel, S.A. for an amount of 20 million Brazilian Reales (approximately €5.8 million). After this acquisition, the share hold percentage hold by the Group in Durametel, S.A. amounts to 84.9%.



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Also, in March 2017, the Group acquired the entire share capital of the US corporation Newcor, Inc. The transaction meant an investment by CIE Automotive of approximately USD108 million (approximately €102 million) fully disbursed in cash.

In April 2017, the company Antolin-CIE Czech Republic, s.r.o. was sold for an amount of €2.7 million.

In December 2017, a capital share increase had taken place in the associate company Galfor Eólica, S.L. which the Group has not applied for. After this capital share increase, the Group diluted its share in the company to 13%.

#### **b) Solution and Services Segment (Smart Innovation)**

At the beginning of 2017, the German subsidiary Beroa Deutschland GmbH together with another external partner formed the Dutch joint venture, Cobra Carbon Grinding B.V., whose shareholding was distributed to 50% to each partner.

Also, in that same period, a reverse merger had taken place between the subsidiary Global Ampliffica, S.L.U. and its subsidiary Ampliffica, S.L.U., and also between the North American companies Karrena International LLC and its subsidiary Karrena International Chimneys LLC.

In 2017, the Vietnamese subsidiary Chimneys and Refractories International Vietnam Co. Ltd., which was established at the end of 2016, was incorporated to the consolidation perimeter, whose activity is focused on industrial solutions.

On 27 April 2017 the US subsidiary Commonwealth Dynamics Inc created the Japanese company named Commonwealth Dynamics Co. Ltd. with the same purpose of its direct company.

Also during the first semester of 2017, a non-commercial swap agreement was signed by Dominion Industry and Infrastructures, S.L., through which the 37% owned by the Group in Huerto Solar La Alcardeteña, S.A. was exchanged for an additional 50% of the subsidiary Solfuture Gestión, S.L.

On July 13, 2017, the company proceeded to subscribe with the group Dixon Phone plc, an acquisition contract of the total share capital of The Phone House España (which include the companies The Phone House España, S.L. , Connected World Services Europe, S.L.U. and Smart House Spain, S.L.U.), all of them based in Spain. The closing of the transaction was conditional on obtaining the authorisation of the Spanish Competition Authorities and a series of suspensive conditions relating to the confirmation of the main operators with whom the Phone House operated with so they confirmed that they would maintain their supply and distribution contracts. These suspensive conditions had been fulfilled in the month of September 2017, when the acquisition of all the shares of the aforementioned companies had been effective. The price of the transaction had risen to €58 million, once the parent company had assumed the debt that the previous shareholder maintained with the acquired companies. The purchase price was agreed to be paid in two instalments, the first of them (two thirds) on the transaction closing date, and the remaining, (one third) in January 2018.

On 18 October 2017 two share capital increases took place in the associate company Advanced Flight Systems, S.L. which have led to an increase of the Group's share from 20% to 30%. This share capital increase subscription amounted to €340 thousand.

In addition, in 2017, the merger among Dominion Digital, S.L.U., Ampliffica, S.L.U., Tapquo, S.L. and Wiseconversion, S.L. had taken place, being the first of the aforementioned companies the absorbing one.

A share capital increase had taken place for BAS Projects Corporation amounting to €13 million subscribed by a new shareholder. This transaction diluted the Dominion's Group share hold from 25% to 16.84%.

The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at 31 December 2018 and 2017, are as follows:

Company	Equity		Operating profit	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 18)
	Capital	Reserves				
<b>2018:</b>						
CIE Berriz, S.L. (Bizkaia)	60,101	298,064	42,828	(5,450)	251,874	-
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	7,300	1,404	1,143	8,528	1,279
Advanced Comfort Systems France, S.A.S. (Francia)	3,100	25,210	3,707	2,844	57,132	-
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	999	(3)	(1,126)	2,101	-
					<b>319,635</b>	<b>1,279</b>
<b>2017:</b>						
CIE Berriz, S.L. (Bizkaia)	60,101	218,588	97,233	84,293	251,874	45,700
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	7,300	1,644	1,279	8,528	743
Advanced Comfort Systems France, S.A.S. (Francia)	3,100	15,545	4,968	9,665	57,132	-
Global Dominion Access, S.A. (Bizkaia)	21,187	269,221	1,796	1,319	105,562	-
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	38	(7)	(921)	218	31
					<b>423,314</b>	<b>46,474</b>

**b) Movements in investments in CIE Automotive Group companies**

The movements in 2018 are summarized below:

	Balance at 31.12.2017	Movements	Balance at 31.12.2018
Investments in group companies and jointly controlled entities			
CIE Berriz, S.L.	251,874	-	251,874
Global Dominion Access, S.A. (Note 1)	105,562	(105,562)	-
Autokomp Ingeniería, S.A.U.	218	1,883	2,101
Advanced Comfort Systems Ibérica, S.L.U.	8,528	-	8,528
Advanced Comfort Systems France, S.A.S.	57,132	-	57,132
	<b>423,314</b>	<b>-</b>	<b>319,635</b>

The additions for the year 2018 correspond to contributions from partners made in the company Autokomp Ingeniería, S.A.U. for €1,883 thousand.

**Disposal of the Solutions and Services segment (Smart Innovation) (Note 1)**

At the General Shareholders' Meeting held on April 24, 2018, the distribution of an extraordinary dividend in kind to the shareholders was approved, distributing 84,764,610 shares of Global Dominion Access, SA, parent company of the Solutions and Services segment (Smart Innovation), and whose effective delivery has had effects on July 3, 2018. In the period between the approval of the extraordinary dividend and its effective distribution to the shareholders of the Parent Company, the net assets relating to the segment were presented as classified as "Non-current Assets held for sale".

The difference between the value of the net assets of the subgroup and the valuation of the dividend liability distributed on the date of transfer of the shares, which amounted to €405 million, has led to an accounting gain recorded in the consolidated financial statements of €299.2 million; and that has been recorded under the heading "Profit/(loss) for the year from discontinuing operations after tax" on the date of effective distribution of the dividend.

The movements in 2017 are summarized below:

	Balance at 31.12.2016	Movements	Balance at 31.12.2017
Investments in group companies and jointly controlled entities			
CIE Berriz, S.L.	251,874	-	251,874
Global Dominion Access, S.A.	105,562	-	105,562
Autokomp Ingeniería, S.A.U.	218	-	218
Advanced Comfort Systems Ibérica, S.L.U.	8,528	-	8,528
Advanced Comfort Systems France, S.A.S.	57,132	-	57,132
	<b>423,314</b>	<b>-</b>	<b>423,314</b>

As of December 31, 2018 and 2017, the Company does not maintain provisions for impairment of its holdings.

c) Loans to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates benchmarked to Euribor. Cancellation of the loans must be notified by the parties with one year's notice, which is why €1,219,057 thousand is recognized as non-current loans at the 2018 year end (2017: €1,156,575 thousand).

These receivable balances and those payable (Note 15) arise mainly from the Company's role as a financing center for Group companies.

The opening balance of current loans to group companies includes the interest due on these credit accounts as well as income tax due from CIE Automotive Group companies under the consolidated tax regime in an aggregate amount of €25,894 thousand (2017: €15,313 thousand).

The detail of the non-current credits to other group companies at 31 December 2018 and 2017 is as follows:

	31.12.18	31.12.17
Alcasting Legutiano, S.L.U.	7,135	10,986
Autokomp Ingeniería, S.A.U.	61,172	62,121
Biosur Transformación, S.L.U.	1,791	2,302
CIE Berriz, S.L.	922,165	947,358
CIE Mecauto, S.A.U.	11,115	9,500
CIE Praga Louny, A.S.	5,695	9,277
CIE Galfor, S.A.U.	62,079	-
Participaciones Internacionales Autometal Dos, S.L.U.	131,840	102,272
Plasfil Plásticos da Figueira, S.A.	7,950	6,532
Componentes de Automoción Recytec, S.L.U.	4,354	1,685
Other (less than €2 million balances)	3,761	4,542
	<b>1,219,057</b>	<b>1,156,575</b>

## 9. Trade and Other receivables

	2018	2017
Current loans and receivables		
- Receivables from group companies and associates	21,014	10,222
- Other receivables	21	16
	<b>21,035</b>	<b>10,238</b>

The balances recognised as receivable from CIE Automotive Group companies reflect balances from certain subsidiaries that do not have a credit account with the parent are as follows:

	<b>31.12.18</b>	<b>31.12.17</b>
Century Plastics, LLC	6,269	1,128
Machine, Tool and Gears, Inc.	5,569	-
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	1,279	1,312
Pintura y Ensamblados de México, S.A. de C.V.	1,256	970
CIE Celaya, S.A.P.I. de C.V.	2,073	1,892
Advanced Comfort Systems Shanghai Co. Ltd.	1,003	1,073
Others (less than €1 million)	3,565	3,847
	<b>21,014</b>	<b>10,222</b>

The carrying amounts of loans and receivables approximate their fair value as they are due in the short term.

The credit risk on trade and other accounts receivable is managed by classifying each of the Company's customers by their credit risk.

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at 31 December 2018 and 2017. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

The accounts included in "Loans and receivables" have not been impaired.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Company does not maintain any guarantee as insurance.

## 10. Derivative financial instruments

	Assets	
	2018	2017
Interest rate swaps:		
- Cash-flow hedges	-	593
Equity Swap		
- Non cash-flow hedges	-	16,361
	-	<b>16,954</b>
	Liabilities	
	2018	2017
Interest rate swaps:		
- Cash-flow hedges	10,578	8,144
Equity Swap		
- Non cash-flow hedges	7,299	-
	<b>17,877</b>	<b>8,144</b>

Derivatives are classified as a current asset or liability.

Having been tested for effectiveness, all of the Company's hedging derivatives were considered effective at 31 December 2018 and 2017 (Note 3.6).

### Equity swap

At 6 August 2014, the Company has arranged a derivative related to the share market price of CIE Automotive. The underlying of the operation with 1.25 million shares, with a starting value of €11.121 per share. This financial instrument, classified non-hedge, has been liquidated in 2018 for an amount of €16,374 thousand, amounting its valuation at 31 December 2017 to €16,361 thousand.

At 6 August 2018, the Company has arranged a new derivative related to the share market price of CIE Automotive, S.A. The underlying of the operation with 2 million shares, with starting value of €25.09 per share and expiration in 2023. The valuation of this derivative amounts to €7,299 thousand negative at 31 December 2018.

#### Interest rate swaps (from variable to fixed)

The notional amounts of the outstanding interest rate swap contracts at 31 December 2018 totaled €403 million (2017: €450 million), the part of the balance was designated as a hedging instrument.

In 2018 fixed interest rates, without margin, vary between 0.15% and 0.90% (2017: 0.17% and 0.90%) and the main reference variable rate is the Euribor. Gains/losses recognised in equity under “Adjustments for value changes” on interest rate swaps at 31 December 2018 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

### 11. Cash and cash equivalents

	2018	2017
Cash	3,614	10,942
Cash equivalents	1,767	1,897
	<b>5,381</b>	<b>12,839</b>

Other liquidity assets correspond to investments of cash surplus, maturing in less than 3 months or with immediate availability.

### 12. Share capital and share premium

#### a) Share capital

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2018 and 2017 is represented by 129,000,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Spanish stock market. The companies that hold a direct or indirect interest of more than 10% are as follows:

	Percentage interest	
	2018	2017
Acek Desarrollo y Gestión Industrial, S.L.	(*) 14.909%	(*) 15.909%
Corporación Financiera Alba, S.A.	10.129%	10.000%
Elidoza Promoción de Empresas, S.L.	10.000%	9.600%

(\*) 5.508% directly and indirectly through Risteel Corporation, B.V., the remaining 9.401% (5.508% y 10.401% respectively in 2017).

The stock price of CIE Automotive, S.A. listed in the Madrid Stock Exchange was €21.44 at 31 December 2018.

#### b) Share premium

This reserve is freely available for distribution.

#### c) Treasury shares

The movement of treasury shares for the current year is disclosed as follows:

	Number of shares	Amount (Thousand euro)
<b>Balance at 1 January 2017</b>	-	-
Acquisitions	252,587	4,526
<b>Balance at 31 December 2017</b>	<b>252,587</b>	<b>4,526</b>
Disposal	(252,587)	(4,526)
<b>Balance at 31 December 2018</b>	-	-



As of December 31, 2018, the Company does not own shares in its net equity, after the sale thereof in the first half of 2018. The sale of the treasury shares has generated a capital gain of 3,207 thousand euros recognized in the reserves of the society.

Similarly, the mandate conferred at the Annual General Meeting of 24 April 2018, whereby the parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until 24 April 2023.

### 13. Reserves and retained earnings

#### a) Reserves

	2018	2017
<b>Legal and statutory reserves:</b>		
- Legal reserve	6,450	6,450
	<b>6,450</b>	<b>6,450</b>
<b>Other reserves:</b>		
- Voluntary reserves	(131,859)	262,922
- Merger reserve	66,303	66,303
	<b>(65,556)</b>	<b>329,225</b>
	<b>(59,106)</b>	<b>335,675</b>

#### Legal reserve

In accordance with Article 274 of the Spanish Companies Act, the 10% of profits must be endowed to the legal reserve until it reaches at least 20% of the share capital. In 2018 and 2017, the legal reserve reaches the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

#### Merger reserve

The amount of merger reserve contains the equity effect on CIE Automotive S.A. of the merger agreement between the Company and INSSEC in 2011 and the equity effect of the merger among CIE Berriz, S.L, CIE Inversiones e Inmuebles, S.L.U. and CIE Automotive Bioenergía, S.L.U. in 2012.

The merger reserve is available for distribution.

### 14. Profit /(loss) for year

#### a) Proposed distribution of profit

The proposed distribution of 2018 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 24 April 2018 in respect of 2017 profit is shown below:

	2018	2017
<b>Available for distribution</b>		
Profit for the period	327,860	78,932
	<b>327,860</b>	<b>78,932</b>
<b>Distribution:</b>		
Interim dividend	39,990	36,120
Final dividend	39,990	36,120
Voluntary reserves	247,880	6,692

**327,860**
**78,932**
**b) Dividends paid**

At 12 December 2018, the Board of Directors has approved the payment of an interim dividend from 2018 profit of €0.31 gross per share carrying dividend rights, implying a total payout of €39,990 thousand. Payment has made effective on January 4, 2019.

The amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to Article 277 of Spain Corporate Enterprise Act.

The provisional accounting statement at 31 October 2018, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows:

<b>Provisional cash-flow statement</b>	<b>Amount</b>
<b>Profit forecast:</b>	
- Available net profit of year 2018	321,103
<b>To deduct:</b>	
- Legal reserve	-
<b>Maximum amount to distribute</b>	<b>321,103</b>
<b>Amount distribution proposal</b>	<b>79,980</b>
<b>Treasury forecast for one year</b>	<b>94,138</b>
<b>Interim dividend</b>	<b>(39,990)</b>

On April 24, 2018, the General Shareholders' Meeting agreed to distribute an extraordinary dividend in kind for which CIE Automotive, S.A. will distribute among its shareholders the holdings it held in Global Dominion Access, S.A. The liability recorded in these accounts for the market value of the shares sold amounted to €405 million. The transfer of these shares has been effective on July 3, 2018.

On that same date, the General Shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result for the year 2017, approving the distribution of a complementary dividend of €0.28 (gross) per share entitled to a dividend, which has meant a total of €36,120 thousand. The disbursement has been effective on July 3, 2018.

At 12 December 2017, the Board of Directors approved the payment of an interim dividend from 2017 profit of €0.28 gross per share carrying dividend rights, implying a total payout of €36,049 thousand. Payment was made on 5 January, 2018.

On 4 May 2017, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2016 profit (individual) as well as the distribution of a final dividend of €0.21 (gross) per share carrying dividend rights, amounting to a total payment of €27,039 thousand. Payment was made on 5 July 2017.

On 14 December 2016, the Board of Directors approved the payment of an interim dividend from 2016 profit of €0.20 gross per share carrying dividend rights, implying a total payout of €25,800 thousand. Payment was made on 5 January 2017.

In relation to this last interim dividend and the one agreed on December 12, 2017, the amounts to be distributed did not exceed the profit obtained since the last financial year, deducting the tax estimation, in accordance with Article 277 of the Spanish Companies Act. Similarly, the provisional accounting statements were prepared in accordance with legal requirements and which evidenced the existence of sufficient liquidity to complete the pay-out of the aforementioned dividends.

**15. Debts and payables**

	2018	2017
<b>Non-current debts and payables</b>		
- Bank borrowings (Note 15.a))	786,534	675,610
- Derivatives (Note 10)	17,877	-
<b>CIE Automotive Group companies and associates, non-current (Note 15.c))</b>	198,966	198,965
<b>Other non-current payables</b>		
- Other non-current payables (Note 15.d))	1,406	3,906
	<b>1,004,783</b>	<b>878,481</b>
<b>Current debts and payables</b>		
- Bank borrowings (current portion of non-current borrowings) (Note 15.a))	104,069	166,350
- Commercial paper program (Note 15.b))	91,000	-
- Payables to CIE Automotive Group companies (Note 15.c))	2,130	5,167
- Other short term liabilities (Note 15.d))	2,500	2,500
- Trade payables	3,923	2,835
- Group suppliers	-	14
- Fixed asset creditors	124	142
- Accrued wages and salaries	6,480	3,670
- Dividend payable (Note 14)	39,990	36,049
	<b>250,216</b>	<b>216,727</b>

**a) Bank loans and credit facilities**

The exposure to interest rate changes deriving from long term bank borrowings is as follows:

	Balance at 31 December	More than 1 year	More than 5 years
<b>At 31 December 2018</b>			
Total borrowings	890,603	786,534	-
Effect of interest rate swaps (Note 10)	(402,500)	(380,000)	-
<b>Exposure</b>	<b>488,103</b>	<b>406,534</b>	-
<b>At 31 December 2017</b>			
Total borrowings	841,960	675,610	-
Effect of interest rate swaps (Note 10)	(392,500)	(402,500)	-
<b>Exposure</b>	<b>449,460</b>	<b>273,110</b>	-

Non-current borrowings mature as follows:

	2018	2017
Between 1 and 2 years	112,559	60,733
Between 3 and 5 years	588,808	551,099
Over 5 years	85,167	63,778
	<b>786,534</b>	<b>675,610</b>

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest that ranged between 0.70% and 0.85% (2017: 0.34% and 2.75%).

The Company has the following undrawn credit lines:

	2018	2017
Maturing within one year	128	92,070
Maturing in more than one year	334,250	177,091
	<b>334,378</b>	<b>269,161</b>

The carrying amounts of non-current borrowings approximate their fair value.

The carrying amounts of current borrowings approximate their fair value as the effect of discounting is not significant.

The carrying amounts of the Company's borrowings are all denominated in euro.

In 2018 the Company repaid €408.6 million under these financing agreements (2017: €111 million) and raised new funding in the amount of €451.9 million (2017: €145 million).

On 28 July 2014 CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the syndicated financing in effect.

On 13 April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date to the end of April 2020.

On 14 July 2016, the Company signed a second novation with respect to the syndicated financing arranged in 2014. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.

On 6 June 2017, the Company has signed a third novation with respect to the syndicated agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.

On 27 April 2018, the Parent Company signed a fourth novation of this syndicated finance agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.

The drawn amount on 31 December 2018 amounted to €400 million (2017: €467 million), and its interest rate was indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

On 14 July 2016, a new loan was arranged with several financial institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a variable interest rate indexed to Euribor. The drawn amount of this loan on 31 December 2018 amounted to €81 million (2017: €85 million).

At 23 June 2014 the Company entered into a financing contract with the European Investment Bank (EIB) for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2018 the drawn down balance amounts to €47 million and bears a fixed interest (2017: €61 million).

In July 2018, CIE Automotive, S.A. has signed a contract with the European Investment Bank (EIB) of €80 million, which are without drawn to 31 December 2018.

In December 2017 the Company signed a loan with a finance institution amounting to €100 million and with a one year maturity. As of December 31, 2018 there is no outstanding balance for such financing.

In addition, other borrowings are subject to compliance with certain ratios that are customary in the market for these types of contracts. At 31 December 2018 and 2017, these ratios have been achieved.

The interest rates on the aforementioned financing arrangements are benchmarked to Euribor plus a variable spread based on the Net Financial Debt/EBITDA ratio of the Consolidated Group.

#### b) Commercial Paper Program

On 19 July 2018, the Parent company of the Group has made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which has been registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On 31 December 2018 the drawn balance amounts to €91 million.

c) Payables to CIE Automotive Group companies

The payables with CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates benchmarked to Euribor. The cancellation must be notified between the parts with a year of anticipation, for that reason is registered as non-current debts, €198,966 thousand (2017: €198,965 thousand).

These payable balances, as well as the receivable balance to receive (Note 8), arise principally from the action of the Company as financing management center for the Group companies.

The breakdown of non-current payables to CIE Automotive Group Companies, at 31 December 2018 and 2017 is as follows:

	<b>31.12.18</b>	<b>31.12.17</b>
CIE Udalbide, S.A.U.	5,869	6,102
Egaña 2, S.L.	4,844	9,617
Gameko Fabricación de Componentes, S.A.	20,436	17,980
CIE Galfor, S.A.U.	-	13,870
Inyectametal, S.A.	15,656	12,448
Mecanizaciones del Sur-Mecasur, S.A.	6,053	5,915
Nova Recyd, S.A.U.	6,246	5,784
Orbelan Plásticos, S.A.	4,316	4,786
CIE Plasty CZ, s.r.o.	4,354	5,041
CIE Compiegne, S.A.S.	12,588	-
Recyde, S.A.U.	4,496	7,149
CIE Zdanice, s.r.o.	16,044	13,838
CIE Metal CZ, s.r.o.	-	990
CIE Unitools Press CZ, a.s.	2,822	2,784
Grupo Componentes Vilanova, S.L.	2,008	9,776
Bionor Berantevilla, S.L.U.	7,348	7,368
CIE Legazpi, S.A.U.	17,415	17,361
Industrias Amaya Tellería, S.A.U.	27,903	29,055
MAR SK, s.r.o.	12,745	13,841
Advanced Comfort Systems France, S.A.S.	6,952	-
Advanced Comfort Systems Ibérica, S.A.U.	8,000	7,000
Other less significant balances	12,871	8,260
	<b>198,966</b>	<b>198,965</b>

The balance included in the epigraph debts with group companies in the short term includes the interests of the credit accounts and debts with subsidiaries of the group CIE Automotive associated with the liquidation of the tax of companies in regime of fiscal consolidation for amount of €2,130 thousand (2017: €5,167 thousand).

d) Other long-term debts

It included €10 million loan granted to financing investment projects received of a public entity in 2014 to amortize in 8 semi-annual quotas which remaining amount as of 31 December 2018 amounts to €3,750 thousand, being registered €1,250 thousand in the long term (2017: €6,250 thousand, being €3,750 thousand registered in the long term). The loan bears an interest rate benchmarked to Euribor plus a margin market.

The breakdown of trade payables settled during 2018 and 2017 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5 of July, is as follows:

	Days	
	<b>2018</b>	<b>2017</b>
Average payment period to suppliers	51	51
Paid operations ratio	52	53
Outstanding operations ratio	48	48

	Thousand euros	
	2018	2017
Total payments	11,150	7,259
Total outstanding payments	3,923	2,834

## 16. Provisions

As of December 31, 2017, the provisions basically included the estimate made by the Company on the amount of the multi-year bonus benefits to be paid to its employees as of the date as well as the estimated amount for the year of the obligations established in the complementary incentive agreed in 2014 and that were recorded in the short term according to their estimated maturity (Note 25). The total amount paid for these amounts in the financial year 2018 is approximately €34 million.

As of December 31, 2018, the Company has recorded a provision of 16.4 million euros relating to the hedge of various non-operating risks and other contingencies.

## 17. Deferred taxes

The analysis of deferred taxes is as follows:

	2018	2017
<b>Deferred tax assets:</b>		
- Deductible temporary differences	4,171	12,986
- Tax credits (capex)	10,739	7,128
	<b>14,910</b>	<b>20,114</b>
<b>Deferred tax liabilities:</b>		
- Taxable temporary differences	-	-
<b>Net deferred tax assets/(liabilities)</b>	<b>14,910</b>	<b>20,114</b>

The deductible temporary differences derive from the year-end fair value of the Company's cash flow hedges and the different timing of expense recognition for accounting and tax purposes, among other factors. These differences will revert when the hedging instruments are settled and when the aforementioned expenses become deductible for tax purposes.

The net movement in the deferred income tax account in 2018 and 2017 is as follows:

	2018	2017
<b>Opening balance</b>	20,114	20,289
(Charged)/credited to the income statement (Note 19)	(5,629)	777
Tax recognised directly in equity	425	(952)
<b>Closing balance</b>	<b>14,910</b>	<b>20,114</b>

The movements in deferred tax assets in 2018 and 2017 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
<b>Balance at 31 December 2016</b>	<b>3,023</b>	<b>7,086</b>	<b>10,180</b>	<b>20,289</b>
(Charged)/credited to the income statement	-	3,829	(3,052)	777
(Charged)/credited to equity	(952)	-	-	(952)
<b>Balance at 31 December 2017</b>	<b>2,071</b>	<b>10,915</b>	<b>7,128</b>	<b>20,114</b>
(Charged)/credited to the income statement	-	(9,240) (*)	3,611	(5,629)
(Charged)/credited to equity	425	-	-	425
<b>Balance at 31 December 2018</b>	<b>2,496</b>	<b>1,675</b>	<b>10,739</b>	<b>14,910</b>

(\*) Includes the effect of the modification of the tax rate.



Deferred taxes charged to equity in 2018 and 2017 are as follows:

	2018	2017
Cash flow hedges	425	(952)
	<b>425</b>	<b>(952)</b>

Deferred tax assets are recognised for tax-loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

At 31 December 2018 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is parent (Note 3.10):

Year generated	Amount
2010	1,344
2011	1,027
2012	10
2013	16,926
2018	2,116
	<b>21,423</b>

The tax-loss carryforwards are allocated to each of the companies that contributed to generating them, for the purpose of their possible recognition as deferred tax assets, an amounting to €5,141 thousand. The mentioned tax-loss carryforwards correspond to CIE Automotive, S.A. a total of €7,913 thousand, which represents a deferred tax asset of €1,899 thousand.

At 31 December 2018, the Company does not maintain tax losses pending compensation generated previous to its integration to the fiscal Group.

In addition, the amounts and years of generation of individual tax credits (deriving from various items and including those recognised as tax assets) pending of offset are as follows:

Year generated	Amount
1996	134
1997	86
1998	102
1999	83
2000	2,660
2001	238
2002	34
2003	45
2004	323
2005	30
2006	7,209
2007	2,595
2008	1,829
2009	586
2010	92
2011	118
2012	118
2013	241
2014	267
2015	29
2016	122
2017	242
2018 (forecast)	104
	<b>17,287</b>

From the previous amount, a total of €5,103 thousand of the tax credits derives from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A. and those are considered tax credits earned before the fiscal Group.



The applicable tax legislation for the current year imposes a 30-year time limit on tax credits and tax-loss carryforwards generated, also stipulating that the 30-year period commences as from 1 January 2014 for tax credits and tax-loss carryforwards existing prior to that date. In the previous year, the time limitation was 15 years.

## 18. Income and expense

### a) Revenue

Revenue breaks down as follows:

	2018	2017
Rendering of services	84,420	71,379
Dividend income (Note 8.a))	1,279	46,474
Interest on loans	18,146	19,316
	<b>103,845</b>	<b>137,169</b>

#### a.1) Rendering of services

The geographic breakdown of revenue from the core business of rendering corporate services to CIE Automotive Group companies (Note 1 and Appendix I), totaling €84,420 thousand (2017: €71,379 thousand), based on the locations of the receiving companies, is as follows:

Mercado	%	
	2018	2017
Spain	28	28
America	51	46
Rest of the world	21	26
	<b>100</b>	<b>100</b>

#### a.2) Dividends received from CIE Automotive Group companies

Dividends received in the year 2018 refer exclusively to the distribution of results of the subsidiary Advanced Comfort Systems, Ibérica, S.L.U.

In 2017 the Annual Meetings of shareholders of the subsidiary CIE Berriz, S.L held on 27 December 2017 approved the distribution of dividends against non-restricted reserves in the amount of €40,000 thousand. These dividends were collected by the Company in 2017.

In 2017 the Annual Meetings of shareholders of the subsidiary CIE Berriz, S.L held on 11 May 2017 approved the distribution of dividends against 2016 profits in the amount of €5,700 thousand. These dividends were collected by the Company in 2017.

#### a.3) Interest income on loans to CIE Automotive Group companies

At 31 December 2018 the Company accrued interest income on loans to CIE Automotive Group companies in the amount of €18,146 thousand (2017: €19,316 thousand).

### b) Other operating income

The breakdown of this heading is as follows:

	2018	2017
Operating grants	14	7
Income from sundry services	196	207
Other income	-	1,329
	<b>210</b>	<b>1,543</b>

**c) Employee benefit expense**

	<b>2018</b>	<b>2017</b>
Wages and salaries	17,278	12,398
Share-based payments	-	9,671
Termination benefits	158	65
Social security costs		
- Social security	817	729
	<b>18,253</b>	<b>22,863</b>

The average number of employees by category during the year was as follows:

	<b>Headcount</b>	
	<b>2018</b>	<b>2017</b>
Executives	15	14
University graduates and specialists	50	48
	<b>65</b>	<b>62</b>

The gender distribution of the Company's personnel and Board members at the year-end is as follows:

	<b>2018</b>			<b>2017</b>		
	<b>Woman</b>	<b>Men</b>	<b>Total</b>	<b>Woman</b>	<b>Men</b>	<b>Total</b>
Directors	2	11	13	2	11	13
Executives	4	11	15	4	10	14
University graduates and specialists	22	28	50	22	29	51
	<b>28</b>	<b>50</b>	<b>78</b>	<b>28</b>	<b>50</b>	<b>78</b>

Likewise, there were no persons employed in 2018 with a disability greater than or equal to 33%, however, the Company has subcontracted Lantegi Batuak Foundation, an entity qualified as a special employment center, having obtained the corresponding approval by the Basque Service of Employment - Lanbide.

**Long-term incentive**

The Board of Directors of CIE Automotive agreed in 2018 to implement a plan to allow the participation of certain group employees in the company's share capital, granting said employees a loan with a maturity date of December 31, 2022, with an interest rate of zero. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive from January 1, 2018 to December 31, 2022. The total amount of these loans, which meet the conditions to be considered as "full recourse", are valued at fair value, are classified under "Loans to third parties", financial line of the balance sheet, and as of December 31, 2018 amount to €27.3 million (Note 8).

**d) Other operating expenses**

Other operating expenses break down as follows:

	<b>2018</b>	<b>2017</b>
Travel expenses	1,312	1,184
Repairs and maintenance	1,029	888
Independent professional services and other services	2,874	1,683
Leases	360	581
Insurance premiums	336	195
Other	2,066	6,330
	<b>7,977</b>	<b>10,861</b>

## 19. Income tax and tax matters

As mentioned in the section covering measurement standards (Note 3.10), CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries.

As certain transactions are treated differently for income tax purposes with respect to how they are treated in preparing the annual accounts, taxable income for the year differs from accounting profit.

The reconciliation of net income and expenses for the year to taxable income as per the Company's individual tax return is set forth below:

### 2018

	Income statement			Income and expense recognised directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			327,860			-
Discontinued operations (*)			(299,191)			-
Income tax			13,410			-
Permanent differences	3,583	(48,538)	(44,955)	-	-	-
Temporary differences:						
- originated in current year	2,977	-	2,977			-
- originated in previous year	-	(35,605)	(35,605)	-	-	-
			<b>(35,504)</b>			-
<b>Taxable income/(tax loss)</b>			<b>(35,504)</b>			-

(\*) Tax-free capital gains.

### 2017

	Income statement			Income and expense recognised directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			78,932			-
Income tax			5,479			-
Permanent differences	7,587	(81,712)	(74,125)	-	-	-
Temporary differences:						
- originated in current year	13,675	-	13,675	-	-	-
- originated in previous years	-	-	-	-	-	-
			<b>23,961</b>			-
<b>Taxable income/(tax loss)</b>			<b>23,961</b>			-

Permanent differences relate mainly to incentives included in the tax base under applicable tax legislation, to the elimination of gains regarding interest values and to the elimination of Group dividends (Note 8). Temporary differences relate to the different allocation methods used to calculate the tax base.

In 2018, the current income tax is calculated by applying a 26% tax rate (28% in 2017) to the individual tax base. The Fiscal group generated a negative tax base of €2,116 thousand in 2018, so the current tax has been calculated by applying the tax rate applicable in the year, reduced by the tax base generated and not activated by the Group.

In fiscal year 2017, the Fiscal group generated a positive base, so that the tax base was reduced by the tax bases generated in periods after entry into the Fiscal group amounting to €4,067 thousand negative.

The calculation is itemized in the following table:

	2018	2017
Individual taxable income tax base	(35,504)	23,961
Tax Group losses to be offset	-	(4,067)
<b>Tax Group taxable base</b>	<b>(35,504)</b>	<b>19,894</b>
Current tax payable	(9,231)	5,570
Tax base not compensated	466	-
<b>Current tax</b>	<b>(8,765)</b>	<b>5,570</b>

The breakdown of income tax expense is as follows:

	2018	2017
Current tax	(8,765)	5,570
Deferred tax (Note 17)	9,240	(3,829)
Tax credits (Note 17)	(3,611)	3,052
	<b>(3,136)</b>	<b>4,793</b>
Correction of prior-year income tax	34	606
Income tax withholdings (retained abroad)	104	80
Register of provisions and other	16,408	-
<b>Total</b>	<b>13,410</b>	<b>5,479</b>

No corporate income tax was payable to the Tax Administration in 2018 and 2017 (Note 15).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are 2014, 2015, 2016, 2017 and 2018.

As a result, among other things, of the different interpretations of current tax law, additional liabilities could arise as a result of an inspection. In any event, the Directors consider that any such liabilities that may arise will not have a significant impact on the annual accounts for 2018 or 2017.

The financial obligations from the merger between CIE Automotive, S.A. (acquiring company) and the Instituto Sectorial de Promoción y Gestión de Empresas S.A. (acquired company) were contained in the annual report of 2011, first approved with the accounting effects of the merger (1 January 2011).

The corporate income tax legislation applicable to the Company in 2018 and 2017 is that relating to Bizkaia Regional Regulation 11/2013 (5 December); modified by the Foral Regulation 2/2018, of March 12, which among other modifications has meant the extension of the time limit for the application of the deductions and negative tax bases generated as well as the reduction of the tax rate to 26% for the year 2018 and 24% by 2019 and following years.

## 20. Finance income/expense

	2018	2017
<b>Finance income:</b>		
Other finance income	569	1
	<b>569</b>	<b>1</b>
<b>Finance expense:</b>		
Borrowings from group companies (Note 26)	(2,927)	(3,544)
Third-party borrowings	(20,599)	(19,105)
Other finance expense	(1,748)	-
	<b>(25,274)</b>	<b>(22,649)</b>
<b>Change in fair value of financial instruments:</b>		
Gains/(losses) recognised regarding financial instruments	(7,386)	7,215
	<b>(7,386)</b>	<b>7,215</b>
<b>Net exchange differences</b>	<b>(179)</b>	<b>(1,865)</b>
<b>Finance income/expense</b>	<b>(32,270)</b>	<b>(17,298)</b>

**21. Cash flows from operating activities**

	2018	2017
<b>Profit for the year before tax</b>	<b>42,079</b>	<b>84,411</b>
<b>Adjustments for:</b>		
- Depreciation (Notes 5 and 6)	3,476	3,286
- (Profit)/Loss on asset disposal	-	(7)
- Change in provisions	(35,027)	18,525
- Finance income (Note 20), dividend income and interest income from CIE Automotive Group companies (Note 18)	(19,994)	(65,791)
- Finance expense (Note 20)	25,274	22,649
- Exchange rate differences (Note 20)	179	1,865
- Change in fair value of financial instruments (Note 20)	7,386	(7,215)
	<b>(18,706)</b>	<b>(26,688)</b>
<b>Changes in working capital:</b>		
- Trade and other receivables	(10,988)	6,160
- Trade and other payables	6,186	(1,622)
	<b>(4,802)</b>	<b>4,538</b>
<b>Other cash flows from operating activities:</b>		
- Interests paid	(19,227)	(19,029)
- Dividends received	1,279	46,474
- Interests received	18,146	20,160
- Income tax received (paid)	-	478
	<b>198</b>	<b>48,083</b>
<b>Cash flows from operating activities</b>	<b>18,769</b>	<b>110,344</b>

**22. Cash flows from investing activities**

	2018	2017
<b>Payments for investments:</b>		
- Group companies and associates (Note 8.b))	(1,883)	-
- Intangible assets (Note 5)	(1,478)	(535)
- Property, plant and equipment (Note 6)	(10)	(518)
- Other financial assets	(43,908)	-
	<b>(47,279)</b>	<b>(1,053)</b>
<b>Proceeds from disposals:</b>		
- Intangible assets (Note 5)	-	30
- Other financial assets	19,897	154
	<b>19,897</b>	<b>184</b>
<b>Cash flows from investing activities</b>	<b>(27,382)</b>	<b>(869)</b>

**23. Cash flows from financing activities**

	2018	2017
<b>Proceeds from and repayments of financial liabilities:</b>		
- Issuance:		
- Bank borrowings (Note 15)	453,155	145,000
- Commercial paper program (Note 15)	91,000	-
- Repayment and depreciation of:		
- Bank borrowings (Note 15)	(408,593)	(110,571)
- Net change in other borrowings (Note 15)	(2,500)	(2,500)
- Net change in loans to/from Group companies and associates (*)	(67,471)	(77,524)
	<b>65,591</b>	<b>(45,595)</b>
<b>Payment of dividends and remuneration of other equity instruments:</b>		
- Sale/(Acquisition) of treasury shares (Note 12.c))	7,733	(4,526)
- Payment of dividends (Note 14.b))	(72,169)	(52,837)
	<b>(64,436)</b>	<b>(57,363)</b>
<b>Cash flows from financing activities</b>	<b>1.155</b>	<b>(102,958)</b>

(\*) Corresponds to the net movement on current account balances with CIE Automotive Group companies, i.e., including asset and liability balances, arising from overall Group financing arrangements.

## 24. Contingencies

### Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed at 31 December 2018 and 2017 (Note 15).

## 25. Director and key management compensation

### a) Compensation paid to the members of the Board of Directors

Total compensation accrued by the members of the Board of Directors has amounted to €5,513 thousand (2017: €3,916 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At 2018 year end, there is a balance receivable (at present value) of €152 thousand arising from other transactions with these related parties (2017: €303 thousand), classified in current assets. Likewise, there are delivered advances described in Note 26.

The Group has entered into no commitments relating to pensions or other types of complementary retirement remuneration with senior management personnel.

Additionally, during the year 2017, the remuneration based in the share's value had completely been accrued, as explained in section d) of this Note, for some members of the Board of Directors, has been paid in 2018.

### b) Compensation and loans to Key Management personnel

The total compensation accrued by key management personnel in 2018, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €5,299 thousand (2017: €2,547 thousand).

As explained in Note 18, the Board of Directors of CIE Automotive S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the company's capital stock. The total nominal amount of the loans to members of the Senior Management, pending collection as of December 31, 2018 is €9,825 thousand.

The Company has entered into no commitments related to pensions or other types of complementary post-employment benefits with Key Management personnel.

### c) Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Company, during the exercise the administrators who have occupied charges in the Board of Directors during have complied with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

### d) Complementary long-term incentive based on the increase in value of the shares of CIE Automotive, S.A.

During the General Shareholders' Meeting of 30 April 2014, a long-term incentive was approved, based on the increase in value of the shares of CIE Automotive, S.A., in favour of the CEO and certain managers and other people owing to their special relationship with the Group.

The incentive will consist of the payment of an extraordinary total remuneration proved of multiplying a maximum of 1,800,000 rights by the increase of the market price of shares of CIE Automotive in the period 2013-2017, being its contribution base €6 per share and the closing value will be the average of the market price of the last quarter of 2017, in the terms approved by the Shareholders' General Meeting.

During the year 2018, the payment associated with this remuneration was carried out for an approximate amount of €33 million.

At the General Shareholders' Meeting held on April 24, 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A.

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of 9 years (reference periods), with a base price of €21.30 per share and the closing value of the average of the contribution corresponding to a quarter of the periods predetermined within the established period, in the terms approved by the General Shareholders' Meeting.

## 26. Transactions with CIE Automotive Group companies and related parties

The Company is the ultimate parent company of CIE Automotive Group (Appendix I).

The breakdown of the transactions conducted with CIE Automotive Group companies in 2018 and 2017 is provided below:

	2018	2017
<b>Services rendered (Note 18):</b>	<b>103,845</b>	<b>137,169</b>
- Dividends received (Note 8)	1,279	46,474
- Services (Note 18)	84,420	71,379
- Financial services (Note 18)	18,146	19,316
<b>Interest:</b>		
- Financial (Note 20)	(2,927)	(3,544)

Closing balances at the 2018 and 2017 year ends derived from the transactions described above are set out in Notes 7, 8, 9 and 15.c) above. Additionally, at 31 December 2018, the interim dividend agreed in December 2018 is pending payment, whose distribution has been agreed in December 2018 (Notes 14 and 15).

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2018 and 2017 is provided in Note 8.c) and Note 15.c).

As of December 31, 2018, there are advances made to related parties for an amount of €11,700 thousand (Note 7.5).

In 2018, no provision was required for the impairment of loans granted to Group companies (neither in 2017).

## 27. Information on the environment

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts. Because of its holding company structure, the Company is not materially exposed to environmental risk.

The Company did not incur any expenses of an environmental nature in either 2018 or 2017.

The Company is not aware of the existence of any environmental protection related contingencies or liabilities and did not deem it necessary to recognize any provision for liabilities or charges of an environmental nature.

## 28. Auditor fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for the audit services of the Company's accounts (including the Company's consolidated annual accounts) and other assessment services amounted to €201 thousand in 2018 (2017: €184 thousand). Other services rendered by PricewaterhouseCoopers, S.L. have amounted to €49 thousand in 2018 (2017: €27 thousand), and mainly refer to agree upon procedures related to covenant compliance, review of the Spanish SCIIF report related to Internal Control Management on Financial Information and verification of non-financial indicators.

Additionally, the accrued amount in 2018 by other services to Group subsidiaries amounts to €18 thousand (2017: €40 thousand), for the same services as aforementioned, and others related to the verification of security measures in the processing of personal data, and other requirements based on the regulation of Biodiesel.

In addition, fees charged during the year by other firms that use the PricewaterhouseCoopers trademark for other services rendered to the Company totalled €348 thousand (2017: €123 thousand).

## 29. Events after the balance sheet date

On January 29, 2019 the Group has signed a contract for the sale of its biofuel production plants: The plant located in Berantevilla (Álava / Araba) –Bionor Berantevilla, S.L.U.- and the plant located in Palos de la Frontera (Huelva) – Biosur



FINANCIAL STATEMENTS FOR THE YEAR 2018 (In thousand euros)

Transformación, S.L.U.-. The agreed sales price has been €13.6 million.



Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive	
				Direct	Indirect
<b>CIE Berriz, S.L. (*) (7)</b>	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Belgium Forge, N.V. (dormant)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100.00%
Alurecy, S.A.U. (2)	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100.00%
CIE Stratis-Tratamentos, Ltda.	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100.00%
CIE Praga Louny, a.s. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Praga Service, s.r.o.	CIE Praga Louny, a.s.	Facilities	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Facilities	Germany	-	100.00%
Leaz Valorización, S.L.U. (without activity)	CIE Berriz, S.L.	Waste management and recoveries	Bizkaia	-	100.00%

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive	
				Direct	Indirect
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Bionor Berantevilla, S.L.U. (8)	CIE Berriz, S.L.	Biofuel production and sale	Álava/Araba	-	100.00%
Biosur Transformación, S.L.U. (8)	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (dormant)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (without activity)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. (8)	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*) (8)	CIE Berriz, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (8)	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U. (8)	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L. (8)	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U. (8)	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Pontevedra	-	100.00%
Industrias Amaya Tellería, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
MAR SK, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Slovakia	-	100.00%
Autocom Componentes Automotivos do Brasil Ltda.	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100.00%
GAT México, S.A. de C.V.	CIE Berriz, S.L.	Manufacture of automotive components	Mexico	-	100.00%
SC CIE Matricon, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	100.00%
CIE Automotive Rus, LLC	CIE Berriz, S.L.	Manufacture of automotive components	Russia	-	100.00%
CIE Automotive Goian, S.L.U. (1)	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Autometal, S.A. (*) (5)	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100.00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda. (*)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autocromo Cromação de Plásticos Ltda.	Autometal SBC Injeção e Pintura de Plásticos Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Facilities	Brazil	-	100.00%
Gescrap-Autometal Comércio de Sucatas S.A.	Autometal Investimentos e Imóveis, Ltda.	Scrap	Brazil	-	30.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autometal ML Cromação, Pintura e Injeção de Plásticos Ltda. (1)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
CIE Autometal de México, S.A. de C.V. (*)	CIE Berriz, S.L.	Holding company	Mexico	-	100.00%
Pintura y Ensamblés de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V. (*)	CIE Autometal de México, S.A. de C.V.	Scrap	Mexico	-	30.00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Facilities	Mexico	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive	
				Direct	Indirect
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Facilities	USA	-	100.00%
CIE Automotive USA Investments	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Century Plastics, LLC (*)	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Century Plastics Real State Holdings, LLC	Century Plastics, LLC	Real state company	USA	-	100.00%
Newcor, Inc (*)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real state company	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real state company	USA	-	100.00%
Clifford Realty, Corp.	Newcor, Inc	Real state company	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc (6)	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U.(*)	CIE Berriz, S.L.	Holding company	Bizkaia	-	100.00%
PIA Forging Products, S.L.U.	Participaciones Internacionales Autometal Dos S.L.U.	Holding company	Bizkaia	-	100.00%
Mahindra CIE Automotive Ltd. (*) (3)	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of automotive components	India	-	56.32%
Stokes Group Limited (*) (8)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Limited (8)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Dudley Limited (8)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	56.32%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Orense	-	56.32%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Gipuzkoa	-	56.32%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	56.32%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Orense	-	14.08%
Metalcastello S.p.A. (4)	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	56.30%
Mahindra Forgings Europe AG (*)	CIE Galfor, S.A.U.	Holding company	Germany	-	56.32%
Gesekschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
BillForge Pvt. Ltd. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	56.32%
BillForge de Mexico S de RL de CV	BillForge Pvt. Ltd.	Manufacture of automotive components	Mexico	-	56.32%
BF Precision Pvt. Ltd.	BillForge Pvt. Ltd.	Manufacture of automotive components	India	-	56.32%
Gescrap India Pvt. Ltd. (1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	16.90%
<b>Advanced Comfort Systems Ibérica, S.L.U.</b>	CIE Automotive, S.A.	Manufacture of automotive components	Orense	100.00%	-

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive	
				Direct	Indirect
<b>Advanced Comfort Systems France, S.A.S. (*)</b>	CIE Automotive, S.A.	Manufacture of automotive components	France	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100.00%
Advanced Comfort Systems Wuhan Co, Ltd. (1)	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of automotive components	China	-	100.00%
<b>Autokomp Ingeniería, S.A.U. (*)</b>	CIE Automotive, S.A.	Facilities	Bizkaia	100.00%	
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	Mexico	-	100.00%
Nanjing Automotive Forging Co., Ltd.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	China	-	50.00%
Componentes Automotivos Taubaté, Ltda. (*)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%

- (1) Companies added to consolidation scope in 2018 together with their subsidiaries.
- (2) Merged in 2017 with Alfa Deco, S.A.U.
- (3) Merged in 2017 with Mahindra Forging Global Ltd., Mahindra Forgings International Limited, Crest Geartech Ltd. and Mahindra Gears Transmission Private Ltd.
- (4) Merged in 2017 with Mahindra Gears Global, Ltd. by reverse merger
- (5) Merged in 2017 with Naturoil Combustíveis Renováveis, S.A.
- (6) Merged in 2017 with Deco Engineering, Inc.
- (7) Merged in 2017 with Grupo Amaya Tellería, S.L.U. and GAT Staff, S.L.U. with accounting effects of January 1, 2017.
- (8) Discontinued companies on December 31, 2018.
- (\*) Parent of all investees listed subsequently in the table.

**CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2018**  
**PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)**

<b>Thousand euro</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Property, plant and equipment	1,231,674	1,271,158
Intangible assets	1,016,506	1,369,815
Goodwill	996,902	1,303,403
Other intangible assets	19,604	66,412
Non-current financial assets	48,663	17,701
Investments in associates	5,801	15,018
Deferred tax assets	181,049	231,069
Other non-current assets	20,978	16,412
<b>Non-current assets</b>	<b>2,504,671</b>	<b>2,921,173</b>
Inventories	405,739	450,218
Trade debtors and other accounts receivable	360,641	722,960
Trade and other receivables	292,424	610,337
Other current assets	21,026	16,007
Current tax assets	47,191	96,616
Other current financial assets	112,141	89,444
Cash and cash equivalents	248,895	289,448
<b>Current assets</b>	<b>1,127,416</b>	<b>1,552,070</b>
<b>Disposal group assets classified as held-for-sale</b>	<b>31,759</b>	<b>6,620</b>
<b>TOTAL ASSETS</b>	<b>3,663,846</b>	<b>4,479,863</b>

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018**  
**PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)**

<b>Thousand euro</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Capital and reserves attributable to the parent company's shareholders	679,931	814,457
Share capital	32,250	32,250
Treasury shares	-	(4,526)
Share premium	152,171	152,171
Retained earnings	687,348	808,578
Interim dividend	(39,990)	(36,049)
Cumulative exchange differences	(151,848)	(137,967)
Non-controlling interests	368,955	522,456
<b>TOTAL EQUITY</b>	<b>1,048,886</b>	<b>1,336,913</b>
<b>Deferred income</b>	<b>11,266</b>	<b>14,819</b>
Non-current provisions	166,791	153,894
Non-current borrowings	1,057,703	982,247
Other non-current finance liabilities	17,877	-
Deferred tax liabilities	72,882	85,480
Other non-current liabilities	65,577	93,206
<b>Non-current liabilities</b>	<b>1,380,830</b>	<b>1,314,827</b>
Current borrowings	282,312	242,642
Trade creditors and other payables	780,931	1,329,586
Trade and other payables	721,022	1,218,098
Other current financial liabilities	59,909	111,488
Current tax liabilities	47	8,842
Current provisions	31,133	64,480
Other current liabilities	110,356	165,989
<b>Current liabilities</b>	<b>1,204,779</b>	<b>1,811,539</b>
<b>Disposal group liabilities classified as held-for-sale</b>	<b>18,085</b>	<b>1,765</b>
<b>TOTAL LIABILITIES</b>	<b>2,603,694</b>	<b>3,128,131</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,663,846</b>	<b>4,479,863</b>

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**  
**PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)**

Thousand euro	Year ended 31 December	
	2018	2017 (*)
<b>OPERATING REVENUE</b>	<b>3,206,576</b>	<b>2,970,448</b>
Revenue	3,029,495	2,842,566
Other operating income	159,621	104,254
Change in inventories of finished goods and work in progress	17,460	23,628
<b>OPERATING EXPENSES</b>	<b>(2,841,290)</b>	<b>(2,631,356)</b>
Consumption of raw materials and secondary materials	(1,836,655)	(1,683,739)
Employee benefit expense	(557,838)	(531,970)
Depreciation and amortization	(163,736)	(132,028)
Other operating income/(expenses)	(283,061)	(283,619)
<b>OPERATING PROFIT</b>	<b>365,286</b>	<b>339,092</b>
Finance income	9,500	19,699
Finance costs	(60,392)	(57,199)
Net exchange differences	1,438	(1,469)
Share of profit/(loss) of associates	2,641	3,481
<b>PROFIT BEFORE TAX</b>	<b>318,473</b>	<b>303,604</b>
Income tax	(90,139)	(71,205)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>228,334</b>	<b>232,399</b>
<b>LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS</b>	<b>209,151</b>	<b>25,757</b>
<b>PROFIT FOR THE YEAR</b>	<b>437,485</b>	<b>258,156</b>
<b>PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>(40,731)</b>	<b>(42,748)</b>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>	<b>396,754</b>	<b>215,408</b>
Basic and diluted earnings per share from continuing operations (in euro)	1.48	1.58
Basic and diluted earnings per share from discontinued operations (in euro)	1.60	0.09

(\*) Recasted amounts, see Note 2 of the Consolidated Annual Accounts.

## 1. CIE AUTOMOTIVE GROUP

### 1.1 Profile of the Group

CIE Automotive (from now on, "CIE" or "The Group", interchangeably) is an industrial group specialist in high value-added processes, which has been developing its activities in two different business areas: automotive components and applied innovation. After the disposal of the applied innovation business (Solutions and Services segment - Smart Innovation), the Group operates only in the Automotive components business.

The business of automotive components encompassed the design, production and distribution of integral services, components and sub-assemblies for the global automotive market. This is CIE Automotive's main activity since its foundation.

The business of applied innovation, until its disposal on July 3, 2018, has consisted on the digitalization of the productive activities of the clients to increase its efficiency by means of a wide offer of solutions and technological services. This activity has depended on Global Dominion Access, S.A. (Dominion onwards), CIE Automotive's subsidiary since 2011 and until the distribution of the extraordinary dividend, that has become effective its disposal on 3 July 2018.

### 1.2 Mission, vision, and values

#### Mission

We are an Industrial Group specialist in management of high value-added processes:

- We have devoted this concept of being a supplier of components and sub-assemblies for the global automotive market, with an action based on the utilization of complementary technologies and diverse associate processes.
- We apply this conception in the management, with an overall view in all the phases of the chain value.

We grow on a sustainable and profitable way to position ourselves as partner of reference across the satisfaction of our clients with integral, innovative and high value-added competitive solutions.

We look for the excellence on the following commitments:

- The continued improvement of processes and its efficient management.
- The promotion of participation, implication and teamwork in a pleasant and sure environment.
- The transparency and integrity in all our actions.
- Respect for the environment.

#### Vision

We aspire to be an:

- Industrial Group of reference specialist in high value-added processes.

Become the example of a socially responsible company by our commitment to:

- People and their fundamental right.
- Environment, encouraging initiatives to promote greater environmental responsibility
- Value creation
- Collaboration with stakeholders
- Excellence in management



We intend to be:

- A reference within the chain value regarding quality, technology and services.
- A reference within eco-innovation and eco-design.

### Values

People:

- Respecting their fundamental rights.
- Providing fair working conditions.
- Encouraging
  - Their initiative, creativity and innovativeness;
  - Participation and teamwork;
  - Their capability to attain goals and create value;
  - Positive attitude to change and continuous improvement.

Environment:

- Maintaining a precautionary approach.
- Working to minimize any negative impact.

Transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.
- Making public clearly all relevant data of our activity so that they are known and understood.

Stakeholders:

- Promoting honest relationships.
- Respecting their rights.

Legality:

- Respecting national and international standards.

**Honesty, fairness and integrity are the foundation of our values.**

### **1.3 Business units**

#### **Automotive components**

CIE Automotive is a supplier of completeness services, components and sub-assemblies for the automotive market.

The Group develops all its line of products across seven basic processes or technologies: forging, machining, aluminium, stamping, plastic, iron smelting and painting. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and sets of direction, and exterior and interior of the vehicle.

The customer portfolio is divided into two big categories: vehicle's manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent approximately 65% and 35% of total sales, respectively.

Since its creation, the company has been gaining managerial volume in a sustainable way thanks to a unique business model, capable of avoiding adverse economic cycles and of increasing the profitability for its shareholders every year.

Five differential features support CIE Automotive's business:

- Multilocation
- Diversification
- Multitechnology
- Investments control
- De-centralised management

### **Applied Innovation**

The Group has developed an autonomous and independent project of innovation applied through its subsidiary Dominion, until its disposal on July 3, 2018.

Dominion was the multisectorial Smart Innovation group of CIE Automotive Group.

In the case of services, Dominion has focused its activity, until its interruption, on the development of powerful technological platforms to improve the quality and efficiency of the benefits given by its resources. For this, it has collected a multitude of data that are treated in control centers that has allowed optimizing the management of a multipurpose force and guarantee high levels of quality and safety in the workplace.

In the case of solutions, knowledge of the client and the sector has been key factors. Dominion has made productive processes more efficient by applying technology contributed by its partners or developed internally. Added Dominion's financial knowledge and experience in managing complex projects, has been able to offer complete EPC solutions.

## **2. EVOLUTION OF THE BUSINESS**

### **2.1 Financial indicators:**

#### **CONSOLIDATED GROUP:**

<b>(Thousand euro)</b>	<b>2018 Normalised</b>	<b>2018</b>	<b>2017 Automotive Business (**)</b>	<b>2017 (*)</b>
Consolidated revenue	3,029,495	3,029,495	2,842,566	2,842,566
Gross operating profit/(loss)-EBITDA	529,022	529,022	471,120	471,120
Net operating profit/(loss)-EBIT	366,195	365,286	339,092	339,092
Profit/(loss) before taxes cont. act.-EBT	363,433	318,473	303,604	303,604
Profit/(loss) for the year cont. act.	282,012	228,334	232,399	232,399
Profit/(loss) on discontinued operations	(2,111)	209,151	(1,167)	25,757
Profit/(loss) attributable to non-controlling interests	(37,129)	(40,731)	(28,848)	(42,748)
Profit/(loss) attributable to parent Company	242,773	396,754	202,384	215,408

(\*) Comparative amounts has been restated in order to present the net income of Dominion Group (disposed in the year) and the British forge (Stokes) and biofuels businesses as discontinued activities, according to current accounting regulations.

(\*\*) Comparable amounts for year 2017 exclude the result of the Dominion Group (classified as discontinued operations) for comparability purposes with normalised results of year 2018.

**Business performance:**

Once again, historical record of sales, EBITDA and net result. Sales grow 6.6% over the same period of the previous year, EBITDA 12.3% and net result reaches €396.8 million, 84% more than in 2017.

The result for the year 2018 includes the following non-recurring impacts:

<b>6.4 MM€</b>	Net income corresponding to the Dominion segment until the distribution of the extraordinary dividend.
+	
<b>238.9 MM€</b>	Book surplus generated by the difference in value between the accounting value of Dominion in CIE Automotive Group's consolidated financial statements and the market value of the distributed extraordinary dividend.
+	
<b>(91.3 MM€)</b>	<ul style="list-style-type: none"> <li>a- Forced liquidation value adjustment of the Biofuel asset business resulted from the decision of discontinuing that business.</li> <li>b- Update on some assets useful lives.</li> <li>c- Reserves related to the reevaluation of non-operating risks.</li> </ul>
<b>154.0 MM€</b>	Non-recurrent net income

Therefore, in line with the established commitment, the Group has increased its recurring net income by 20%, or €40.4 million, from €202.4 million in 2017 to €242.8 million in 2018.

**2.2 Summary of the year**
**Europe:**

This is CIE Automotive's main market. The Group has 42 manufacturing facilities (two of which are multi-technology) in eleven countries: Spain, France, Germany, Italy, Portugal and the UK in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has one factory in Morocco.

CIE Automotive's European plants have increased their turnover by 4.7% thanks to the high level of recruitment and the start-up of new projects in a market that has showed negative growth in the year 2018. Traditional market plants maintained their dynamism, with an EBITDA of 17.6% and EBIT normalised of 12.2%, while the Mahindra CIE maintains the operational normality and confidence of their customers achieved in the previous year, with margins of an EBITDA of 13.4% and EBIT normalised of 9.7%.

#### North America:

CIE Automotive has production centers in 15 locations in Mexico and the U.S., which serve the light-vehicle North American market and, to a lesser extent, Brazil, Europe and Asia. Its evolution is the most profitable of the Group and its growth potential one of the largest in the world, presenting margins of an EBITDA of 22.8% and EBIT normalised of 18.4%.

#### Asia:

CIE Automotive has 21 plants in Asia (one of them multitechnology). The presence of the Group in India comes from the alliance with the Indian group Mahindra and Mahindra Ltd., which gave rise to the Mahindra Group CIE. India is one of the development engines of the region and China, the world's leading car producer. Currently, CIE Automotive has a productive capacity in 21 locations, 18 in India and 3 in China. In 2018, CIE Automotive, in its commitment to this market, has acquired an additional 5% of the sharehold of the subsidiary Mahindra CIE Automotive, Ltd., reaching the effective percentage of 56.32% of the sharehold, for an approximate amount of €61 million.

With the integration of BillForge's Indian plants in 2016, new projects in China (especially Nanjing forging) and productive improvements in India, CIE Automotive has continued to increase its margins. The Group hopes to continue to improve its results on the continent, given the significant growth of these countries.

#### Brazil:

The Brazilian plants of CIE Automotive are focused on the manufacture of plastic components, stamping, forging, iron casting, aluminium injection and machining, being especially competitive in technology of Plastic, body-colour paint and chrome. In Brazil, one of the key markets in recent decades for its projection, the company has productive centers in 13 plants (three of them multitechnology), after the acquisition of Zanini Industria de Autopeças, Ltda for a price of €1.1 million. The position of CIE Automotive has been consolidated in recent years despite the plight of the country, partly because of the closure of a multitude of local suppliers, who have not been able to survive the crisis.

### **2.3 Predictable evolution of the Group**

In 2018, CIE Automotive has continued to develop its activity according to the lines outlined in the strategic Plan 2016-2020, which envisaged doubling the net profit via organic growth, surpassing the 260 million euros in 2020 and allowing a Remuneration to Shareholders of more than 300 million euros over the period, not including the extraordinary dividend in particular distributed this year for a value of approximately €405 million for which the sharehold held by the Group in Global Dominion Access, S.A has been delivered to its shareholders.

Thanks to the good results obtained in 2016, the CIE Automotive Group has indicated during 2017 that it will advance to 2019 the commitment to double the net profit in five years, as it was announced in the General meeting of shareholders held on May 4, 2017. In 2018, the compliance with the committed strategic objectives is reaffirmed.

#### Market backdrop

2018 has been a year of negative growth for the automotive sector, which has presented irregular growths in different geographies: while the Brazilian and Indian markets have experienced increases compared to 2017, the European, North American and Chinese markets have suffered decreases. Worldwide production of vehicles in 2018 reached 94 million units, production lower than the initial forecast of the year, representing a negative growth of 1% over the production levels of 2017.

Global sales decreased slightly to 93.8 million units. The main drivers of growth in the 2018 fiscal year were Brazil and India, which presented an increase in car sales of 13% and 8% respectively. These growths have not been enough to alleviate the

negative growth of the Chinese market, 3% less than in 2017. This market, with a volume of 27.5 million, has ceased to be the great driver of the annual growth that have been taking place in previous years, being the main geography that has influenced the negative growth of the market in the current year. On the other hand, the European and North American markets have also decreased slightly, by 0.1% and 0.4% negative, respectively.

#### Trends in the vehicle industry

The vehicle industry is being shaped by a series of trends that are destined to have a significant impact on the automotive parts industry:

- Electric vehicles
- Autonomous Driving (A.D.)
- Industry 4.0

#### **2.4 2016-2020 Business Plan**

CIE Automotive unveiled its new 2016-2020 Business Plan to the market, undertaking to double net profit to over €250 million within five years' time by means of organic growth.

#### Lines of initiative

CIE Automotive has pledged to pursue the following lines of initiative and deliver the targets associated with each:

a) Organic growth:

The Group marks a series of growth objectives derived from the increase in the presence in markets and customers, through the realization of greenfield projects, that is, the creation of new plants or expansion of existing facilities.

b) M&A-led growth:

The plan plans to integrate new companies, which will report around 1 billion of additional billing.

In this line, the Automotive business of CIE Automotive subscribed a binding offer for the acquisition of the roofing business of the Inteva Group which has more than 4,400 employees and a turnover in 2018 estimated at approximately USD1,000 million (more than €850 million), Inteva's roof systems unit has more than sixteen production plants and six R & D centers in seven countries (United States, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

#### Corporate Social Responsibility Strategy

The 2016-2020 Business Plan includes the initiatives contemplated in CIE Automotive's Corporate Social Responsibility Plan, embracing the action plans envisaged in the 2015-2018 Sustainability Plan.

This plan sets the following targets:

- Supporting CIE Automotive's Business Plan and mitigating reputational risks.
- Enhancing the Group's CSR positioning.
- Increasing non-financial information controls and security.
- Responding appropriately to customer needs in the CSR area.
- Capturing new talent to facilitate growth.
- Mitigating supply chain risks.
- Responding to good governance regulatory requirements and recommendations.

Based on CIE Automotive's current level of readiness and prioritisation in terms of their impact on the organisation, the following initiatives were undertaken in 2018:

- Approval of the new Strategic Plan for CSR 2019-2020.
- Celebration of the I Conference of CSR in the United States, Mexico, Brazil, India and China.
- Incorporation as Signatory Partner of the Spanish Network of the Global Compact.
- Global deployment of the CSR Conference: dissemination of the milestones and progress made in CSR.
- Preparation of a Strategic CSR Plan 2019-2020.
- Definition of a social action model in line with the guidelines approved by the CSR Committee in December 2017.
- Implementation of a work methodology to accompany the growth of the Group.
- Revision and analysis of CSR indicators.

### **3. NON-FINANCIAL INFORMATION STATEMENT – ANNUAL REPORT**

In accordance with Law 11/2018, 28 December, in terms of non-financial information and diversity, CIE Automotive's Group has prepared "NON-FINANCIAL INFORMATION STATEMENT" for 2018. This document, which is part of the Director's report, as prescribed in at.44 CCom, is attached as separate document.

### **4. FINANCIAL RISK MANAGEMENT**

CIE Automotive has a Policy of Identification and Management of risks, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might difficulty attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces - between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, one process of constant cycle in nine phases: identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

#### **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favorable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavorable environment.

**a) Market Risk**

**(i) Foreign Exchange risk**

The Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favorable trends.

In order to arrange such a policy, the Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognized on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, the Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by denominating borrowings in these currencies.

**(ii) Price risk**

CIE Automotive Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

The Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materializes in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognized in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement and which principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may be qualified as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate of a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

**b) Liquidity Risk**

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net financial debt.

Group's financial department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2019 will allow facing all year recurrent payments without increasing net financial debt.

Group's financial department monitors Group's liquidity needs provisions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool, reducing Spanish and Brazilian banks burden.



Noteworthy is the existence at 31 December 2018 of €543 million of undrawn credit lines and loans.

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables and to optimize the accounts payable, with the support of bank operational mobilization of resources, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

However, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2019 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

#### **c) Credit risk**

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 8).

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the Automotive segment, present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable. Until fiscal year 2017, the impairment of financial instruments, especially of customers and accounts receivable, was evaluated according to the estimated losses incurred for customers or Group of debtors.

#### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these societies when the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to financing prices agreements to customers.

### **5. R&D ACTIVITIES**

The global trend of increased mobility, the limitation of fossil fuels and climate change are directly influencing the sustainability of the transport sector.

The decarbonisation of transport, electrification, as well as connectivity and the autonomous driving of vehicles are, among

others, the main challenges faced by active companies in the Automotive sector in 2018.

Working on the sustainability of the system has led the sector to the current situation of technological coexistence and that of the coming years, finding the best possible combination between the need for mobility, the concept of vehicle and the type of fuel.

### Lines of work 2018

CIE Automotive makes heavy investments to analyze market trends, with a gradual entry into production of projects defined according to the challenges and opportunities that the sector will provide in the coming years, in the following areas and projects:

- For electric vehicles:
  - o Integral cooling systems for motors and generators.
  - o Multi-material systems for boxes and battery covers.
- Active chassis systems:
  - o Active suspensions systems.
  - o Transmission systems based on road conditions.
- Weight reduction of the vehicles:
  - o Hybrid structures multilateral union systems
  - o Rotating forge
  - o Multi-axial forging
- Fuel and emissions:
  - o Increase in pressure of the injection systems.
  - o Twin injection systems.

Many of these projects are carried out in collaboration with other companies, with the participation of technology centers such as IK4, developing scientific-technological alliances with agents of the science and technology network such as Tecnalia and collaborating with local universities such as the UPV-EHU, national and international.

We maintain our presence in regional, national and international forums (Chair of the automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of component manufacturers SERNAUTO, members of the executive committee of the TECNALIA technology center, we continue to participate in the R & D + i and Industrial forums of CLEPA, EGVA, etc).

We try to align in the best possible way our R + D + i with our business strategy.

And that's why our innovation model is designed to prioritize those projects that can be applied later and can generate new business with the knowledge, products and technologies developed.

## 6. TRADING WITH TREASURY SHARES

The movement of treasury shares the year 2018 is disclosed as follows:

	<b>31.12.2018</b>	
	<b>Number of shares</b>	<b>Amount (Thousand euro)</b>
<b>At 1 January 2018</b>	252,587	4,526
Sales	(252,587)	(4,526)
<b>At 31 December 2018</b>	-	-

As of December 31, 2018, the Company does not own shares in its net equity, after the sale thereof in the first half of 2018. The sale of the treasury shares has generated a capital gain of 3,207 thousand euros recognized in the Parent company's reserves.

Similarly, the mandate conferred at the Annual General Meeting of 24 April 2018, whereby the parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until 24 April 2023.

## **7. AVERAGE PAYMENT PERIOD TO SUPPLIERS**

The breakdown of trade payables settled during 2018 and 2017 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

	Days	
	2018	2017
Paid operations ratio	51	51
Outstanding operations ratio	52	53
Average payment period to suppliers	48	48

	Thousand euros	
	2018	2017
Total payments made	11,150	7,259
Total outstanding payments	3,923	2,834

A series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

## **8. STOCK EXCHANGE INFORMATION**

### **Entry into the IBEX35**

The year 2018 was marked by the entry of CIE Automotive on the IBEX 35 in June 2018.

The action of CIE Automotive has shown an unprecedented volatility in a year that has marked its historic high with a price of €36.30 per share, prior to the distribution of the extraordinary dividend for which the Solutions and Services segment was distributed; and a minimum of €19.90 per share, in a year marked by the negative growth of global markets.

In a year marked by volatility across the main markets, CIE Automotive's shares devalued nearly 11%, until trading at €21.44 per share on December 31, 2018, implying a market capitalisation at year-end of €2,766 million.

### **Dividend**

CIE Automotive maintains its politics to remunerate one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2018 of €0.31 per share. Disbursement was effective January 4, 2019.

**9. EVENTS AFTER THE BALANCE SHEET DATE**

On January 29, 2019 the Group has signed a contract for the sale of its biofuel production plants: The plant located in Berantevilla (Álava / Araba) –Bionor Berantevilla, S.L.U.- and the plant located in Palos de la Frontera (Huelva) – Biosur Transformación, S.L.U.-. The agreed sales price has been €13.6 million.

**IDENTIFYING INFORMATION OF ISSUER**

Ending date of reporting period: [ 31/12/2018 ]

Tax identification number: [ A-20014452 ]

Company name:

**CIE AUTOMOTIVE, S.A.**

Registered office:

ALAMEDA MAZARREDO, 69, 8º, BILBAO (VIZCAYA)

**A. OWNERSHIP STRUCTURE**

A.1. Complete the following form with information on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
06/06/2014	32,250,000.00	129,000,000	129,000,000

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes

[✓] No

A.2. Provide information on the direct and indirect holders of significant shareholdings on the closing date of the year, excluding Board members.

Name or company name of shareholder	Percentage of voting rights attributed to shares		Percentage of voting rights through financial instruments		Total percentage of voting rights
	Direct	Indirect	Direct	Indirect	
CORPORACION FINANCIERA ALBA, S.A.	0.00	10.13	0.00	0.00	10.13
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	5.51	9.40	0.00	0.00	14.91
MAHINDRA & MAHINDRA LTD	0.00	7.44	0.00	0.00	7.44
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	0.00	3.38	0.00	0.00	3.38

Information on indirect shareholdings:

Name or company name of indirect holder	Name or company name of direct holder	Percentage of voting rights attributed to shares	Percentage of voting rights through financial instruments	Total percentage of voting rights
CORPORACION FINANCIERA ALBA, S.A.	ALBA EUROPE SARL	10.13	0.00	10.13
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	7.44	0.00	7.44
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	CONCERTED ACTION	3.38	0.00	3.38
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	RISTEEL CORPORATION, B.V.	9.40	0.00	9.40

Indicate the most significant changes in shareholder structure that took place in the year:

Most significant changes
Elidoza Promoción de Empresas, S.L. gave notice on 28 November 2018 that it had reached the threshold of 10%. ALANTRA EQMC ASSET MANAGEMENT, S.G.I.I.C., S.A. and ALANTRA ASSET MANAGEMENT, S.G.I.I.C., S.A. have executed an agreement regarding the concerted exercise of voting rights of the shares of the Company that is owned by the investment companies that manage the shares in question (EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC, MERCER INVESTMENT FUND (sub-fund MERCER QIF COMMON CONTRACTUAL FUND) and QMC III IBERIAN CAPITAL FUND FIL).

A.3. Provide information on the Company's Board members that hold voting rights on the Company's shares:

Name or company name of Board member	Percentage of voting rights attributed to shares		Percentage of voting rights through financial instruments		Total percentage of voting rights	Percentage of voting rights that <u>may be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERMIN DEL RIO SANZ DE ACEDO	0.02	0.00	0.00	0.00	0.00	0.00	0.00
ANTONIO MARIA PRADERA JAUREGUI	0.00	10.00	0.00	0.00	0.00	0.00	0.00
JESUS MARIA HERRERA BARANDIARAN	1.35	0.00	0.00	0.00	0.00	0.00	0.00
ADDVALIA CAPITAL, S.A.	5.00	0.00	0.00	0.00	5.00	0.00	0.00
ELIDOZA PROMOCION DE EMPRESAS, S.L.	10.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	26.37
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Information on indirect shareholdings:

Name or company name of Board member	Name or company name of direct holder	Percentage of voting rights attributed to shares	Percentage of voting rights through financial instruments	Total percentage of voting rights	Percentage of voting rights that <u>may be transferred</u> through financial instruments
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S.L.	10.00	0.00	10.00	0.00

Grupo Inversiones INSSEC, S.L. directly holds 5% of the shares of the Company and indirectly holds (through Inversiones, Estrategia y Conocimiento Global CYP, S.L.) another 5% of the shares of the Company. Grupo Inversiones INSSEC, S.L. and Inversiones, Estrategia y Conocimiento Global CYP, S.L. are companies in which Antonio María Pradera Jáuregui holds a controlling stake.

A.4. Indicate any relationships of a family, commercial, contractual or corporate nature that exist among the significant shareholders, to the extent that the relationships are known by the Company, except those that are of little importance or arise in the ordinary course of business and omitting those indicated in section A.6:

Related name or company name	Type of relationship	Brief description
No information		

A.5. Indicate any relationships of a commercial, contractual or corporate nature that exist among the significant shareholders, and the Company and/or its group, except those that are of little importance or that arise in the ordinary course of business.

Related name or company name	Type of relationship	Brief description
No information		

A.6. Describe the relationships, except those that are of little importance for the two parties, which exist among the significant shareholders or their representatives in the Board and the Board members or their representatives in the event that there are legal entities acting as Board members.

If applicable, explain the nature of the representation of the significant shareholders. Specifically, indicate Board members that have been appointed in representation of significant shareholders, those whose appointment had been promoted by significant shareholders or were associated with significant shareholders and/or group entities, specifying the nature of the associating relationships. If applicable, specific information is to be provided on the existence, identities and positions held by Board members or their representatives of the listed company who are also members of the governing body or their representatives in companies that hold significant shareholdings of the listed company or in group entities of the aforementioned significant shareholders:

Name or company name of associated Board member or representative	Name or company name of associated significant shareholder	Company name of group company of significant shareholder	Description or relationship/position
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Francisco José Riberas Mera is representative of one of the administrators of Acek Desarrollo y Gestion Industrial, S.L.
JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Juan María Riberas Mera is representative of one of the administrators of Acek Desarrollo y Gestion Industrial, S.L.

MARIA TERESA SALEGUI ARBIZU	ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.	Maria Teresa Salegui Arbizu, representative of Board member and significant shareholder Addvalia Capital, S.A., is an administrator of Addvalia Capital, S.A.
GOIZALDE EGAÑA GARITAGOITIA	ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCION DE EMPRESAS, S.L.	Goizalde Egaña Garitagoitia, representative of Board member and significant shareholder Elidoza Promoción de Empresas, S.L., is an administrator of Elidoza Promoción de Empresas, S.L.
SANTOS MARTÍNEZCONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S.A.	CORPORACION FINANCIERA ALBA, S.A.	Santos Martínez-Conde Gutiérrez Barquín is Chief Executive Officer (CEO) of Corporación Financiera Alba, S.A.
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S.L.	GRUPO INVERSIONES INSSEC, S.L.	Antonio María Pradera Jáuregui is the administrator of Grupo Inversiones Inssec, S.L.
ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	Antonio María Pradera Jáuregui is president and Chief Executive Officer (CEO) of Inversiones, Estrategia y Conocimiento Global CYP, S.L.
FRANCISCO JOSÉ RIBERAS MERA	DON ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	Francisco José Riberas Mera is a Board member of Inversiones, Estrategia y Conocimiento Global CYP, S.L.
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Shriprakash Shukla is the head of Aerospace & Defence of Mahindra's Group, is the president of Mahindra Sanyo Special Steels Private Limited and is an Executive Board member of Mahindra & Mahindra Ltd.
VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Vankipuram Parthasarathy is CFO and CTO of Mahindra & Mahindra Ltd and an Executive Board member of Mahindra & Mahindra Ltd.
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	DON JACOBO LLANZA FIGUEROA	DON JACOBO LLANZA FIGUEROA	Jacobo Llanza Figueroa is CEO of Alantra Asset Management, SGIIC, S.A.



A.7. Indicate whether the Company has been given notice of shareholders agreements that may affect it, pursuant to sections 530 and 531 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). If applicable, describe the agreements briefly and provide information on the shareholders who are associated through the agreements.

Yes

No

Indicate whether the Company is aware of the existence of concerted actions among the shareholders. If so, please describe them briefly.

Yes

No

Parties involved in concerted actions	Percentage of affected share capital	Brief description of agreement	Expiry date of agreement (if applicable)
ALANTRA EQMC ASSET MANAGEMENT, SGIIC, S.A., ALANTRA ASSET MANAGEMENT, SGIIC, S.A	3.38	According to the notice (form 1) available at the CNMV website with entry number 2018139166, Alantra Asset Management, SGIIC, S.A. and Alantra EQMC Asset Management, SGIIC, S.A. (management companies of collective investment institution of Grupo Alantra) maintain a shared policy in relation to the voting rights of the shares of the Company owned by the investment companies that manage the shares in question).	Not specified in notice.

If, over the course of the year, there have been any changes or finalisation of the agreement or concerted actions, please indicate expressly:

A.8. Indicate whether there are any individuals or legal entities that control or may control the Company, pursuant to section 5 of the Spanish Securities Market Act (*Ley del Mercado de Valores*). If so, please identify them:

Yes

No

A.9. Provide information on the Company's treasury stock:

On closing date of the year:

Number of directly held shares	Number of indirectly held shares (*)	Total percentage of share capital
		0.00

(\* ) Through:

Name or company name of direct holder of shares	Number of directly held shares
No data	

Describe the significant changes that took place over the course of the year:

Describe significant changes
The company's treasury stock in its portfolio on 31 December 2017 amounted to 1,502,587 shares (252,587 held directly and 1,250,000 held indirectly), which comprise 1.165% of share capital and voting rights. In the first half of 2018, the Company sold the whole of its directly and indirectly held treasury stock, according to the filing submitted to Spain's stock-market authority CNMV on 30 May 2018. Hence, the Company had none of its own shares in portfolio from the date of the sale until 31 December 2018.

A.10. Provide information on the conditions and compulsory period established by the shareholders' mandate regarding the Board's issuance, repurchase or transfer of treasury stock.

The mandate approved at the 24 April General Shareholders Meeting will be in force up to and including 24 April 2023. The mandate establishes that the Board has powers to acquire shares of the Company at any time and as often as it wishes, by any legal means, even charging the acquisitions to the year's profit and/or unrestricted reserves, and that it may dispose of or subsequently amortise the shares, all of this being pursuant to and subject to the limitations established under section 146 et seq. of the Spanish Corporate Enterprises Act.

A.11. Estimated floating capital:

	Percentage
Estimated floating capital	37.91

A.12. Indicate whether there are any restrictions (statutory, legislative or of any nature) on the transferability of securities and/or any restrictions on voting rights. Specifically, state any type of restriction that might hamper a takeover of the Company through the acquisition of its shares in the market, as well as any authorisation or reporting procedures applicable under sector regulation that must be obtained or followed prior to acquisitions or transfers of the Company's financial instruments.

Yes

No

A.13. Indicate whether the General Shareholders Meeting has resolved to take countermeasures in the event of a takeover bid, pursuant to Spanish Law 6/2007.

Yes

No

If applicable, describe the measures taken and the conditions in which the restrictions may be considered inefficient:

Describe the measures taken and the conditions in which inefficiency arises
The 23 April 2008 General Shareholders Meeting resolved to pass the following resolution as the sixth item of its agenda: SIXTH.- Authorisation not to apply limitations on the actions of the governing bodies and management of the Company and of its group in the terms of subsection 2 of section 60 bis of Spanish Law 24/1988 of 28 July of the Spanish Securities Market and subsection 5 of section 28 of Royal Decree 1066/2007 of 27 July. Pursuant to subsection 2 of section 60 bis of Spanish Law 24/1988 of 28 July of the Spanish Securities Market and subsection 5 of section 28 of Royal Decree 1066/2007 of 27 July on takeover bids, authorise that the limitations on the actions of the bodies referred to under section 60 bis, subsection 2 and section 28 subsection 5 of Royal Decree 1066/2007 of 27 July will not be applied to the governing bodies and management of the Company and of its group in the event that the Company is the subject of a takeover bid from an entity whose registered office is not in Spain and that is not subject to Spanish law or similar, including that which refers to rules that are considered necessary to pass resolutions of the General Shareholders Meeting or by an entity controlled by the latter directly or indirectly, pursuant to section 4 of Spanish Law 24/1988 of 28 July of the Spanish Securities Market".

A.14. Indicate whether the Company has issued securities that are not traded on a regulated market in the European Union.

Yes

No

If applicable, indicate the different classes of shares and, for each class, the rights and obligations assumed:

**B. GENERAL SHAREHOLDERS MEETING**

B.1. Indicate and, if applicable, provide information on whether there are differences with regard to the minimum quorum regime established under the Spanish Corporate Enterprises Act (SCEA) in relation to the quorum for General Shareholders Meetings.

Yes

No

	Percentage of quorum different from that established under art. 193 SCEA for normal circumstances	Percentage of quorum different from that established under art. 194 SCEA for special circumstances of art. 194 SCEA
Quorum on first call	50.00	50.00
Quorum on second call	0.00	25.00

**Description of the differences**

With regard to normal circumstances, article 13 of the Articles of Association states that, for the ordinary and extraordinary General Shareholders Meetings, it will suffice on first call when the attending shareholders or their representatives are the holders of at least 50% of subscribed capital with voting rights. On second call, any proportion of attending capital will suffice for the General Shareholders Meeting. Consequently, a sufficient forum is determined for normal circumstances in relation to section 193 of the Spanish Corporate Enterprises Act for the meeting to be held on first call. No differences are established in relation to the quorum defined in section 194 of the Spanish Corporate Enterprises Act for the special circumstances defined therein.

B.2. Indicate and, if applicable, provide detailed information on whether there are differences with the regime defined under the Spanish Corporate Enterprises Act regarding passing resolutions:

Yes

No

B.3. Indicate the rules that may be applied to the amendment of the Company's Articles of Association. In particular, indicate the majorities required for the amendment of the Articles of Association, and, if applicable, the rules defined for the protection of the rights of the shareholders in the amendment of the Articles of Association.

The regulation that may be applied to the amendment of the Company's Articles of Association is included in the Spanish Corporate Enterprises Act (the detail in question appearing in section B.1 above). In the Articles of Association, there are no majorities that differ from legally applicable majorities, nor are there rules defined for the protection of the shareholders that differ from those established in general regulation.

- B.4. Indicate data on attendance of the General Shareholders Meetings that were held in the year that is the subject of this report and in the two preceding years:

Date of General Shareholders Meeting	Attendance data				
	Percentage of physical presence	Percentage by proxy	Percentage of distance voting		Total
			Electronic voting	Other	
26/04/2016	67.59	15.57	0.00	0.00	83.16
Of which floating capital	0.36	15.57	0.00	0.00	15.93
04/05/2017	64.37	16.19	0.00	0.00	80.56
Of which floating capital	0.56	16.19	0.00	0.00	16.75
24/04/2018	86.37	8.55	0.00	0.00	94.92
Of which floating capital	22.48	8.55	0.00	0.00	31.03

- B.5. Indicate whether or not in the General Shareholders Meetings held in the year there were any items on the agenda that, for any reason, were not authorised by the shareholders:

Yes  
 No

- B.6. Indicate whether there are any statutory restrictions that establish a minimum number of shares required to attend the General Shareholders Meeting or for distance voting:

Yes  
 No

- B.7. Indicate whether it has been established that certain decisions other than those established by law that involve acquisition, disposal, contribution to another company of core assets or other similar corporate transactions require authorisation by vote at the General Shareholders Meeting.

Yes  
 No

- B.8. Indicate the URL and form of access to the Company's website and its information on corporate governance and other information on General Shareholders Meetings that must be made available to shareholders through the Company's website:

The company's website where one may access information on corporate governance and other information on General Shareholders Meetings is <http://www.cieautomotive.com/web/investors-website>.

**C. ADMINISTRATIVE STRUCTURE OF THE COMPANY**

C.1. Board of Directors

C.1.1 Maximum and minimum numbers of Board members established in Articles of Association and number established by General Shareholders Meeting:

Maximum number of Board members	15
Minimum number of Board members	6
Number of Board members established by GSM	13

C.1.2 Provide information on the Board members:

Name or company name of Board member	Representative	Type of Board member	Position held on Board	Date of first appointment	Date of last appointment	Form of election
JUAN MARÍA RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
FRANCISCO JOSÉ RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ADDVALIA CAPITAL, S.A.	MARIA TERESA SALEGUI ARBIZU	Proprietary	DIRECTOR	26/04/2007	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ELIDOZA PROMOCION DE EMPRESAS, S.L.	GOIZALDE EGAÑA GARITAGOITIA	Proprietary	VICE CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
QMC DIRECTORSHIPS, S.L.	JACOBO LLANZA FIGUEROA	Proprietary	DIRECTOR	12/05/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
SHRIPRAKASH SHUKLA		Proprietary	DIRECTOR	25/06/2015	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
VANKIPURAM PARTHASARATHY		Proprietary	DIRECTOR	04/10/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
SANTOS MARTÍNEZCONDE GUTIÉRREZ BARQUÍN		Proprietary	DIRECTOR	24/04/2018	24/04/2018	RESOLUTION GENERAL SHAREHOLDERS MEETING
ÁNGEL MANUEL OCHOA CRESPO		Independent	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
CARLOS SOLCHAGA CATALÁN		Proprietary	LEAD INDEPENDENT DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING

ANTONIO MARIA PRADERA JAUREGUI		Proprietary	CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
FERMIN DEL RIO SANZ DE ACEDO		Executive	DIRECTOR	21/12/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
JESUS MARIA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	21/01/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Total number of Board members		13				

Indicate any departures of Board members that took place in the reporting year, whether due to resignation, dismissal or any other cause:

Name or company name of Board member	Type of Board member on date of departure	Date of last appointment	Termination date	Appointments to special committees	Indicate whether departure took place prior to end of term
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Proprietary	26/04/2016	21/03/2018	n.a.	Yes

C.1.3 Provide information on the Board members and their positions:

EXECUTIVE DIRECTORS		
Name or company name of Board member	Position held	Profile
FERMIN DEL RIO SANZ DE ACEDO	Executive director	Fermin del Rio holds a degree in Business Studies from the University of San Sebastián. He began his career as a tax advisor in 1975 and is the founder of Norgestión (a consultancy specialised in M&A, tax law and finance). He provided services to this firm until 2008. He also headed up ADEGI (the Guipuzcoa business association) and was a member of Basque business-owners association CONFEBASK. He has chaired Autometal S.A. and currently sits on the boards of Fegemu S.A., Viveros San Antón, S.A. and Global Dominion Access S.A.
JESUS MARIA HERRERA BARANDIARAN	CEO	Jesús María Herrera holds a degree in Business Studies and Economics from the Basque University and holds a Master of International Expansion (from Euroforum). He joined CIE Automotive as CFO in 1991, also heading up the HR function for CIE Orbelan. He was named deputy manager in 1995 general manager in 1998. He took over management of CIE Brazil in 2000 and of CIE Plasfil in 2002. The same year he was named global director of CIE Plástico, a position he held until 2005, when he took up the general manager spot at CIE America. He has been the CEO of Autometal S.A. since 2010. In 2011, he was named COO for the entire group, and just a year later he took over as general manager of CIE Automotive. In 2013, the Board of Directors appointed him CEO of CIE Automotive, and he is a director at Global Dominion Access, S.A.
Total number of executive directors		2
Percentage of total Board members		15.38

NON-EXECUTIVE PROPRIETARY DIRECTORS		
Name or company name of Board member	Name or company name of represented or nominating significant shareholder	Profile
ANTONIO MARIA PRADERA JAUREGUI	ANTONIO MARIA PRADERA JAUREGUI	Antonio María Pradera holds a degree in Road Engineering from Polytechnic University of Madrid. His career began in 1979 at Banco Bilbao, where he worked as a director until 1985. In 1988, he was named executive director of Nerisa, holding this position until 1993, when he moved to SEAT as director of strategy. He played an important role in the creation of INSSEC in 1995, where he served as CEO until 2010. He has served as the executive chairman of CIE Automotive since 2002, working in the areas of strategy and financial design, as well as in Global Dominion Access, S.A. He has been a director at Tubacex since May 2015 and a director at Corporación Financiera Alba since June 2015. On 31 December 2017, he stepped down from his executive duties at CIE Automotive, thus reinforcing the Company's corporate governance practices.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCION DE EMPRESAS, S.L.	Goizalde Egaña holds a degree in Business Studies and Economics from Deusto University in San Sebastián, where she also completed post-graduate studies in business competitiveness and regional development and an executive financial management programme. She began her career in the finance department of Compañía Ibérica de Encuadernaciones S.A. (CIBENSA) in 1989 and later joined the team of auditors at Attest Consulting (1990–92). She was a board member of INSSEC and is currently a director at Global Dominion Access, S.A.
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Francisco Riberas holds a degree in Law (1987) and Business Studies and Economics (1988) from Universidad Pontificia de Comillas (ICADE   E-3) of Madrid. His career began in 1989 in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997, initially assuming the position of CEO and serving as executive chairman from 2010 onward. In 1998, he was appointed to the board of directors of Aceralia Corporación Siderúrgica and held this position until the Company was absorbed by Grupo Arcelor. In addition to his position on the board of Gestamp, he is also co-chairman of the family holding company ACEK and a board member of Telefónica, Global Dominion Access, Gonvarri Industrial and other group companies of Grupo ACEK. He is also part of the board of management of Spain's IEF institute for family-owned businesses and serves on the Spanish board of Endeavor, an NGO created to help future generations of entrepreneurs to achieve success through mentoring and assistance in investment programmes.
JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Juan Riberas holds a degree in Law and Business Studies and Economics (dual degree) from Universidad Pontificia de Comillas (ICADE   E-3) of Madrid. He began his career in 1992 in the area of business development at Grupo Gonvarri, where he later assumed the role of CEO. In 2005, he helped to create ACEK Renewables, taking on the position of executive chairman in 2007. Since 2010 he has been the chairman of Gonvarri Steel Industries and co-chairman of ACEK, the family holding company. He is also a trustee of the Juan XXIII Foundation.
QMC DIRECTORSHIP, S.L.	ALANTRA ASSET MANAGEMENT, SGIC, S.A	Jacobo Llanza holds a degree in Business Studies and Economics from the University of Paris. He built his career in investment banking, starting out in 1989 in a number of positions at Banque Indosuez and Bancapital before going on to create and run AB Asesores Moneda in 1992, an AB Asesores group company. After this company was acquired by Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, serving as managing director of Equities & Derivatives in LatAm, Eastern Europe, Africa and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently a managing partner and the CEO of Alantra Asset Management. He also sits on the board of Tubos Reunidos.
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA	Shripprakash Shukla holds a degree in Technology from the Indian Institute of Technology at Banaras Hindu University and an MBA from the Indian Institute of

NON-EXECUTIVE PROPRIETARY DIRECTORS		
Name or company name of Board member	Name or company name of represented or nominating significant shareholder	Profile
	LTD	Management of Ahmedabad. His career has developed in several companies, including Dunlop India, Swisscom Essar (currently Vodafone Essar) and Reliance Infratel, where he served as executive chairman before joining the Mahindra Group. At this time, he runs the latter group's Aerospace & Defence unit, he chairs Mahindra Sanyo Special Steels and he sits on the executive committee of Mahindra & Mahindra. Previous posts at this group included director of strategy and of brand management. He is also affiliated with prestigious industrial forums in several countries.
VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	Vankipuram Parthasarathy holds a degree in Commerce from Gujarat University and an MBA from Harvard Business School. He began his career at Xerox, where he reached the position of associate director. In 2000, he joined Mahindra & Mahindra, Ltd., where he has held various executive positions. He is currently CFO and CTO of Mahindra & Mahindra, Ltd. and he sits on the group's executive committee and on the boards of 14 subsidiaries (four of which are listed). He has received a number of accolades in the areas of finance, M&A and IT.
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S.A.	Santos Martínez-Conde holds a bachelor's degree in Engineering (roads, canals and bridges), an MBA from ICADE and a degree in Nuclear Technology from ICAI. Regarding his present activity, he has been executive director at Corporación Financiera Alba since 2006 and he holds other positions, such as member of the boards of Acerinox, CIE Automotive, Bolsas y Mercados Españoles, Indra, Banca March and Artá Capital. Prior to this, he worked at several engineering and financial firms such as Sener, Técnicas Reunidas, Bestinver, Corporación Borealis and Banco Urquijo. He has been a board member of many listed and unlisted firms in a wide variety of sectors.
ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.	María Teresa Salegui holds a degree in Business Studies and Economics from Deusto University. Her career began in the transport company La Guipuzcoana, where she worked between 1988 and 2002), reaching the position of general manager during this period. She held the same position in DHL Express Iberia between 2002 and 2004. She is currently chairwoman of Addvalia Capital and Perth Espacio y Orden and sits on the governing bodies and boards of companies such as One Facility Management and Baztango.

Total number of proprietary directors	9
Percentage of total Board members	69.23



**NON-EXECUTIVE INDEPENDENT DIRECTORS**

Name or company name of Board member	Profile
ÁNGEL MANUEL OCHOA CRESPO	Ángel Manuel Ochoa holds a degree in Business Studies and Economics from the Basque University and a Master of International Business Administration (MIBA) from the United States International University of San Diego. In his 24 years of experience in the financial sector, he has held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of corporate banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico. He has also sat on the boards of several open-end investment companies (SICAVs). At present, he is a financial advisor in the area of investment and a partner at the firm Angel Ochoa Crespo EAFI, and he is also the chairman of ISLOPAN, S.A.
CARLOS SOLCHAGA CATALÁN	Carlos Solchaga holds a degree in Business Studies and Economics from the Complutense University of Madrid, and he completed post-graduate studies at the Alfred P. Sloan School at the Massachusetts Institute of Technology (MIT). In 1980, he was elected member of the Spanish Parliament as deputy for the PSOE Socialist party and was subsequently re-elected in 1982, 1986, 1989 and 1993, ultimately presiding the party's parliamentary group between 1993 and 1994. Other noteworthy appointments: member of the Basque regional government prior to approval of the Euskadi Autonomous Statute (1979–80); president of the IMF's Interim Committee (1991–93), Minister of Industry and Energy (1982–85); and Minister of Economy and Finance (1985–93) in Spain. He is currently an international consultant and president of the firm Solchaga & Recio Asociados. Other current appointments include chairman of the Euroamerica Foundation; president of the Arquitectura y Sociedad Foundation, chairman of the advisory board of the Roca Junyent law firm, member of the scientific board of the Elcano Royal Institute and member of the board of Pharma Mar, S.A.

Total number of independent directors	2
Percentage of total Board members	15.38

Indicate whether any independent directors receive from the Company or its group any amounts of money or benefits for reasons other than remuneration for their positions as directors, or whether they maintain or have maintained in the last year a business relationship with the Company or any group companies, regardless of whether this takes place in the director's own name or as a significant shareholder, board member or member of upper management of an entity that maintains or would have maintained the relationship.

If applicable, provide a reasoned statement prepared by the Board, indicating why it is considered that the director may act as an independent director.

Name or company name of Board member	Description of relationship	Reasoned statement
No data		

**OTHER NON-EXECUTIVE DIRECTORS**

Identify any other non-executive directors, stating why they cannot be considered proprietary or independent directors and describing their relationships with the Company, its management and its shareholders:

Name or company of Board member	Reasons	Company, management or shareholders with whom relationship is held	Profile
No data			
Total number of non-executive directors		n.a.	
Percentage of total Board members		n.a.	

List any changes to director type that may have occurred during the period:

Directors name or company name	Date of change	Previous type	Current type
ANTONIO MARIA PRADERA JAUREGUI	'01/01/2018	Executive	Proprietary

C.1.4 Fill in the following table with details of the number of female directors at the close of the last four financial years and the types of directorship they held:

	Number of directors				% of total directors of each type			
	Financial year 2018	Financial year 2017	Financial year 2017	Financial year 2015	Financial year 2018	Financial year 2017	Financial year 2017	Financial year 2015
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	25.00	25.00	25.00	22.22
Independent					0.00	0.00	0.00	0.00
Other External					0.00	0.00	0.00	0.00
Total	2	2	2	2	15.38	15.38	15.38	15.38

C.1.5 State whether the Company has diversity policies for the Company's Board of Directors concerning such areas as age, gender, disabilities, or professional training and experience. Small and medium companies as defined in the Spanish Auditing Act (*Ley de Auditoría de Cuentas*) must report at least on their gender diversity policy.

- Yes  
 No  
 Partial policies

If yes, describe the diversity policies, their goals, measures taken and how the policy has been applied, and results during the financial year. Further indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to achieve director balance and diversity.

If the Company does not have a diversity policy, give the reasons why.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained
<p>The diversity policy of the company is directly accessible on the corporate website, where the information can be easily consulted. The recent approval during the year 2019 of the diversity policy is the most recent concrete measure carried out by the company to achieve a balanced and diverse presence of female directors.</p> <p>Due to its recent approval, the diversity policy has not been applied in the 2018, so it has not yet been made an analysis of application and results of it. In any case, the company considers that the composition of its board of directors reflects the objectives pursued in the diversity policy, having a balanced and diverse presence of female directors.</p> <p>This policy of diversity will ensure that, with the selection of candidates, the composition of the Board of Directors is diverse and balanced as a whole, which enriches the decision-making and provides plural points of view to the debate of the matters of its competence.</p> <p>In this regard, the Board of Directors is committed to promote diversity in its composition and, for this purpose, in the selection of candidates for members. Candidates whose appointment favors that the members of the Board of Directors have different capacities, knowledge, experiences, origins, nationalities, age and gender will be evaluated.</p> <p>The diversity criteria will be chosen based on the nature and complexity of the businesses developed by the Group, as well as the social and geographical context in which it is present.</p> <p>Additionally, depending on the needs of the Board of Directors, other criteria may be taken into consideration.</p> <p>In the process of selection of candidates, any type of bias that may imply any discrimination, among others, for reasons of sex, ethnic origin, age or disability will be avoided.</p> <p>The Board of Directors will periodically evaluate the degree of compliance and effectiveness of its diversity policy and, in particular, the percentage of female directors at any time, in order to assess the degree of compliance with the recommendations on corporate governance matters in relation to the presence of women in the Board of Directors.</p>

- C.1.6 Explain any measures the Appointments Committee may have taken to avoid implicit bias in selection procedures that would act to block the selection of female directors and to encourage the Company to deliberately seek and include women who have the professional profile sought among the potential candidates to achieve an equal balance in the presence of women and men:

Explanation of the measures
The Appointments and Remuneration Committee will ensure that persons of both sexes who fulfil the necessary requirements and skillsets for the post will be taken into consideration

Where the number of female directors is nil or very low despite the measures that may have been taken, explain the reasons why:

Explanation of the measures
The company considers the number of female directors to be sufficient.

- C.1.7 Explain the conclusions of the Appointments Committee concerning verification of compliance with the director selection policy. In particular, how that policy is promoting the goal of at least 30% of Board members being female directors by 2020.

The Appointments and Remuneration Committee is aware of the objective of at least 30% of Board members being female directors by 2020. In this respect, as stated above, the Appointments and Remuneration Committee will ensure that appointments of new directors are not subject to implicit bias by reason of sex, mainly in the case of non-proprietary directors (since this is where it has greater room for manoeuvre in the selection process) and will ensure that, insofar as possible, the number of female directors is promoted, without prejudice to always taking into account persons who have the necessary requirements and skillset for the position.
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- C.1.8 Explain, where appropriate, the reasons why proprietary directors have been appointed at the request of shareholders having a shareholding of less than 3% of the share capital:

Shareholder's name or company name	Reason
No data	

State whether formal requests for membership on the Board from shareholders whose shareholdings are greater than or equal to others at whose request proprietary directors have been appointed have been disregarded. If appropriate, explain the reasons why they were disregarded:

Yes

No

- C.1.9 List any powers or authorities delegated by the Board of Directors to directors or Board committees:

Director's or committee's name or company name	Brief description
JESUS MARIA HERRERA BARANDIARAN	The CEO holds all the powers of the Board except those that may not be delegated.

C.1.10 Identify any Board members who hold positions as directors, representatives of directors, or executives in other companies making up the listed company's group:

Director's name or Company name	Company name of the Group entity	Position	Has executive duties?
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal Comercio de Sucatas México, S.A.	DIRECTOR	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México S.A. de C.V.	DIRECTOR	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México Servicios S.A. de C.V.	DIRECTOR	NO
FERMIN DEL RIO SANZ DE ACEDO	Autometal, S.A.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autokomp Ingeniería S.A.U.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autometal, S.A.	DIRECTOR	NO
ANTONIO MARIA PRADERA JAUREGUI	CIE Berriz, S.L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Galfor, S.A.U.; CIE Legazpi, S.A.U.; Autokomp Ingeniería S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Industrias Amaya Tellería, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra CIE Automotive, LTD	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra Forgings Europe, AG	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Alcasting Legutiano, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Alurecy, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Biodiesel Mediterraneo, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Bionor Berantevilla, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Biosur Transformación, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado de Residuos Grasos, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado Ecológico de Residuos, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Mecauto, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Udalbide, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recytec, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recylan, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Egaña 2, S.L.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Gameko Componentes de Automoción, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Grupo Componentes Vilanova, S.L.	DIRECTOR	NO

Director's name or Company name	Company name of the Group entity	Position	Has executive duties?
JESUS MARIA HERRERA BARANDIARAN	Inyectametal, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Leaz Valorización, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Mecanizaciones del Sur Mecasur, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Nova Recycd, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Orbelan Plásticos, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Plasfil Plásticos da Figueira, S.A.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Recyde, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Transformaciones Metalurgicas Norma, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Autometal de México, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Berriz México Servicios Administrativos, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Forjas de Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Maquinados Automotrices y Talleres Industriales Celaya S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Percaser de México, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura Estampado y Montaje, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura y Ensamblados de México, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Servicat Servicios Contables Administrativos y Técnicos, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Autometal, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Denat 2007, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Advanced Comfort Systems Ibérica, S.L.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	GAT México, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Newcor, Inc	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Automotive USA, Inc	DIRECTOR	NO

C.1.11 Name any directors or representatives of legal persons serving on the Board of your company who are directors or representatives of legal persons serving on the Boards of other companies that are listed on official stock exchanges and are not members of your group of which your company has been notified:

Director's name or corporate name	Corporate name of the listed entity	Office
ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	DIRECTOR
ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
CARLOS SOLCHAGA CATALAN	PHARMA MAR, S.A.	DIRECTOR
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	DIRECTOR
FRANCISCO JOSÉ RIBERAS MERA	TELEFÓNICA, S.A.	DIRECTOR
FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	CHAIRMAN
JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	ACERINOX, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	INDRA SISTEMAS, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE SISTEMAS Y MERCADOS FINANCIEROS, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S.A.	CHAIRMAN

C.1.12 State, and if necessary explain, whether the Company has implemented rules regarding the maximum number of company boards on which its directors may sit and, if appropriate, specify where this is regulated:

Yes

No

C.1.13 State the amounts of the total remuneration of the Board of Directors broken down into the following categories:

Remuneration paid to the Board of Directors in the financial years (thousands of euros)	5,513
Amount of pension rights accumulated by the current directors (thousands of euros)	
Amount of pension rights accumulated by former directors (thousands of euros)	

C.1.14 Name senior executives who are not also executive directors and state the total remuneration they were paid in the financial year:

Name or Company name	Office(s)
MR. ALEXANDER TORRES COLOMAR	Director of plastics, Brazil
MR. AITOR ZAZPE GOÑI	Director of biofuels, plastics Europe and H.R.
MR. JUSTINO UNAMUNO URCELAY	Director of foundries, CIE Europe and China and Director of metal, Europe
MS. SUSANA MOLINUEVO APELLÁNIZ	Director of internal auditing, compliance, and corporate social responsibility
MR. JOSÉ LUIS CASTELO SÁNCHEZ	Director of stamping, Mexico
MR. JOSÉ MAUNEL ESMORIS	Director of R&D
MR. ZENON VAZQUEZ IRIZAR	Director of finance and treasury
MS. MARÍA MIÑAMBRES GARCIA	Director of corporate controlling and tax
MR. ANDER ARENAZA ALVAREZ	Director of aluminium and machining, Europe and CEO Mahindra CIE Automotive Limited
MS. LOREA ARISTIZÁBAL ABÁSOLO	Director of corporate development and investor relations

C.1.15 Indicate any changes to the Board of Director regulations made during the financial year:

[ ] Yes

[✓] No

C.1.16 State the selection, appointment, re-appointment, and removal procedures for directors.

Specify the competent bodies, steps to be taken, and criteria to be used in each of the procedures.

The General Meeting is responsible for appointing the Board members, without prejudice to the Board's authority to appoint members by co-option in the event of vacancies. In that respect, article 23 de the Company's Articles of Association provide that:

- "4. Members of the management body are not required to be shareholders.
- 5. Members of the management body will be appointed to four (4)-year terms and may be re-appointed for one or more periods of equal length.
- 6. The terms of members of the management body appointed by co-option will run until the date of the next General Meeting.
- 7. A member of the management body will cease to be a member by decision of the General Meeting, upon giving the Company notice of resignation, or upon expiry of the term to which the member was appointed. In this last-mentioned case, a director's appointment will lapse on the date on which the next General Meeting meets or the legal time limit for holding the General Meeting to decide on approval of the accounts for the preceding financial year has expired.
- 8. Members of the management body will perform the statutory duties of their office with the necessary reasonable care required for such post, taking into account the nature of the office and the duties assigned to each. Furthermore, members of the management body will perform the duties of their office with the loyalty of a faithful representative, acting in good faith and in the Company's best interest. The Board of Directors Regulations will set out the specific obligations of directors based on the duties prescribed by law, in particular confidentiality, non-competition, and loyalty, paying special attention to conflicts of interest."

Rule 23 of the Board of Directors Regulations provides:

- "1. Directors will be appointed by the General Shareholders Meeting or by the Board of Directors in accordance with the law.
- 2. Proposals for the appointment and re-appointment of Directors submitted to the General Shareholders Meeting by the Board of Directors for consideration and appointments made by the Board of Directors by virtue of their powers of co-option under the law will be preceded by the corresponding proposal by the Appointments and Remuneration Committee for independent Directors or by the Committee's report for all other Directors. Where the Board disregards the report by the Appointments and Remuneration Committee, it will state the reasons for its action and will make a record of those reasons in the minutes.
- 3. Proposals and reports by the Appointments and Remuneration Committee will expressly assess the candidates' honesty, suitability, solvency, competence, experience, qualifications, training, availability, and commitment to their duties. For this purpose the Appointments and Remuneration Committee will estimate the time non-executive Directors should spend on work, in number of hours per year, and will include that estimate in the corresponding report or proposal.
- 4. The Appointments and Remuneration Committee will propose or report on the assignment of the Director to one of the categories included in these Regulations and will review it annually."

C.1.17 Explain to what extent the Board's annual assessment has resulted in significant changes to its internal organisation and to the procedures used for its activities

Description of the changes
<p>Throughout 2018, the implementation of the conclusions reached by the evaluation process carried out by an external expert has been deepened (Evaluación de Consejos S.L.)</p> <p>No significant changes have been proposed in the internal organization, but actions have been developed aimed at:</p> <ul style="list-style-type: none"> <li>• Deepen in succession plans and protocols.</li> <li>• Improve selection procedures for Board members and training plans.</li> <li>• Deepening the role of certain statutory roles.</li> <li>• Provide more time for the Board's dedication to the strategy.</li> </ul> <p>Describe the assessment process and the areas assessed by the Board of Directors, if appropriate in association with an external adviser, in respect of the operation and composition of the Board and its committees and any other area or aspect that has been assessed.</p>
Description of the assessment process and the areas assessed
<p>In 2018, an external expert assessment has not been commissioned (the assignment was in relation to the year 2017 and was carried out in the first two months of 2018). Throughout 2018 the evaluation has been carried out through personal interviews held by the Chairman of the Board of Directors (assisted by the department in charge of internal auditing, compliance and CSR) to evaluate the functioning of the Board and its committees,</p>

C.1.18 For those years in which the review has been made with the assistance of an external adviser, break down the business relationships of the adviser or any company in its group with the Company or any company in its group.

This year the board of directors has not had the help of an external consultant in its evaluation. The evaluation of the external expert has been carried out in the first two months of the 2018 fiscal year in relation to the functioning of the Board of Directors and its committees in 2017.

C.1.19 State the cases in which directors must resign.

Rule 26 of the Board of Directors Regulations provides:

"1. The appointments of the Directors, or the appointment of any individual Director, will cease as specified by the legislation applicable at any given time.

2. Directors will offer their resignations to the Board of Directors and, if the Board so determines, submit their resignations, in the following cases:

- a) In the case of a proprietary director, when the director, or the shareholder the director represents, sells its shareholding to the Company.
- b) In the case of an executive director, whenever the Board considers it appropriate and at all events when the director ceases to hold the executive office he or she performs in the Company and/or the companies in its Group.
- c) Where they become ineligible or disqualified under any of the cases prescribed by law.
- d) Where they have been charged for a presumably criminal offence or disciplinary proceedings have been opened against them by the supervisory authorities on grounds of serious or gross misconduct.
- e) The term of the CEO will lapse when the officer turns 65 years of age, though the officer may continue as a director, without prejudice to the content of item b) above.
- f) Where they have been seriously reprimanded by the Board of Directors for breach of their duties as directors following a report by the Audit and Compliance Committee.

C.1.20 Are any qualified majorities, other than those required by law, required for any decisions?

Yes

No

Describe any differences, if appropriate.

C.1.21 Explain whether there are specific requirements for being appointed Chair of the Board of Directors other than the requirements to be a director.

Yes

No

C.1.22 State whether the Articles of Association or Board of Directors Regulations prescribe an age limit for directors:

Yes

No

	Age limit
President	N.A.
CEO	65
Director	N.A.

C.1.23 State whether the Articles of Association or Board of Directors Regulations prescribe term limits or further stricter than statutory requirements for independent directors apart from those prescribed by law.

Yes

No



C.1.24 State whether the Articles of Association or Board of Directors Regulations prescribe specific rules for delegating Board of Director votes to other directors, how it is done, and, in particular, the maximum number of proxies a director may hold, and whether there are any limits as to the categories to which votes may be delegated, apart from the constraints prescribed by law. Briefly specify those rules, if appropriate.

Rule 22, paragraph 2, of the Board of Directors Regulations provides:

"Directors should attend sessions of the Board of Directors, and when unable to do so themselves, should appoint another director as their proxy and issue any appropriate instructions. Non-executive directors may only appoint another non-executive director as their proxy. No proxy may be issued in any matter involving a conflict of interest for a director. Proxies are to be specially issued for each meeting of the Board of Directors, and this may be done using any of the same means prescribed for convening meetings.

C.1.25 State the number of meetings of the Board of Directors held during the year. Also, if appropriate, state the times the Board has met without the Chair being in attendance. Attendance by a proxy holding specific instructions will be considered attendance.

Number of Board meetings	6
Number of Board meetings not attended by the Chair	

State the number of meetings held by the coordinating director with the other directors without attendance or proxy representation by any executive director:

Number of meetings	
--------------------	--

State the number of meetings held by the various Board committees during the year.

Number de meetings of the Auditing and Compliance Committee	4
Number of meetings of the Strategy and Operations Committee	3
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Corporate Social Responsibility Committee	1

State the number of meetings held by the Board of Directors during the year with details of attendance by Board members:

Number of meetings at which at least 80% of directors were in attendance in person	6
% attendance in person vs. total votes during the year	88.50
Number of meetings attended by all the directors personally or as proxies with specific instructions	1
% votes issued in person and by proxy with specific instructions vs. total votes during the year	88.50

C.1.27 State whether the individual and consolidated financial statements are certified before being submitted to the Board for approval:

Yes

No

If appropriate, state the person(s) who certified the Company's individual and consolidated financial statements for approval by the Board:

C.1.28 Explain any mechanisms set up by the Board of Directors to avoid the individual and consolidated accounts it approves from being submitted to the General Meeting with auditor's reservations.

According to Rule 3 of the Audit and Compliance Committee's Regulations, the Committee has, *inter alia*, the following duties:

e) To assess, with the auditor, significant weaknesses in the internal control system disclosed during the performance of the audit.

f) To supervise the process of drawing up and submitting requisite financial reporting.

g) To propose the appointment, re-appointment, or replacement of the auditor to the Board of Directors for submission to the General Shareholders Meeting together with its terms of engagement pursuant to applicable law and regulations, and to regularly receive information from the auditor on the auditing plan and performance while preserving its independence in the performance of its duties.

h) To oversee the activity of the Internal Audit Department, functionally subsidiary to the Audit and Compliance Committee.

i) To establish suitable relations with the auditor to receive information on those questions that might compromise its independence for examination by the Committee together with any other information relating to the auditing process and any other communications prescribed by the auditing legislation and other auditing regulations.

In any case, it should receive written confirmation of their independence vis-à-vis the Company or entities directly or indirectly linked to the Company from the auditor annually along with information from the auditor or from persons or entities related to the auditor concerning any additional services of any kind provided and the corresponding fees received from those entities as stipulated in the auditing legislation and regulations.

C.1.29 Is the Secretary of the Board a director?

Yes

No

If the Secretary of the Board is not a director, fill in the following table

Secretary's name or company name	Representative
MR. ROBERTO ALONSO RUIZ	

C.1.30 State the specific mechanisms put in place by the Company to safeguard external auditor independence and any mechanisms to safeguard the independence of the financial analysts, investment banks, and rating agencies, including how the statutory stipulations have been implemented in practice.

Relations with the external auditor are dealt with in Rule 46 of the Board of Directors Regulations:

"Rule 46. Relations with the auditor

1. The Board of Directors' relations with the Company's external auditor will be routed through the Audit and Compliance Committee as specified in the Articles of Association and the Audit and Compliance Committee Regulations.
2. The Board of Directors will provide information on the fees paid to the auditor by the Company for the various auditing services in each financial year in the annual report.
3. The Board of Directors will endeavour to draw up the financial statement that does not elicit any reservations by the auditor. However, where the Board considers it should follow its own criterion, it will explain the content and scope of the discrepancy."

Pursuant to that mandate, the Audit and Compliance Committee will be in charge of establishing suitable relations with the auditor to receive information on those questions that might compromise its independence together with any other information relating to the auditing process and any other communications prescribed by the auditing legislation and other auditing regulations.

C.1.31 State whether the external auditor has been changed during the financial year. If appropriate, name the incoming and outgoing auditors.

Yes

No

Explain the nature of any disagreements with the outgoing auditor:

Yes

No

C.1.32 State whether the auditor does other work for the Company and/or its group apart from the audit, and, if so, state the amount of the fees paid for that work and the percentage of the fees charged to the Company and/or its group that they represent.

Yes

No

	Company	Group companies	Total
Amount paid for other work apart from the audit (thousands of euros)	398	392	790
Amount paid for other work apart from the audit / amount paid for the audit (thousands of euros)	72.46	22.71	34.72

C.1.33 State whether the audit of the financial statement for the preceding financial year encountered reservations or qualifications. If appropriate, state the reasons given to the General Shareholders Meeting by the Chair of the Audit Committee to explain the substance and scope of those reservations or qualifications.

Yes

No

C.1.34 State the number of consecutive financial years the auditor has been auditing the Company's individual and/or consolidated financial statement. Further state the percentage of the number of financial years audited by the current auditor on the total number of financial years in which the financial statement has been audited:

	Individual	Consolidated
Number of consecutive financial years	17	17

	Individual	Consolidated
No. of financial years audited by the current auditor / No. of financial years in which the Company or its group have been audited (%)	48.57	48.57

C.1.35 State, and if appropriate specify, whether there is a procedure in place for directors to be able to obtain the necessary information to prepare for meetings of the management bodies in good time.

Yes

No

**Details of the procedure**

In accordance with Rule 20 of the Board of Directors Regulations, the relevant information for meetings will be sent to directors with the notice of meeting. Furthermore, directors are sent a copy of the basic document for the meeting sufficiently in advance so that they will be made aware of the different agenda items to enable them to prepare for meetings in good time.

Furthermore, Rule 29 of the Board of Directors Regulations states that any director may ask the Company to hire, at its expense, the legal, accounting, financial, technical, or business advisers or other experts they may consider necessary for the proper performance of their duties to assist them in the performance of those duties. Any such request will necessarily concern specific issues that are particularly complicated.

C.1.36 State, and if appropriate specify, whether the Company has rules in place compelling advisers to report any circumstances that may be detrimental to the Company's standing and reputation and to resign if appropriate.

Yes

No

**Details of the procedure**

Rule 26.2(d) of the Board of Directors Regulations compels directors to tender their resignation from the Board where ... they have been charged for a presumably criminal offence or where disciplinary proceedings have been opened against them by the supervisory authorities on grounds of serious or gross misconduct.

C.1.37 State whether any Board member has informed the Company that they have been charged, or verbal proceedings have been opened against them for any of the criminal offences enumerated in Section 213 of the Spanish Corporate Enterprises Act.

Yes

No

C.1.38 List any significant agreements arranged by the Company that will take effect, be amended, or be concluded in the event of a change of control of the Company as a result of a takeover bid, and their effects.

Not applicable

C.1.39 List, in detail, separately where they apply to directors and combined in other cases, the agreements between the Company and its managers or executives or employees that provide for compensation, severance benefits, or golden parachutes where they resign or are unfairly dismissed or where the contractual relationship is terminated by a takeover bid or other type of operation.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
Company CEO	The agreement with the executive director complies with the stipulations of subsection (g) (clawback) and (h) (termination) in Section IV in the Director Remuneration Policy. "(g) In response to a proposal by the Appointments and Remuneration Committee, the Board of Directors is authorised to claim reimbursement for any compensation already paid in relation to a minimum term and non-compete commitment (clawback clauses) in the aforesaid circumstances. Furthermore, additional clawback measures may be arranged for special situations such as fraud, serious breach of law." "(h) The CEO will be entitled to payment of all of his or her variable long-term compensation and full payment for his or her minimum term and non-compete commitment should the General Meeting and Board of Directors decide to remove him or her from his or her position for any reason for ten (10) years starting from 1 January 2018. In addition to the foregoing, the CEO may be entitled to payment of an additional amount (at most two annual fixed salaries and short-term variable remuneration), to be included in his or her contract, where appropriate.

State any such contracts have to be reported to and/or approved by the Company's or its group's management bodies in the cases stipulated in the legislation and regulations. If so, please specify. the procedures, the cases envisaged, and the nature of the bodies responsible for approval or giving notice:

	Board of Directors	General Meeting
Body approving the clauses	✓	

	Yes	No
Is the General Meeting informed of the clauses?	✓	

C.2. Board of Directors Committees

C.2.1 Specify all the Board of Directors committees, their members, and the proportion of executive, proprietary, independent, and other external directors who are members of them:

Audit and Compliance Committee		
Name	Office	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIR	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	MEMBER	Independent
ADDDVALIA CAPITAL, S.A.	MEMBER	Proprietary

% executive directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external directors	0.00

Explain the duties assigned to that committee, including any in addition to its statutory duties, and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

It is the remit of the Audit and Compliance Committee to assist the Company's Board of Directors in supervising the Company's financial status and in exercising its duties of oversight of CIE Automotive, S.A. and the companies making up its group.

To that effect, the committee will have jurisdiction:

- To regularly review risk policies and propose changes and updates to the Board of Directors.
- To approve policy in relation to hiring the auditor.
- To report to the General Shareholders Meeting on questions falling within its purview raised by shareholders at the Meeting.
- To supervise the effectiveness of the Company's and the Group's internal controls and its risk control systems, including tax risks.
- To assess, with the auditor, significant weaknesses in the internal control system disclosed during the performance of the audit.
- To supervise the process of drawing up and submitting requisite financial reporting.
- To propose the appointment, re-appointment, or replacement of the auditor to the Board of Directors for submission to the General Shareholders Meeting together with their terms of engagement pursuant to applicable law and regulations, and to regularly receive information from the auditor on the auditing plan and performance while preserving its independence in the performance of its duties.
- To oversee the activity of the Internal Audit Department, functionally subsidiary to the Audit and Compliance Committee.
- To establish suitable relations with the auditor to receive information on those questions that might compromise its independence for examination by the Committee together with any other information relating to the auditing process and any other communications prescribed by the auditing legislation and other auditing regulations. In any case, it should receive written confirmation of their independence vis-à-vis the Company or entities directly or indirectly linked to the Company from the auditor annually along with information from the auditor or from persons or entities related to the auditor concerning any additional services of any kind provided and the corresponding fees received from those entities as stipulated in the auditing legislation and regulations.
- To issue an annual report in advance of the auditor's report setting out its opinion regarding the auditor's independence. This opinion should at all events deal with provision of the additional services referred to in the preceding item in the terms and conditions stipulated by law.
- To report, in advance of the Board of Directors meeting, regarding the financial reporting the Company should periodically disclose as a listed company, ensuring that interim financial statements are drawn up to the same accounting standards as the annual financial statement, and to that end it will consider whether it is appropriate for the auditor to conduct a limited review.
- To report to the Board of Directors on the creation or purchase of shares in special purpose vehicles or entities based in countries or territories classified as tax havens and any other transactions or similar operations that, by their complexity, could be detrimental to the Group's transparency, before the Board takes the corresponding decision.
- Any other tasks that may be assigned by the Company's Board of Directors.

The most relevant activities during the year were:

- Evaluating the Periodic Public Information before it is forwarded to the CNMV [*Spanish National Securities Market Commission*] and the companies that manage the Bilbao and Madrid Stock Exchanges.
- Assessing the annual financial statement (balance sheet, profit and loss account, cash flow statement and statement of net assets, and annual report) and the management report of CIE Automotive, S.A. and its Consolidated Group for the financial year that closed on 31 December 2016.
- Monitoring the external audit procedures.
- Assessing the internal audit procedures and, more particularly, those relating to the Internal Control System for procedures for drawing up financial reports.
- Verifying the accounting status of liquid assets in relation to approving an interim dividend against the profit and loss account for 2017.
- Approving the Company's tax strategy.
- Analysing the Company's risk map.
- Reporting on the General Meeting agenda items within the scope of its remit and, in particular, the item on re-appointment of the external auditor.

Name the directors appointed to the Audit Committee on the basis of their knowledge and experience in accounting or auditing matters, or both, and report the date of the appointment of the sitting Chair of the committee.

Names of experienced directors	MR. CARLOS SOLCHAGA CATALÁN
Date of appointment of the sitting Chair	25/02/2015

Strategy and Operations Committee		
Name	Office	Type
MR. SANTOS MARTÍNEZ CONDE GUTIÉRREZ BARQUÍN	MEMBER	Proprietary
MR. JUAN MARÍA RIBERAS MERA	MEMBER	Proprietary
MR. FERMIN DEL RIO SANZ DE ACEDO	MEMBER	Executive
MR. ANTONIO MARIA PRADERA JAUREGUI	CHAIR	Proprietary
MR. JESUS MARIA HERRERA BARANDIARAN	MEMBER	Executive

% executive directors	40.00
% proprietary directors	60.00
% independent directors	0.00
% other external directors	0.00

Explain the duties assigned to that committee and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Committee will have the following basic duties:

- To evaluate and propose to the Board of Directors strategies for growing, developing, or diversifying the business of the Company and the Group.
- To propose to the Board of Directors opportunities to make new investments (both those fomenting organic growth and those enabling inorganic growth by acquiring new companies, activities, or sectors) and to submit alternative investments in assets that will produce a long-term increase in the value of the Company and its Group.
- To review and propose recommendations or enhancements to the strategic plans and updates to those plans to the Board of Directors at all times.
- Any other tasks that may be assigned by the Company's Board of Directors.

The strategic transactions carried out by the Company have been assessed over the course of the financial year

Appointments and Remuneration Committee		
Name	Office	Type
MR. CARLOS SOLCHAGA CATALÁN	MEMBER	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIR	Independent
MR. FRANCISCO JOSÉ RIBERAS MERA	MEMBER	Proprietary

% executive directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external directors	0.00

Explain the duties assigned to that committee, including any in addition to its statutory duties, and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

The Committee is an internal advisory and consultancy body having no executive duties, whose remit is to report, advise, and propose within the scope of its purview.

To that effect, the Committee will have jurisdiction:

- a) To propose to the Board of Directors remuneration policies for directors and senior executives and to review them from time to time, proposing amendments and updates to the Board of Directors as appropriate.
- b) To review the criteria on the make-up of the Board of Directors and for candidate selection and to report accordingly, and, more particularly, in relation to the skills, knowledge, and experience needed and how to estimate the time and work required for directors to properly perform their duties.
- c) To ensure that, when filling vacancies or appointing new directors, the selection procedures are not subject to implicit bias, and, more to the point, do not impede the selection of female directors.
- d) To set a target for representation by the sex less represented on the Board of Directors and to draw up guidelines on how to achieve that goal.
- e) To submit to the Board of Directors proposals for the appointment of independent directors by co-option or for submission to the General Shareholders Meeting and proposals for the re-appointment or removal of those directors by the General Shareholders Meeting, and to report on proposals for the removal of directors made by the Board of Directors.
- e) To submit proposals for the appointment of the other directors by co-option or for submission to the General Shareholders Meeting for decision, and proposals for the re-appointment or removal of those directors by the General Shareholders Meeting.
- g) To draw up proposals and report on the appointment of internal officers on the Board of Directors and on the Board members who should join each of the committees.
- h) To review and arrange for succession of the Chair of the Board of Directors and the Company's CEO and, if appropriate, to submit proposals to the Board of Directors so that succession can take place in an orderly and planned manner in accordance with the succession plan approved by the Board of Directors.
- i) To propose to the Board of Directors the annual remuneration scheme and amount of remuneration for the directors and the individual remuneration for the executive directors and the other basic terms and conditions of their contracts, including possible compensation or indemnities that may be arranged in the event of severance, in all cases in keeping with the director remuneration policy approved by the General Shareholders Meeting.
- j) To supervise the process of selecting candidates for senior executives of the Company and to report on proposals to appoint or remove top executives made by the Company's CEO.
- k) To report on and submit to the Board of Directors proposals by the Company's CEO regarding the remuneration structure for senior directors and the basic terms and conditions of their contracts.
- l) To ensure compliance with the Company's remuneration schemes and to report on the documents to be approved by the Board of Directors for public disclosure in relation to information concerning remuneration, including the Annual Report on Director Remuneration and the corresponding sections in the Company's Corporate Governance Report.
- m) Any other tasks that may be assigned by the Company's Board of Directors.

**Corporate Social Responsibility Committee**

Name	Office	Type
MR. SANTOS MARTÍNEZ CONDE GUTIÉRREZ BARQUÍN	MEMBER	Proprietary
ADDVALIA CAPITAL, S.A.	MEMBER	Proprietary
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	CHAIR	Proprietary

% executive directors	0.00
% proprietary directors	100.00
% independent directors	0.00
% other external directors	0.00

Explain the duties assigned to that committee and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

The CSR Committee is an internal advisory and consultancy body having no executive duties, whose remit is to report, advise, and propose within the scope of its purview.

To that effect, the Committee will have jurisdiction:

- a) To regularly review corporate governance policies and to propose amendments and updates appropriate for ongoing growth and enhancement to the Board of Directors for approval or for submission to the General Shareholders Meeting.
- b) To foment the Company's corporate governance and sustainability strategy.
- c) To supervise compliance with statutory requirements and standards for corporate governance.



- d) To examine, foment, steer, and supervise the Company's activities in the area of corporate governance and to report on this to the Board of Directors and to the Executive Committee, as appropriate.
- e) To evaluate and review the Company's plans for executing social responsibility policies and to monitor the degree of compliance.
- f) To report on the activities assigned to and carried out by the foundations linked to the Group in the areas of general interest and corporate social responsibility.
- g) To report on the Company's Annual Corporate Governance Report, compiling the sections of the reports of the Auditing and Compliance Committee and the Appointments and Remuneration Committee that fall within its remit, and, if one is released, the annual report on sustainability, prior to their approval.
- h) To promote drafting of the Company Code of Ethics, to propose it and possible subsequent amendments to it to the Board of Directors for approval, and to promote all other relevant issues relating to promotion of, awareness of, and compliance with the Code of Ethics.
- i) To review the Company's internal policies and procedures to verify their effectiveness in preventing inappropriate conduct and to identify policies or procedures that would potentially be more effective in promoting the highest ethical standards.
- j) Any other tasks that may be assigned by the Company's Board of Directors.

In the course of the year it has (i) reported on the Annual Corporate Governance Report, the Corporate Responsibility Report, and Annual Financial Report in the areas falling within its remit; (ii) monitored the operation of the Code of Ethics and any incidents that arose during the year reported using the Ethical Reporting Channel; and (iii) evaluated corporate social responsibility policies and steps that were taken during the year.

**C.2.2** Fill in the following table with details of the number of female directors on the Board of Director's Committees at the close of the last four financial years:

	Number of female directors							
	Financial year 2018		Financial year 2017		Financial year 2016		Financial year 2015	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	1	33.33	1	33.33	2	50.00	2	66.66
Strategy and Operations Committee		0.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Appointments and Remuneration Committee		0.00		0.00		0.00		0.00
Corporate Social Responsibility Committee	2	66.66	2	66.66	2	66.66	N.A.	N.A.

**C.2.3** If appropriate, state the Board of Directors' committees that have regulations, where they are available for reference, and amendments made to them during the year. Also, state whether any annual report on the activities of each committee has been drawn up voluntarily.

Each of the Board of Directors' Committees described in the preceding sections has its own rules and regulations. They are available on the Company's website at (<http://www.cieautomotive.com/web/investors-website/comisiones-del-consejo-de-administracion>). The committees have drawn up the corresponding reports on their activities during 2018, and they have been posted on the above-mentioned website.

## **D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS**

**D.1.** If appropriate, explain the procedure and the competent bodies for approving related-party and intra-group transactions.

Transactions concluded by the Company or its affiliates with their directors, significant shareholders, or representatives on the Board of Directors or with parties related to them have to be submitted to the Board of Directors beforehand for prior approval (especially in the case of transactions that do not ensue from the ordinary course of business of the companies in the group. In any case, regardless of their nature, all related-party transactions are carried out at market prices in compliance with the laws and regulations in force.

D.2. Specify any significant transactions in terms of their amount or in terms of their subject matter performed between the Company or entities in its group and the Company's significant shareholders.

Name or company name of the significant shareholder	Name or company name of the Company or entity in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sales of finished or not finished goods	191,689
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Purchases of finished or not finished goods	26,489
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Reception of services	2,204
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Delivery of services	10
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sales of finished or not finished goods	2,783
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Commercial	Sales of finished or not finished goods	19,420
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Commercial	Purchases of finished or not finished goods	557

The lines related to the operations between ACEK Desarrollo and Gestión Industrial, S.L. and CIE Automotive Mexico have been calculated considering the expression "CIE Automotive Mexico" to various Mexican companies of the group.

D.3. Specify any significant transactions in terms of their amount or in terms of their subject matter performed between the Company or entities in its group and the Company's directors or executives

Name or company name of the directors or executives	Name or company name of the related party	Relationship	Type of transaction	Amount (thousands of euros)
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	JESUS MARIA HERRERA BARANDIARAN IS CEO OF CIE AUTOMOTIVE, S.A.	Financing agreements: loans	152
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	JESUS MARIA HERRERA BARANDIARAN IS CEO OF CIE AUTOMOTIVE, S.A.	Others	11,700
MANAGEMENT TEAM	CIE AUTOMOTIVE, S.A.	SOME DIRECTORS OF THE GROUP	Financing agreements: loans	27.258

- D.4. Report of significant transactions carried out by the Company with other entities belonging to the same group that are not eliminated when drawing up the consolidated financial statements and are not part of the Company's purpose and the Company's terms and conditions in its ordinary course of trade.

In any event, all intra-group transactions carried out with entities established in countries or territories classified as tax havens are to be reported:

Name or company name of the group entity	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

- D.5. Specify any significant transactions performed between the Company or entities in its group and other related parties not reported in previous sections

Name or company name of the related party	Brief description of the transaction	Amount (thousands of euros)
CIE AUTOMOTIVE I+D+I FOUNDATION	Delivery of services	13
CIE AUTOMOTIVE I+D+I FOUNDATION	Reception of services	3,442
BANCA MARCH, S.A.	Accounts payable	14,712
GLOBAL DOMINION ACCESS, S.A.	Reception of services	1.593
GLOBAL DOMINION ACCESS, S.A.	Delivery of services	45

- D.6. Indicate the mechanisms established to detect, determine, and resolve potential conflicts of interest between the Company and/or its group and its directors, executives, or significant shareholders.

Rule 34 of the Board of Directors Regulations provides:

"Rule 34. Conflicts of Interest

1. Directors will take the necessary steps to avoid conflicts of interest as stipulated by law.
2. A conflict of interest will exist in those situations in which the Company's interests and the personal interest of the Director clash, directly or indirectly. A personal interest on the part of a director exists where the matter affects the director him or herself or a Related Person. For purposes of these Regulations, Related Persons will be:
  1. The director's spouse or persons in a comparable sentimental relationship.
  2. Parents, children, and siblings of the director or the director's spouse.
  3. Spouses of the director's parents, children, and siblings.
  4. Companies in which the director, him or herself or through an interposed person, is in any of the circumstances set forth in Section 4 of the Spanish Securities Market Act.

Where the director is a legal person, Related Persons will be:

1. Members who are in any of the circumstances set forth in Section 4 of the Spanish Securities Market Act with respect to the legal person serving as director.
2. *De facto* or *de jure* directors, liquidators, or legal representatives vested with general power of attorney of the legal person serving as director.
3. Members who are in any of the circumstances set forth in Section 4 of the Spanish Securities Market Act with respect to the legal person serving as director.
4. Persons who are Related Parties to the directors in respect of the representative of the legal person serving on the Board in accordance with this section.

3. The following rules apply to conflict of interest situations:

- a) Notice: the director will notify the Board of Directors and the Audit and Compliance Committee of any conflict of interest situation in which the director is involved, through the person of the Chair or the Secretary.
- b) Abstention: the director will abstain from attending and taking part in the deliberation and voting procedures relating to any matters in which the director faces a conflict of interest. In the case of proprietary directors, they will abstain from voting on any matters that may represent a conflict of interest between the shareholders who nominated him or her for appointment and the Company.
- c) Transparency: where appropriate in conformity with the law, the Company will report any and all conflicts of interest involving directors during the year in question of which it is aware by virtue of a notice from the party concerned or any other means.

D.7. Is more than one company in the Group listed in Spain?

Yes

No

## E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Describe the Risk Control and Management System in place at the Company, including tax-related risks.

CIE Automotive is subject to several risks inherent in the various countries, markets and businesses in which it operates and the activities carried out in each of them. Aware of the importance of adequate risk management, the Board has developed a general policy for global risk management and identification, which is implemented and monitored by the Audit and Compliance Committee ("ACC").

The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 methodology and on a continuous cycle, broken down into five phases:

- I. Identify the key risks that may affect the achievement of the organisation's objectives, including all objectives regarding control over financial reporting, including tax-related risks.
- II. Evaluate them based on their probability of occurrence and impact on the organisation, taking into account the existing controls. These scales are useful to place each risk on the Risk Map, the main risk assessment tool.
- III. Establish a response for each of them.
- IV. Monitor the actions taken.
- V. Report the results of the analysis performed.

E.2. Identify the corporate bodies responsible for developing and implementing the Risk Control and Management System, including tax-related risks.

The Board is responsible for implementing the risk management system, including tax risks, and relies specifically on the ACC for its monitoring and proper operation.

The risk management policy of CIE Automotive requires all business divisions to identify and assess the risks to which they are exposed in the pursuit of their business objectives, for the purpose of identifying sufficiently in advance the appropriate mitigating measures to reduce or eliminate the probability of the risk occurring and/or its potential impact on the objectives if they were to materialise.

E.3. List the main risks, including tax risks and, to the extent that they are significant, those arising from corruption (understood within the scope of Royal Decree Law 18/2017), that may impact the achievement of the business objectives.

In performing its activity, CIE Automotive is exposed to a variety of risks inherent to the different business activities in which it engages and to the countries in which they are carried out.

In addition, the different degree of socio-economic uncertainty that exists in the markets in which CIE Automotive carries out its activity may lead to the appearance of risk factors, currently unknown or not considered relevant, which could eventually affect the business, results and/or financial position of the Company.

The main risks to which CIE Automotive is exposed in complying with its business objectives are briefly detailed as follows:

a) Corporate risks:

- Regulatory risks: arising from securities market regulations, the data protection law, potential changes in Spanish and international tax regulations and third-party liability on equity integrity.
- Financial risks: level of indebtedness, liquidity risk, risks arising from fluctuations in exchange rates and interest rates, risks from the use of derivative financial instruments and investment risk.
- Information risks: reputational risks that may affect CIE Automotive's image and those relating to transparency and its relationship with analysts and investors.

b) Business risks: those that specifically affect each of the business areas and change depending on the unique nature of each business activity.

- Operational risks: risks relating to contracting and customer relations, product quality, and environmental, purchasing and subcontracting risks.
- Non-operational risks: risks relating to occupational health and safety, human resources, specific tax regulations applicable to the businesses, the reliability of accounting and financial information and the management of financial resources and indebtedness.

For more information on the risks and the measures taken to manage these risks, please see the Non-Financial Reporting Statement - 2018 Annual Report.

#### E.4. Identify whether the entity has risk tolerance levels, including tax risks.

The Board approves the acceptable level of risk for each type of risk, business and geographical location, as well as the levels of deviation allowed based on the strategic objectives and its strategic lines to achieve them. The acceptable levels of risk are regularly updated in accordance with any changes in the corporate strategy and the risk profile of the businesses.

Any risks that threaten the achievement of the business objectives are identified on an annual basis, including tax risk, and they are assessed based on their probability of occurrence and potential impact on financial profit, to determine the severity of the risk.

#### E.5. Indicate any risks, including tax risks, that have arisen during the year:

In 2018 the risk map was reviewed and defined, which improved the detection of risks and policies for minimising existing risks. As a result, there was no substantial occurrence of the risks listed, as they were properly monitored by the various divisions and by the Compliance department, showing that the control systems were working properly, and there were no significant effects on the consolidated financial statements for 2018.

#### E.6. Explain the response and monitoring plans for the Company's main risks, including tax risks, as well as the procedures followed by the Company to ensure that the board responds to the new challenges that arise:

CIE Automotive has a corporate risk control and monitoring system, on which the system of each business unit depends, whereby each management level is responsible for the compliance with applicable internal rules and procedures.

Their effectiveness is assessed and verified on a regular basis by the Compliance department, which has qualified and experienced personnel, independent of the business lines. Alerts, recommendations and conclusions generated are communicated to CIE Automotive management.

The measures taken by CIE Automotive for monitoring risks include the following:

- Setting objectives and internal regulations (policy, procedures and manuals).
- Definition, monitoring and continuously evaluating the design and performance of internal control systems and compliance.

During the process of drafting the 2018 Risk Map, the Company has worked on the identification of new responses and consolidation lines for its most significant risks.

It is important to highlight that CIE Automotive has analysis, monitoring and control units in various areas of risk management, such as:

- Financial risk management and control.
- Tax risk reporting and control.
- Information system risks.
- Safety and the environment.
- Corporate Social Responsibility.

## **F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)**

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Describe the mechanisms that comprise the internal control and risk management systems in relation to the financial reporting process (ICFR) at the entity.

### F.1. The entity's control environment.

Specify at least the following components with a description of their main characteristics:

#### F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of a suitable and effective ICFR system; (ii) its implementation; and (iii) its oversight.

The Board of CIE Automotive is the body responsible, among other matters, for the updating and on-going improvement of the Company's corporate governance system, in accordance with current legislation, and generally recognised good corporate governance recommendations, through the resolutions it considers necessary or advisable, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed at the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the Internal Control over Financial Reporting System ("ICFR System").

The CIE Automotive Audit and Compliance Committee ("ACC") is the body responsible for monitoring the effectiveness the Company's ICFR System, the internal audit function, and the risks management process, and for discussing with the auditors or audit firms any significant weaknesses in the internal control system detected during the course of the audit.

The ACC is supported by the Compliance department to perform these functions, being responsible for the implementation of the ICFR System and, in general, the entire internal control system of CIE Automotive, overseeing the definition and design of the internal control procedures that should be implemented in the Company's operations, compliance with legal regulations, internal policies and the procedures established.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring procedures are in place to communicate this structure effectively throughout the entity:

The Board is the ultimate body responsible for defining and reviewing on a regular basis the organisational structure of CIE Automotive, and delegates to senior management the task of ensuring that subordinate structures have sufficient human and material resources. With regard to the process of preparing the financial information, there is a global interrelated finance department that is composed of the Controlling and Tax departments and the Treasury and Finance department.

The responsibilities and functions of all persons directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE Automotive's internal policies and procedures.

There are internal protocols ensuring that information on any change in relation to the preparation of financial information is distributed to the appropriate personnel in due time and form. There are also controls in place to identify any irregularity in this regard.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

CIE Automotive currently has an Internal Code of Professional Conduct and Internal Regulations on Conduct in relation to Securities Markets, in which there is a specific section on the reliability of the financial information, which establishes a series of specific rules aimed at anyone involved in the financial reporting process.

Both documents are published on the corporate website and are distributed to all personnel subject thereto through the communication channels established for this purpose. In both cases, the body responsible for their definition and approval is the Board.

The Internal Code of Professional Conduct lays down certain basic rules and principles that aim to ensure the commitments to and transparency in relations and transactions with customers, suppliers and employees, the maximisation and protection of shareholders' investments and the safeguarding of health, safety and the environment. The Code also establishes the need for controls over payments and any situation of conflict of interests involving employees.

The functions of the Corporate Social Responsibility Committee ("CSRC") include monitoring compliance with the aforementioned code and regulations on conduct.

- Whistle-blowing channel, for reporting to the audit committee any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

CIE Automotive has an ethics channel for the receipt of notices and/or reports related to irregular conduct or activities implying any breach of the principles and ethical rules laid down in the Internal Code of Professional Conduct or the Internal Regulations on Conduct in relation to Securities Markets.

There are regulations setting out the process for the functioning of the ethics channel, which ensures that reports can be submitted by either named staff members or anonymously, whereby the confidentiality of the whistleblower is guaranteed at all times, if so desired, and an action protocol for analysing the complaints received and reporting them to the CSRC for monitoring.

- Training programmes and periodic refresher courses for personnel involved in preparing and reviewing financial information and evaluating the ICFR system, which at least cover accounting standards, auditing, internal control and risk management.

As well as a variety of staff training programs, CIE Automotive has the following additional training resources and support for personnel involved in preparing and reviewing financial information and evaluating the ICFR system

- There is an Accounting Policies Manual, which is updated on an on-going basis.
- There is an ICFR Policy.
- There is a Controlling and Tax department, which is responsible for resolving any doubts regarding interpretation of the Accounting Policies Manual, and providing advice on the treatment of complex transactions.
- There are division/regional controllers who are involved in providing support to everyone that forms part of the financial function at all its plants and companies, through on-going internal assessment and training.
- When a new company joins the Group, support strategies are developed to train the new employees in accordance with CIE Automotive's standards and criteria.
- Advice is received from external advisors in relation to changes in accounting, legal and tax regulations that may affect the Company.

F.2. Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, with regard to:

- Whether the process exists and is documented:

The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 methodology and on a continuous cycle, broken down into five phases:

- I. Identify the key risks, including risks of error or fraud, that may affect the achievement of the organisation's objectives, including all objectives regarding control over financial reporting, including tax-related risks.
- II. Evaluate them based on their probability of occurrence and impact on the organisation, taking into account the existing controls. These scales are useful to place each risk on the Risk Map, the main risk assessment tool.
- III. Establish a response for each of them.
- IV. Monitor the actions taken.
- V. Report the results of the analysis performed.

The process of identifying and assessing risks falls upon senior management and executive team, who self-assess the risks identified, with the Compliance department acting as the coordinator in this process.

The result obtained is a Risk Map, and a list of steps to be taken to properly manage the risks.

This is supplemented by activities for monitoring the management of certain risks, which are carried out by the Compliance department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial reporting that may have a material impact on its reliability.

The Risk Map must be updated at least on an annual basis. However, if circumstances arise during the year that require specific steps to be taken to manage a potential risk, the appropriate measures would be adopted.

- Whether a specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

The process of identifying and assessing risks takes into consideration all processes, Group companies and their various structures, and the specific characteristics of each country and business line, with particular attention being paid to risks arising from those transactions that, owing to their foreseen level of complexity or significance, require specialised management.

- Whether the process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.

As indicated above, the model is based on the ISO 31000 methodology, which, on the basis of the organisation's objectives, results in a Risk Map that is updated annually, monitoring financial, tax, legal and other types of risks (operational, strategic, compliance, environmental, Corporate Social Responsibility, good governance, and those relating to the supply chain, etc.).

- Which of the Company's governing bodies is responsible for overseeing the process.

This entire process is reviewed and approved by the ACC, which is the body that ultimately determines whether the process of identifying, assessing and monitoring the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial reporting, are appropriate and sufficient.

### F.3. Control activities

Specify at least the following components with a description of their main characteristics:

F.3.1. Procedures for reviewing and authorising financial reporting and the description of the ICFR system to be disclosed to the securities markets, indicating those in charge, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may have a material effect on the financial statements, including the accounting close procedure and the specific review of the relevant judgements, estimates, evaluations and projections.

The Board is the highest body responsible for approving and monitoring the Group's financial statements.

CIE Automotive sends quarterly information to the securities market. This information is prepared by the Controlling and Tax department, which performs a number of control activities during the accounting closing period to ensure the reliability of financial information.

In addition to the actual accounting close procedure, and prior to the process of preparing and reviewing financial information, CIE Automotive has control procedures and activities in other key areas of the Company, the purpose of which is to ensure that transactions are properly recorded, measured, presented and broken down, and to prevent and detect fraud and thus cover all transactions that may have a material effect on the Company's financial statements.

The company's key processes, including closing, for which risk and control matrices have been defined, are as follows:

- Closing, consolidation and reporting
- Non-current assets
- Inventories
- Revenue/Accounts receivable
- Cash
- Provisions
- Procurements/Accounts payable
- Human resources
- Taxes

The financial statements are prepared based on a reporting schedule and deadlines, known by all those participating in the process, and taking into account the legal deadlines.

Furthermore, and to review the judgements, estimates, evaluations and projections, the Accounting Policies Manual defines the applicable criteria existing at CIE Automotive.

These significant transactions are reviewed by the Company's Board through various processes (review, approval and monitoring of the Strategic Plan and the Budget, and review of the most significant accounting estimates and judgements used in preparing the financial information), once the ACC has confirmed that the information is adequate.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

CIE Automotive has internal control policies and procedures in place for the IT systems that support its significant processes, including the process of preparing and reviewing financial information. This policy and the associated regulatory framework is based on a catalogue of international standards ISO 27000.

CIE Automotive uses IT systems to correctly record and control its operations and, therefore, it is highly dependent on their correct functioning.

As part of the process of identifying risks of misstatement in financial reporting, CIE Automotive identifies the relevant systems and applications in each of the areas or processes considered significant. The systems and applications identified include both those that are used directly in the preparation of financial information, and those that are relevant to the effectiveness of the controls that mitigate the risk of misstatement in such information.

CIE Automotive has a security system policies defined at the corporate level aimed at achieving the general security objectives identified.

The objective is to take the appropriate measures of an organisational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this regard relates to the following areas:

- Access control and user management.
- Management of change.
- Back-up and recovery.
- Physical security.
- Control of subcontractors.
- Provision of resources, risk purging and business maintenance.

Critical business processes for CIE Automotive have different organisational and technological solutions that guarantee business continuity.



F.3.3. Internal control policies and procedures for overseeing the management of activities outsourced to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

In general, CIE Automotive does not outsource any activities considered relevant that could have a material effect on the financial information.

In any case, the Company has a management procedure in place for activities outsourced to third parties, the purpose of which is to define the controls to be applied to outsourced activities that have a significant impact on the financial information prepared by the Company.

Based on the analysis performed, in 2018 the only outsourced area with a potential significant impact on the financial information was considered to be the IT Systems area. In this respect, the Company has verified that the supplier has obtained the necessary certificates to evidence an adequate control environment, and that these certificates are regularly validated by an external party.

In addition, control activities are carried out on a regular basis at CIE Automotive (included in the aforementioned risk and control matrices), which contribute to validating the control environment in this area.

Responsibility with regard to other activities in relation to significant transactions entrusted to independent experts (e.g., tax advisory services, relationship with actuaries and derivative management) remains within CIE Automotive, which requires specific monitoring work to guarantee their reliability. In addition, the ACC authorises all actions of the Company's external auditor to ensure their independence.

#### F.4. Information and communication

Specify at least the following components with a description of their main characteristics:

F.4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations; and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The accounting policies function is assumed by the Controlling and Tax department, which reports directly to the CEO.

In performing this function, the department assumes the following responsibilities:

- Maintenance and dissemination of the Accounting Policies Manual (continuously updated) to other Group companies.
- Update any changes in accounting rules applicable to all members of the financial function.
- Resolution of conflicts that may arise (at an individual or consolidated level) in the interpretation of the standards to be applied. Mechanisms for collecting and preparing financial information in a homogeneous manner.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

CIE Automotive has a specific system for financial reporting and consolidation that is used in all units of the Group and that allows financial information to be collected in a homogeneous manner. This system, which is underpinned by the SAP BPC tool, is used in turn for the aggregation and consolidation of the data reported.

Additionally, to ensure the reliability of the ICFR information, CIE Automotive has implemented the SAP GRC tool in all units of the Group.

#### F.5. Monitoring

Specify at least the following components with a description of their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the audit committee and whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The ACC has the following oversight responsibilities with regard to ICFR:

- Supervision of periodic financial reporting.
- Monitoring and evaluation of the ICFR system.
- Knowing the financial reporting process and internal control systems associated with the Company's significant risks.
- Review internal control and risk management systems on a regular basis, so that the main risks are properly identified, managed and disclosed.

CIE Automotive has an Internal Audit department that reports to the Compliance department, which in turn reports to the ACC, which coordinates the internal auditing teams in Europe (including Russia and Morocco in the scope), North America, Brazil and Asia, the members of which are exclusively dedicated to these functions.

The main function of the Internal Audit department is overseeing the internal control system, which includes aspects sections monitoring the correct implementation of the risk management system, including the risk of fraud, and the controls aimed at the reliability of the financial information.

Based on the results of the risk assessment, the Internal Audit department prepares an annual ICFR assessment plan, which will be submitted each period for approval by the ACC as the body responsible for overseeing ICFR.

The information on ICFR will be provided to the market or stakeholders on an annual basis and will cover the financial year of the corresponding financial report.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the Company's senior management and its audit committee or board. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

The auditor actively participates in the meetings of the ACC. Furthermore, the auditor issues an annual report on internal control weaknesses, which is submitted to the ACC in order to take any measures considered appropriate.

In addition, CIE Automotive has a procedure allowing any external advisor, in the exercise of their activity, to detect the existence of internal control weaknesses, and communicate the incidents detected to the ACC, through the Compliance department, for discussion, analysis and evaluation.

F.6. Other relevant information

F.7. External auditor review.

Report on:

F.7.1. Whether the ICFR information reported to the markets has been reviewed by the external auditor. If "yes", the related report should be included in the corresponding report as an Appendix. If "no", give reasons. If "no", give reasons.

CIE Automotive has submitted for review by the External Auditor the effectiveness of ICFR system, in relation to the financial information contained in its consolidated financial statements accounts at 31 December 2018.

A copy of the report with the opinion of the External Auditor is attached.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the code of good governance for listed companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Compliant [ X ]

Explain [ ]

2. When a parent and a subsidiary are listed companies, both should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Compliant [ ]

Partially compliant [ ]

Explain [ ]

Not applicable [ X ]

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:
- Changes taking place since the previous annual general meeting.
  - The specific reasons why the Company does not follow certain recommendations of the Corporate Governance Code and the alternative rules applied in this connection, should any exist.

Compliant [ ]      Partially compliant [ X ]      Explain [ ]

Within the framework of the normal running of the General Shareholders Meeting, they are informed of any relevant changes that have taken place since the last meeting, including issues of corporate governance (i.e., approval of new Board of Directors Regulations, creation of the Corporate Social Responsibility Committee, etc.).

However, it is not considered important to emphasize the reasons why CIE Automotive, S.A. does not follow any specific recommendation since (i) no circumstances seem sufficiently relevant, and (ii) those circumstances, if appropriate, are included in the Annual Corporate Governance Report, (to which all shareholders have timely access).

4. The company should draw up and implement a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the Company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

5. The board should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emption rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emption rights, the Company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- Report on auditor independence.
- Reviews of the operation of the audit committee and the appointments and remuneration committee.
- Audit committee report on third-party transactions.
- Report on corporate social responsibility policy.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

7. The company should broadcast its general meetings live on the corporate website.

Compliant [ ]      Explain [ X ]

Given the characteristics of its shareholder structure and the level of attendance at meetings, CIE Automotive, S.A. does not consider it necessary to broadcast of the General Shareholders Meeting live on its website.

In view of its size, capitalisation, composition of share capital and the normal development of the general meetings, the Company considers that live streaming would not be widely received or have a significant following. Consequently, the measure would entail more costs than benefits involved and its implementation would not add value to the Company's corporate governance.

8. The audit committee should strive to ensure that the board can present the Company's accounts to the general shareholders meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant  Partially compliant  Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general shareholders meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant  Partially compliant  Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders meeting, the Company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general shareholders meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant  Partially compliant  Explain  Not applicable

11. In the event that a company plans to pay for attendance at the general shareholders meeting, it should first establish a general, long-term policy in this respect.

Compliant  Partially compliant  Explain  Not applicable

12. The board should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant  Partially compliant  Explain

13. The board should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant  Explain

14. The board should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general shareholders meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant  Partially compliant  Explain

15. Proprietary and independent directors should constitute an ample majority on the board, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant  Partially compliant  Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion of the capital represented on the board by these directors to the remainder of the Company's capital.

This criterion may be relaxed:

- a) In large cap companies where few or no ownership interests attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant  Explain

In line with section (b) of this recommendation, CIE Automotive, S.A. has a plurality of significant shareholders represented on the Board that are otherwise unrelated.

The potential overrepresentation of proprietary directors that might be detected is mitigated by the diversity of shareholders with a variety of interests that form part of the Board.

The Company therefore considers that the balance expressed by the recommendation is sufficiently mitigated by the variety of interests of the significant shareholders that are represented on the Board by proprietary directors with different profiles, knowledge and experience.

17. The number of independent directors should represent at least half of all board members.

However, when the Company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.

Compliant  Explain

CIE Automotive, S.A. considers that the number of independent directors correctly reflects the current shareholder structure of the Company.

Since the Company is not consider a large-cap company, the ratio of independent directors over total directors is 15% and, therefore, it does not reach the recommended ratio of one third. However, if both independent directors and non-executives directors are included, the ratio is 77%.

The Company considers that these proportions are adequate for the configuration of the Board considering the shareholder structure and, therefore, that it is not necessary to include more independent directors at the moment. The Company considers that the number of non-executives directors (almost three-quarters of total directors) enables Board to take decisions with the necessary levels of quality, objectivity and independence for the right formation of the corporate will. However, the inclusion of independent directors in subsequent appointments that may be proposed by the Board at the General Shareholders Meeting will be promoted.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) An indication of the director category to which they belong, in the case of proprietary directors indicating the shareholder they represent or are related thereto.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the Company and any options thereon.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

Although there is no specific section on the website that groups together the information indicated in the recommendation, all information on directors referred to in this recommendation is contained in the Annual Corporate Governance Report (accessible at all times from the website) and in the section of the website reserved for the Board; and the Company considers the content of the information to be sufficient for the purposes proposed and in relation to the profiles of the Board members.

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital and explain any rejection of a formal request for a board place from shareholders whose ownership interest is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their ownership interest, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

21. The board should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant [  ]      Explain [  ]

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is prosecuted or tried for any of the offences stated in company legislation, the board should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

Recommendation 22 includes two reasons or circumstances to resign: (i) circumstances that may harm the Company's name or reputation, and (ii) the director in question is prosecuted or tried for any of the offences stated in company legislation.

Article 26.2(d) of the Company's Board of Directors Regulations establish the following circumstances for resignation: "When the directors are prosecuted for an allegedly criminal offence or are subject to disciplinary proceedings due to a serious or very serious breach brought by the supervisory authorities".

With regard to the second reason or circumstance described in recommendation 22, this is included in the Board of Directors Regulations (the expression "are prosecuted" includes having a court order issued for the initiation of trial proceedings, comparable to an order for abbreviated proceedings. Furthermore, the requirements in the Board of Directors Regulations are greater than those recommended, as they include any type of offence (not only those indicated in company legislation) and exceed the scope of jurisdiction in criminal matters, as they include the possibility of bringing action in administrative sanctioning proceedings, such as the initiation of disciplinary proceedings. The Company is therefore compliant with regard to the second reason.

With regard to the first reason or circumstance described in recommendation 22, the Company considers that it is extremely broad and abstract, and that its objectives is sufficiently covered by the cases envisaged in sections (d) to (f) of article 26.2 of the Board of Directors Regulations.

In any case, the Company is not fully compliant, as it deviates from the literal wording of the recommendation.

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary to the board, even if he or she is not a director.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all board members. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

The Company's Board has a balanced composition with regard to the type of directors. Those directors that act as directors in other companies, have evidenced that these functions do not prevent them from dedicating sufficient time to their tasks as director at CIE Automotive.

In addition, the Appointments and Remuneration Committee, when appointing an independent director or when receiving information on any other type of director proposed, assesses the candidate's capacity of dedication to the Company, among other matters.

The Company therefore considers that it is not necessary to include this limitation in the Board of Directors Regulations.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

The Company considers that it is not necessary to comply with the minimum recommended frequency (8 meeting per year) for various reasons, such as, the existence of three executive directors (with autonomous decision-making capacity in the case of the CEO, on the basis of the functions delegated) or the fact that, up until now, in practice the number of meetings each year that are held (6) have been shown to be sufficient to monitor business activities and provide directors with information and the ability to take the necessary decisions regarding strategy and management of the Company and its group.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

Directors absences are quantified in the Annual Corporate Governance Report. It should be noted that in the majority of cases, absent directors delegate their representation to other directors, although they do not grant representation with specific instructions, but leave direction of the vote up to the representative director.

Although this practice does not comply with the recommendation, at all meetings at which this circumstance has occurred, the number of absences (although represented without instructions) was not significant, and the absent directors were duly represented through their representatives indicated.

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant [  ]      Explain [  ]      Not applicable [  ]

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its group.

Compliant [  ]      Partially compliant [  ]      Explain [  ]



33. The chairman, as the person charged with the efficient functioning of the board, in addition to the functions assigned by law and the Company's Articles of Association, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the Company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

34. When a lead independent director has been appointed, the Articles of Association or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance; and coordinate the chairman's succession plan.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]      Not applicable [ ]

35. The board secretary should strive to ensure specifically that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the Company.

Compliant [ X ]      Explain [ ]

36. The board in plenary session should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board and the Company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board, while that of the board itself should start from the report of the appointments committee.

Every three years, the board should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the Company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary to the board should also act as secretary to the executive committee.

Compliant [ ]      Partially compliant [ ]      Explain [ ]      Not applicable [ X ]

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant [ ]      Partially compliant [ ]      Explain [ ]      Not applicable [ X ]

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]      Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

1. With regard to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and monitor a mechanism whereby employees can report, in a confidential or, if appropriate and feasible, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of any external auditor.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

- c) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor holds an annual meeting with the board in plenary session to inform it of the work performed and developments in the Company's risk and accounting positions.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant [ ]      Partially compliant [ X ]      Explain [ ]

Despite the fact that some of the functions mentioned are not expressly attributed to the committees in company regulations, they are carried out on a de facto basis, particularly those expressly stipulated by the sections 529 quaterdecies and 529 quidecies of the Spanish Corporate Enterprises Act (and, therefore, directly applicable).

The Company's Audit Committee Regulations expressly include the following functions (in reference to the matters contained in recommendation 42), which, at least partially and certainly not with a literally meaning, account for the set of recommendations indicated for the systems for preparing information and internal control systems, and in relation to the external auditor:

- e) Analyse, along with the auditors, any significant weaknesses in the internal control system detected during the audit. (Recommendation 42;2b))
- f) Supervise the process of preparing and submitting the required financial information. (Recommendation: 42;1a)
- g) Propose to the Board, to then be submitted at the General Shareholders Meeting, the appointment, re-election or replacement of the external auditor, as well as the terms of their engagement, in accordance with applicable legislation, and regularly gather information from the auditors regarding the audit plan and its implementation, in addition to preserving their independence in the performance of their duties.
- h) Supervise the activity of the Internal Audit department, which will report functionally to the Audit and Compliance Committee. (Recommendation 42;1b))
- i) Establish the appropriate relationships with the auditor to receive information on those matters that may jeopardise its independence and that will be studied by the Committee, and any other matters related to the audit process, as well as those communications envisaged in audit legislation and other audit regulations. In any case, written confirmation must be received, on an annual basis, from the auditor of its independence with regard to the Company or entities directly or indirectly related thereto, as well as information on any type of additional services provided and the related fees received from these entities by the auditor or by persons or entities related to the auditor pursuant to that provided in accounting legislation. (Recommendation 42;2))"

43. The audit committee may call on any company employee or manager to be present at its meeting, even ordering their presence without another manager.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the Company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant [ ]      Partially compliant [ ]      Explain [ ]      Not applicable [ X ]

45. The risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the Company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) The measures in place to mitigate the impact of risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

46. Companies should establish a risk control and management function in the charge of one of the Company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks to which the Company is exposed are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively within the framework of the policy defined by the board.

Compliant  Partially compliant  Explain

47. Appointees to the appointments and remuneration committee – or of the appointments committee and the remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge and that the majority of their members should be independent directors.

Compliant  Partially compliant  Explain

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Compliant  Explain  Not applicable

49. The appointments committee should consult with the Company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant  Partially compliant  Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior executive contracts.
- b) Monitor compliance with the remuneration policy set by the Company.
- c) Periodically review the remuneration policy for directors and senior executives, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior executives in the Company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents, including the annual report on directors' remuneration.

Compliant  Partially compliant  Explain

The Company's Appointments and Remuneration Committee Regulations expressly include the following functions (in reference to the matters contained in recommendation 50), which, at least partially and certainly not with a literally meaning, account for the set of recommendations indicated:

"a) Propose to the Board the remuneration policies for directors and senior executives and review them on a regular basis, proposing any amendments and updates to the Board, where applicable. (Recommendation 50 a) and c))

k) Notify and submit to the Board the proposals of the Company's executive officer concerning the remuneration structure of senior executives and the standard terms of their contracts. (Recommendation 50 a)).

l) Ensure the compliance of the Company remuneration programmes and report on the documents to be approved by the Board for general disclosure with regard to information on remuneration, including the annual report on directors' remuneration and the corresponding sections of the Annual Corporate Governance Report. (Recommendation 50 b) and e))".

51. The remuneration committee should consult with the Company's chairman and chief executive officer, especially on matters relating to executive directors and senior executives.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees having regard to the knowledge, skills and experience of its directors and remit of each committee and discuss their proposals and report; and the committees should report the business transacted and account for the work performed at the first plenary session of the board following each committee meeting.
- d) Committees may engage external consultants, when they feel this is necessary for the discharge of their duties.
- e) Meetings should be recorded in minutes and a copy made available to all board members.

Compliant [ ]      Partially compliant [ X ]      Explain [ ]      Not applicable [ ]

With regard to the Corporate Social Responsibility Committee, the Company does not comply with the recommendation corresponding to the composition of the committee members, as there are no independent directors on the committee. The Company considers that the functions attributed to this committee are adequately carried out by non-executive directors, who have the same criteria correctness and independence of judgement as independent directors, with which there would be an analysis unit; it is therefore not considered necessary for the chairman or any committee members to be elected from among the Company's independent directors.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the Company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small- and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

- d) Review the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess the level of compliance therewith.
- f) Monitor and evaluate the Company's interaction with its stakeholders.
- g) Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

54. The corporate social responsibility policy should state the principles or commitments the Company will voluntarily adhere to in its dealings with stakeholders, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant [  ]      Explain [  ]

57. Variable remuneration linked to the Company's profit and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the Company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant  Partially compliant  Explain  Not applicable

The CEO earns variable remuneration that depends on compliance with general, since target levels of compliance are not determined, economic objectives (EBITDA) that can be valued and assessed by Appointments and Remuneration Committee.

The Company does not considered relevant to the purpose of variable remuneration to link this remuneration to objective, measurable and direct components that time remuneration to the Company's performance, beyond a general element of compliance with EBITDA levels expected for the year (budget).

As a result of the relationship between the Company and its CEO, his dedication, capacity to generate value and his loyalty shown towards the Group, there is no need to introduce control or correction mechanisms such as those indicated in sections b and c of the recommendation.

The executive directors who receive this type of remuneration have typically been very committed and dedicated to the Company and the Company's performance has been sufficiently satisfactory so that these correlation measures have not been necessary.

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant  Partially compliant  Explain  Not applicable

In accordance with recommendation 58, the Company does not consider the variable remuneration of the CEO should be deferred until compliance with the objective is verified.

However, the CEO has a variable long-term remuneration based on the evolution of the share price that can be generated over a period of ten years, with which there is a long-term link to be able to link the remuneration with the creation of value over time (which indirectly is related to its performance)

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant  Partially compliant  Explain  Not applicable

The variable remuneration of the CEO does not take into account these circumstances, essentially as a result of the absence of qualifications by the external auditors in the financial statements.

If there are qualifications, the circumstances under which they arose would have to be understood and, therefore, the consequences deriving from this fact would be assessed by the Board in each particular case.

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant  Partially compliant  Explain  Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain  Not applicable

The Company considers that the limitations included in this recommendation are unreasonable with regard to the intent of the remuneration policy for the CEO and that it does not support the incentive of the plan. In this regard, the explanation lies in the nature of the plan's remuneration, and the fact that it is not necessary to establish additional components linking the remuneration of an executive director whose entire professional career has been with the Group and with regard to which there are no doubts as to his commitment.

63. Contractual arrangements should include provisions that permit the Company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant  Partially compliant  Explain  Not applicable

The Company does not comply with the recommendation under the terms proposed.

The reasoning applicable to this circumstance is the following: the remuneration to which the executive directors are entitled is not linked to performance or equivalent objective parameters; it is the Board that determines, in an autonomous and discretionary manner, the amounts to be paid as variable remuneration (except for the CEO, whose variable remuneration does depend on objective criteria, although not quantified).

That is why, to the extent that they are not taken into account when granted, mechanisms that entail reimbursement linked to a possible ex post demonstration of the performance failure cannot be introduced.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the Company confirms that he or she has met the predetermined performance criteria.

Compliant  Partially compliant  Explain  Not applicable

The contract between the CEO of CIE Automotive, S.A. and the Company includes a clause granting a compensation in case of early termination that does not strictly comply with the second part of the recommendation. In accordance with the directors remuneration policy available on the Company's website:

"h) Indemnity clauses: The CEO will be entitled to receive all of his long-term variable remuneration and the entire amount of his undertaking to remain at the Company and non-compete clause in the event that the shareholders at the General Meeting and the Board decide to remove him from his position under any circumstances within a period of ten (10) years from 1 January 2018. He will also have the right to receive an additional amount (a maximum equal to two year's salary of his fixed and short-term variable remuneration) to be included, where applicable, in his contract."



## H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and that is necessary to provide a more comprehensive view of the corporate governance structure and practices at the Company or group, explain briefly.
2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the Company voluntarily adheres to other international, industry-specific or other ethical principles or good practices. If applicable, identify the code and date of adoption. In particular, indicate whether the Company adheres to the Code of Best Tax Practices of 20 July 2010:

1. In relation to Recommendation 2, it is necessary to highlight the fact the listed company Global Dominion Access S.A. has ceased to be subsidiary of the Company during the year of reference through the distribution of the dividend in kind approved the 14<sup>th</sup> of April and completed the 4<sup>th</sup> of July. During the months of the period that Global Dominion S.A. has been listed subsidiary: 1) business transactions between listed holding company and listed subsidiary have not taken place and (ii) in relation to potential conflict of interests, they have not been likely to occur due to non-business transaction. In any case, to the extent no business transactions have taken place, there was no need to more precisely define "the eventual business relationships between the holding company and its listed subsidiary, and between the latter and the rest of Group subsidiaries" and "the planned mechanisms to resolve the eventual conflicts of interest". As a consequence, not considering necessary to provide a public definition of the nature of its business relationship, until the 4<sup>th</sup> of July 2018 recommendation 2 was partially fulfilled.

2. In October 15 2015, the Company joined the Global Compact, international initiative that promotes the implementation of 10 universally accepted principles to promote Corporate Social Responsibility (CSR) in Human Resources, Labour Standards, Environment and Anti-Corruption in business and strategy areas.

This annual corporate governance report was approved by the Company's board at its meeting held on:

22/02/2019

Indicate whether any directors voted against or abstained in relation to the approval of this report.

Yes

No

**CIE Automotive, S.A.  
and subsidiaries**

Audit Report,  
Consolidated Annual Accounts at 31 December 2018  
and Directors' Report for 2018



*"This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."*

## *Independent auditor's report on the consolidated annual accounts*

To the shareholders of CIE Automotive, S.A.:

### *Report on the consolidated annual accounts*

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#### *Opinion*

We have audited the consolidated annual accounts of CIE Automotive, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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#### *Basis for opinion*

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

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#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matters****How our audit addressed the key audit matter***Recovery of goodwill*

The Group's goodwill represents a substantial part of its assets, amounting to €997 million at year-end. As indicated in Note 7 to the accompanying consolidated annual accounts, the Group carries out tests on the recoverability of the amounts recorded under this balance sheet heading on an annual basis.

Such impairment testing is based mainly on estimated cash flows of the cash generating units (value in use) to which the assets analysed relate and therefore require that Group Management makes judgements and significant estimates. These estimates include, among other things, expectations regarding sales and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Group in its analysis are summarised in Note 7 to the accompanying consolidated annual accounts.

Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of goodwill.

First, we gained an understanding of the internal process used by Group Management to test goodwill for impairment, verifying the calculation criteria applied for consistency and the methodology of value in use established in the applicable regulations.

For cash flows, we checked not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained in 2018, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them against available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's specialist team.

For the sensitivity analyses disclosed in the notes to the accompanying consolidated annual accounts, we verified the reasonableness of the calculations made and the coherence of the variations and assumptions taken into account with respect to possible changes.

As a result of our analyses and tests performed, we consider that Group Management's conclusion concerning the absence of impairment of goodwill, the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.

Key audit matters	How our audit addressed the key audit matter
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*Recoverability of deferred tax assets*

The Group recognises deferred tax assets amounting to €181 million as non-current assets at year-end (Notes 2.22.b), 4.1.c) and 21 to the accompanying consolidated annual accounts), recovery of which depends on the generation of taxable income in future years.

Recovery of these deferred tax assets is analysed annually by the Group by estimating the tax bases for the next years.

The estimation of future tax bases is based on the business plans of the different Group companies and the planning possibilities permitted under applicable tax legislation, taking into account, in each case, the different consolidated tax groups in which the Group companies are taxed (Note 2.22.a) to the accompanying consolidated annual accounts).

Therefore, the conclusion concerning the recovery of the deferred tax assets recognised on the consolidated balance sheet is subject to judgments and significant estimates by Group Management with respect to both future tax results and applicable tax legislation in the different jurisdictions in which it operates.

On the basis of the business plans, which are based on the plans and budgets approved by Group management, we compared annual projected flows with real flows obtained in 2018 and analysed the key assumptions used to determine growth rates and forecast future margins, comparing them against available comparables (historical results and sector margins) and analysing if appropriate, their reasonableness using available third-party contracts or agreements.

On the other hand, we gained an understanding and assessed the criteria used by the Group's tax management to estimate the possibility of using and recovering deferred tax assets in subsequent years, in light of the business plans.

As part of these analyses, with the collaboration of our tax specialists, we reviewed the tax adjustments taken into account to estimate taxable income, applicable tax legislation and the decisions concerning the possibilities of using applicable tax benefits with respect to the Group companies.

The analyses performed permitted us to verify that the calculations and estimates made by the Group and the conclusions reached in relation to the recognition and recovery of deferred tax assets are consistent with the current situation, with expectations of the future results of the Group and its individual companies and with the tax planning possibilities available under current legislation.

Key audit matters	How our audit addressed the key audit matter
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*Disposal of the Solutions and Services Segment*

During 2018 the Solutions and Services segment ceased to form part of the Group as a result of the distribution of an extraordinary dividend in kind to the parent company's shareholders. For the Group, this transaction entailed not only recognising a significant dividend payable against retained earnings, whose valuation on the payout date amounted to €405 million, but also recognising a capital gain of €239 million in the income statement for 2018 as a result of the difference between the value of that dividend and the carrying amount of the Group's interest in the net assets of that segment on the payout date (Note 1 to the accompanying consolidated financial statements).

On the other hand, this transaction, which in accordance with the applicable legislative framework (IFRS 5 - Non-current assets held for sale and discontinued operations), enables the disposal of the segment to qualify as a discontinued operation, has had a significant effect on the presentation of results and operations of that segment in both 2018 and the comparative consolidated income statement for 2017.

The materialisation of the agreement adopted has had significant accounting impacts on both the consolidated balance sheet at 31 December 2018 and the Group's consolidated income statement for the current and previous year, in view of the requirement to properly identify the net assets exiting the Group and measure the liability for the dividend distributed and ensure its appropriate accounting recognition.

The Group's derecognition of the Solutions and Services segment during the year has required us to carry out an analysis of the agreement adopted, identifying and measuring the assets and liabilities disposed of, measuring the dividend agreed and verifying the appropriate disclosure and reporting of the information in accordance with the applicable legislative framework.

In this regard, we obtained a comprehensive understanding of the agreement adopted, including the appropriate measurement of the dividend, in accordance with the price of the shares of Global Dominion Access, S.A., the parent company of the Solutions and Services segment, identifying and measuring the assets and liabilities connected with the segment disposed of. Also, we verified the appropriate accounting recognition of the operation, the presentation of the consolidated income statement and disclosures required in the accompanying consolidated financial statements, taking into account that, as mentioned, the transaction entailed the discontinuing of the segment disposed of.

As a result of our analyses we were able to verify the consistency between the agreement adopted by the Group and the amounts recognised when accounting for the disposal of the Solutions and Services segment and their appropriate presentation and the appropriateness of the information disclosed in the accompanying consolidated financial statements in accordance with the applicable legislative framework.

*Other information: Consolidated Directors' Report*

Other information comprises only the consolidated directors' report for the 2018 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. Our responsibility for the information contained in the consolidated directors' report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

- a) A specific level which is applicable to the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Law 22/2015, that consists of verifying solely that that information was provided in the consolidated directors' report or, if appropriate, that the consolidated directors' report includes the pertinent reference to the separate report on non-financial information in the manner provided and if not, reporting the fact.
- b) A general level applicable to other information included in the consolidated directors' report that consists of assessing and reporting on the consistency of that information with the consolidated annual accounts, on the basis of the understanding of the Group obtained in the performance of the audit of those consolidated accounts and without including information other than that obtained as evidence during the audit and assessing and reporting on whether the content and presentation of that part of the consolidated directors' report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report this fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is provided in the consolidated directors' report, and that the other information contained in the consolidated directors' report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

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### *Responsibility of the directors and the audit committee for the consolidated annual accounts*

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

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### *Auditor's responsibilities for the audit of the consolidated annual accounts*

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## *Report on other legal and regulatory requirements*

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### *Additional report to the Parent company's audit committee*

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 25, 2019.

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### *Appointment period*

The General Ordinary Shareholders' Meeting held on April 24, 2018 appointed us as auditors for 2018.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.

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### *Services provided*

Services provided to the Group for services other than the audit of the accounts are detailed in Note 35 to the accompanying consolidated annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (SO242)

Original in Spanish signed by Jose Antonio Simón Maestro (15886)

February 25, 2019



**CIE** *Automotive*

**2018**



**MANAGING HIGH VALUE ADDED  
PROCESSES**

**Consolidated Annual Accounts and  
Consolidated Directors' Report for the  
year ended 31 December 2018**

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**Appendix: List of subsidiaries and associates**

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018**

<b>Thousand euro</b>	<b>Note</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Property, plant and equipment	6	1,231,674	1,271,158
Intangible assets		1,016,506	1,369,815
Goodwill	7	996,902	1,303,403
Other intangible assets	7	19,604	66,412
Non-current financial assets	8	48,663	17,701
Investments in associates	8	5,801	15,018
Deferred tax assets	21	181,049	231,069
Other non-current assets		20,978	16,412
<b>Non-current assets</b>		<b>2,504,671</b>	<b>2,921,173</b>
Inventories	10	405,739	450,218
Trade debtors and other accounts receivable		360,641	722,960
Trade and other receivables	9	292,424	610,337
Other current assets		21,026	16,007
Current tax assets		47,191	96,616
Other current financial assets	8	112,141	89,444
Cash and cash equivalents	11	248,895	289,448
<b>Current assets</b>		<b>1,127,416</b>	<b>1,552,070</b>
<b>Disposal group assets classified as held-for-sale</b>	<b>12</b>	<b>31,759</b>	<b>6,620</b>
<b>TOTAL ASSETS</b>		<b>3,663,846</b>	<b>4,479,863</b>

The accompanying notes to the annual accounts set out on pages 8 to 99 form an integral part of these Consolidated Annual Accounts.

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018**

Thousand euro	Note	31.12.2018	31.12.2017
Capital and reserves attributable to the Parent company's shareholders		679,931	814,457
Share capital	13	32,250	32,250
Treasury shares	13	-	(4,526)
Share premium	13	152,171	152,171
Retained earnings	14	687,348	808,578
Interim dividend	14	(39,990)	(36,049)
Cumulative exchange differences	14/15	(151,848)	(137,967)
Non-controlling interests	17	368,955	522,456
<b>TOTAL EQUITY</b>		<b>1,048,886</b>	<b>1,336,913</b>
<b>Deferred income</b>		<b>11,266</b>	<b>14,819</b>
Non-current provisions	23	166,791	153,894
Non-current borrowings	18	1,057,703	982,247
Other non-current financial liabilities	8	17,877	-
Deferred tax liabilities	21	72,882	85,480
Other non-current liabilities	20	65,577	93,206
<b>Non-current liabilities</b>		<b>1,380,830</b>	<b>1,314,827</b>
Current borrowings	18	282,312	242,642
Trade creditors and other payables		780,931	1,329,586
Trade and other payables	19	721,022	1,218,098
Current tax liabilities	20	59,909	111,488
Other current financial liabilities	8	47	8,842
Current provisions	23	31,133	64,480
Other current liabilities	20	110,356	165,989
<b>Current liabilities</b>		<b>1,204,779</b>	<b>1,811,539</b>
<b>Disposal group liabilities classified as held-for-sale</b>	<b>12</b>	<b>18,085</b>	<b>1,765</b>
<b>TOTAL LIABILITIES</b>		<b>2,603,694</b>	<b>3,128,131</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,663,846</b>	<b>4,479,863</b>

The accompanying notes to the annual accounts set out on pages 8 to 99 form an integral part of these Consolidated Annual Accounts.

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

Thousand euro	Note	Year ended 31 December	
		2018	2017 (*)
<b>OPERATING REVENUE</b>		<b>3,206,576</b>	<b>2,970,448</b>
Revenue	24	3,029,495	2,842,566
Other operating income	24	159,621	104,254
Change in inventories of finished goods and work in progress	10/24	17,460	23,628
<b>OPERATING EXPENSES</b>		<b>(2,841,290)</b>	<b>(2,631,356)</b>
Consumption of raw materials and secondary materials	10	(1,836,655)	(1,683,739)
Employee benefit expense	26	(557,838)	(531,970)
Depreciation, amortisation and impairment	5	(163,736)	(132,028)
Other operating expenses	25	(283,061)	(283,619)
<b>OPERATING PROFIT</b>		<b>365,286</b>	<b>339,092</b>
Finance income	27	9,500	19,699
Finance costs	27	(60,392)	(57,199)
Net exchange differences	27	1,438	(1,469)
Share of profit/(loss) of associates	8	2,641	3,481
<b>PROFIT BEFORE TAX</b>		<b>318,473</b>	<b>303,604</b>
Income tax	28	(90,139)	(71,205)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>228,334</b>	<b>232,399</b>
<b>PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX</b>	<b>12</b>	<b>209,151</b>	<b>25,757</b>
<b>PROFIT FOR THE YEAR</b>		<b>437,485</b>	<b>258,156</b>
<b>PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>17</b>	<b>(40,731)</b>	<b>(42,748)</b>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>		<b>396,754</b>	<b>215,408</b>
Basic and diluted earnings per share from continuing operations (in euro)	29	1.48	1.58
Basic and diluted earnings per share from discontinued operations (in euro)	29	1.60	0.09

(\*) Recasted amounts, see Note 2.

The accompanying notes to the annual accounts set out on pages 8 to 99 form an integral part of these Consolidated Annual Accounts.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018**

Thousand euro	Note	Year ended 31 December	
		2018	2017
<b>PROFIT FOR THE YEAR</b>		<b>437,485</b>	<b>258,156</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Cash flow hedges	8	(2,983)	3,746
Net investment hedge	2.14/8	-	277
Currency translation differences	15/17	(34,233)	(109,589)
Currency translation differences from the disposal of Dominion	1	26,678	-
Other comprehensive income for the year		1,265	571
Tax effect	21	454	(3,647)
<b>Total entries that may be reclassified to profit or loss</b>		<b>(8,819)</b>	<b>(108,642)</b>
Actuarial gains and losses	22/23	(310)	315
Tax effect	21	110	93
<b>Total items that may not be reclassified to profit or loss</b>		<b>(200)</b>	<b>408</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>428,466</b>	<b>149,922</b>
<b>Attributable to Parent company owners</b>	<b>14</b>	<b>381,062</b>	<b>125,881</b>
Continuing operations		162,133	118,409
Discontinued operations	12	218,929	7,472
<b>Attributable to non-controlling interests</b>	<b>17</b>	<b>47,404</b>	<b>24,041</b>

The accompanying notes to the annual accounts set out on pages 8 to 99 form an integral part of these Consolidated Annual Accounts.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Thousand euro	Share Capital (Note 13)	Treasury Shares (Note 13)	Premium share (Note 13)	First time application reserve and other revaluation reserves (Note 14)	Exchange differences (Note 15)	Retained earnings (Note 14)	Interim dividend (Note 14)	Non-controlling interests (Note 17)	Total Equity
<b>Balance at 31 December 2016</b>	<b>32,250</b>	-	<b>152,171</b>	<b>(47,128)</b>	<b>(44,470)</b>	<b>694,954</b>	<b>(25,800)</b>	<b>501,329</b>	<b>1,263,306</b>
<b>TOTAL COMPREHENSIVE INCOME for 2017</b>	-	-	-	<b>1,139</b>	<b>(90,666)</b>	<b>215,408</b>	-	<b>24,041</b>	<b>149,922</b>
Distribution 2016 profit	-	-	-	-	-	(52,837)	25,800	-	(27,037)
Interim dividend 2017	-	-	-	-	-	-	(36,049)	-	(36,049)
Changes in the scope of consolidation (Note 1)	-	-	-	-	(2,831)	341	-	(3,327)	(5,817)
Treasury shares acquisition	-	(4,526)	-	-	-	-	-	-	(4,526)
Other movements	-	-	-	-	-	(3,299)	-	413	(2,886)
<b>Balance at 31 December 2017</b>	<b>32,250</b>	<b>(4,526)</b>	<b>152,171</b>	<b>(45,989)</b>	<b>(137,967)</b>	<b>854,567</b>	<b>(36,049)</b>	<b>522,456</b>	<b>1,336,913</b>

The accompanying notes to the annual accounts set out on pages 8 to 99 form an integral part of these Consolidated Annual Accounts.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

Thousand euro	Share Capital (Note 13)	Treasury Shares (Note 13)	Premium share (Note 13)	First time application reserve and other revaluation reserves (Note 14)	Exchange differences (Note 15)	Retained earnings (Note 14)	Interim dividend (Note 14)	Non-controlling interests (Note 17)	Total Equity
<b>Balance at 31 December 2017</b>	<b>32,250</b>	<b>(4,526)</b>	<b>152,171</b>	<b>(45,989)</b>	<b>(137,967)</b>	<b>854,567</b>	<b>(36,049)</b>	<b>522,456</b>	<b>1,336,913</b>
Impact on translation to IFRS 9 updates (Note 2.3)	-	-	-	-	-	(7,113)	-	(1,568)	(8,681)
<b>Balance at 1st January 2018</b>	<b>32,250</b>	<b>(4,526)</b>	<b>152,171</b>	<b>(45,989)</b>	<b>(137,967)</b>	<b>847,454</b>	<b>(36,049)</b>	<b>520,888</b>	<b>1,328,232</b>
<b>TOTAL COMPREHENSIVE INCOME for 2018</b>	-	-	-	<b>(1,939)</b>	<b>(13,753)</b>	<b>396,754</b>	-	<b>47,404</b>	<b>428,466</b>
Distribution of 2017 profit	-	-	-	-	-	(72,169)	36,049	-	(36,120)
Interim dividend 2018	-	-	-	-	-	-	(39,990)	-	(39,990)
Extraordinary dividend (Note 1)	-	-	-	-	-	(404,751)	-	(169,545)	(574,296)
Changes in the scope of consolidation (Note 1)	-	-	-	-	(595)	(29,323)	-	(29,142)	(59,060)
Treasury shares disposal	-	4,526	-	-	-	3,207	-	-	7,733
Other movements	-	-	-	-	467	(5,896)	-	(650)	(6,079)
<b>Balance at 31 December 2018</b>	<b>32,250</b>	<b>-</b>	<b>152,171</b>	<b>(47,928)</b>	<b>(151,848)</b>	<b>735,276</b>	<b>(39,990)</b>	<b>368,955</b>	<b>1,048,886</b>

The accompanying notes to the annual accounts set out on pages 8 to 99 form an integral part of these Consolidated Annual Accounts.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

Thousand euro	Note	2018	2017 (*)
<b>Cash generated from continuing operations</b>	31	<b>475,829</b>	<b>495,866</b>
Interest paid		(38,755)	(41,937)
Interest collected		4,967	8,503
Taxes paid		(66,941)	(52,929)
Cash generated from operating activities from discontinued operations	12	36,606	59,467
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>411,706</b>	<b>468,970</b>
Acquisition of subsidiaries, net of cash acquired	20/33	(730)	(131,631)
Acquisition of property, plant and equipment	6	(207,390)	(270,560)
Acquisition of intangible assets	7	(3,542)	(3,455)
Acquisitions to non-controlling interests	1	(61,060)	(5,816)
Proceeds from the sale of property, plant and equipment and intangible assets	31	4,105	6,355
Proceeds from disposals in associates	8	-	2,700
Acquisition/disposal of financial assets	8	(100,656)	(14,203)
Cash generated from investing activities from discontinued operations	12	(55,034)	(88,419)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(424,307)</b>	<b>(505,029)</b>
Sale/(Acquisition) of Treasury Shares	13	7,733	(4,526)
Proceeds from borrowings	18	468,762	301,312
Loan repayments	18	(475,484)	(254,592)
Income (net of reimbursements) from high-rotation borrowings	18	78,459	(32,693)
Income (net of reimbursements) from commercial paper program	18	91,000	-
Grants received (net)		2,896	3,651
Variation of other debts	20	(7,964)	684
Dividends paid to shareholders of the Parent company	14	(72,169)	(52,837)
Other payments/income to/from non-controlling interests		-	(600)
Cash generated from financing activities from discontinued operations	12	(118,249)	(4,687)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(25,016)</b>	<b>(44,288)</b>
<b>Exchange gains/(losses) on cash and cash equivalents</b>		<b>(1,249)</b>	<b>(2,755)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(38,866)</b>	<b>(83,102)</b>
Cash and equivalents at beginning of the period		289,448	372,550
<b>Cash and equivalents at end of the period</b>	<b>11</b>	<b>248,895</b>	<b>289,448</b>
<b>Cash and equivalents at end of the period classified as discontinuing operations</b>	<b>12</b>	<b>1,687</b>	<b>-</b>

(\*) Recasted amounts, See Note 2.

## 1. General information

### 1.1 CIE Automotive Group and activity

The CIE Automotive Group has been developing its activities in two different segments: the Automotive segment and the Solutions and Services segment (Smart Innovation). As of December 31, 2018, and after the disposal of the Solutions and Services segment (Smart Innovation), the Group operates only in the Automotive segment.

#### - Automotive

The automotive business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, as well as, biofuels on the world automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly.

Its main facilities are located in Europe: Spain (Álava/Araba, Barcelona, Cádiz, Gipuzkoa, Orense, Pontevedra y Madrid and Bizkaia), Germany, France, the United Kingdom, Portugal, the Czech Republic, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China, Guatemala and Russia.

#### - Solutions & Services (Smart Innovation) – *until disposal*

The Group, through a group of companies, led by the company Global Dominion Access, S.A. and with stable presence in 30 countries and more than 8,000 employees, develops its activities, offering solutions and services that contribute to make more efficient the productive processes of its clients that, among others, act in the sectors of Industry, Energy, Banking, Health, Education and Technology, both in the private and public sectors.

On April 24, 2018, the Shareholders' Meeting of the Group approved an extraordinary dividend in kind, through which CIE Automotive, S.A. has distributed to its shareholders all the shares held in Global Dominion Access, S.A., the Parent company of this segment, effective July 3rd, 2018.

The Parent company's registered office is located at "Calle Alameda Mazarredo 69, 8º piso", Bilbao.

#### **Group structure**

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S and Autokomp Ingeniería, S.A.U.; which are, mainly, holding companies to which the CIE Automotive Group's productive companies report to.

Until July 3rd, 2018, CIE Automotive, S.A. also held 50.01% of Global Dominion Access, S.A., head of the Solutions and Services segment (Smart Innovation).

The list of subsidiaries and associates at 31 December 2018, together with the information concerning them, is disclosed in Appendix I to these Consolidated Annual Accounts.

All subsidiaries under the control of the CIE Automotive Group have been incorporated by using the global integration consolidation method.

All subsidiaries that are included in the consolidation using the equity method have been disclosed in Note 8.

#### **Disposal of the Solutions and Services segment (Smart Innovation)**

At the General Shareholders' Meeting held on April 24, 2018, the distribution of an extraordinary dividend in kind to the shareholders was approved, distributing 84,764,610 shares of Global Dominion Access, S.A., Parent company of the

Solutions and Services segment (Smart Innovation), and whose effective delivery has had effect on July 3, 2018. In the period between the approval of the extraordinary dividend and its effective distribution to the shareholders of the Parent company, the net assets relating to the segment were presented as classified as "Group assets and liabilities available for sale".

The difference between the value of the net assets of the subgroup and the valuation of the dividend liability distributed on the date of transfer of the shares, which amounted to €405 million, has led to an accounting profit recorded in the Consolidated Financial Statements of €239 million; which has been recorded under the heading "Profit/(loss) for the year from discontinued activities after tax" on the date of effective distribution of the dividend. Likewise, the net impact on the consolidated statement of comprehensive income has amounted to €27 million (€13 million of them attributable to non-controlling interests), and on the consolidated statement of equity of the Group, it has led to an outflow of non-controlling shares of €170 million.

#### **Acquisition of Inteva**

In September 2018, Cie Automotive, S.A. releases the submission of a final binding offer for the acquisition of the roof systems design and assembly business of US group Inteva Inc.

The terms of such binding offer have been agreed with Inteva and the formalisation of a binding agreement is subject to the finalisation of the consultation process Inteva needs to carry out with its France and European union works council. Once the consultation process is completed, the purchase agreement will be formalised and the closing of the transaction will be conditioned upon the corresponding antitrust approvals pursuant to applicable legislation. The transaction, upon its execution, shall entail, subject to customary adjustments, an investment of around USD755 million (approximately €650 million).

With more than 4,400 employees and estimated 2018 turnover of approximately USD1,000 million (more than €850 million), Inteva roof systems operates sixteen manufacturing facilities and six R&D centres in seven different countries (USA, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

The integration of the Inteva roof systems business enables CIE Automotive to reinforce its commitment for the comfort systems in the automotive- adapting to sector trends- as well as to increase its footprint in the sunroof segment.

#### **Changes in the scope of consolidation**

##### **2018**

##### **a) Automotive segment**

In January 2018, the acquisition of 100% of the shares of the Brazilian company Zanini Industria de Autopeças, Ltda. (currently named as Autometal ML Cromação, Pintura e Injeção de Plástico, Ltda.) has been carried out for a price of €1,120 thousand.

On 29 June 2018, an additional 5% of the sharehold of the subsidiary Mahindra CIE Automotive, Ltd. has been acquired for an approximate amount of €61 million. The net impact on the consolidated equity has meant a decrease in the amount of the acquisition, reaching the effective percentage that the Group has of the company at 56.32%.

In November 2018, the company of the Group Mahindra CIE Automotive, Ltd. sold its subsidiary Mahindra Forgings Europe, A.G. to its also subsidiary CIE Galfor, S.A.U. for an approximate amount of €83 million, the transaction had no impact on the consolidated financial statement.

##### **b) Solutions and Services (Smart Innovation)**

In February 2018, and before the classification of the segment as a discontinued operation, its subsidiary Global Near, S.L., has acquired the 100% of the participation of the company Centro Near Servicios Financieros, S.L. Subsequently, a capital

share increase has been carried out, for which a minority shareholder has subscribed the 49.99% of shares. This transaction has had a positive financial impact of €2 million in the line of non-controlling interests.

Subsequent to this operation, the company has been renamed from Centro Near Servicios Financieros, S.L. to Abside Smart Financial Technologies, S.L.

In April 2018, also before the classification of the segment as discontinued operations, the Group has acquired a 100% share of Go Specialist, S.L. via its subsidiary Dominion Industry and Infraestructuras, S.L. The acquisition price has amounted to €1 million.

Additionally, once the aforementioned segment was discontinued, the acquisitions of 100% of shares of Grupo Scorpio (composed by Instalaciones Eléctricas Scorpio, S.A. and Instalaciones Eléctricas Scorpio Rioja, S.A) and the Colombian company Diseños y Productos Técnicos, S.A. were carried out through the subsidiary Global Dominion Access, S.A., as well as the constitution with a 50% stake of Smart Nagusi, S.L. through the subsidiary Global Near, S.L.

## **2017**

### **a) Automotive segment**

During 2017, the following company transactions were carried out, which resulted in no impact on the consolidated financial statement:

- The companies Alurecy, S.A.U. and Alfa Deco, S.A.U. were merged, both subsidiaries of the company CIE Berriz, S.L., being Alurecy, S.A.U. the absorbing company.
- The merger between CIE Berriz, S.L. with its subsidiaries Grupo Amaya Tellería, S.L.U. and GAT Staff, S.L.U., the latter being absorbed.
- The reverse merger of Metalcastello, S.P.A. (absorbing company) and Mahindra Gears Global, Ltd. (absorbed company), companies located in Italy and Mauritius, respectively.
- The liquidation of the Brazilian company Bioauto Participações, S.A.
- The merger between the Brazilian subsidiaries Autometal, S.A. and Naturoil Combustíveis Renováveis, S.A.
- The Indian company Mahindra CIE Automotive, Ltd. (absorbing company) was merged with the companies, also Indian, Mahindra Gears and Transmissions Private Ltd. and Crest Geartech Private, Ltd. (absorbed companies); and with Mauritian companies Mahindra Forgings Global, Ltd. and Mahindra Forgings International, Ltd. (absorbed companies).
- A merger took place between the US companies Rochester Gear, Inc and Deco Engineering, Inc, both subsidiaries of Newcor, Inc, being Rochester Gear, Inc the absorbing company and which has survived.
- The BillForge Global DMCC company was liquidated.

In January 2017, the Group through its Brazilian subsidiary Autometal, S.A., acquired an additional 34.9% of the share capital of the also Brazilian company, Durametel, S.A. for an amount of 20 million Brazilian Reales (approximately €5.8 million). After this acquisition, the share hold percentage hold by the Group in Durametel, S.A. amounts to 84.9%. This operation had a net negative impact on the consolidated equity amounting to €5.8 million.

Also, in March 2017, the Group acquired the entire share capital of the US corporation Newcor, Inc. The transaction meant an investment by CIE Automotive of approximately USD108 million (approximately €102 million) fully disbursed in cash (Note 33).

In April 2017, the company Antolin-CIE Czech Republic, s.r.o. was sold for an amount of €2.7 million. The net impact of this transaction resulted in an income amounting to €1.5 million, taken to "Share of profit/(loss) of associates" in the consolidated income statement (Note 8).

In December 2017, a capital share increase took place in the associate company Galfor Eólica, S.L. which the Group had not applied for. After this capital share increase, the Group diluted its share in the company to 13%.

#### **b) Solutions and Services (Smart Innovation)**

At the beginning of 2017, the German subsidiary Beroa Deutschland GmbH together with another external partner formed the Dutch joint venture, Cobra Carbon Grinding B.V., whose shareholding was distributed to 50% to each partner.

Also, in that same period, a reverse merger took place between the subsidiary Global Amplifica, S.L.U. and its subsidiary Amplifica, S.L.U., and also between the North American companies Karrena International LLC and its subsidiary Karrena International Chimneys LLC. None of these mergers had an impact on the Consolidated Financial Statements.

In 2017, the Vietnamese subsidiary Chimneys and Refractories International Vietnam Co. Ltd., which was established at the end of 2016, was incorporated to the consolidation perimeter, whose activity is focused on industrial solutions.

On 27 April 2017 the US subsidiary Commonwealth Dynamics Inc created the Japanese company named Commonwealth Dynamics Co. Ltd. with the same purpose of its direct company.

Also during the first semester of 2017, a non-commercial swap agreement was signed by Dominion Industry and Infrastructures, S.L., through which the 37% owned by the Group in Huerto Solar La Alcardeteña, S.A. was exchanged for an additional 50% of the subsidiary Solfuture Gestión, S.L. The impacts of this operation were not significant in the Consolidated Financial Statements.

On July 13, 2017, the company proceeded to subscribe with the group Dixon Phone plc, an acquisition contract of the total share capital of The Phone House España (which included the companies The Phone House España, S.L., Connected World Services Europe, S.L.U. and Smart House Spain, S.L.U.), all of them based in Spain. The closing of the transaction was conditional on obtaining the authorisation of the Spanish Competition Authorities and a series of suspensive conditions relating to the confirmation of the main operators with whom the Phone House operated with so they confirmed that they would maintain their supply and distribution contracts. These suspensive conditions were fulfilled in the month of September 2017, when the acquisition of all the shares of the aforementioned companies was effective. The price of the transaction rose to €58 million, once the Parent company assumed the debt that the previous shareholder maintained with the acquired companies. The purchase price was agreed to be paid in two instalments, the first of them (two thirds) on the transaction closing date, and the remaining, (one third) in January 2018.

On 18 October 2017 two share capital increases took place in the associate company Advanced Flight Systems, S.L. which led to an increase of the Group's share from 20% to 30%. This share capital increase subscription amounted to €340 thousand.

In addition, in 2017, the merger among Dominion Digital, S.L.U., Amplifica, S.L.U., Tapquo, S.L. and Wiseconversion, S.L. took place, being the first of the aforementioned companies the absorbing one. This merger had not impact on the consolidated financial statements.

A share capital increase took place for BAS Projects Corporation amounting to €13 million subscribed by a new shareholder. This transaction diluted the Dominion Group's share hold from 25% to 16.84%.

#### **Authorisation for issue**

These Consolidated Annual Accounts had been authorised for issue by the Board of Directors on 22 February 2019 and are pending to be ratified by the Group Parent company's shareholders. However, management expects them to be approved without modification.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these Consolidated Annual Accounts are set out below, which have been consistently applied to all the years presented.

## 2.1 Basis of presentation

The Group's Consolidated Annual Accounts for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2018.

The Consolidated Annual Accounts have been prepared under the historical cost approach, except for financial investments held for sale and financial assets and liabilities (including derivative instruments and, until the date of sale of the Solutions and Services segment - Smart Innovation, liabilities with contingent consideration) at fair value through profit or loss, assets held for sale (fair value less disposal costs) and retirement benefit plans - pensions (assets of the plans).

The preparation of Consolidated Annual Accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Annual Accounts are disclosed in Note 4.

The consolidated income statement for the years 2018 and 2017 does not include unusual items that require a detail or a conciliation of balances except for the restated comparative financial statements as indicated in Note 2.2.

Certain International Financial Reporting Standards are effective from 1 January 2018 (Note 2.3), prompting the Group to adapt its Consolidated Annual Accounts. The standards effective in the year are detailed in Note 2.3.

The Consolidated Annual Accounts are not affected by aspect that may contravene applicable presentation bases.

## 2.2 Comparative information

On July 3, 2018, the disposal of the Solutions and Services - Smart Innovation segment was carried out through the distribution of an extraordinary dividend of all the shares held by the parent of the Group up to that date in Global Dominion Access, SA (Note 1).

The Group has also reclassified the net assets of the Biofuels business and the British forging business Stokes Forging Group, Ltd. after meeting the conditions to be considered as a group of assets and liabilities held for sale (Note 12).

The after-tax result of these activities is included in the "profit / (loss) of discontinued activities after taxes" line in the consolidated income statement for 2018 and 2017, in application of current accounting principles (Note 12).

The movement schedules disclosed in this notes include the consolidated financial statement amount for each line of the Solutions and Services (Smart Innovation) segment of 24 April 2018, date of approval of the extraordinary dividend by the Shareholders' Meeting.

In the particular case of the consolidated statement of cash flows, the Group has included cash flows generated by the discontinued activities separately in a single line, separating the flows generated by operating, investment and financing activities in the consolidated statement of cash flows as of 31 December 2018. The consolidated statement of comparative cash flow for the same period of 2017 has been recasted due to comparability reasons. The detail of the consolidated statement of cash flows of discontinued operations has been included in Note 12.

## 2.3 Changes in accounting policies

On 1 January 2018, the updates made to IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" came into force. As indicated in the consolidated financial statements of 31 December 2017 the Group has decided to adopt them without restating the comparative periods, since their impact was not significant. The reclassifications and the adjustments arising from the new rules are therefore not reflected in the balance sheet as of December 31, 2017, but are recognized in the opening balance sheet as of 1 January 2018.



## IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 related to the recognition, classification and valuation of financial assets and financial liabilities, derecognition of financial instrument accounts, impairment of the value of financial assets and hedge accounting.

IFRS 9 addresses the classification, valuation and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014 and replaces the guidance in IAS 39 on classification and valuation of financial instruments. IFRS 9 maintains but simplifies the mixed valuation model and establishes three main valuation categories for financial assets: amortized cost, at fair value through profit or loss and at fair value through changes in other comprehensive income. The classification basis depends on the business model of the entity and the characteristics of the contractual cash flows of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at the beginning of presenting changes in fair value in other non-recyclable net income, provided that the instrument is not held for trading. If the equity instrument is kept for trading, changes in fair value are presented in results. In relation to financial liabilities, there have been no changes with respect to classification and valuation, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. Under IFRS 9 there is a new model of impairment losses, the model of expected credit losses, which replaces the impairment loss model incurred in IAS 39 and which will result in a recognition of losses prior to what was done under IAS 39. IFRS 9 relaxes the requirements for the effectiveness of the hedge. Under IAS 39, a hedge must be highly effective, both prospectively and retrospectively. IFRS 9 replaces this line by requiring an economic relationship between the hedged item and the hedging instrument and that the hedged ratio is the same that the entity actually uses for its risk management. The contemporary documentation is still necessary but it is different from the one prepared under IAS 39. Finally, broad information is required, including a reconciliation between the initial and final amounts of the provision for expected credit losses, hypothesis and data, and a reconciliation in the transition between the categories of the original classification under IAS 39 and the new classification categories under IFRS 9.

IFRS 9 has been effective for annual periods beginning on or after January 1, 2018. IFRS 9 has been applied retroactively, without having restated the comparative figures.

### Financial assets and liabilities

The new standard has not significantly affected the valuation of its financial assets, which are valued at amortized cost since all of them exceed the analysis (SPPI) to be considered as debt instruments that are going to be liquidated to their expiration.

Certain amounts presented until 2017 under the denomination of financial assets held to maturity have been reclassified as loans and receivables, without any effect on their valuation (Note 8). On the other hand, and regarding the valuation of financial assets, the Group has recorded a negative amount of approximately €2.7 million (€1.8 million net of taxes) related to deposits (Note 8) and other accounts receivable of lower amount.

No impact on the accounting of financial liabilities by the Group has been registered. The only liabilities at fair value with changes in results corresponded to the liabilities derived from business combinations in their contingent price concept, which corresponded to the Solutions and Services segment (Smart Innovation).

The effect derived from the application of IFRS 9 for the new loans as a result of the discount to the original effective interest rate of the cash flows of the aforementioned modified loans has not been significant.

The new hedge accounting rules are more aligned with the risk management practices followed by the Group. In this regard, the Group classifies its derivatives as hedging instruments. After applying the new requirements of IFRS 9 to hedge accounting, the impacts derived from it have not been significant.

### Accounts receivable

The Group applies the simplified approach of IFRS 9 to assess expected credit losses using a provision for expected lifetime losses for all commercial accounts receivable whose basis for calculation has been explained in Note 2.13 and is based on historical experience of percentage of defaults.

To assess the expected losses, the Automotive segment has been considered as a single homogeneous segment, where customers are the same in all geographies. Therefore, the Group, based on the historical experience of the percentage of defaults (Note 2.13) in relation to its volumes of commercial accounts receivable and adjusted considering the macroeconomic environment and the automobile market situation, has recorded an additional provision to the existing one at December 31, 2017 of €3.9 million (€2.9 million net of taxes) with a charge to retained earnings for to the expected credit loss of these balances. In the Solution and Services (Smart Innovation) segment, the impairment registered has amounted to €4.3 million (€3.2 million net of taxes). Regarding factorized trade receivable valuation, the impact of the updates on the standards have not resulted significant.

As a result of the changes in the accounting policies of IFRS 9, €8.7 million (of which €5.5 million correspond to the Automotive segment and €3.2 million to the Solutions and Services segment - Smart Innovation) have been debited to the initial balance of accumulated earnings and non-controlling interests, which are disclosed in the following table:

Thousand euro	Note	31.12.2017	IFRS 9	01.01.2018
Deferred tax assets	21	231,069	3,440	234,509
Financial assets – Loans and receivables	8	90,135	(3,195)	86,940
Accounts receivable	9	610,337	(8,627)	601,710
Other receivables		32,419	(299)	32,120
<b>TOTAL IMPACT ON RETAINED EARNINGS</b>		<b>854,567</b>	<b>(7,113)</b>	<b>847,454</b>
<b>TOTAL IMPACT ON NON-CONTROLLING INTERESTS</b>		<b>522,456</b>	<b>(1,568)</b>	<b>520,888</b>

### IFRS 15 Revenue from contracts with customers

In May 2014, the IASB and the FASB jointly issued a convergent rule in relation to the recognition of ordinary income from contracts with customers. Under this rule, income is recognized when a customer obtains control of the good or service sold, that is, when it has both the ability to use and obtain benefits from the good or service. This IFRS includes a new guide to determine whether should be recognized income over time or at a specific time. IFRS 15 requires extensive information on both the income recognized and the income that is expected to be recognized in the future in relation to existing contracts. Likewise, it requires quantitative and qualitative information on the significant judgments made by the Management in the determination of the income that is recognized, as well as on the changes in these lawsuits.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

Additionally, the IASB has modified IFRS 15 in order to:

- Clarify the guide for the identification of performance obligations, the accounting of intellectual property licenses and the principal versus agent evaluation (presentation of gross versus net revenues).
- Include new and modified illustrative examples for each of these areas of the guide.
- Provide additional practical resources related to the transition to the new standard.

These changes do not modify the fundamental principles of IFRS 15, but they do clarify some of the more complex aspects of this standard. The amendments could be relevant for a wide variety of entities and should be considered the way Management evaluates the impact of IFRS 15.

This amendment is effective for annual exercises beginning on or after January 1, 2018.

After the analysis made by the Group of the effects of application of the new standard, the conclusions are the following:

- No lines of activity have been identified requiring significant modification of the criteria for recognizing current income.
- The presentation in the consolidated balance sheet of the assets and liabilities relating to contracts does not determine significant changes in the current presentation practice, except for the aforementioned with respect to the "contractual assets" in the segment sold Solutions and Services (Smart Innovation).
- The most complex contracts (Smart Innovation segment) with different execution obligations in force at the date of application of the new standard do not present treatment differences with respect to the criteria that the Group has been applying.

Therefore, no significant effects have been detected, neither qualitative nor that may require their recognition on the date of the first application of the new standard, as anticipated in the Group's Consolidated Financial Statements as of 31 December 2017.

In particular, in the Automotive segment, after the analysis performed no accounting criteria were detected that must be modified and, therefore, the impacts are not considered significant in any case.

On the transition date, prior to the distribution of the extraordinary dividend by which the Solutions and Services (Smart Innovation) segment was sold, the corresponding impact analysis was carried out. In those clients or sectors where operations were carried out through medium and long-term projects, no operations were identified where the recognition criteria should be modified, resulting the possible impacts on the revenue figures no significant, since for large contracts, the analysis criteria applied by the Group were in line with the basic criteria underlying IFRS 15.

In relation to certain trading operations of technological and telephony products that the Group was developing until the disposal of the segment, the Group's performance in these activities were concluded as agent. The amounts resulting from the reclassification related to the consideration of said activities as agents are discontinued in the Consolidated Income Statement, having no impact on the net income.

In addition, in the same segment, a new category of financial instrument has been included to collect the receivables from profit from sale of services calculated by the application of the work progress or which corresponding sales invoice is still pending, called "Assets per contract" and recorded until December 31, 2017 jointly under the heading of "Trade and other receivables", amounting to €89.5 million. After the disposal of the segment, there is no balance related to this concept.

## **2.4 New IFRS and IFRIC interpretations**

### **2.4.1 Standards, amendments and mandatory interpretations for all years beginning on January 1, 2018**

Apart from IFRS 9 and IFRS 15, there are five amendments under IFRS-IASB that have entered into force as of January 1, 2018:

- a) IFRS 4 (Amendment) "Application of IFRS 9" Financial instruments "with IFRS 4" Insurance contracts "- Amendments to IFRS 4";
- b) IFRS 2 (Modification) "Classification and valuation of transactions with share-based payments";
- c) IAS 40 (Modification) "Transfers of real estate investments";
- d) IFRIC 22 "Anticipated Transactions and Considerations in Foreign Currency";
- e) Annual Improvements to IFRS. Cycle 2014 – 2016 (IFRS 1 and IAS 28).

**IFRS 4 (Amendment) "Application of IFRS 9 " Financial instruments " with IFRS 4 " Insurance contracts " - Amendments to IFRS 4"**

The amendments to IFRS 4, which were published by the IASB in September 2016, introduce two optional approaches for insurance companies.

These modifications have no impact on the Group's Consolidated Annual Accounts.

**IFRS 2 (Modification) "Classification and valuation of transactions with share-based payments"**

The amendment to IFRS 2, which was developed through the IFRS Interpretations Committee, clarifies how to account for certain types of transactions with share-based payments. In this sense, it provides requirements for the accounting of:

- The effects of the conditions for irrevocability and the non-determinant conditions for the irrevocability of the concession in the valuation of payments based on shares settled in cash;
- Transactions with share-based payment with a net settlement characteristic for tax withholding obligations; and
- A modification of the terms and conditions of a share-based payment that changes with the classification of the transaction from settled in cash to liquidated through equity.

The amendment is effective for annual periods beginning on or after January 1, 2018.

The Group has evaluated the impact of this modification on the Consolidated Annual Accounts, concluding that it does not have a significant impact.

**IAS 40 (Modification) "Transfers of real estate investments"**

This amendment clarifies that to transfer to, or from, real estate investments there must be a change in use. To conclude if there has been a change in the use there must be an evaluation of whether the property meets the definition of a real estate investment. This change must be supported by evidence. The IASB confirmed that a change in intention, in an isolated way, is not sufficient to support a transfer.

The modification will be effective for annual exercises beginning on or after January 1, 2018.

The Group does not have assets classified as real estate investments.

**IFRIC 22 "Anticipated Transactions and Considerations in Foreign Currency"**

This IFRIC addresses how to determine the date of the transaction when the foreign currency transaction standard, IAS 21, is applied. The interpretation applies when an entity pays or receives a prepayment for contracts in foreign currency.

The date of the transaction determines the exchange rate to be used for the initial recognition of the corresponding asset, expense or income. The issue arises because IAS 21 requires using the exchange rate of the "transaction date", which is defined as the date on which the transaction qualifies for recognition for the first time. The question is therefore whether the date of the transaction is the date on which the asset, expense or income is initially recognized, or the first date on which the advance consideration is paid or charged, resulting in an advance payment or deferred income.

The interpretation provides guidance for when a single payment / collection is made, as well as for situations in which there are multiple payments / collections. The aim of the guide is to reduce diversity in practice.

The interpretation is effective for annual periods beginning on or after January 1, 2018. The Group has considered this amendment for the preparation of the Consolidated Annual Accounts, although it does not modify the Group's past practice in a relevant manner.

**Annual Improvements to IFRS. Cycle 2014 – 2016**

The amendments affect IFRS 1 and IAS 28 and will apply to annual periods beginning as of 1 January 2018.

Main modifications refer to:

- a) IFRS 1, "Adoption for the first time of the International Financial Reporting Standards": Elimination of short-term exemptions for entities that adopt IFRS for the first time.
- b) IAS 28, "Investments in associates and joint ventures": Valuation of an investment in an associate or a joint venture at fair value.

These improvements had no impact on the Group.

#### **2.4.2 Rules, modifications and interpretations that have not yet entered into force, but can be adopted in advance**

##### **IFRS 16 "Leases"**

In January 2016, the IASB published this new standard, the result of a joint project with the FASB, which repeals IAS 17 "Leases".

The IASB and the FASB have reached the same conclusions in many areas related to the accounting of leases, including the definition of a lease, the requirement, as a general rule, to reflect the leases in the balance sheet by eliminating the existing differences between operating and finance leases; and the valuation of the lease liabilities (except from those of low value and very short term maturity). Under this new standard, an asset (right of use of the asset) and a liability for the future payable amounts are registered. The IASB and the FASB also agreed not to incorporate substantial changes to the accounting by the lessor, maintaining requirements similar to those of the regulations previously in force.

However, there are still differences between the IASB and the FASB regarding the recognition and presentation of expenses related to leases in the income statement and in the statement of cash flows.

This standard will be applicable to annual periods beginning on or after 1 January 2019.

The Group has reviewed all of its lease agreements in accordance with the new lease accounting rules under IFRS 16. The standard will mainly affect the accounting treatment of the Group's operating leases, and will be applied prospectively, with a model of simplified approach without restating the comparable financial statements for the year prior to the initial adoption.

Due to the transition option chosen by the Group, assets and liabilities are equalized with no equity impact as of January 1, 2019.

At the date of presentation of this financial information, the Group has non-cancelable operating lease commitments for an amount of €50 million (Note 32). For these, and the rest of the leases needed to carry out the Group's activity, the assets for right of use and lease liabilities that shall be recognized on January 1, 2019, amount to approximately €74 million.

The Group has estimated that the net profit before taxes will decrease by approximately €1 million in 2019 as a result of the adoption of the new rules. It is expected that the EBITDA used to value the results of the segments will increase approximately €14 million, given that operating lease payments were included in the gross operating profit (EBITDA), but the depreciation of the right of use assets and the interest on the lease liabilities are excluded from this measure.

The Group's activities as lessor are not material and, therefore, there is no significant impact on the Consolidated Annual Accounts.

##### **IFRS 9 (Amendment) "Component of prepayment with negative compensation"**

The terms of instruments with prepayment characteristics with negative compensation, where the lender could be forced to accept an amount of prepayment substantially less than the unpaid amounts of principal and interest, were incompatible with the notion of "reasonable additional compensation" for the early termination of a contract under IFRS 9. As a result, such instruments would not have contractual cash flows that are only payments of principal and interest, which would bring them to be accounted for at fair value with changes in the profit and loss account. The amendment to IFRS 9 clarifies that a party can pay or receive a reasonable compensation when a contract is terminated in advance, which could allow these instruments to be valued at amortized cost or at fair value with changes in other comprehensive income. The modification

will be effective for annual exercises beginning on or after January 1, 2019, although early application is allowed.

The Group does not maintain situations that could be impacted by the future application of this modification.

#### **IFRIC 23, "Uncertainty about the treatment of income tax"**

The interpretation provides requirements in addition to those in IAS 12 "Income Tax", specifying how to reflect the effects of uncertainty in the accounting for income tax. This interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty in their accounting treatment.

The interpretation will be effective for annual exercises beginning on or after January 1, 2019, although early application is permitted.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

#### **2.4.3 Standards, modifications and interpretations of existing standards that can not be adopted in advance or that have not been adopted by the European Union**

At the date of preparation of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below that are pending adoption by the European Union.

#### **IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures"**

These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the business definition, the investor recognizes the gain or loss to the extent of the interests of other investors. The modifications will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after January 1, 2016. However, at the end of 2015, the IASB made the decision to postpone the date of their validity (without setting a new specific date), since they are planning a broader review that may result in the simplification of accounting for these transactions and other aspects of the accounting of associates and joint ventures.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

#### **IFRS 17 "Insurance contracts"**

In May 2017, the IASB finalized its long-term project to develop an accounting standard on insurance contracts and published IFRS 17, "Insurance Contracts." IFRS 17 replaces IFRS 4 "Insurance contracts", which currently allows for a wide variety of accounting practices. IFRS 17 will fundamentally change accounting for all entities that issue insurance contracts and investment contracts with discretionary participation components.

The standard applies for annual periods beginning on or after January 1, 2021, allowing early application if IFRS 15, "Revenue from contracts with customers" and IFRS 9, "Financial instruments" also apply. IFRS 17 is pending approval by the European Union.

Given the Group's activity, there are no contracts that could be affected by this rule.

#### **IAS 28 (Modification) "Long-term interests in associates and joint ventures"**

This limited scope amendment clarifies that the long-term interests in an associate or joint venture that, in substance, are part of the net investment in the associate or in the joint venture, but to which the equity method does not apply, are

accounted in accordance with the requirements of IFRS 9 "Financial instruments". In addition, the IASB has published an example that illustrates how the requirements of IAS 28 and IFRS 9 should be applied with respect to such long-term interests. The modification will be effective for annual exercises beginning on or after January 1, 2019, although early application is allowed.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

#### **Annual Improvements to IFRS. Cycle 2015 - 2017**

The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and will apply to annual periods beginning on or after January 1, 2019, all of which are subject to adoption by the EU. The main modifications refer to:

- IFRS 3 "Business Combinations": A previously held participation in a joint operation is re-measured when the control of the business is obtained.
- IFRS 11 "Joint agreements": A previously held share in a joint operation is not measured once the joint control of the business is obtained.
- IAS 12 "Income Tax": All the tax consequences of dividend payments are accounted in the same way.
- IAS 23 "Interest costs": Any specific loan originally made to develop an eligible asset is considered part of the generic loans when the asset is ready for use or sale.

No significant impacts from these improvements are anticipated.

#### **IAS 19 (Modification) "Modification, reduction or liquidation of the plan"**

This amendment specifies how companies should determine pension expenses when changes occur in a defined benefit plan. The amendment is effective as of January 1, 2019, subject to its adoption by the European Union.

No impact of this modification is anticipated.

#### **IFRS 3 (Modification) "Definition of a business"**

These modifications will help to determine if it is an acquisition of a business or a group of assets. The modified definition emphasizes that the product of a business is to provide goods and services to customers, while the previous definition focused on providing returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to modifying the wording of the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products. The new guide provides a framework to assess when both elements are present (even for early stage companies that have not generated products). To be a business without results, now it will be necessary to have organized labor.

These changes will apply to business combinations whose acquisition date is from the beginning of the first year that is reported to begin as of January 1, 2020 and to the acquisitions of assets that occur as of the beginning of that year. Early application is allowed.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

#### **IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material"**

These modifications clarify the definition of "material", introducing in addition to omitted or inaccurate items that may influence the decisions of users, the concept of "obscure" information. With these modifications, IFRS is more coherent, but it is not expected to have a significant impact on the preparation of the financial statements.

They will apply to annual exercises beginning on or after January 1, 2020, although their early application is allowed.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

## 2.5 Consolidation principles

### a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed, or has right, to obtain a few variable performances for his implication in the informed one and has aptitude to use his power on her to influence these performances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The amount paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, also including the fair value of any asset or liability that originates from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is performed in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that termed as financial liability are recognised in profit. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The accounting policies followed by subsidiaries have been modified where necessary to ensure consistency with policies adopted by the Group.

The non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated balance statement, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

Annual accounts/financial statements used in the consolidation accounts are, in all cases, dates of 31 December of each year.

The accompanying Appendix sets out the identification particulars of subsidiaries.

### b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

### c) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts



previously recognised in other comprehensive income are reclassified to profit or loss.

d) Joint operations

The Group applies IFRS 11 to all the joint agreements. The investments in joint agreements under IFRS 11 qualify as joint operations or as joint business, depending on the rights and commitments of every investor. The Group has evaluated the nature of his joint agreements and has determined that are joint business. The joint business is assessed using the participation method.

Under the participation method, the interests in joint business are recognised initially to its cost and it adjusts from then to recognize the participation of the Group in the benefits and losses later to the acquisition and movements in another global result. When the participation of the Group in the losses in a joint business equalizes or overcomes his interests in joint business (what includes any long-term interest that, in substance, forms a part of the clear investment of the Group in the joint business), the Group does not recognize additional losses, as long as it has not incurred in any obligation or done payments on behalf of the joint business.

The earnings not realized in transactions between the Group and its joint business is eliminated in the measure of the participation of the Group in the joint business. The losses not realized also are eliminated until the transaction provides evidence of a loss for deterioration of the value of the transferred assets. The countable policies of the joint business have been modified when it is necessary to assure the uniformity with the policies adopted as the Group.

e) Associates

Associates (Note 8.c) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding lower than 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 2.10.a)). Note 2.11 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount adjacent to "share of profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Dilution gains or losses arising in associates are recognised in the income statement.

## 2.6 Segment information

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The highest decision-making body is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Executive Steering Committee.

Segment information is disclosed in Note 5.

## 2.7 Foreign currency translation

### a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All Group companies use the currency of their country of origin as their functional currency, except, basically, for the Mexican companies in the automotive segment (Appendix), whose functional currency was defined on 1 January 2009 as the US dollar.

The Consolidated Annual Accounts are presented in euro, which is the Group's functional currency and presentation currency.

### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the other comprehensive income.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group had defined net investment hedges until 2017 (Note 3.2).

## 2.8 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is presented net of impairment losses.

Historic cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment transferred from equity.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful lives:</u>
Buildings	10 – 50
Vehicles	3 – 15
Furniture, fittings and equipment	3 – 15

The depreciation policy historically applied by the CIE Automotive Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. Specifically in the automotive segment, these useful lives are estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each CIE Automotive Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced, while taking into consideration their maximum useful lives. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and annual depreciation rates for assets under normal production circumstances are as follows:

	<u>Useful life (*)</u>	<u>Annual rate %</u>
Machinery	10 - 20 years	5 - 10%
Plant	10 - 20 years	5 - 10%
Toolling	3 - 6.7 years	15% - 33.33%

(\*) Years of useful life in accordance with estimated normalised units of production.

The residual value and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on the sale of items of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within “Other income” (Notes 24 and 31).

## 2.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss.

## 2.10 Intangible assets

### a) Goodwill

Goodwill represents the excess of acquisition cost over the Group’s interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level (Note 2.11).

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Any intangible assets so recognised are subject to impairment testing under IAS 36.

### c) Trademarks and licences

Trademarks and licenses acquired from third parties are presented at historical cost. Those acquired through business combinations are recognized at their fair value at the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of the brands and licenses during their estimated useful life. After the acquisition of The Phone House group, and until the disposal of the Solutions and Services segment (Smart Innovation), the Group maintained a brand whose useful life was indefinite and which resulted from the acquisition of said business in the year 2017.

d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits in excess of costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed 5 years and the period after which begin to be amortized once activated, is not greater than 1 year.

#### **2.11 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **2.12 Non-current assets (disposal groups) held for sale**

The Group classifies a non-current asset (or disposal group) as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, if the carrying amount will be recovered primarily through the sale rather than through continuing use.

A discontinued activity is a component of the Group that is disposed of or classified as for sale and represents a line of business or geographical area separated from the rest. The results of discontinued operations are presented separately in the income statement.

#### **2.13 Financial assets**

##### Investments and financial assets

As of January 1, 2018, the Group classifies its financial assets in the following valuation categories:

- a) those that are valued subsequently at fair value (whether with changes in other comprehensive income or results), and
- b) those that are valued at amortized cost.

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

For assets valued at fair value, losses and gains will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in equity at fair value with changes in other comprehensive income (FVOCI).

The Group reclassifies investments in financial assets when and only when its business model to manage those assets changes.

Conventional purchases or sales of financial assets will be recognized and written off, as appropriate, using the accounting for the trading date or the settlement date. Financial assets are derecognised when contractual rights over cash flows have expired or been transferred and the Group has transferred substantially all of its risks and rewards of ownership of the asset. At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss, the costs of the transaction that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded with a charge to the income statement.

#### Debt instruments

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. There are three valuation categories in which the Group classifies its debt instruments:

- **Amortized cost:** The assets held for the collection of contractual cash flows, when applicable, when these cash flows represent only payments of principal and interest are valued at amortized cost. Interest income from these financial assets is included in financial income according to the effective interest rate method. A gain or loss arising from the derecognition of accounts is recognized directly in income and is presented in other gains / (losses), together with gains and losses from exchange differences, when applicable. Impairment losses are presented in a separate line in the income statement.
- **Fair value with changes in other comprehensive income (FVOCI):** The assets held for the collection of contractual cash flows and for selling the financial assets, when the cash flows of the assets represent only payments of principal and interest, they value at fair value with changes in other comprehensive income. Movements in the carrying amount are carried to other comprehensive income, except for the recognition of gains or losses from impairment of value, ordinary income from interest and gains or losses from exchange differences that are recognized in profit or loss. When the financial asset is written off, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains / (losses). Interest income from these financial assets is included in financial income according to the effective interest rate method. Gains and losses from exchange differences are presented in other gains / (losses) and the impairment expense is presented in a separate line item in the income statement.
- **Fair value with changes in results (FVPL):** Assets that do not meet the criteria for amortized cost or for fair value with changes in other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequent to fair value through profit or loss is recognized in income and is presented net within other gains / (losses) in the year in which it arises.

#### Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's management has chosen to present the gains and losses on the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of the gains and losses in fair value to results, following the decrease in the investment. Dividends from such investments continue to be recognized in income for the year as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gains / (losses) in the income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value with changes in other comprehensive income are not presented separately from other changes in fair value.

### Impairment

As of January 1, 2018, the Group evaluates on a prospective basis the expected credit losses associated with its debt instruments recorded at amortized cost and at fair value with changes in other comprehensive income. The methodology applied to impairment of value depends on whether there has been a significant increase in credit risk.

The value correction for losses of financial assets is based on the hypothesis of compliance risk and expected loss rates. The Group uses the judgment in making these assumptions and selecting the variables for the calculation of the impairment of value based on historical impairment losses, the existing market conditions as well as the forward-looking estimates at the end of each year on which the inform.

For trade accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses be recognized from the initial recognition of accounts receivable. The impairment provision to be recorded for the expected losses is carried out considering the Automotive segment as a single market, since most of the customers the Group provides are represented in the different geographies where it operates. For its calculation, a coefficient based on the historical defaults of the last years is applied, referenced to a multiplier in function of the macroeconomic conditions that affect the global automobile market.

#### **2.13.1 Accounting policies applied until December 31, 2017**

The Group has applied IFRS 9 retroactively, but has chosen not to restate the comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's prior accounting principles.

Until December 31, 2017, the Group classified its financial assets in the following categories:

- Financial assets at fair value with changes in results
- Loans and accounts receivable
- Investments held until maturity
- Financial assets held for sale

The classification depends on the purpose with which the investments were acquired. Management determined the classification of its investments at the time of initial recognition and, in the case of assets classified as held until maturity, it again evaluated this designation at each balance sheet date.

#### **Reclassification**

The Group could choose to reclassify a non-derivative financial asset held for trading outside the category of held for trading if the financial asset ceased to hold for the purpose of being sold in the immediate future. It allowed reclassifying financial assets, other than loans and receivables, out of the category of held for trading only in rare circumstances that arose from a single event that was unusual and highly unlikely to recur in the near future. In addition, the Group could elect to reclassify financial assets that met the definition of loans and receivables outside the categories held for trading or held for sale if the Group had the intention and ability to hold these financial assets during the immediate future or until the expiration date of the reclassification.

The reclassifications were made at fair value on the reclassification date. The fair value was converted to the new cost or amortized cost, as applicable, and no gain or loss was subsequently reversed in the fair value that had been recorded before the reclassification date. The effective interest rates for financial assets reclassified to the categories of loans and receivables and held to maturity were determined on the reclassification date. Additional increases in the cash flow estimates adjusted the effective interest rates prospectively.

### Subsequent valuation

The valuation at the initial recognition moment did not change with the adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and investments held to maturity were recorded at amortized cost in accordance with the effective interest rate method.

Financial assets held for sale and financial assets at fair value through profit or loss were subsequently recorded at fair value. Gains or losses arising from changes in fair value were recognized as follows:

- for "financial assets at fair value through profit or loss" - in profit or loss within other gains / (losses).
- for financial assets held for sale that are monetary securities denominated in foreign currency - the translation differences related to changes in the amortized cost of the security were recognized in profit or loss and other changes in the carrying amount were recognized in other income global.
- for other monetary and non-monetary securities classified as held for sale - in other comprehensive income.

Note 3.3 discloses details of how the fair value of financial instruments is determined.

### Impairment of value

The Group evaluated on each balance sheet date if there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets deteriorated and impairment losses were incurred only if objective evidence of impairment existed as a result of one or more events that occurred after the initial recognition of the asset (an "event causing the loss") and the event (or events) that caused the loss had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be estimated reliably. In the case of equity instruments classified as held for sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

### Assets recorded at amortized cost

For loans and receivables, the amount of the loss was determined as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset was reduced and the amount of the loss was recognized in profit or loss for the year. If a loan or an investment held to maturity had a variable interest rate, the discount rate to value any impairment loss was the current effective interest rate determined in accordance with the contract. As a practical solution, the Group could estimate impairment based on the fair value of an instrument using an observable market price.

### Assets classified as held for sale

If there is objective evidence of impairment of value for financial assets held for sale, the accumulated loss - valued as the difference between the cost of acquisition and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – was eliminated from equity and was recognized in results.

Impairment losses on equity instruments that were recognized in profit or loss were not reversed through profit or loss in a subsequent period.

If in a subsequent exercise, the fair value of a debt instrument classified as held for sale increased and the increase could be attributed objectively to an event that occurred after the impairment loss was recognized in the result, the impairment loss was reversed through the result.

## **2.14 Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is



designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a) Hedges of the fair value of recognised liabilities (fair value hedge);
- b) Hedges of a particular risk associated with a recognised asset/liability or a highly probable forecast transaction (cash flow hedge); or
- c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### Derivatives and hedging activities

The effective part of the changes in the fair value of the derivatives that are designated and qualified as cash flow hedges is recognized in the cash flow hedge reserve in equity. The gain or loss related to the ineffective part is recognized immediately in results, within other income / (expenses).

The gain or loss corresponding to the effective part of the interest rate swaps generated by the variable rate loans is recognized in profit or loss under the heading "Financial expenses" at the same time that the interest expense is accrued by the covered loans.

When the option contracts are used to hedge forecasted transactions, the Group designates only the intrinsic value of the options as the hedging instrument. Until December 31, 2017, the Group classified exchange rate options as derivatives held for trading and recorded them at fair value through profit or loss.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash flow hedge reserve in equity. The change in the forward element of the contract related to the hedged item ("matured term element") is recognized in other comprehensive income in the costs of the hedge reserve within equity. In some cases, the entity may designate the total change in the fair value of the forward contract (including forward points) as a hedging instrument. In these cases, the gains or losses corresponding to the effective portion of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

When a hedging instrument expires, is sold or terminated, or when a hedge fails to meet the criteria for hedge accounting, any cumulative deferred gain or loss and the deferred costs of the hedge at that time remain in equity until that the anticipated transaction occurs, resulting in the recognition of a non-financial asset such as inventories. When the anticipated transaction is no longer expected, the cumulative gain or loss and deferred hedging costs that were presented in equity are immediately reclassified to profit or loss for the year.

#### **a) Net investment hedges**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

#### **b) Derivatives that do not qualify for hedge accounting**

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

#### **2.15 Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is basically determined as follows:

- Commercial: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the acquisition price calculated by the methods of average price/FIFO. This acquisition price includes the purchase invoices as well as additional costs until their availability in the storehouse.
- Finished products and in process of manufacture: to pre-established costs, which do not present significant diversions with regard to the royal incurred costs. These costs include the raw materials, labour cost of direct work and direct and indirect expenses of manufacture (based on an operative normal capacity), but it does not include costs for interests.

Obsolete or slow-moving items are written down to their realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

#### **2.16 Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. For commercial accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses during its life be recognized from the initial recognition of accounts receivable. For the calculation, the Group considers the Automotive segment as the only segment, the historical experience of the percentage of defaults in relation to its volumes of accounts receivable and another series of variables.

In the previous year, the Group established a provision for impairment losses on trade accounts receivable when there was objective evidence that the Group would not be able to collect all the amounts owed to it in accordance with the original terms of the accounts receivable. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor goes bankrupt or financial reorganization and the lack or delay in payments were considered indicators that the account receivable had deteriorated. The amount of the provision was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset was reduced as the provision is used and the loss was recognised in the income statement. When a receivable was deemed uncollectible it was written off against the provision for receivables. Any subsequent recovery of previously written-off amounts was recognised in the income statement.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing.

Financing by means of non-recourse factoring or the sale of trade receivables triggers the de-recognition of the receivable as all associated risks are transferred to the financial institution in question.

#### **2.17 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

## 2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group company acquires shares of the Parent company (treasury shares), the amount paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the parent's equity owners until the shares are cancelled, reissued or sold. When these shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the parent's equity owners.

## 2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants under IAS 20, are recognised as operating grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Note 2.22.b)).

The gain on a loan granted by a Government Body at below market interest rates is measured as the difference between the instrument's carrying amount and the amount received; a grant is recognised in the amount of this difference and is recorded in the income statement or in liabilities as a deferred government grant depending on whether the loan finances current expenses or investments in property, plant and equipment.

## 2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## 2.22 Current and deferred income tax

### a) Corporate Income tax

Corporate income tax expense for the year comprises current and deferred tax and is calculated on the basis of profit before tax, adjusted for any permanent and/or temporary differences envisaged in the tax laws enacted or substantively enacted at the balance sheet date regarding the calculation of taxable income in the countries where the company and its subsidiaries operate. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax credits and deductions and the tax effect of applying unused tax losses that have not been capitalised are treated as a reduction in income tax expense for the year in which they are applied or offset.

The Parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Berantevilla, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- PIA Forging Products, S.L.U.
- Industrias Amaya Tellería, S.A.U.

- Mecanizaciones del Sur - Mecasur, S.A. (incorporated in the 2018 financial year)
- CIE Automotive Goian, S.L.U (incorporated in the 2018 financial year)

In addition, the following companies tax under the regulation of Spanish Territory Regime:

- Grupo Componentes Vilanova, S.L. (representative of the Tax Group)
- Biosur Transformación, S.L.U.
- Advanced Comfort Systems Ibérica, S.L.U.
- Denat 2007, S.L.U.

Outside Spain it exists the following fiscal groups:

- In Germany: led by the company Mahindra Forgings Europe AG and in which also participate the followings: Gesenkschmiede Schneider GmbH, Jeco Jellinghaus GmbH and Falkenroth Umformtechnik GmbH.
- In the United States: led by the company CIE Automotive USA Inc and in which also participate Century Plastics LLC, Newcor, Inc, Owosso Realty, LLC, Corunna Realty, Corp, Clifford Realty Corp, Machine, Tool and Gear, Inc, Rochester Gear, Inc and CIE Automotive USA Investments.

The other CIE Automotive Group companies file individual returns.

Until July 3, 2018, date of disposal of the Solutions and Services segment - Smart Innovation, there were additionally four tax groups in different jurisdictions, and whose parent companies were Global Dominion Access, S.A. (fiscal group of the Basque Country), Bilcan Global Services, S.L. (tax group in Common Territory), Beroa Technology Group GmbH (tax group in Germany) and Beroa Corporation, LLC (tax group in the United States of America).

#### b) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 2.8); this right is recognised with a credit to deferred income. Tax deductions in respect of R&D investment are classified, depending on the nature of the subsidy, upon recognition as operating grants so long as the R&D costs have not been capitalised (Note 2.19).

Deferred tax assets corresponding to utilised or recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as other operating income.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and the tax base of investments in foreign operations, when the Group is able to control the date on which the temporary differences will be reversed or it is probable that these will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.23 Employee benefits

### a) Pension obligations

The Group's plans are funded through payments to insurance companies or externally-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans and defined contribution of non-significant amounts. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employee benefits.

Past-service costs are recognised immediately in the income statement.

### b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

### c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Parent company's shareholders after certain adjustments. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

## 2.24 Share-based payments

At 31 December 2018 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity

instruments (options) in the aforementioned subsidiary.

The fair value of the employee services received in exchange for the grant of such shares/options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives rise to the corresponding change against the Group's equity.

The General Meeting of shareholders, held on 30 April 2014, approved a long term incentive based on the increase of CIE Automotive S.A. share value, on behalf of a group of senior executives of the Group. The liquidation of this incentive, which due to Group decision would be in cash, has been paid in 2018 (Note 34).

Likewise, at the General Meeting of shareholders held on April 24, 2018, a long-term incentive concession for the CEO was approved based on the evolution of the share price of CIE Automotive, S.A. (Note 34).

The total estimated cost of this incentive is recognised as personnel costs in the period when the conditions must be fulfilled.

## **2.25 Provisions**

Provisions for specific liabilities and charges are recognised when:

- (i) The Group has a present legal or constructive obligation as a result of past events;
- (ii) It is probable that an outflow of resources will be required to settle the obligation; and
- (iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

## **2.26 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the

ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities.

Revenue is recognised as follows:

**a) Sales of goods**

Sales of goods are recognised when a Group company has delivered the products to the customer, the customer has accepted the products and it is probable that the future economic benefits will flow to the seller. Accumulated experience is used to estimate and provide for returns at the time of sale.

In the Automotive segment, revenue relates mainly to the sale of Automotive parts.

**b) Rendered services**

The Group in the segment Solutions and Services segment (Smart Innovation) sold on July 3, 2018 (Note 1), provided telecommunication system integration services and network and automation related IT consultancy services, carrying out all phases of the project, including engineering, supply, installation and start-up, for public and private enterprises, and industrial maintenance service controlling the entire production process as an outsourcing.

The Group has only recognized ordinary income for these performance obligations paid over time if it could reasonably measure its progression towards full satisfaction of such performance obligations. As they met these execution obligations, the amount of the transaction price that was assigned to these execution obligations was recognized as ordinary income.

Revenue from specific date and materials contracts, which normally relate to the rendering of telecommunication system integration services, were recognised at the rates stipulated in the contract as the related man hours are worked and direct expenses incurred.

Revenues deriving from fixed-price contracts or supplies and construction of industrial facilities, relating to both engineering maintenance work and network installations and industrial maintenance were recognised using the percentage of completion method.

Expected losses on these contracts were recognised immediately as an expense of the year as soon as they are known and can be quantified.

At the end of each reporting period, the Group updated the transaction prices that had been estimated to faithfully represent the existing circumstances. The revisions could lead to increases or decreases in the estimated revenues and costs and were reflected in the income statement in the period in which the circumstances that had motivated such revisions were known by the Management.

**c) Interest income**

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

**d) Royalty revenue**

Revenue from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

**e) Dividend income**

Dividend income is recognised when the right to receive payment is established.



## **2.27 Leases**

### Finance leases

Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the reduction of the outstanding liability and the finance charge so as to produce a constant rate of interest on the outstanding liability. The corresponding lease obligation, net of finance charges, is included in long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

### Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

As of January 1, 2019, and in application of IFRS 16 Leases (Note 2.4.2), the only leases that will continue according to the current operating leases criterion will correspond to those with a not significant value of the asset based at the threshold established in the standard and / or whose duration does not exceed one year.

## **2.28 Dividend distribution**

Dividend distribution to the Parent company's shareholders is recognised as a liability in the Group's Consolidated Annual Accounts in the period in which the dividends are approved by the Parent company's shareholders.

## **2.29 Environmental disclosures**

Costs incurred by the Group as part of its business activities that are intended to protect the environment and/or improve its environmental record are expensed currently. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

## **2.30 Current and non-current balances**

Those amounts with longer maturity to 12 months from the closing date of the period are considered as non-current balances, assets and liabilities.

## **3. Financial risk management**

### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

**a) Market risk****(i) Foreign exchange risk**

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

CIE Automotive Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31 December 2018, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €140/€114 million (2017: increased/decreased by €120/€98 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average rate of exchange of the euro had depreciated/appreciated by 10% in 2018 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €12,751/€10,432 thousand higher/ lower, respectively (2017: €13,126/€10,739 thousand higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

**(ii) Price risk**

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance

sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segment converts the benchmarked variable interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2018 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €632 thousand lower/higher (2017: €754 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €1,359/€2,048 thousand, respectively (2017: €1,078/€1,518 thousand increase/decrease, respectively).

**b) Liquidity risk**

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31 December 2018 and 2017 as follows:

Thousand euro	Note	31.12.2018	31.12.2017
Cash and cash equivalents	11	248,895	289,448
Other financial assets	8	160,804	107,145
Undrawn lines of credit	18	542,726	419,433
<b>Liquidity buffer</b>		<b>952,425</b>	<b>816,026</b>
Bank borrowings	18	1,340,015	1,224,889
Other financial liabilities	8	17,924	8,842
Cash and cash equivalents	11	(248,895)	(289,448)
Other financial assets	8	(160,804)	(107,145)
<b>Net financial debt</b>		<b>948,240</b>	<b>837,138</b>

The evolution of the Net Financial Debt in 2018 and 2017 is shown in the following table:

Thousand euro	Cash and cash equivalents (Note 11)	Other financial assets (Note 8)	Bank borrowings (Note 18)	Other financial liabilities (Note 8)	TOTAL
<b>Net Financial debt 1 January 2017</b>	<b>372,550</b>	<b>67,648</b>	<b>(1,230,983)</b>	<b>(14,898)</b>	<b>(805,683)</b>
Cash flow	(50,168)	11,626	(14,027)	2,577	(49,992)
Exchange rate adjustments	4,949	(1,637)	19,931	323	23,566
Changes in consolidation scope (Note 33)	676	-	-	-	676
Other non-monetary movements	-	7,715	(3,185)	3,279	7,809
Movement generated by discontinued activities	(38,559)	21,793	3,375	(123)	(13,514)
<b>Net Financial debt 31 December 2017</b>	<b>289,448</b>	<b>107,145</b>	<b>(1,224,889)</b>	<b>(8,842)</b>	<b>(837,138)</b>
Application of IFRS 9 (Note 2.3)	-	(3,195)	-	-	(3,195)
<b>Net Financial debt 1 January 2018</b>	<b>289,448</b>	<b>103,950</b>	<b>(1,224,889)</b>	<b>(8,842)</b>	<b>(840,333)</b>
Cash flow	98,670	100,656	(162,737)	-	36,589
Exchange rate adjustments	(429)	(220)	(9,638)	-	(10,287)
Changes in consolidation scope (Note 33)	390	70	(246)	-	214
Other non-monetary movements	-	(3,331)	(8,780)	(9,709)	(21,820)
Cash flow from discontinued activities	26,712	936	(47,371)	(30)	(19,753)
Exit of net financial debt by extraordinary dividend (Note 1)	(165,896)	(41,257)	113,646	657	(92,850)
<b>Net Financial debt 31 December 2018</b>	<b>248,895</b>	<b>160,804</b>	<b>(1,340,015)</b>	<b>(17,924)</b>	<b>(948,240)</b>

Group's financial department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2019 will allow facing all year recurrent payments without increasing net financial debt.

Group's financial department monitors Group's liquidity needs provisions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2018: €14 million; 2017: €16 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and

therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31 December 2018 of €543 million of undrawn credit lines and loans (31 December 2017: €419 million) (Note 18).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31 December 2018 as compared with 31 December 2017, stating the relative significance of each item:

Thousand euro	Note	31.12.2018	31.12.2017
Inventories	10	405,739	450,218
Trade and other receivables	9	292,424	610,337
Other current assets		21,026	16,007
Current tax assets		47,191	96,616
<b>Current operating assets</b>		<b>766,380</b>	<b>1,173,178</b>
Other current financial assets	8	112,141	89,444
Cash and other cash equivalents	11	248,895	289,448
<b>Current assets</b>		<b>1,127,416</b>	<b>1,552,070</b>
Trade and other payables	19	721,022	1,218,098
Current tax liabilities	20	59,909	111,488
Current provisions	23	31,133	64,480
Other current liabilities	20	110,356	165,989
<b>Current operating liabilities</b>		<b>922,420</b>	<b>1,560,055</b>
Current financial borrowings	18	282,312	242,642
Other current financial liabilities	8	47	8,842
<b>Current liabilities</b>		<b>1,204,779</b>	<b>1,811,539</b>
<b>TOTAL WORKING CAPITAL</b>		<b>(77,363)</b>	<b>(259,469)</b>

The balance sheet items that comprised the working capital as of December 31, 2017 included items corresponding to the segment of Solutions and Services - Smart Innovation, classified on April 24, 2018 as a group of assets and liabilities held for sale until disposal on July 3, 2018 (Note 1 and 12), and the biofuel and British forge businesses, classified as of December 31, 2018 as a group of assets and liabilities held for sale (Note 12). If said businesses had been reclassified as held for sale at December 31, 2017, the working capital would have amounted to negative €225,248 thousand.

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables and to optimize the accounts payable, with the support of bank operational mobilization of resources, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

However, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2019 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

As a consequence of the above, there are no risks affecting the Company's liquidity situation.

In Notes 18 and 20 financial borrowings and other non-current liabilities are disclosed by maturity.

There are no restrictions to the use of cash/other cash equivalents.

#### **c) Credit risk**

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 8).

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the Automotive segment, present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

An analysis of the age of assets that are past due but are not impaired is provided in Note 9.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable (Note 2.13). In Note 2.3 the impact of the application of the expected loss criterion on the rest of financial assets is explained. Until fiscal year 2017, the impairment of financial instruments, especially of customers and accounts receivable, was evaluated according to the estimated losses incurred for each customer or group of debtors (Note 2.16).

#### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these societies were the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

### **3.2 Hedge accounting**

Until the entry into force on January 1, 2018 of IFRS 9, hedge accounting was regulated by IAS 39. This was very strict in relation to the need for documentation that allowed for an instrument to meet the precise conditions to be considered as hedging.

With the entry into force of IFRS 9, the effectiveness of the hedge is determined at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate hedge between the hedged risk and the hedging instrument.

The treatment and classification of the Group's hedging transactions are described below:

#### **a) Fair value hedges of a recognised asset or liability or a firm commitment**

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

#### **b) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects

profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

c) Net investment hedges

As of December 31, 2018 and December 31, 2017, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment, since they ended in 2017.

d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by the Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be entirely offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

Based on the underlying asset and the type of hedge, the Group also uses the variance reduction method and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: The Group uses several tools to measure and manage derivative-related risk. The measurement of derivative instruments is carried out internally; these measurements are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialised financial analytics libraries are used for this purpose.

### 3.3 Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this end the data used must be consistent with the assumptions that market participants would use in considering such a transaction.

Although IFRS 13 leaves the principles set down in other standards intact, it does establish the overall framework for

measuring assets and liabilities at fair value when doing so is mandatory under other standards and stipulates additional fair value disclosure requirements.

The Group complies with IFRS 13 requirements in measuring its assets and liabilities at fair value when such fair value measurement is required under other international financial reporting standards.

On the basis of the contents of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on how it estimates fair value by level using the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018 and 31 December 2017:

2018 - thousand euro	Note	Level 2	Level 3	TOTAL
Credits at fair value	8-26	-	27,258	27,258
Derivatives	8	131	-	131
<b>Total assets at fair value</b>		<b>131</b>	<b>27,258</b>	<b>27,389</b>
Derivatives	8	(17,924)	-	(17,924)
<b>Total liabilities at fair value</b>		<b>(17,924)</b>	<b>-</b>	<b>(17,924)</b>
2017 - thousand euro	Note	Level 2	Level 3	TOTAL
Derivatives	8	17,010	-	17,010
<b>Total assets at fair value</b>		<b>17,010</b>	<b>-</b>	<b>17,010</b>
Derivatives	8	(8,842)	-	(8,842)
Other fair value liabilities	20	-	(12,266)	(12,266)
<b>Total liabilities at fair value</b>		<b>(8,842)</b>	<b>(12,266)</b>	<b>(21,108)</b>

There were no transfers between levels during 2018 and 2017.

#### a) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

- (i) Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- (ii) Fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.
- (iii) It is assumed that the carrying amount of trade receivables and payables is similar to their fair value.
- (iv) The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to financial instruments derivatives (Note 8).

#### b) Level 3 financial instruments

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included



in Level 3.

As of December 31, 2018, there are loans granted to Group employees valued at fair value and amounting to €27,258 thousand (Notes 8 and 26).

After the discontinuation of the Solutions and Services (Smart Innovation) segment, the assets and liabilities of Level 3 are shown under the headings of "disposal group assets and liabilities classified as held-for-sale".

The Company has not agreements for the offset of financial assets and liabilities.

### 3.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital used. Net debt is calculated as total borrowings plus financial liabilities less cash, cash equivalents and financial assets, all of which as shown in the Consolidated Annual Accounts. Total capital employed is calculated as 'equity', as shown in the Consolidated Annual Accounts, plus net debt.

During 2018, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.5. The gearing ratios at 31 December 2018 and 2017 were as follows:

Thousand euro	Note	2018	2017
Borrowings	18	1,340,015	1,224,889
Financial liabilities	8	17,924	8,842
Less: Cash and cash equivalents and financial assets	8/11	(409,699)	(396,593)
<b>Net debt</b>	<b>3.1.b)</b>	<b>948,240</b>	<b>837,138</b>
Equity		1,048,886	1,336,913
<b>Total capital used</b>		<b>1,997,126</b>	<b>2,174,051</b>
<b>Gearing ratio</b>		<b>0.47</b>	<b>0.39</b>

The amounts for fiscal year 2017 include amounts corresponding to the segment of Solutions and Services - Smart Innovation sold on July 3, 2018, as well as the British biofuels and forges business classified as of December 31, 2018 as a group of assets and liabilities held for sale. The leverage ratio comparable to the year 2018 that would have corresponded to the fiscal year 2017 would be 0.48.

At 31 December 2018 and 2017, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 18).

## 4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10.a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The results of this analysis and quantification of the resulting sensitivities are detailed in the Note 7.

If the estimated rate used to discount the cash flows had been 10% higher than management's estimates, the Group would still not have needed to reduce the carrying amount of goodwill (Note 7).

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortisation, essential for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment provisions in either 2018 or 2017 (Note 7).

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair value.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

c) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes due.

The calculation of income tax expense did not demand significant estimates except with respect to the amount of tax credits recognised in the year.

If the final outcome (on judgment areas) differs unfavourable by 10% from Management estimates, deferred assets would decrease and income tax would increase by approximately €6.3 million (2017: €14.4 million) and if these changes evolved favourably, these deferred tax assets would increase and the income tax would decrease by approximately €6.3 million (2017: €4 million).

d) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date.

Note 3.1.a).(iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of interest rate derivatives.

In relation to the valuation of the derivative associated with the quoted price in the market share of CIE Automotive, S.A. (Note 8) a variation of 10% in the share price would affect the result for increasing / decreasing by €4,288 thousand.

e) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions. Note 22 contains further information.

f) Product warranties

Product warranty risks are recognized when there is a firm claim not covered by the relevant insurance policy.

#### 4.2. Significant judgments in applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 2 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 2.10.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 2.22.b), 4.1.c), 21 and 28.
- Estimation of the useful lives of property, plant and equipment (Note 2.8).
- In order to value financial derivatives and other assets, the Group uses valuation techniques that are widely used in the financial markets. In general, the valuation of any financial derivative is based on discounted cash flow analysis, based on the interest rate curve, from which the zero coupon curve is derived together with the discount factors and the implicit forward rates. To value instruments that include options, the Group uses the implied volatility priced in by the markets and option pricing models, such as Black-Scholes for Plain vanilla options or Vanna-Volga for barrier options. The Group uses professional market applications to this end and engages an independent external advisor when necessary.
- Estimation of the services provided by employees that are remunerated by means of share-based payments (Notes 2.24 and 26).

## **5 Segment information**

The Strategy and Operations Committee, consisting of five members of the Board of Directors, is the Group's chief operating decision-making body. The Executive Steering Committee reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments.

Management has determined the operating segments based on the structure of the reports reviewed by the Strategy and Operations Committee.

The Strategy and Operations Committee analyses the business of the CIE Automotive Group from both a geographical perspective and from the viewpoint of the different lines of business (segments) in which it operates.

After the distribution on July 3, 2018 of the extraordinary dividend approved at the General Shareholders' Meeting on April 24, 2018, the Group disposed of the net assets related to the Solutions and Services Segment (Smart Innovation) (Notes 1 and 12). As of December 31, 2018, the only segment in which the Group operates as a continuing activity is the Automotive segment, breaking down the operations of the Solutions and Services segment (Smart Innovation) as a discontinued activity until its disposal.

### **Automotive segment**

Automotive segment relates to the production of parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier, with the OEMs assuming the role of the TIER 1 supplier.

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- **Multi-technology:** command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.
- **Global market:** worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from difference geographic areas.

Following the inclusion in the Group of the companies acquired from the Mahindra & Mahindra Group, and the creation of the Mahindra CIE Automotive, Ltd. Group, CIE Automotive Group has begun to analyse the Automotive operating segment on the basis of its management units, distinguishing basically Mahindra CIE Group from the automotive businesses in Brazil and Mexico, and the other Automotive companies, located mainly in Europe.

In fact, the subsegments within Automotive segment, are as follows:

- **North America:** it includes, basically, Group companies located in Mexico and United States.
- **Brazil:** it includes basically Automotive Group companies located in Brazil.
- **Asia:** includes the Indian companies belonging to the Mahindra CIE group (dependent on the Group), as well as the companies located in the People's Republic of China.
- **Mahindra Europe:** includes the business for the manufacture of European forges, dependent on the Mahindra CIE group (dependent on the Group).
- **Rest of Europe:** it includes all non-dependent of Mahindra CIE subgroup manufacturing businesses basically located in Europe.

Until fiscal year 2017, the Consolidated Annual Accounts presented the Mahindra Europe and Asia segments in a single segment.

a) Segment information

The earnings performance by segment:

Thousand euro	December 31, 2018						December 31, 2017					
	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA EUROPE	REST OF EUROPE	TOTAL	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA EUROPE	REST OF EUROPE	TOTAL
Revenue	763,262	323,649	540,340	557,665	844,579	3,029,495	718,800	304,118	479,881	486,626	853,141	2,842,566
Other operating expenses and income (excluding depreciation and amortisation)	(589,178)	(276,841)	(455,418)	(482,706)	(696,330)	(2,500,473)	(564,956)	(261,011)	(415,190)	(419,773)	(710,516)	(2,371,446)
Depreciation, amortisation and impairment	(39,342)	(15,379)	(19,745)	(20,757)	(68,513)	(163,736)	(30,335)	(10,443)	(21,120)	(21,337)	(48,793)	(132,028)
<b>Operating profit</b>	<b>134,742</b>	<b>31,429</b>	<b>65,177</b>	<b>54,202</b>	<b>79,736</b>	<b>365,286</b>	<b>123,509</b>	<b>32,664</b>	<b>43,571</b>	<b>45,516</b>	<b>93,832</b>	<b>339,092</b>
<b>EBITDA</b>	<b>174,084</b>	<b>46,808</b>	<b>84,922</b>	<b>74,959</b>	<b>148,249</b>	<b>529,022</b>	<b>153,844</b>	<b>43,107</b>	<b>64,691</b>	<b>66,853</b>	<b>142,625</b>	<b>471,120</b>

Transfers or transactions between segments (which are not significant) are carried out in the same terms and conditions as usual commercial transactions with third parties.

Other items disclosed by segment included in the income statement are the following:

Thousand euro	December 31, 2018						December 31, 2017					
	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA EUROPE	REST OF EUROPE	TOTAL	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA EUROPE	REST OF EUROPE	TOTAL
<b>Depreciation and amortisation:</b>	<b>(39,342)</b>	<b>(15,379)</b>	<b>(19,745)</b>	<b>(20,757)</b>	<b>(68,513)</b>	<b>(163,736)</b>	<b>(30,335)</b>	<b>(10,443)</b>	<b>(21,120)</b>	<b>(21,337)</b>	<b>(48,793)</b>	<b>(132,028)</b>
Property, plant and equipment	(38,804)	(14,724)	(19,088)	(20,462)	(65,357)	(158,435)	(28,563)	(10,187)	(20,477)	(19,969)	(45,274)	(124,470)
Intangible assets	(538)	(655)	(657)	(295)	(3,109)	(5,254)	(964)	(256)	(643)	(347)	(3,228)	(5,438)
Impairment	-	-	-	-	(47)	(47)	(808)	-	-	(1,021)	(291)	(2,120)

The reconciliation of Operating profit to Profit attributable to owners of the parent at 31 December 2018 and 2017:

Thousand euro	Note	31.12.2018	31.12.2017 <sup>(*)</sup>
<b>Operating profit</b>		<b>365,286</b>	<b>339,092</b>
Finance income/(expense)	27	(42,394)	(46,238)
Interest in the results of equity method companies	8	2,641	3,481
Change in fair value of assets and liabilities taken to income statement	8/27	(7,060)	7,269
Income tax	28	(90,139)	(71,205)
Gain/loss after tax from discontinued operations	12	209,151	25,757
Non-controlling interests (attributed profit)	17	(40,731)	(42,748)
<b>Profit attributed to the Parent company</b>		<b>396,754</b>	<b>215,408</b>

(\*) Recasted amounts, see Note 2.

Segment assets and liabilities at year end and investments made during the year:

December 31, 2018								
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA EUROPE	REST OF EUROPE	AUTOMOTIVE TOTAL	Solutions and Services <sup>(1)</sup>	TOTAL
Investments in associates	3,221	2,066	381	-	133	5,801	-	5,801
Rest of assets	841,266	354,403	777,069	678,018	1,007,289	3,658,045	-	3,658,045
<b>Total assets</b>	<b>844,487</b>	<b>356,469</b>	<b>777,450</b>	<b>678,018</b>	<b>1,007,422</b>	<b>3,663,846</b>	-	<b>3,663,846</b>
<b>Total liabilities</b>	<b>477,499</b>	<b>143,390</b>	<b>228,735</b>	<b>399,242</b>	<b>1,354,828</b>	<b>2,603,694</b>	-	<b>2,603,694</b>
Fixed Asset additions	60,781	23,353	30,519	21,462	74,861	210,976	5,373	216,349
Disposal of assets net of depreciation and amortisation	(136)	(680)	(333)	(192)	(1,129)	(2,470)	(92)	(2,562)
<b>Net investments for the year</b>	<b>60,645</b>	<b>22,673</b>	<b>30,186</b>	<b>21,270</b>	<b>73,732</b>	<b>208,506</b>	<b>5,281</b>	<b>213,787</b>

December 31, 2017								
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA EUROPE	REST OF EUROPE	AUTOMOTIVE TOTAL	Solutions and Services	TOTAL
Investments in associates	2,252	986	-	-	33	3,271	11,747	15,018
Rest of assets	737,835	345,320	679,573	666,593	1,037,517	3,466,838	998,007	4,464,845
<b>Total assets</b>	<b>740,087</b>	<b>346,306</b>	<b>679,573</b>	<b>666,593</b>	<b>1,037,550</b>	<b>3,470,109</b>	<b>1,009,754</b>	<b>4,479,863</b>
<b>Total liabilities</b>	<b>452,179</b>	<b>115,349</b>	<b>236,017</b>	<b>350,394</b>	<b>1,258,765</b>	<b>2,412,704</b>	<b>715,427</b>	<b>3,128,131</b>
Fixed Asset additions	117,778	27,077	25,604	25,579	78,301	274,339	18,393	292,732
Disposal of assets net of depreciation and amortisation	(171)	(523)	(928)	(193)	(5,260)	(7,075)	(607)	(7,682)
<b>Net investments for the year</b>	<b>117,607</b>	<b>26,554</b>	<b>24,676</b>	<b>25,386</b>	<b>73,041</b>	<b>267,264</b>	<b>17,786</b>	<b>285,050</b>

<sup>(1)</sup> Assets and liabilities of activities discontinued as of April 24, 2018. Additions and withdrawals of fixed assets considered up to the date of discontinuation.

Segment assets mainly include property, plant and equipment, intangible assets (including goodwill), deferred tax assets, inventories, accounts receivable and cash. Investments in investees included in the consolidation scope are shown separately.

Segment liabilities include operating liabilities and long-term financing, excluding intragroup liabilities eliminated on consolidation.

Investments in non-current assets include additions to property, plant and equipment (Note 6) and intangible assets (Note 7).

The figures corresponding to the net amount of the turnover and non-current assets, excluding deferred tax assets and non-current financial assets and investments in associates, by geographical areas are the following:

Thousand euro	Revenue		Non-current assets	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Spain	222,632	197,616	334,380	383,299
Rest of Europe	1,179,612	1,142,152	695,286	706,897
Brazil	323,649	304,118	240,993	243,936
North America	763,262	718,800	582,803	537,447
Asia <sup>(*)</sup>	540,340	479,880	415,696	407,690
<b>AUTOMOTIVE</b>	<b>3,029,495</b>	<b>2,842,566</b>	<b>2,269,158</b>	<b>2,279,269</b>
<b>SOLUTIONS AND SERVICES (Smart Innovation)</b>	-	-	-	378,116
<b>TOTAL</b>	<b>3,029,495</b>	<b>2,842,566</b>	<b>2,269,158</b>	<b>2,657,385</b>

(\*) This line includes the incorporated companies of the Mahindra group resident in India, as well as the Group companies located in the People's Republic of China.

## 6 Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

31 December 2018							
Thousand euro	31.12.2017	ADDITIONS/(CHANGES) IN THE SCOPE OF CONSOLIDATION (NOTE 33)	ADDITIONS (**)	DISPOSALS	TRANSFERS AND OTHER MOVEMENTS (*)	DISCONTINUED OPERATIONS (NOTE 12)	31.12.2018
Land and buildings	563,973	3,490	4,060	(5,559)	7,524	(42,753)	530,735
Plant and machinery	1,913,335	6,611	56,857	(55,397)	130,457	(147,957)	1,903,906
Other fixed assets	358,891	720	25,384	(13,367)	(30,699)	(64,570)	276,359
Down-payments and assets under construction	135,432	-	123,333	(779)	(134,944)	(190)	122,852
<b>COST</b>	<b>2,971,631</b>	<b>10,821</b>	<b>209,634</b>	<b>(75,102)</b>	<b>(27,662)</b>	<b>(255,470)</b>	<b>2,833,852</b>
Land and buildings	(192,076)	(677)	(16,123)	5,519	(167)	16,372	(187,152)
Plant and machinery	(1,212,880)	(5,553)	(134,845)	54,563	12,206	108,815	(1,177,694)
Other fixed assets	(283,755)	(615)	(12,936)	12,123	(2,778)	55,472	(232,489)
<b>DEPRECIATION</b>	<b>(1,688,711)</b>	<b>(6,845)</b>	<b>(163,904)</b>	<b>72,205</b>	<b>9,261</b>	<b>180,659</b>	<b>(1,597,335)</b>
Plant and machinery	(11,762)	-	(519)	421	373	6,644	(4,843)
<b>IMPAIRMENT</b>	<b>(11,762)</b>	<b>-</b>	<b>(519)</b>	<b>421</b>	<b>373</b>	<b>6,644</b>	<b>(4,843)</b>
<b>CARRYING AMOUNT</b>	<b>1,271,158</b>						<b>1,231,674</b>

31 December 2017							
Thousand euro	31.12.2016	ADDITIONS/(CHANGES) IN THE SCOPE OF CONSOLIDATION (NOTE 33)	ADDITIONS (**)	DISPOSALS	TRANSFERS AND OTHER MOVEMENTS (*)	DISCONTINUED OPERATIONS	31.12.2017
Land and buildings	521,300	11,754	43,015	(1,566)	(10,530)	-	563,973
Plant and machinery	1,800,698	87,708	72,854	(43,462)	(4,463)	-	1,913,335
Other fixed assets	306,225	49,170	33,901	(9,943)	(20,462)	-	358,891
Down-payments and assets under construction	111,542	-	131,771	(3,377)	(104,504)	-	135,432
<b>COST</b>	<b>2,739,765</b>	<b>148,632</b>	<b>281,541</b>	<b>(58,348)</b>	<b>(139,959)</b>	<b>-</b>	<b>2,971,631</b>
Land and buildings	(177,817)	(4,178)	(13,752)	38	3,633	-	(192,076)
Plant and machinery	(1,131,545)	(61,096)	(102,617)	40,724	41,654	-	(1,212,880)
Other fixed assets	(253,345)	(37,972)	(18,809)	9,495	16,876	-	(283,755)
<b>DEPRECIATION</b>	<b>(1,562,707)</b>	<b>(103,246)</b>	<b>(135,178)</b>	<b>50,257</b>	<b>62,163</b>	<b>-</b>	<b>(1,688,711)</b>
Plant and machinery	(10,316)	-	(2,188)	601	141	-	(11,762)
<b>IMPAIRMENT</b>	<b>(10,316)</b>	<b>-</b>	<b>(2,188)</b>	<b>601</b>	<b>141</b>	<b>-</b>	<b>(11,762)</b>
<b>CARRYING AMOUNT</b>	<b>1,166,742</b>						<b>1,271,158</b>

(\*) Basically includes the effect of exchange fluctuations of currency of foreign subsidiaries and transfers from assets under construction to fixed assets.

(\*\*) The cumulative depreciation additions from the period for discontinued activities until their discontinuation (Notes 1 and 12) amount to €5,469 thousand and impairment provisions to €472 thousand. The comparative movement of accumulated amortization additions for fiscal year 2017 includes €10,708 thousand €68 thousand of impairment provisions, reclassified in 2018 within the line of discontinued operations in the consolidated profit and loss account after restatement.

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 31 December 2018 and 2017:

Million euro	2018			2017		
	COST	ACCUMULATED DEPRECIATION/ PROVISIONS	CARRYING AMOUNT	COST	ACCUMULATED DEPRECIATION/ PROVISIONS	CARRYING AMOUNT
AMERICA	953	(411)	542	909	(396)	513
EUROPE	1,510	(1,018)	492	1,703	(1,142)	561
ASIA	371	(173)	198	360	(163)	197
	<b>2,834</b>	<b>(1,602)</b>	<b>1,232</b>	<b>2,972</b>	<b>(1,701)</b>	<b>1,271</b>

b) Assets not used in operations

At 31 December 2018 and 2017 no significant items of property, plant and equipment were not active use.

c) Property, plant and equipment subject to restrictions on title

At December 31, 2018, there are items of property, plant and equipment (land and buildings) with a carrying amount of €6.3 million (2017: €9.4 million) pledged to guarantee debts with financial institutions with outstanding balances at year-end 2018 of €2.4 million (2017: €5.3 million) (Note 18).

d) Insurance

The Group has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The scope coverage of these policies is considered to be sufficient.

e) Finance leases

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

Thousand euro	2018	2017 (*)
Cost-capitalised finance lease	28,714	36,792
Accumulated depreciation	(6,520)	(11,827)
<b>Carrying amount</b>	<b>22,194</b>	<b>24,965</b>

(\*) The comparison as of December 31, 2017 includes discontinued activities during the 2018 fiscal year.

The amounts payable from these financial leases are recorded under Other liabilities.

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing cost in 2018 or 2017 involving significant amounts.



## 7. Intangible assets

Set out below is an analysis of the main intangible asset classes showing movements in assets:

31 December 2018							
Thousand euro	BALANCE AT 31.12.2017	ADDITIONS/(CHANGES) IN THE SCOPE OF CONSOLIDATION (NOTE 33)	ADDITIONS (**)	DISPOSALS	TRANSFERS AND OTHER (*)	DISCONTINUED ACTIVITIES (NOTE 12)	BALANCE AT 31.12.2018
Goodwill on consolidation	1,303,403	9,562	-	-	(10,799)	(305,264)	996,902
R&D (development)	49,186	1,000	2,199	(1,667)	379	(310)	50,787
Computer applications	85,531	2,088	3,740	(960)	3,369	(52,787)	40,981
Prepayments and other	56,532	-	776	-	495	(52,733)	5,070
<b>TOTAL COST</b>	<b>1,494,652</b>	<b>12,650</b>	<b>6,715</b>	<b>(2,627)</b>	<b>(6,556)</b>	<b>(411,094)</b>	<b>1,093,740</b>
<b>TOTAL ACCUMULATED AMORTISATION</b>	<b>(124,837)</b>	<b>(88)</b>	<b>(9,551)</b>	<b>2,541</b>	<b>(1,686)</b>	<b>56,387</b>	<b>(77,234)</b>
<b>CARRYING AMOUNT</b>	<b>1,369,815</b>						<b>1,016,506</b>

31 December 2017							
Thousand euro	BALANCE AT 31.12.2016	ADDITIONS/(CHANGES) IN THE SCOPE OF CONSOLIDATION (NOTE 33)	ADDITIONS (**)	DISPOSALS	TRANSFERS AND OTHER (*)	DISCONTINUED ACTIVITIES (NOTE 12)	BALANCE AT 31.12.2017
Goodwill on consolidation	1,240,169	105,813	-	-	(42,579)	-	1,303,403
R&D (development)	55,787	-	2,992	(8,114)	(1,479)	-	49,186
Computer applications	73,300	6,836	7,643	(3,072)	824	-	85,531
Prepayments and other	36,927	23,183	556	(2,784)	(1,350)	-	56,532
<b>TOTAL COST</b>	<b>1,406,183</b>	<b>135,832</b>	<b>11,191</b>	<b>(13,970)</b>	<b>(44,584)</b>	<b>-</b>	<b>1,494,652</b>
<b>TOTAL ACCUMULATED AMORTISATION</b>	<b>(109,177)</b>	<b>(13,477)</b>	<b>(16,872)</b>	<b>13,778</b>	<b>911</b>	<b>-</b>	<b>(124,837)</b>
<b>CARRYING AMOUNT</b>	<b>1,297,006</b>						<b>1,369,815</b>

(\*) Basically includes the effect of exchange fluctuations of intangible assets and goodwill currency of foreign subsidiaries.

(\*\*) The cumulative amortization additions from the exercise of discontinued activities until their discontinuation (Notes 1 and 12) amount to €4,297 thousand. The comparative movement of accumulated amortization additions for fiscal year 2017 includes €11,434 thousand reclassified in 2018 within the line of discontinued operations in the consolidated profit and loss account after restatement.

The additions/(changes) in goodwill (Note 33) break down as follows:

Segments (Thousand euro)	31.12.2018 (*)	31.12.2017
Automotive	5,366	65,903
Solutions and Services (Smart Innovation)	4,196	39,910
<b>TOTAL</b>	<b>9,562</b>	<b>105,813</b>

(\*) Only includes acquisitions prior to the classification of the Solutions and Services (Smart Innovation) segment discontinuation (Note 33).

### a) Testing for impairment losses on goodwill

Goodwill has been assigned to the Group's cash-generating units (CGUs) on the basis of the criterion of grouping together under each CGU all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

The breakdown of goodwill at the resulting CGU level is set out below:

Thousand euro	31.12.2018	31.12.2017
Brazil	92,303	94,325
North America	184,146	178,206
Asia (*)	191,467	194,856
Mahindra Europe (*)	332,106	337,985
Rest of Automotive	196,880	221,718
<b>Automotive segment</b>	<b>996,902</b>	<b>1,027,090</b>
<b>Solutions and Services Segment (Smart Innovation):</b>	-	<b>276,313</b>
<b>TOTAL</b>	<b>996,902</b>	<b>1,303,403</b>

(\*) Until the year ended 31 December 2017, Mahindra -CIE was considered a single cash-generating unit. Following the split of the segments into Mahindra CIE Europe and Asia in 2018, Goodwill that was historically assigned to this segment has been similarly split, with each cash-generating unit being allocated based on the distribution of value assignable to each of the companies that conform it.

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated on the basis of conservative estimated growth rates that are in all instances lower than the average long-run growth rate for the business in which each of the CGUs operates.

b) Key assumptions used in the calculation of value in use

As in prior years, the pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes. In certain instances, the discount rate calculation additionally factors in a specific risk premium to reflect the characteristics and the risk profile intrinsic to the cash flow projections of each CGU.

The discount rates applied to cash flow projections were as follows:

	2018	2017
<b>Automotive</b>		
Brazil	12.40%	11.92%
North America	6.77%-10.28%	6.85%-10.18%
Asia	7.02%-12.86%	7.63%-13.01%
Mahindra Europe	5.00%-5.48%	5.37%-5.60%
Rest of Europe	5.45%-12.20%	5.58%-12.01%
<b>Solutions and Services (Smart Innovation)</b>	-	4.00% - 17.50%

The applied WACC ranges are derived from the cash flows generated in different countries with different country risks characteristics.

This discount rate is after taxes and reflects the specific risks associated with the relevant segments.

The main changes in discount rates compared to those used in the previous year are mainly determined by the variations in risk-free rates.

Group management determined budgeted EBITDA (operating profit plus depreciation, amortisations and possible impairments) margins in preparing its business plans, taking into account operations with a similar structure to current operations and based on prior experience. These EBITDA's (operating result plus amortisation and depreciation) vary by type of business as follows:

	% of revenue	
	2018	2017
Automotive	3.97%-40.24%	3.00%-39.52%
Solutions and Services (Smart Innovation)	-	3.00%-12.30%

Other forecast net movements in cash and flows related to tax are factored in to EBITDAs in order to obtain after-tax free cash flow for each year.

The result of using pre-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 1% and 6%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. For calculating the residual value these flows are updated considering the discount rate used in the projections and deduced by the growth rate considered.

c) Results of the analysis

The Group has verified that goodwill did not suffer any impairment loss in either 2018 or 2017, existing a great clearance regarding the value in use taking into consideration the hypothesis detailed in the preceding paragraphs of the net assets of each CGU in both years. Note 4 includes the sensitivity analysis with respect to the goodwill impairment calculation.

The recoverable amount of the CGUs was determined based on value-in-use calculations, which require the use of estimates. To calculate value in use in 2018 and 2017, the assumptions used to project the related cash flows reflect the overall situation of the Group's operating markets as well as factoring in their projected performance.

Note 4.1.a) includes data on the sensitivity of these calculations.

## 8. Financial assets and derivatives

Movements in the Group's financial assets are as follows:

31 DECEMBER 2018													
	31.12.2017	IFRS 9 UPDATE ADJUSTMENT (Note 2.3)	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 33)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	DISCONTINUED OPERATIONS (Note 12)	FAIR VALUE ADJUSTMENT				RESULTS IN ASSOCIATES(**)	31.12.2018
								CONTINUED OPERATIONS		DISCONTINUED OPERATIONS			
								PROFIT OR LOSS	EQUITY	PROFIT OR LOSS	EQUITY		
<b>Valued at their amortized cost</b>													
Deposits	49,108	(2,995)	70	82,873	(6,984)	(2,165)	(17,396)	(96)	-	225	-	-	102,640
Current credits	38,167	(200)	-	6,799	-	(6,844)	(18,862)	-	-	-	-	-	19,060
Non-Current credits	2,860	-	(2,845)	-	-	-	-	-	-	-	-	-	15
Down-payments (Note 34)	-	-	-	13,000	(1,300)	-	-	-	-	-	-	-	11,700
<b>Total loans and receivables at amortized cost(***)</b>	<b>90,135</b>	<b>(3,195)</b>	<b>(2,775)</b>	<b>102,672</b>	<b>(8,284)</b>	<b>(9,009)</b>	<b>(36,258)</b>	<b>(96)</b>	<b>-</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>133,415</b>
<b>Valued at fair value</b>													
Non-Current credits (Note 26)	-	-	-	30,740	(2,085)	-	-	(1,397)	-	-	-	-	27,258
Asset derivatives – interest rate swaps	649	-	-	-	-	(588)	-	-	70	-	-	-	131
Asset derivatives – Equity Swap	16,361	-	-	-	(16,374)	-	-	13	-	-	-	-	-
Asset derivatives – foreign exchange swap	-	-	-	-	-	(322)	-	322	-	-	-	-	-
Liability derivatives – Equity Swap	-	-	-	-	-	-	-	(7,299)	-	-	-	-	(7,299)
Liability derivatives – interest rate swaps	(8,842)	-	-	-	-	612	641	-	(3,022)	-	(14)	-	(10,625)
<b>Non-Current credits and derivatives</b>	<b>8,168</b>	<b>-</b>	<b>-</b>	<b>30,740</b>	<b>(18,459)</b>	<b>(298)</b>	<b>641</b>	<b>(8,361)</b>	<b>(2,952)</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>9,465</b>
<b>Investment in associates</b>	<b>15,018</b>	<b>-</b>	<b>-</b>	<b>481</b>	<b>-</b>	<b>5,940</b>	<b>(18,599)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>2,931</b>	<b>5,801</b>
<b>TOTAL</b>	<b>113,321</b>	<b>(3,195)</b>	<b>(2,775)</b>	<b>133,893</b>	<b>(26,743)</b>	<b>(3,367)</b>	<b>(54,216)</b>	<b>(8,457)</b>	<b>(2,952)</b>	<b>225</b>	<b>16</b>	<b>2,931</b>	<b>148,681</b>

(\*) Basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers.

(\*\*) The result corresponding to discontinued operations until 24 April 2018 amounts to €290 thousand.

(\*\*\*) Previously corresponded to financial assets held to maturity.

31 DECEMBER 2017											
	31.12.2016	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 33)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	FAIR VALUE ADJUSTMENT				RESULTS IN ASSOCIATES(**)	31.12.2017
						CONTINUED OPERATIONS		DISCONTINUED OPERATIONS			
						PROFIT OR LOSS	EQUITY	PROFIT OR LOSS	EQUITY		
<b>Valued at their amortized cost</b>											
Deposits	34,610	4,414	12,962	(1,185)	(1,693)	-	-	-	-	-	49,108
Current credits	23,783	-	11,182	(1)	3,203	-	-	-	-	-	38,167
Non-Current credits	13	-	2	-	-	-	-	2,845	-	-	2,860
<b>Financial assets held to maturity</b>	<b>58,406</b>	<b>4,414</b>	<b>24,146</b>	<b>(1,186)</b>	<b>1,510</b>	<b>-</b>	<b>-</b>	<b>2,845</b>	<b>-</b>	<b>-</b>	<b>90,135</b>
<b>Valued at fair value</b>											
Asset derivatives—interest rate swaps	-	-	-	-	589	-	60	-	-	-	649
Asset derivatives—Equity Swap	9,242	-	-	-	-	7,119	-	-	-	-	16,361
Asset derivatives—foreign exchange swap	-	-	555	(555)	-	-	-	-	-	-	-
Liability derivatives—interest rate swaps	(14,898)	-	-	2,577	(357)	150	3,843	-	(157)	-	(8,842)
<b>Derivatives</b>	<b>(5,656)</b>	<b>-</b>	<b>555</b>	<b>2,022</b>	<b>232</b>	<b>7,269</b>	<b>3,903</b>	<b>-</b>	<b>(157)</b>	<b>-</b>	<b>8,168</b>
<b>Investment in associates</b>	<b>11,799</b>	<b>-</b>	<b>340</b>	<b>(2,700)</b>	<b>(2,681)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(992)</b>	<b>9,252</b>	<b>15,018</b>
<b>TOTAL</b>	<b>64,549</b>	<b>4,414</b>	<b>25,041</b>	<b>(1,864)</b>	<b>(939)</b>	<b>7,269</b>	<b>3,903</b>	<b>2,845</b>	<b>(1,149)</b>	<b>9,252</b>	<b>113,321</b>

(\*) Basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers.

(\*\*) The comparative movement of results in associates for the year 2017 includes €5,771 thousand reclassified in 2018 within the line of discontinued activities in the consolidated profit and loss account after restatement.

a) Debt instruments

Term deposits and loans accrue interest at a market interest rate of the country where the financial asset is held.

The classification of the Group's financial assets has been carried out in accordance with the updates of IFRS 9 "Financial Instruments" (Note 2.3).

Long-term deposits include an impairment amounting to €13.7 million, corresponding to a situation of liquidity problem in one of the Brazilian financial institutions with which the Group operated in the past. The balance includes a registered impairment of €2.4 million after the update of IFRS 9 as of 31 December 2018 (€2.7 million as of 1 January 2018).

The maximum credit risk exposure to the date of presentation of the consolidated information is the carrying amount of the assets.

Debt instruments valued at amortized cost do not differ from their fair value.

b) Financial derivatives instruments

• Swaps (interest rate)

The notional principal on interest-rate swaps (variable to fixed rate) classified as hedging instruments, outstanding at 31 December 2018 amounts to €403 million and USD40 million (2017: €487 million, USD40 million).

Additionally, there were interest rate swaps (variable to fixed) which principal notional outstanding at 31 December 2017 amounted to €10 million, which were classified as non-hedging. After IFRS 9 "Financial instruments" has entered into force, these interest rate swaps have been classified as hedging instruments (Note 2.3), as they meet the requirements on the mentioned standard.

• Equity swap

On 6 August 2014 the Parent company arranged a derivative associated with the listed share price of CIE Automotive, S.A. The underlying of the operation amounted to 1.25 million shares with an initial value of 11.121 euro per share. This instrument has been liquidated in 2018 for an amount of €16,374 thousand, amounting its valuation at 31 December 2017 to €16,361 thousand.

On 6 August 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A. The underlying of the operation amounted to 2 million shares with an initial value of 25.09 euro per share. This underlying's valuation amounts to €7,299 thousand at 31 December 2018, and is due in 2023.

• Hedge of a net investment in foreign operations

On 31 December 2018 and 31 December 2017 the Group had no borrowings in foreign currency used as net investment hedges.

c) Investments in associates

The companies consolidated under the equity method, which are not significant are as follows:

	Effective interest %	
	31.12.2018	31.12.2017
CIE Automotive Goiain, S.L.U. <sup>(1)</sup>	100%	-
Advanced Comfort Systems Wuhan Co, Ltd. <sup>(1)</sup>	100%	-
Belgium Forge, N.V. <sup>(2)</sup>	100%	100%
Galfor Eólica, S.L.	14%	13%
Gescrap - Autometal Comercio de Sucatas, Ltda.	30%	30%
Gescrap Autometal de México, S.A. de C.V. and subsidiaries	30%	30%
Gescrap India Pvt, Ltd.	17%	-
Centro Near Servicios Financieros, S.L. <sup>(3)</sup>	-	12%
Advanced Flight Systems, S.L. <sup>(3)</sup>	-	15%
Sociedad Concesionaria Chile Salud Siglo XXI, S.A. <sup>(3)</sup>	-	15%
BAS Project Corporation, S.L. <sup>(3)</sup>	-	8%
Cobra Carbon Grinding, B.V. <sup>(3)</sup>	-	25%

(1) Companies of new creation in 2018 without activity.

(2) In liquidation/dormant.

(3) These associate companies belonged to the Solutions and Services segment, which has been disposed in 2018, thus, these companies have been excluded from the scope of consolidation, together with the assets and liabilities of the segment (Note 1).

Main movements for 2018 and 2017 are the following:

- In 2018, investments in associates related to the Solutions and Services segment (Smart Innovation), have been sold after the distribution of the extraordinary dividend explained in Note 1.
- In 2017, the Group sold the investment held in Antolín - CIE Czech Republic, s.r.o. for a total amount of €2,700 thousand, which resulted in a net income of €1,543 thousand.

There are no significant restrictions on the ability to access to those assets. There are no contingent liabilities related to these investments in associates. None of these companies is listed on a stock exchange.

## 9. Trade and other receivables

Thousand euro	2018	2017
Trade receivables	283,282	574,189
Other receivables	19,892	49,695
Less: Provision for impairment of receivables	(10,750)	(13,547)
<b>Total</b>	<b>292,424</b>	<b>610,337</b>

The fair values of trade and other receivables arrived at by discounting the related cash flows at market rates do not differ from their carrying amounts.

Trade receivables caption includes those balances on product sales as well as amounts invoiced to customers for work completed or services provided and pending collection at the year-end (Note 2.3).

At 31 December 2018 trade and other receivables discounted and advanced by financial institutions amount to €14.1 million (2017: €16.2 million). These balances have been accounted for as a bank loans (Note 18).

The amounts covered by non-recourse factoring or account receivable sales agreements at year-end have been derecognised as the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At 31 December 2018 this balance amounts to €230.0 million (2017: €265.7 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 2.16).

Given the characteristics of the Group's customers, balances receivable due in less than 60 days in the Automotive segment and have historically entailed no credit risk as they fall within the normal collection period in the sector. The Group considers that the credit quality of these outstanding balances, which it deems neither impaired nor non-performing, is high. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

The breakdown by ageing of accounts receivable due more than 60 days is as follows:

Thousand euro	2018	2017
Between 2 and 4 months	5,519	6,102
Between 4 and 12 months	8,967	9,682
More than 12 months	6,495	12,770
<b>Total</b>	<b>20,981</b>	<b>28,554</b>

Given that they correspond to various clients over which there is no history default, most of them have not incurred deterioration.

After the entry into force of the IFRS 9 Financial Instruments, the Group proceed to register a provision for impairment of business operations according to the simplified method of the expected loss. The basis for this calculation has been included in Note 2.13.

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

Movements on the Group provision for impairment of trade receivable in 2018 and 2017 are as follows:

Thousand euro	Note	2018	2017
<b>Opening balance</b>		<b>13,547</b>	<b>16,574</b>
Initial implementation of IFRS 9	2.3	8,627	-
Changes in consolidation scope		22	2,190
Additions (*)	25	2,276	2,879
Recoveries (**)	25	(578)	(1,912)
Receivables written-off		(1,607)	(6,184)
Discontinued operations (**)		(11,537)	-
<b>Closing balance</b>		<b>10,750</b>	<b>13,547</b>

(\*) Includes €126 thousand for additions and €43 thousand of negative impact of recoveries classified in the consolidated profit-and-loss account consolidated as discontinued operations (€1,317 and €1,273 thousand negative in 2017, respectively).

(\*\*) Includes the amount reclassified to assets held for sale at the time of the discontinuation (Note 12).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Thousand euro	31.12.2018	31.12.2017
Euro	86,974	238,945
US dollar	71,461	135,412
Brazilian real	27,272	50,627
Indian rupee	63,162	55,760
Other	34,413	93,445
<b>TOTAL</b>	<b>283,282</b>	<b>574,189</b>

## 10. Inventories

Thousand euro	31.12.2018	31.12.2017
Goods held for resale	14,812	17,198
Raw materials and supplies	179,319	236,231
Work in progress and semi-finished goods	89,689	82,505
Finished goods	113,340	101,766
Prepayments to suppliers	8,579	12,518
<b>TOTAL</b>	<b>405,739</b>	<b>450,218</b>

The Group has insurance policies to cover the risks affecting its inventories and considers the coverage provided sufficient.



The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

### 2018

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance 1 January 2018	253,429	184,271	437,700
Changes in consolidation scope (Note 33)	333	249	582
Purchases /Changes in provisions in continued operations	1,857,044	6,661	1,863,705
Purchases /Changes in provisions in discontinued operations	226,404	(38)	226,366
Other movements (*)	(3,252)	(2,403)	(5,655)
Discontinued activities (**)	(303,172)	(3,171)	(306,343)
Closing balance at 31 December 2018	(194,131)	(203,029)	(397,160)
<b>COST OF SALES</b>	<b>1,836,655</b>	<b>(17,460)</b>	<b>1,819,195</b>

### 2017

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance 1 January 2017	183,636	157,552	341,188
Changes in consolidation scope (Note 33)	43,988	1,677	45,665
Purchases /Changes in provisions in continued operations	1,712,288	7,781	1,720,069
Purchases /Changes in provisions in discontinued operations	444,767	408	445,175
Other movements (*)	23,819	(6,930)	16,889
Closing balance at 31 December 2017	(253,429)	(184,271)	(437,700)
<b>COST OF SALES</b>	<b>2,155,069</b>	<b>(23,783)</b>	<b>2,131,286</b>
Cost of sales of continued activities	1,683,739	(23,628)	1,660,111
Cost of sales of discontinued activities	471,330	(155)	471,175

(\*) Corresponds mainly to the effect of exchange rate fluctuations on the companies located abroad.

(\*\*) Includes the amount reclassified to assets held for sale at the time of the discontinuation (Note 12).

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presented below:

Thousand euro	Note	2018	2017
<b>Opening balance</b>		<b>26,719</b>	<b>16,060</b>
Changes in consolidation scope		21	8,058
Additions (*)	25	10,468	8,772
Discontinued activities (**)		(9,198)	-
Cancellation of balances/Transfers		(8,821)	(6,171)
<b>Closing balance</b>		<b>19,189</b>	<b>26,719</b>

(\*) Includes €390 thousand of additions classified in the consolidated profit-and-loss account as discontinued operations (€1,407 thousand in 2017).

(\*\*) Includes the amount reclassified to assets held for sale at the time of the discontinuation (Note 12).

## 11. Cash and cash equivalents

Cash and other cash equivalents at 31 December 2018 and 2017 break down as follows:

Thousand euro	31.12.2018	31.12.2017
Cash and banks	85,439	253,314
Current bank deposits	163,456	36,134
<b>TOTAL</b>	<b>248,895</b>	<b>289,448</b>

Current bank deposits relate to investments of cash surpluses maturing in less than three months or available immediately.

These deposits earn interest at a market rate depending on the currency.

The carrying amount of cash at Group companies is denominated in the following currencies:

Thousand euro	31.12.2018	31.12.2017
Euro	31,690	102,771
US dollar	130,169	81,817
Brazilian real	33,684	15,924
Indian rupee	4,361	3,724
Chinese yuan	36,745	17,514
Russian ruble	5,979	1,635
Mexican peso	4,024	32,488
Other	2,243	33,575
<b>TOTAL</b>	<b>248,895</b>	<b>289,448</b>

## 12. Disposal groups classified as held-for-sale and discontinued operations

### a) Automotive segment

#### a.1. Business of biofuels

In September 2018, the Board of Directors of CIE Automotive, S.A. after receiving various offers to buy the companies of biofuels made the decision to discontinue this entire business.

After this decision, the Group has carried out the discontinuation of the assets and liabilities of said companies, classifying them as a group of assets and liabilities available for sale, reclassifying the profit and loss account of said companies within discontinued activities. On 31 December 2017, the net assets of Biosur Transformación, S.L.U. were already classified as held for sale.

At the time of its reclassification, the Group has proceeded to value the net assets of the business at their fair value, which consisted basically of the productive plants of the societies Bionor Berantevilla, S.L.U. and Biosur Transformación, S.L.U.; as well as the goodwill generated in the various acquisitions relating to the business carried out by the Group.

On 31 December 2018, the Group was negotiating the sale of the company Bionor Berantevilla, S.L.U. and the assets of Biosur Transformación, S.L.U.

In accordance with accounting regulations, the Group has recognized the following adjustments resulting from valuing the business at its realizable value (fair value less costs to sell):

- €24.8 million of impairment of the Goodwill attributable to the business.
- €8.8 million of impairment of the consolidated net assets of Biosur Transformación, S.L.U. and Bionor Berantevilla, S.L.U.

#### a.2. British Forging business - Stokes

In September 2018, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to sell its British forge business, corresponding to the company Stokes Group Limited. After this decision, the Group has carried out the discontinuation of the assets and liabilities of said company, classifying them as a group of assets and liabilities available for sale, reclassifying the profit and loss account of said company within discontinued activities.

Additionally, the Group has proceeded to value the assets and liabilities of the company at their fair value as required by IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations ". This valuation has involved an expense of €5.5 million at the time of the discontinuation; the same has no significantly changed to 31 December 2018.

b) Solutions and Services segment (Smart Innovation)

On 24 April 2018, the General Shareholders' Meeting of CIE Automotiva, S.A. approved the distribution of an extraordinary dividend for which a dividend in kind has been distributed by the delivery of the participation that the Group held in Global Dominion Access, S.A. (Parent company of the segment). This dividend, effective on July 3, 2018, involved the transfer of the Group's participation in the Solutions and Services segment (Smart Innovation) to its shareholders (Note 1).

In accordance with the accounting policies of IFRS 5 and IFRIC 17, the results generated by the Dominion subgroup until the effective transfer of its holdings (July 3, 2018) and the result obtained from the difference between the book value of the net assets transferred and the fair value of the stake in Global Dominion Access, S.A. are considered to be discontinued operations, so in the income statement of the Consolidated Financial Statements of the Group for period ended December 31, 2018, these results are disclosed under a single heading "Profit/(loss) from discontinued operations after taxes".

Likewise, in the Consolidated Income Statement for the comparative period of 2017 included for comparative purposes in the Consolidated Financial Statements of the Group for year ended December 31, 2017, it has been also reclassified in one section of the results generated in this exercise by operations that are now considered discontinued operations.

The following is the discontinued income statement for the years ended on December 31, 2018 and 2017:

Thousand euro	Year ended 31 December	
	2018	2017
<b>OPERATING REVENUE</b>	<b>540,483</b>	<b>885,594</b>
Revenue	537,426	881,892
Other operating income	3,057	3,702
<b>OPERATING EXPENSES</b>	<b>(565,802)</b>	<b>(849,036)</b>
Consumption of raw materials and secondary materials	(302,192)	(471,330)
Employee benefit expenses	(145,289)	(244,266)
Depreciation, amortisation and impairment	(50,216)	(22,210)
Other operating income/(expenses)	(68,105)	(111,230)
<b>OPERATING PROFIT</b>	<b>(25,319)</b>	<b>36,558</b>
Finance income	979	3,618
Financial costs	(4,416)	(7,767)
Gains/Losses on financial instruments at fair value in assets and liabilities	-	1,109
Net exchange differences	439	(9,952)
Share of profit/(loss) of associates	282	5,771
<b>PROFIT BEFORE TAX</b>	<b>(28,035)</b>	<b>29,337</b>
Corporate income tax	(1,700)	(3,580)
<b>PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX</b>	<b>(29,735)</b>	<b>25,757</b>
<b>GAIN GENERATED IN THE DISPOSAL OF THE DOMINION GROUP (Note 1)</b>	<b>238,886</b>	<b>-</b>
<b>TOTAL PROFIT OF DISCONTINUED ACTIVITIES</b>	<b>209,151</b>	<b>25,757</b>

The amount of the turnover corresponding to the discontinued activities, corresponding entirely to the Automotive Segment, is broken down into the following geographical areas or countries:

Thousand euro	2018	2017
Spain	22,067	26,478
Rest of Europe	13,496	12,151
<b>TOTAL</b>	<b>35,563</b>	<b>38,629</b>

The revenue from discontinued operations related to the revenue from Solutions and Services (Smart Innovation segment) is disaggregated as follows:

Thousand euro	2018	2017
Spain	298,359	395,194
Rest of Europe	62,524	127,525
America	88,992	243,477
Asia, Oceania and other	51,988	77,067
<b>TOTAL</b>	<b>501,863</b>	<b>843,263</b>

Additionally, and until the effective distribution of the extraordinary dividend that has been made on 3 July 2018, the Group has proceeded to reclassify the assets and liabilities belonging to the Solutions and Services (Smart Innovation) segment as assets and liabilities of the disposable group of Items classified as held for sale. The breakdown of assets and liabilities discontinued on April 24, 2018 is as follows:

ASSETS (Thousand euro)	24.04.2018	LIABILITIES (Thousand euro)	24.04.2018
<b>Non-current assets</b>	<b>457,769</b>	<b>Deferred revenue</b>	-
Property, plant and equipment	49,965		
Goodwill	280,454	<b>Non-current liabilities</b>	<b>165,395</b>
Other intangible assets	49,432	Non-current provisions	18,294
Non-current financial assets	6,401	Non-current borrowings	111,609
Investments in associates	18,599	Deferred tax liabilities	11,854
Deferred tax assets	51,828	Other non-current liabilities	23,638
Other non-current assets	1,090		
<b>Current assets</b>	<b>544,773</b>	<b>Current liabilities</b>	<b>531,522</b>
Inventory	64,676	Current borrowings	1,342
Trade and other receivables	327,433	Trade and other payables	473,365
Other current assets	3,271	Other financial liabilities	641
Current tax assets	14,198	Current tax liabilities	28,373
Other current financial assets	29,796	Current provisions	2,511
Cash and cash equivalents	105,399	Other current liabilities	25,290
<b>TOTAL ASSETS</b>	<b>1,002,542</b>	<b>TOTAL LIABILITIES</b>	<b>696,917</b>

The Group has recorded these assets and liabilities at their carrying amount, which is lower than their fair value; according to IFRS 5 "Non-current assets held for sale and discontinued operations".

The impacts on the Group's consolidated net equity and under the heading "Result of discontinued activities after tax" of the consolidated profit and loss account is described in Note 1.

The information of the assets and liabilities of disposal group classified as held for sale related to discontinued operations described above, after the final exit of the segment Smart Innovation, are summarized in the table below to 31 December 2018 and 31 December 2017:

<b>ASSETS (Thousand euro)</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>LIABILITIES (Thousand euro)</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Non-current assets</b>	<b>20,473</b>	<b>6,029</b>	<b>Deferred revenue</b>	<b>2,431</b>	<b>1,057</b>
Property, plant and equipment	16,630	5,675	<b>LIABILITIES</b>	<b>15,654</b>	<b>708</b>
Goodwill	-	-	<b>Non-current liabilities</b>	<b>1,219</b>	<b>352</b>
Other intangible assets	11	-	Non-current provisions	-	-
Non-current financial assets	61	-	Non-current borrowings	-	-
Investments in associates	-	-	Deferred tax liabilities	441	352
Deferred tax assets	3,416	354	Other non-current liabilities	778	-
Other non-current assets	355	-			
<b>Current assets</b>	<b>11,286</b>	<b>591</b>	<b>Current liabilities</b>	<b>14,435</b>	<b>356</b>
Inventory	6,695	-	Current borrowings	-	-
Trade and other receivables	1,440	-	Trade and other payables	8,998	122
Other current assets	76	591	Other financial liabilities	-	-
Current tax assets	1,388	-	Current tax liabilities	479	-
Other current financial assets	-	-	Current provisions	4,405	-
Cash and cash equivalents	1,687	-	Other current liabilities	553	234
<b>TOTAL ASSETS</b>	<b>31,759</b>	<b>6,620</b>	<b>TOTAL LIABILITIES</b>	<b>18,085</b>	<b>1,765</b>

The detail of the cash flow consolidated statements for discontinued activities for the periods ended at December 31, 2018 and 2017, is as follows:

Thousand euro	Year ended 31 December	
	2018	2017
<b>Profit of the year</b>	<b>(29,736)</b>	<b>25,757</b>
Current and deferred taxes	1,700	3,580
Grants released to income	(34)	(83)
Depreciation and amortisation	16,129	22,210
Assets Impairment	34,087	-
(Profit)/loss on the sale of property, plant and equipment	(250)	(600)
Net movements of provisions	3,399	(3,874)
Net (gains)/losses in fair value of financial instruments	(627)	(2,846)
Variation in fair value in assets and liabilities with imputation in income	-	(1,109)
Exchange differences	(439)	9,952
Interest income	(352)	(772)
Interest expense	4,416	7,767
Share in losses/(gains) in associates	(282)	(5,771)
<b>Adjustements to the profit of the year</b>	<b>57,747</b>	<b>28,454</b>
Inventory	3,692	(7,986)
Trade and other receivables	6,394	(56,376)
Other assets	3,493	(3,351)
Trade and other payables	(736)	83,519
<b>Working capital variation</b>	<b>12,843</b>	<b>15,806</b>
<b>Cash generated by operations</b>	<b>40,854</b>	<b>70,017</b>
Interests paid	(3,804)	(7,608)
Interests collected	(444)	(2,942)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>36,606</b>	<b>59,467</b>
Acquisition of subsidiaries, net of cash acquired	(34,037)	(60,423)
Acquisition of fixed and intangible assets	(10,898)	(18,717)
Income from fixed and intangible assets disposal	458	2,935
Payments for the acquisition of non-controlling interests	(745)	(540)
Acquisition/disposal of financial assets	(9,812)	(11,674)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(55,034)</b>	<b>(88,419)</b>
(Acquisition)/Sale of treasury shares in subsidiaries	(36)	5,811
Income from granted borrowings	51,229	3,500
Repayment of loans	(4,098)	(11,670)
Net variation of other debts	(1,448)	(903)
Other payments/receipts to/from non-dominant shares	(210)	(1,425)
Cash out of Dominion (Note 1)	(165,896)	-
Net variation of group accounts from discontinued activities	2,210	2,778
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(118,249)</b>	<b>(1,909)</b>
Exchange gains/(losses) on cash and cash equivalents	(820)	(7,704)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(137,497)</b>	<b>(38,565)</b>
Cash and equivalents at beginning of the period	139,184	177,749
<b>Cash and equivalents at end of the period</b>	<b>1,687</b>	<b>139,184</b>

### 13. Share capital and share premium

31 December 2018					
Movements in thousands of euro	No. shares (thousands)	Share capital	Treasury shares	Share premium	Total
At 31 December 2017	129,000	32,250	(4,526)	152,171	179,895
Treasury shares (acquisition)/sale	-	-	4,526	-	4,526
At 31 December 2018	129,000	32,250	-	152,171	184,421

31 December 2017					
Movements in thousands of euro	No. shares (thousands)	Share capital	Treasury shares	Share premium	Total
At 31 December 2016	129,000	32,250	-	152,171	184,421
Treasury shares (acquisition)/sale	-	-	(4,526)	-	(4,526)
At 31 December 2017	129,000	32,250	(4,526)	152,171	179,895

#### a) Share capital

The share capital of CIE Automotive, S.A. at 31 December 2018 and 2017 is represented by 129,000,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Spanish stock market. The companies that hold a direct or indirect interest of more than 10% are as follows:

% interest	31.12.2018	31.12.2017
Acek Desarrollo y Gestión Industrial, S.L.	(*)14.909%	(*)15.909%
Corporación Financiera Alba, S.A.	10.129%	10.000%
Elidoza Promoción de Empresas, S.L.	10.000%	9.600%

(\*) 5.508% directly and indirectly through Risteel Corporation, B.V., the remaining 9.401% (5.508% y 10.401% respectively in 2017).

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €21.44 at 31 December 2018 (last listed session of the period).

#### b) Share premium

This reserve is freely available for distribution.

#### c) Treasury shares

The movement of treasury shares of the years 2018 and 2017 is disclosed as follows:

	31.12.2018		31.12.2017	
	Number of shares	Amount (Thousand euro)	Number of shares	Amount (Thousand euro)
Opening balance	252,587	4,526	-	-
Acquisitions/(sales)	(252,587)	(4,526)	252,587	4,526
<b>End balance</b>	<b>-</b>	<b>-</b>	<b>252,587</b>	<b>4,526</b>

As of December 31, 2018, the Company does not own shares in its net equity, after the sale thereof in the first half of 2018. The sale of the treasury shares has generated a capital gain of €3,207 thousand recognized in the Parent company's reserves.

Similarly, the mandate conferred at the Annual General Meeting of 24 April 2018, whereby the Parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until 24 April 2023.

#### 14. Retained earnings

Movements in retained earnings are as follows:

Thousand euro	Legal reserve	Reserve in consolidated companies and effect of first-time application of IFRS-EU (Note 16)	Profit and loss	SUBTOTAL	Cumulative exchange differences (Note 15)	TOTAL
<b>At 1 January 2017</b>	<b>6,450</b>	<b>479,026</b>	<b>162,350</b>	<b>647,826</b>	<b>(44,470)</b>	<b>603,356</b>
Distribution of 2016 profit	-	109,513	(162,350)	<b>(52,837)</b>	-	<b>(52,837)</b>
Income/(expense) recognised directly in equity, net	-	1,139	215,408	<b>216,547</b>	(90,666)	<b>125,881</b>
Changes in consolidation scope and business combinations (Note 33)	-	341	-	<b>341</b>	(2,831)	<b>(2,490)</b>
Other changes	-	(3,299)	-	<b>(3,299)</b>	-	<b>(3,299)</b>
<b>At 31 December 2017</b>	<b>6,450</b>	<b>586,720</b>	<b>215,408</b>	<b>808,578</b>	<b>(137,967)</b>	<b>670,611</b>
Impacts of transition to IFRS 9 (Note 2.3)	-	(7,113)	-	<b>(7,113)</b>	-	<b>(7,113)</b>
<b>At 1 January 2018</b>	<b>6,450</b>	<b>579,607</b>	<b>215,408</b>	<b>801,465</b>	<b>(137,967)</b>	<b>663,498</b>
Distribution of 2017 profit	-	143,239	(215,408)	<b>(72,169)</b>	-	<b>(72,169)</b>
Income/(expense) recognised directly in equity, net	-	(1,939)	396,754	<b>394,815</b>	(13,753)	<b>381,062</b>
Extraordinary Dividend (Note 1)	-	(404,751)	-	<b>(404,751)</b>	-	<b>(404,751)</b>
Changes in consolidation scope and business combinations (Note 33)	-	(29,323)	-	<b>(29,323)</b>	(595)	<b>(29,918)</b>
Own shares operations	-	3,207	-	<b>3,207</b>	-	<b>3,207</b>
Other changes	-	(5,896)	-	<b>(5,896)</b>	467	<b>(5,429)</b>
<b>At 31 December 2018</b>	<b>6,450</b>	<b>284,144</b>	<b>396,754</b>	<b>687,348</b>	<b>(151,848)</b>	<b>535,500</b>

##### a) Legal reserve

In accordance with Article 274 of the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. In 2018 and 2017, the legal reserve reaches the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

##### b) Dividends paid

At 12 December 2018, the Board of Directors has approved the payment of an interim dividend from 2018 profit of €0.31 gross per share carrying dividend rights, implying a total payout of €39,990 thousand. Payment has been effective on January 4, 2019.

The amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to Article 277 of Spain Corporate Enterprise Act.



The provisional accounting statement at October 31 2018, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

Provisional cash-flow statement	Amount
<b>Profit forecast:</b>	
- Available net profit for 2018	321,103
<b>To deduct:</b>	
- Legal reserve	-
<b>Maximum amount to distribute</b>	321,103
<b>Amount distribution proposal</b>	79,980
<b>Treasury forecast for one year</b>	94,138
<b>Interim dividend</b>	(39,990)

On 24 April 2018 the shareholders of CIE Automotive, S.A. in General Meeting approved the motion for the distribution of an extraordinary dividend based on transfer of ownership of the share held by the Parent company in Global Dominion Access, S.A. The transmission of these shares was effective dated on 3 July 2018 and their fair value amounted to €405 million (Notes 1 and 12).

In this very date, the shareholders of CIE Automotive, S.A. in General Meeting approved the motion for the distribution of 2017 profit (individual) as well as the distribution of a final dividend of €0.28 (gross) per share carrying dividend rights, amounting to a total payment of €36,120 thousand. Payment was made on 3 July 2018.

At 12 December 2017, the Board of Directors has approved the payment of an interim dividend from 2017 profit of €0.28 gross per share carrying dividend rights, implying a total payout of €36,049 thousand. Payment has been made on January 5, 2018.

On 4 May 2017, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2016 profit (individual) as well as the distribution of a final dividend of €0.21 (gross) per share carrying dividend rights, amounting to a total payment of €27,037 thousand. Payment was made on 5 July 2017.

On 14 December 2016, the Board of Directors approved the payment of an interim dividend from 2016 profit of €0.20 gross per share carrying dividend rights, implying a total payout of €25,800 thousand. Payment was made on 5 January 2017.

In relation to this last interim dividend and the one agreed on December 12, 2017, the amounts to be distributed did not exceed the profits obtained since the last financial year, deducting the tax estimation, in accordance with Article 277 of the Spanish Companies Act. Similarly, the provisional accounting statements were prepared in accordance with legal requirements and evidenced the existence of sufficient liquidity to complete the pay-out of the aforementioned dividends.

c) Proposal for the distribution of results

The proposal for distributing the Parent Company's 2018 profit, determined in accordance with accounting principles generally accepted in Spain (legislation applicable to the Parent Company), that will be presented to the shareholders at the General Meeting, alongside the shareholder-approved distribution for 2017, is as follows:

Thousand euro under Spanish GAAP	2018	2017
<b>Available for distribution</b>		
Profit/(loss) for the year	327,860	78,932
<b>Distribution</b>		
To Voluntary reserves	247,880	6,692
To Interim dividend	39,990	36,120
To Final dividend	39,990	36,120
<b>PROFIT AND LOSSES</b>	<b>327,860</b>	<b>78,932</b>

### 15. Cumulative exchange differences

The breakdown of cumulative exchange differences by segment at year-end 2018 and 2017 is as follows:

Segments	2018	2017
Automotive Segment	(151,848)	(125,293)
Solutions and Services Segment (Smart Innovation)	-	(12,674)
<b>Total</b>	<b>(151,848)</b>	<b>(137,967)</b>

The main variations of the cumulative exchange differences for the year corresponding to the Automotive segment are due to the exchange rate fluctuations of the Brazilian real, the US dollar and the Indian rupee for an amount of approximately €30 million negative, €15 million positive and €8 million negative, respectively.

### 16. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first-time application of IFRS-EU amounts at €284,144 thousand and €586,720 thousand at 31 December 2018 and 2017, respectively.

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments made in conjunction with transition to IFRS on the date of first-time application, 1 January 2005, and the effect of valuing certain financial assets/liabilities at market prices (Note 8).

### 17. Non-controlling interests

Movements in non-controlling interests are as follows:

Thousand euro	2018	2017
<b>Balance at 31 December of previous period</b>	<b>522,456</b>	<b>501,329</b>
Impacts of transition to IFRS 9 (Note 2.3)	(1,568)	-
<b>Balance at 1 January of current period</b>	<b>520,888</b>	<b>501,329</b>
Profit of the year	40,731	42,748
Difference in foreign currency conversion	(7,010)	(18,923)
Currency translation differences from the disposal of Dominion	13,208	-
Other (gross hedges of cash flows, tax effect, etc.)	475	216
<b>Net income/(expense) recognized directly in equity</b>	<b>47,404</b>	<b>24,041</b>
Dividend paid to non-dominant shares	(210)	(1,445)
Extraordinary Dividend (Note 1)	(165,545)	-
Variations in the perimeter and business combinations (Notes 1 and 33)	(29,142)	(3,327)
Other movements	(440)	1,858
<b>Balance at 31 December current period</b>	<b>368,955</b>	<b>522,456</b>

The breakdown by segment is set out below:

Segment	31.12.2018	31.12.2017
Automotive	368,955	372,689
Solutions and Services segment (Smart Innovation)	-	149,767
<b>Non-controlling interests</b>	<b>368,955</b>	<b>522,456</b>

The breakdown of non-controlling interests by Company/Subgroup is as follows:

31 December 2018			
Thousand euro	% Non-controlling	Non-controlling participations	Income attributable to non-controlling interest
Mahindra CIE Subgroup	43.68%	334,225	27,813
Dominion Subgroup (Result generated by the segment until its disposal - Note 1)	-	-	6,802
Other minor	-	34,730	6,116
<b>Non-controlling interests</b>		<b>368,955</b>	<b>40,731</b>

31 December 2017			
Thousand euro	% Non-controlling	Non-controlling participations	Income attributable to non-controlling interest
Mahindra CIE Subgroup	48.62%	343,224	23,665
Dominion Subgroup	49.99%	149,767	13,900
Other minor	-	29,465	5,183
<b>Non-controlling interests</b>		<b>522,456</b>	<b>42,748</b>

The summary of financial information on the assets, liabilities and the profit for the year corresponding to the sub-group Mahindra CIE Europe and India (inside Asia's segment) that corresponds to the most significant part of non-controlling participations, is included in Note 5.

In 2017 the other significant exit of non-controlling interests corresponded to the segment of Solutions and Services (Smart Innovation) that has been discontinued in the year 2018 (Note 12).

There are no significant restrictions on the ability of the Group for the use of assets and payment of liabilities of the same.

## 18. Borrowings

Thousand euro	31.12.2018	31.12.2017
Bank borrowings (a)	1,057,703	982,247
<b>Non-current borrowings</b>	<b>1,057,703</b>	<b>982,247</b>
Bank borrowings (a)	177,257	226,478
Commercial paper program (b)	91,000	-
Discounted bills pending maturity and prepayments export bills	14,055	16,164
<b>Current borrowings</b>	<b>282,312</b>	<b>242,642</b>
<b>TOTAL BORROWINGS</b>	<b>1,340,015</b>	<b>1,224,889</b>

### a) Bank borrowings

The Group's policy is to diversify its financing sources. There is no concentration risk in respect of its bank borrowings as the Group works with multiple entities.

The exposure of the Group's bank borrowings to interest rate changes is as follows:

Thousand euro	Note	Balance at 31 December	At more than 1 year	At more than 5 years
Total borrowings		1,234,960	1,057,703	106,158
Effect of interest rate swaps	8	(417,438)	(388,173)	-
<b>Risk at 31 December 2018</b>		<b>817,522</b>	<b>669,530</b>	<b>106,158</b>
Total borrowings		1,208,725	982,247	97,593
Effect of interest rate swaps	8	(451,650)	(452,945)	(741)
<b>Risk at 31 December 2017</b>		<b>757,075</b>	<b>529,302</b>	<b>96,852</b>

Non-current borrowings have the following maturities:

Thousand euro	2018	2017
Between 1 and 2 years	161,899	135,668
Between 3 and 5 years	789,646	748,986
Over 5 years	106,158	97,593
<b>TOTAL NON-CURRENT BORROWINGS</b>	<b>1,057,703</b>	<b>982,247</b>

The effective interest rates at the balance sheet dates were the usual market rates (benchmark rate plus a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels.

Bank borrowings carry interest at market rates, by currency, plus a spread that ranges between 30 and 600 basis points (2017: between 40 and 600 basis points).

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since an important portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 3.1 and 8.b).

The carrying amount of the Group's borrowings is denominated in the following currencies:

Thousand euro	31.12.2018	31.12.2017
Euro	1,068,193	978,776
US dollar	256,785	230,918
Brazilian real	4,161	4,769
Other	10,876	10,426
<b>TOTAL BORROWINGS</b>	<b>1,340,015</b>	<b>1,224,889</b>

As a result of the distribution of the extraordinary dividend by which the segment of Solutions and Services (Smart Innovation) was disposed of, on April 24, 2018, the foreign resources corresponding to said segment were reclassified to the line of "liabilities of classified alienable groups held for sale" for an amount of €113 million, and which have been sold once the delivery of the dividend has become effective.

At 31 December 2018 the Group had drawn down bank facilities in the amount of €260 million (2017: €138 million) and has the following undrawn loans and credit lines. The total limit of the aforementioned lines of credit amounts to €803 million (December 31, 2017, €557 million), so it has €543 million (2017: €419 million) of loans and credit lines undrawn at a variable interest rate.

Thousand euro	31.12.2018	31.12.2017
<b>Floating rate</b>		
Expiring within one year	90,474	237,342
Expiring beyond one year	452,252	182,091
<b>TOTAL AVAILABLE LINES OF CREDIT</b>	<b>542,726</b>	<b>419,433</b>

On 28 July 2014 CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the former syndicated financing.

On 13 April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date in April 2020.

On 14 July 2016, the Parent company signed a second novation with respect to the syndicated financing. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another

year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.

On 6 June 2017, the Parent company signed a third novation with respect to the syndicated agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.

On 27 April 2018, the Parent company signed a fourth novation of this syndicated finance agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.

The drawn amount on 31 December 2018 amounted to €400 million (31 December 2017: €467 million) and its interest rate was indexed to Euribor plus a variable margin based on the Net Financial Debt/EBITDA ratio.

On 14 July 2016, a new loan was arranged by the Parent company with several financial institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a variable interest rate indexed to Euribor. The drawn amount of this loan on 31 December 2018 amounts to €81 million (€85 million at 31 December 2017).

At 23 June 2014 the Company entered into a financing contract with the European Investment Bank (EIB) for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2018 the drawn down balance amounts to €47 million and bears a fixed interest (2017: €61 million).

In July 2018, CIE Automotive, S.A. has signed a contract with the European Investment Bank (EIB) of €80 million, which are is undrawn to 31 December 2018.

In the second half of 2013, the Group obtained a bilateral loan of USD120 million from a Mexican financial institution, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., for a seven-year term and a one-year grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. This loan has been amortized in advance in the year 2018, whose outstanding balance as of December 31, 2017 amounted to €45.7 million.

On 11 May 2016, the Group, through its US subsidiary CIE Automotive Investments, arranged two loans of USD35 million each, with final maturity at 3 and 5 years, respectively, at a variable interest rate, linked to LIBOR. The balance at 31 December 2018 amounted to €61.2 million (€58.4 million as of 31 December 2017).

In February 2017, the Mexican companies Pintura, Estampado and Montaje, S.A.P.I. de C.V. and Pintura y Ensamblajes de México, S.A. de C.V. arranged three loans amounting to USD60 million, USD40 million and USD40 million, which are due in February 2020, February 2022 and February 2023 respectively, with a total balance amounting to €114.1 million as of 31 December 2018 (€116.3 million as of 31 December 2017).

In June 2018, the Group contracted a new loan of USD50 million from an financial institution, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., for a five years term and an eleven month grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. The balance of this loan on 31 December 2018 amounts to €43.7 million.

In December 2017 the Parent company CIE Automotive, S.A. signed a new financing contract with a finance entity with one year maturity and amounting to €100 million. As of December 31, 2018 there is no outstanding balance for such financing.

On 5 July 2018, the Group has signed a financing contract amounting to USD150 million with International Finance Corporation (World Bank Group) and EDC (Export Development of Canada). This funding has a maturity of 10 years and aims to support sustainable growth of the group CIE Automotive in Mexico in the coming years. On 31 December 2018 the drawn amount of such funding was €34.9 million.

All such financing is subject to compliance with certain ratios that are customary in the market for these types of contracts. These ratios are fulfilled at 31 December 2018 and 31 December 2017.

Other balances included in borrowings relate to bank loans or credit facilities in Group companies, arranged without specific additional guarantees and at the market interest rates in effect in the different countries.

In 2018, the Group has repaid €476 million related to bank credits and loans (2017: €266 million, including Solutions and Services segment) and loans and additional credit accounts have been arranged to the amount of €547 million included those disclosed above (2017: €305 million, including Solutions and Services segment).

b) Commercial paper program

On 19 July 2018, the Parent company of the Group has made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which has been registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On 31 December 2018 the drawn balance amounts to €91 million.

**19. Trade and other payables**

Thousand euro	31.12.2018	31.12.2017
Trade payables	647,061	1,084,714
Advances of trade receivables	-	55,555
Other account payables	73,961	77,829
<b>TOTAL</b>	<b>721,022</b>	<b>1,218,098</b>

The fair values of these payables do not differ from their carrying amounts.

The breakdown of trade payables settled during 2018 and 2017 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5 of July, is as follows:

Days	2018	2017
Average payment period to suppliers	72	78
Paid operations ratio	72	82
Outstanding operations ratio	74	71

Thousand euro	2018	2017
Total payments made	942,354	1,065,764
Total outstanding payments	266,925	764,822

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, since 2016 a series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

## 20. Other liabilities

Thousand euro	31.12.2018	31.12.2017
Fixed asset suppliers	13,080	10,515
Deferred taxes and social security payable	20,730	22,420
Other non-current debts	31,767	60,271
<b>Non-Current</b>	<b>65,577</b>	<b>93,206</b>
Current tax liabilities	59,221	108,536
Deferred taxes and social security payable	688	2,952
Fixed asset suppliers	28,230	31,031
Accrued wages and salaries	57,548	74,136
Other current liabilities	10,293	46,800
Accruals and deferred income	14,285	14,022
<b>Current</b>	<b>170,265</b>	<b>277,477</b>
<b>TOTAL OTHER LIABILITIES</b>	<b>235,842</b>	<b>370,683</b>

The fair values of these liabilities do not differ significantly from their carrying amounts.

The balances included under Deferred taxes and social security payable within current and non-current payables include liabilities generated by the deferral of VAT, personal income tax and social security payments as well as several other items (repayment of grants, court bonds and other).

### Other non-current liabilities

At 31 December 2018 this heading includes loans to finance investment projects received from public financing institutions totalling to €29,325 thousand (2017: €38,026 thousand), being €23,025 thousand (2017: €31,769 thousand) classified as other long term liabilities; and the renegotiated loan in December 2014 with COFIDES, which at 31 December 2018 held a balance of €3,750 thousand, being classified in the long term €1,250 thousand (2017: €3,750 thousand), and will be paid-back in 12 half-yearly instalments and accrues an interest at a rate benchmarked to Euribor plus a market spread.

Additionally, for the segment of the Solutions and Services (Smart Innovation) segment in fiscal year 2017, this same item included an amount of €17.5 million related to the deferred payments of business combinations in 2016 (Note 1).

Other non-current liabilities have the following maturities:

Thousand euro	31.12.2018	31.12.2017
Between 1 and 2 years	19,883	20,462
Between 2 and 5 years	22,672	42,689
Over 5 years	23,022	30,055
<b>TOTAL NON-CURRENT OTHER LIABILITIES</b>	<b>65,577</b>	<b>93,206</b>

### Other current liabilities

Additionally, for the segment of the Solutions and Services (Smart Innovation) segment in fiscal year 2017, this same heading included an amount of €36 million related to the deferred payments of business combinations in 2016 and 2017 (Note 1).

## 21. Deferred taxes

The breakdown of deferred tax assets and deferred tax liabilities is as follows:

Thousand euro	31.12.2018	31.12.2017
Deferred tax assets to be reverted after more than 12 months	145,113	181,484
Deferred tax assets to be reverted within 12 months	35,936	49,585
<b>Total deferred tax assets</b>	<b>181,049</b>	<b>231,069</b>
Deferred tax liabilities to be reverted after more than 12 months	51,649	63,352
Deferred tax liabilities to be reverted within 12 months	21,233	22,128
<b>Total deferred tax liabilities</b>	<b>72,882</b>	<b>85,480</b>
<b>NET</b>	<b>108,167</b>	<b>145,589</b>

The overall movement in the deferred tax account is as follows:

Thousand euro	Note	2018	2017
<b>Opening balance</b>		<b>145,589</b>	<b>147,292</b>
Initial implementation of the IFRS 9	2.3	3,440	-
Additions/changes in consolidation scope	33	1,650	9,683
(Charged)/credited to the income statement	28	(740)	(4,478)
(Charged)/credited to equity		338	(3,554)
Discontinued Operations	12	(42,947)	-
Transfers and reclassifications (*)		837	(3,354)
<b>Closing balance</b>		<b>108,167</b>	<b>145,589</b>

(\*) Includes movements on deferred items due to foreign currency exchange fluctuations.

The movement in deferred income tax assets and liabilities during the year is as follows:

### Deferred tax assets

Thousand euro	Hedging Instruments	Impairment losses and other	Tax losses	Tax credits (*)	Total
<b>At 1 January 2017</b>	<b>4,105</b>	<b>80,209</b>	<b>83,118</b>	<b>67,067</b>	<b>234,499</b>
Additions/changes in consolidation scope (Note 33)	-	6,909	6,391	-	13,300
(Charged)/credited to the income statement (Note 28)	-	7,211	(11,020)	105(*)	(3,704)
(Charged)/ credited directly to equity	(1,934)	(1,620)	-	-	(3,554)
Transfers and reclassifications (**)	(51)	(3,730)	(2,561)	(3,130)	(9,472)
<b>At 31 December 2017</b>	<b>2,120</b>	<b>88,979</b>	<b>75,928</b>	<b>64,042</b>	<b>231,069</b>
Initial implementation of the IFRS 9	-	3,440	-	-	3,440
<b>At 1 January 2018</b>	<b>2,120</b>	<b>92,419</b>	<b>75,928</b>	<b>64,042</b>	<b>234,509</b>
Additions/changes in consolidation scope (Note 33)	-	-	1,650	-	1,650
(Charged)/credited to the income statement (Note 28)	6	2,928	998	(2,260) <sup>(*)</sup>	1,672
(Charged)/ credited directly to equity	574	(287)	-	-	287
Discontinued Operations (Note 12)	(55)	(14,916)	(34,901)	(5,018)	(54,890)
Transfers and reclassifications (**)	-	54	(1,159)	(1,074)	(2,179)
<b>At 31 December 2018</b>	<b>2,645</b>	<b>80,198</b>	<b>42,516</b>	<b>55,690</b>	<b>181,049</b>

(\*) Tax credits related to R&D investments, in the amount of €761 thousand, are recognised as grants relating to costs, in accordance with IAS 20. (2017: €695 thousand).

(\*\*) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries.



### Deferred tax liabilities

Thousand euro	Goodwill	Fair value gains (*)	Exchange fluctuations	Free amortization and others	Total
<b>At 1 January 2017</b>	<b>18,564</b>	<b>40,176</b>	<b>3,303</b>	<b>25,164</b>	<b>87,207</b>
Changes/additions to consolidation scope (Note 33)	-	3,617	-	-	3,617
Charged/(credited) to the income statement (Note 28)	(1,061)	(801)	(188)	2,824	774
Transfers and reclassifications (**)	(2,613)	(374)	(2,868)	(263)	(6,118)
<b>At 31 December 2017</b>	<b>14,890</b>	<b>42,618</b>	<b>247</b>	<b>27,725</b>	<b>85,480</b>
Charged/(credited) to the income statement (Note 28)	254	(1,709)	118	3,749	2,412
Charged/(credited) to the net equity	-	-	-	(51)	(51)
Discontinued Operations (Note 12)	-	(6,183)	45	(5,805)	(11,943)
Transfers and reclassifications (**)	2,646	(6,302)	(44)	684	(3,016)
<b>At 31 December 2018</b>	<b>17,790</b>	<b>28,424</b>	<b>366</b>	<b>26,302</b>	<b>72,882</b>

(\*) Includes the effect of measuring assets at fair value on first-time application of IFRS-EU, the allocation of fair value re-measurement gains on the acquisition of subsidiaries and loan revaluations.

(\*\*) Includes, among other items, the effect of foreign exchange fluctuations on these balances in the foreign subsidiaries.

Deferred income tax assets are recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable, being its estimated recoverability less than 10 years.

The deferred tax assets that were capitalised by the consolidated Group at 31 December 2018 and 2017 are as follows:

Thousand euro	2018		2017	
	Tax losses	Tax credits	Tax losses	Tax credits
Spain	7,217	52,862	38,909	60,315
Rest of Europe	14,411	2,102	15,552	2,254
Brazil	11,321	-	13,869	-
Mexico	6,827	-	7,363	-
Asia and others	2,740	726	235	1,473
<b>TOTAL</b>	<b>42,516</b>	<b>55,690</b>	<b>75,928</b>	<b>64,042</b>

Losses and tax credits in Spain are mainly related to the provincial tax groups of Automotive segment and Solutions and Services segment (Note 2.22.a)). In the year 2018 the losses and tax credits correspond to the Automotive segment, after the disposal of the segment of Solutions and Services on 3 July 2018. The Group has performed a recoverability analysis for which all the activated credits would be recoverable in 10 years.

In the Foral Territory the tax bases generated in year 2014 and earlier prescribe in 2043, after the modifications introduced in the Provincial Law on corporation tax for the exercises initiated as from 1 January 2018. For Spanish laws, Brazil and the most significant of the rest of Europe have no limitation period. The prescription of tax losses in Mexico is 10 years.

The Group did not recognise deferred income tax assets of €60 million (2017: €78 million) in respect of losses generated by certain Spanish and other foreign companies amounting to €195 million (2017: €272 million) that can be carried forward against future taxable income.

Additionally, there are tax credits for unused deductions that have not been recognised amounting to €44 million (2017: €44 million).

## 22. Commitments with employees

Set out below is a breakdown of employee benefit provisions classified by country:

Thousand euro	31.12.2018	31.12.2017 <sup>(*)</sup>
Germany	25,869	38,342
India	4,397	4,434
Italy	2,783	2,885
France	-	799
<b>TOTAL PENSIONS</b>	<b>33,049</b>	<b>46,460</b>

(\*) Includes provisions for pensions in Germany and France corresponding to the segment Solutions and Services (Smart Innovation) for €12.7 and €0.8 million respectively.

The commitments of post-employment plans and other long-term benefits to the personnel that several companies in the Group guarantee to certain groups are disclosed by country, the following ones:

- Post-employment benefit plans and other long-term employee benefits in Germany fully covered through in-house provisions, long-term employee benefits, such as, length-of-service awards and supplements under phased retirement arrangements.
- Post-employment benefit plans in India which are mostly under in-house provisions: lifetime retirement pensions, retirement awards financed externally under insurance contracts and retirement awards in the event of the termination of the employment contracts.
- Post-employment benefit plans in Italy. The pension model is currently TFR. This was a defined benefit plan that was converted into a defined contribution plan as a result of the Pension Reform which took place in December 2005.

The movement of the defined benefit obligation and the long-term benefits to personnel during 2018 and 2017 has been as follows:

		31 December 2018							
		CALCULATION OF ASSESSMENTS							
Thousand euro	31.12.2017	CURRENT SERVICES COST	EXPENSES/ (INCOME) BY INTEREST	(PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS	(PROFIT) / LOSSES FROM EXPERIENCE	PAYMENT OF FEES	TRANSLATION DIFFERENCES	DISCONTINUED ACTIVITIES	31.12.2018
Post-employment benefits <sup>(1)</sup>	45,322	(33)	503	292	(117)	(1,304)	(172)	(13,076)	31,415
Long-term benefits with staff	1,138	383	16	123	-	(26)	-	-	1,634
<b>TOTAL PENSIONS</b>	<b>46,460</b>	<b>350</b>	<b>519</b>	<b>415</b>	<b>(117)</b>	<b>(1,330)</b>	<b>(172)</b>	<b>(13,076)</b>	<b>33,049</b>

		31 December 2017							
		CALCULATION OF ASSESSMENTS							
Thousand euro	31.12.2016	CURRENT SERVICES COST	EXPENSES/ (INCOME) BY INTEREST	(PROFITS) / LOSSES FROM CHANGES IN FINANCIAL ASSETS	(PROFITS) / LOSSES FROM EXPERIENCE	PAYMENT OF FEES	TRANSLATION DIFFERENCES	DISCONTINUED ACTIVITIES	31.12.2017
Post-employment benefits <sup>(1)</sup>	47,076	818	862	34	-	(3,182)	(286)	-	45,322
Long-term benefits with staff	1,281	84	9	(7)	-	(229)	-	-	1,138
<b>TOTAL PENSIONS</b>	<b>48,357</b>	<b>902</b>	<b>871</b>	<b>27</b>	<b>-</b>	<b>(3,411)</b>	<b>(286)</b>	<b>-</b>	<b>46,460</b>

(1) It corresponds to retirement pensions for life in Germany and India, as well as retirement awards in India and post-employment benefit plans in Italy.

The financial-actuarial assumptions used in the actuarial valuations are set out below:

	2018			
	Germany	India	Italy	France
Interest rate	1.78%	7.4%-7.9%	1.00%	-
Expected performance active plan	N/A	7.4%-7.7%	N/A	-
Future growth of wages	2.30%	7%-10%	0%	-
Future growth of pensions	1.00% - 1.50%	0%-8%	3.00%	-
Table of mortality	RT 2008 G	Indian assured lives Mortality (2006-08)Ult	RG48	-
Retirement age	65 years	58 years for workers, 60 years for others	58 years	-
Method of valuation	PUC	PUC	TFR	-

	2017			
	Germany	India	Italy	France
Interest rate	1.60% - 1.77%	7.3%-7.7%	1.00%	1.30%
Expected performance active plan	N/A	7%-7.3%	N/A	2.00%
Future growth of wages	2.30% - 2.50%	7%-10%	0%	2.00%
Future growth of pensions	1.00% - 1.50%	0%-7%	3.00%	2.00%
Table of mortality	RT 2005 G - Heubeck 2005G	Indian assured lives Mortality (2006-08)Ult	RG48	INSEE2013-2015 Men and women separately
Retirement age	63 - 65 years	58 years for workers, 60 years for others	58 years	62 years
Method of valuation	PUC	PUC	TFR	PUC

The contributions to these plans in the next financial year 2019 would amount to approximately €1,080 thousand.

### 23. Provisions

The breakdown of the movements in Group provisions in 2018 and 2017 is as follows:

Thousand euro	Provisions
<b>At 1 January 2017</b>	<b>168,582</b>
Additions to consolidation scope (Note 33)	19,568
Additions/(Reversions)	60,210
<i>Profit and losses (**)</i>	53,649
<i>Equity</i>	6,561
Applications	(22,246)
Transfers and other movements (*)	(7,740)
<b>At 31 December 2017</b>	<b>218,374</b>
Additions to consolidation scope (Note 33)	2,950
Additions/(Reversions)	53,467
<i>Profit and losses (**)</i>	53,157
<i>Equity</i>	310
Applications	(47,632)
Transfers and other movements (*)	(4,025)
Discontinued activities (Note 12)	(25,210)
<b>At 31 December 2018</b>	<b>197,924</b>
<b>NON-CURRENT PROVISIONS</b>	<b>166,791</b>
<b>CURRENT PROVISIONS</b>	<b>31,133</b>

(\*) Mainly relate to exchange rate effects in subsidiaries.

(\*\*) The movement of the year shows a net amount of provisions /reversals resulting in €6,429 thousand corresponding to the discontinued activities prior to the discontinuation (Notes 1 and 12). The comparative movement of provisions for results for the year 2017 includes €130 thousand of income reclassified in 2018 within the line of discontinued activities in the consolidated profit and loss account after its restatement.

Non-current provisions at 31 December 2018 mainly include the following:

- A €54.7 million provision (2017: €19.0 million) corresponding almost entirely to tax contingencies in Brazil, of which €1.7 million are on court deposit pending court rulings (2017: €2.3 million).
- A €3.1 million provision established to guarantee the sale of assets and closure and winding up of companies in 2018 (2017: €1.5 million).
- A provision for other personnel liabilities amounting to €35.8 million (2017: €56.9 million), including €33.0 million relating to pension plans (2017: €46.5 million).
- A €73.2 million provision (2017: €76.5 million) to cover the operating risks of the business which it is considered may crystallize in the long term.

Current provisions at 31 December 2018 are basically for the adaptation of productive structures of Group companies as well as liabilities with staff (31 December 2018: €5.9 million; 31 December 2017: €3.4 million); also the hedging of business' operating risk at various Group companies classified as payable at short term maturity (2018: €17.9 million; 2017: €16.3 million). They include as well tax contingency risk and customer complaints at certain subsidiaries (31 December 2018: €7.3 million; 31 December 2017: €9.3 million). On 31 December 2017 an accrual of €35.5 million was registered within this financial statements related to remuneration accrued by Management, which has been satisfied almost entirely in the exercise 2018.

The total of long and short-term provisions reclassified in discontinued operations on 31 December 2018 amounts to €4.4 million. After the distribution of the extraordinary dividend by which the Group distributed their participation in the segment of Solutions and Services (Smart Innovation), long and short-term provisions have been disposed amounting to approximately €20.5 million, which at the time of their disposal were classified as liabilities held for sale, and of which €13.1 million were related to pension provisions.

#### 24. Operating income

Thousand euro	Note	2018	2017 (*)
Revenue			
- Sale of products and services		3,029,495	2,842,566
Changes in inventories of finished goods and work in progress	10	17,460	23,628
Other income		159,621	104,254
<b>TOTAL</b>		<b>3,206,576</b>	<b>2,970,448</b>

(\*) Recasted amounts, see Note 2.

“Other income” basically includes the government grants and the transfer of grants relating to assets to the income statement, as well as the sale of scrap metal and gains on the sale of assets totalling €1,628 thousand (€1,008 thousand losses in 2017).

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in € thousand) is as follows:

Thousand euro	2018	2017 (*)
US dollar	745,735	691,941
Brazilian real	323,649	301,918
Indian rupee	355,870	319,908
Other	229,033	209,177
<b>TOTAL</b>	<b>1,654,287</b>	<b>1,522,944</b>

(\*) Recasted amounts, see Note 2.

#### 25. Other operating expenses

Thousand euro	Note	2018	2017 (*)
Utilities		55,160	49,114
Transport		36,882	35,361
Repairs		61,120	55,686
Operating leases		12,841	10,660
Provision for impairment of accounts receivable	9	1,615	923
Provision for inventory impairment (obsolescence)	10	10,078	7,365
Other operating expenses		105,365	124,510
<b>TOTAL</b>		<b>283,061</b>	<b>283,619</b>

(\*) Recasted amounts, see Note 2.

## 26. Employee benefit expense

Thousand euro	2018	2017 (*)
Wages and salaries	426,756	399,821
Share-based payments	-	9,671
Social security cost	75,026	69,572
Other welfare expenses	51,778	47,277
Personnel restructuring costs	4,278	5,629
<b>TOTAL</b>	<b>557,838</b>	<b>531,970</b>

(\*) Recasted amounts, see Note 2.

The average Group headcount by category is as follows:

Category	Automotive		Automotive and Solutions and Services	
	2018	2017	2018(*)	2017(*)
Executives	771	722	776	732
University graduates, specialists and administrative employees	6,050	5,912	7,267	8,092
Semi-skilled workers	16,400	15,632	19,407	19,904
<b>Total</b>	<b>23,221</b>	<b>22,266</b>	<b>27,450</b>	<b>28,728</b>

(\*) Staff from the Solutions and Services segment has been included (Note 1 and 12).

Likewise, the average number of people employed in the course of the exercise with a disability greater than or equal to 33% is 366 people belonging to the semi-skilled workers category (2017: 338 people belonging to the semi-skilled workers category).

The gender breakdown of the Group's staff and Board of Directors at 31 December 2018 and 2017 is as follows:

Category	2018			2017		
	Men	Women	Total (*)	Men	Women	Total (*)
Members of the Board of Directors (*)	11	2	13	11	2	13
Executives	688	68	756	675	63	738
University graduates, specialists and administrative employees	5,063	992	6,055	6,680	1,668	8,348
Semi-skilled workers	13,707	2,742	16,449	17,900	3,962	21,862
<b>TOTAL</b>	<b>19,469</b>	<b>3,804</b>	<b>23,273</b>	<b>25,266</b>	<b>5,695</b>	<b>30,961</b>

(\*) Two of the members of the Board of Directors act as well as executive directors of the Group.

### Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the Company's share capital, granting said employees a loan due at maturity at date of December 31, 2022, with an interest rate of zero. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from January 1, 2018 to December 31, 2022. These loans, which, meet the conditions to be considered as full recourse, are valued at fair value, are classified under non-current financial assets in the consolidated balance sheet and, as of December 31, 2018, amount to €27.3 million (Note 8).

### Share-based payments

#### Mahindra CIE Automotive, Ltd. (formerly Mahindra Forgings Ltd.)

The Group, through the companies acquired in 2013, had a number of remuneration plans based on shares in its subsidiaries Mahindra CIE Automotive, Ltd., (formerly Mahindra Forgings Ltd.) and Mahindra Composites, Ltd. In accordance with the various remuneration plans, beneficiaries can be employees and management of the company itself, its subsidiaries and/or its Parent company that are eligible and fulfil plan eligibility criteria.

The granted options by the company Mahindra Forgings Ltd. are divided into three tranches:

- Up to 400,000 options will be exercised at a fixed price of 83 rupees.
- Up to 750,000 options will be exercised at a fixed price of 197 rupees.
- Other options will be exercised at a price equal to the market price of the stock less a discount of not more than 15% of the average share price on the grant date. The final exercise price will be determined by the Management Committee. The options vest in tranches determined by the company's remuneration committee and are subject to completion of a one-year vesting period. Once they are vested, the options may be exercised as from the vesting date for a maximum period of five years.

On the other hand, in case of the options granted by the entity Mahindra Composites, Ltd., the striking price is equal to the market price of the shares less a discount not exceeding 15% of the average value thereof on the grant date. The options, which had similar conditions to described as the correspondents to Mahindra CIE Automotive, Ltd, they were divided in three equal sections, where every section is determined that the employees complete 12 months, 24 months and 36 months respectively of period of service (period of consolidation). The options are exercisable from the date of consolidation up to a maximum of 5 years.

Movements in the number of stock options issues and related fair values for 2018 and 2017 are set out below:

Thousand euro	Fair value	No. of options (Thousand)
<b>At 1 January 2017</b>	<b>3,847</b>	<b>1,872</b>
Cancelled	(110)	(119)
Forfeited	(388)	(279)
Net exchange differences	(142)	-
<b>At 31 December 2017</b>	<b>3,207</b>	<b>1,474</b>
Cancelled	(470)	(377)
Forfeited	(494)	(414)
Net exchange differences	(88)	-
<b>At 31 December 2018</b>	<b>2,155</b>	<b>683</b>

At 31 December 2018, out of the 682,812 options issued, 487,335 options could be exercised at 2018 year end. At 31 December 2017, out of the 1,473,797 options issued, 161,969 options could be exercised at 2017 year end.

Stock options outstanding at the year-end have the following expiration dates and exercise prices:

2018			2017		
No. option to closing	Exercise price for action (*)	Maturity	No. option to closing	Exercise price for action (*)	Maturity
95,502	57	2020	160,260	57	2020
878	44	2021	1,709	44	2021
586,432	150	2025	1,311,828	150	2025
<b>682,812</b>			<b>1,473,797</b>		

(\*) Figures presented in Indian rupees due to being more representative of the option's value.

## 27. Finance income and expenses

Thousand euro	Note	2018	2017 (*)
Finance costs:			
-Bank borrowings interest		(53,332)	(57,199)
Interest income:			
- Other interest and finance income	31	9,500	12,430
Net gains/(losses) on foreign currency transactions	31	1,438	(1,469)
Net gains/(losses) on financial instruments at fair value	8	(7,060)	7,269
<b>TOTAL</b>		<b>(49,454)</b>	<b>(38,969)</b>

(\*) Recasted amounts, see Note 2.

## 28. Income tax

Thousand euro	2018	2017 (*)
Current year tax	90,338	69,612
Net variation deferred tax (Note 21) (**)	1,501	5,173
Total income tax expense	<b>91,839</b>	<b>74,785</b>
Tax expense of discontinued operations (Note 12)	(1,700)	(3,580)
<b>Tax expense</b>	<b>90,139</b>	<b>71,205</b>

(\*) Recasted amounts, see Note 2.

(\*\*) Does not include tax credits related to R&D investments amounting to €761 thousand recognised as operating grants in accordance with IAS 20 (2017: €695 thousand).



The reconciliation of the Group's accounting profit and taxable profit is as follows:

Thousand euro	2018	2017
Consolidated accounting profit before tax for the year from continuing operations	318,473	303,604
Accounting profit before tax from discontinued operations (Note 12)	210,851	29,337
Consolidation adjustments	84,505	194,025
<b>Aggregate profit before taxes in consolidated companies</b>	<b>613,829</b>	<b>526,966</b>
Income not subject to tax and non-deductible expenses (*)	(360,436)	(257,045)
Net temporary differences in individual companies (**)	(1,120)	16,343
Offset of tax-loss	(29,973)	(87,779)
<b>Aggregate taxable profit</b>	<b>222,300</b>	<b>198,485</b>

(\*) Dividends distributed among Group companies, and other permanent differences totalling €39 million, and €62 million, respectively (2017: €109 million and €148 million, respectively).

(\*\*) Net temporary differences in the individual companies basically include adjustments for workforce restructuring and differences for accounting and tax purposes in the recognition of expenses and income and in the recognition and reversal of provisions.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Thousand euro	2018	2017
Aggregate profit before taxes in consolidated companies	613,829	526,966
Tax calculated at domestic tax rates applicable to profits in the respective countries	179,184	154,895
Net Income	(105,157)	(75,554)
Utilisation of tax credits and tax losses	(1,093)	(9,729)
Registration of provisions and other	17,403	-
Deferred tax expense/(income) (Note 21)	1,501	5,173
Tax expense	91,839	74,785
Transfer to discontinued operations (Note 12)	(1,700)	(3,580)
<b>Income tax expense of continued activities</b>	<b>90,139</b>	<b>71,205</b>

The theoretical tax rates vary in accordance with the various tax domiciles, the most important of which are as follows:

	Nominal rate	
	2018	2017
Basque Region and Navarre	26%	28%
Rest of Spain	25%	25%
Mexico	30%	30%
Brazil	34%	34%
Rest of Europe (average rate)	15% - 33%	15% - 35%
People's Republic of China	25%	25%
Rest of America	21%	21%-35%
India	35%	35%

As mentioned in Note 2.22, some companies of the Group are authorised to file consolidated tax returns.

Generally speaking, the Group companies have their tax returns open to inspection for all years for which the statute applying under the various bodies of tax legislation for each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filling tax returns passes.

The corporate income tax legislation applicable to the Parent company of the Group in 2018 is the one relating to Bizkaia Regional Regulation 11/2013 (5 December).

During this period, modifications to the aforementioned statute have been approved. The main ones that affect the Group are the reduction of the applicable tax rate (26% in 2018 and 24% in 2019) as well as limitations on the recovery of negative tax bases from previous years. The effect derived from these modifications has been approximately €3.2 million.

The Directors of the Parent company have calculated the amounts associated with this tax for 2018 and those years open to inspection in accordance with legislation in force at each year end on the understanding that the final outcome of the various legal proceedings and appeals that have been filed in this respect will not have a significant impact on the financial statements taken as a whole.

During 2018 and 2017, non-current assets have been sold, generating a capital gain amounting to €933 and €261 thousand, respectively covered by the reinvestment tax exemption. The total amount of the sale has already been invested in new non-current assets. There are therefore no pending additional investments to cover the reinvestment.

Each of the companies that have applied this incentive will disclose the relevant information required by law in its individual annual accounts.

## 29. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Parent company's shareholders by the weighted average number of ordinary shares outstanding in the year, excluding treasury shares acquired by the Parent company (Note 13).

	2018	2017
Profit attributable to the Parent company's shareholders (thousand euro)	396,754	215,408
Profit/(loss) from discontinued operations attributable to the Parent company's shareholders (thousand euro) (*)	205,757	11,556
Weighted average number of ordinary shares outstanding (thousand)	128,888	128,808
<b>BASIC EARNINGS</b>	<b>3.08</b>	<b>1.67</b>
Basic earnings per share from continuing operations (euro per share)	1.48	1.58
Basic earnings per share from discontinued operations (euro per share)	1.60	0.09

(\*) Of the profit / (loss) from discontinued activities of the Group, €209,151 thousand (Note 12), corresponds to the shareholders of the Parent company (2017: €25,757 thousand)

## 30. Dividend per share

On 12 December 2018, the Board of Directors approved the payment of an interim dividend from 2018 profit of €0.31 gross per share carrying dividend rights, implying a total payout of €39,990 thousand. Payment has been made on 4 January 2019.

On April 24, 2018, the General Shareholders' Meeting agreed to distribute an extraordinary dividend in kind for which CIE Automotive, S.A. will distribute among its shareholders the holdings it holds in Global Dominion Access, S.A. The transfer of these shares was effective on July 3, 2018, amounting to a fair value of €405 million (Notes 1 and 12).

On that same date, the General Shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result for the year 2017, approving the distribution of a complementary dividend of €0.28 (gross) per share entitled to a dividend, which has meant a total of €36,120 thousand. The disbursement has been effective on July 3, 2018.

On 12 December 2017, the Board of Directors approved the payment of an interim dividend from 2017 profit of €0.28 gross per share carrying dividend rights, implying a total payout of €36,049 thousand. Payment has been made on 5 January 2018.

On 4 May 2017, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2016 profit (individual) as well as the distribution of a final dividend of €0.21 (gross) per share carrying dividend rights, amounting to a total payment of €27,037 thousand. Payment was made on 5 July 2017.

### 31. Cash generated from operating activities

Thousand euro	Note	2018	2017
<b>Profit/(loss) for the year</b>		<b>437,485</b>	<b>258,156</b>
Taxes	28	90,338	69,612
Deferred tax	21/28	1,501	5,173
Grants released to income		(1,661)	(3,065)
Depreciation of property, plant and equipment	6	158,435	124,470
Amortisation of intangible assets	7	5,254	5,438
Asset impairment charge	6	47	2,120
(Profit)/loss on disposal of property, plant and equipment <sup>(1)</sup>		(1,628)	(1,008)
Net change in provisions		128	35,277
(Profit)/loss from discontinued operations before taxes	12	(210,851)	(29,337)
Net (gains)/losses on re-measurement to fair value of financial instruments	27	7,060	(7,269)
Exchange differences	27	(1,438)	1,469
Interest income	27	(9,500)	(12,430)
Interest expense	27	53,332	57,199
Participation in the loss/(gain) of the associated	8	(2,641)	(3,481)
<b>Adjustments to year's profit</b>		<b>88,376</b>	<b>244,168</b>
Inventories		(41,768)	(55,838)
Trade and other receivables		8,399	(41,015)
Other assets		12,379	(41,360)
Trade and other payables		(29,042)	131,755
<b>Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)</b>		<b>(50,032)</b>	<b>(6,458)</b>
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>475,829</b>	<b>495,866</b>

<sup>(1)</sup> In the cash flow statement, revenues from the sale fixed assets include:

Thousand euro	Note	2018	2017
Carrying amount	6/7	2,477	5,347
Profit/(loss) on disposal of property, plant and equipment		1,628	1,008
<b>Proceeds from disposal of property, plant and equipment</b>		<b>4,105</b>	<b>6,355</b>

### 32. Commitments

#### a) Commitments for the purchase of fixed assets and leases

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

Thousand euro	2018 <sup>(*)</sup>	2017
Property, plant and equipment	37,458	39,614
Obligations deriving from irrevocable lease contracts	49,591	94,396

<sup>(\*)</sup> It does not include commitments for the acquisition of tangible assets and leases belonging to the Solutions and Services (Smart Innovation) segment (Notes 1 and 12).

These investments are financed mainly through the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and if necessary, bank borrowings.

## b) Operating lease commitments

The Group leases various offices and warehouses under irrevocable operating lease agreements with a maturity between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The total minimum future payments for irrevocable operating leases are as follows:

Thousand euro	2018	2017 <sup>(*)</sup>
Less than 1 year	5,605	24,853
One to five years	23,471	49,927
More than five years	20,515	19,616
<b>TOTAL</b>	<b>49,591</b>	<b>94,396</b>

(\*) It does not include the operating lease commitments of the Solutions and Services (Smart Innovation) segment (Notes 1 and 12).

In addition, the Group also leases various plants and items of machinery under cancellable operating lease agreements. The Group is required to provide six months' notice to terminate these agreements.

## 33. Business combinations

### 2018

Consolidation scope changes are described in Note 1.

#### Automotive

In January 2018 the acquisition of 100% of the shares of the Brazilian company Zanini Industria de Autopeças, Ltda (currently called Autometal ML Cromação, Pintura and Injeção de Plástico, Ltda. was carried out for a price of €1,120 thousand.

The business combination for the takeover of Zanini Industria de Autopeças, Ltda. referred to 100% of the participation, as well as the detail of assets and liabilities arising from the acquisition; and the movements of cashflows related to the transaction are detailed below:

Fair value in thousand euro	Note	ZANINI
Fixed assets	6/7	4,955
Non-current financial assets	8	70
Inventories	10	582
Accounts receivables		482
Other current assets		115
Cash and cash equivalents		390
<b>Assets acquired</b>		<b>6,594</b>
Provisions	23	2,857
Borrowings		246
Accounts payables		3,935
Other liabilities		3,802
<b>Liabilities acquired</b>		<b>10,840</b>
<b>Net assets acquired</b>		<b>(4,246)</b>
Purchase price		1,120
Fair value of the net assets acquired		4,246
<b>Goodwill</b>	<b>7</b>	<b>5,366</b>
Consideration paid on operation		1,120
Cash and cash equivalents at the entity acquired		(390)
<b>Outflow of cash on the acquisition</b>		<b>730</b>

This goodwill embodied the future economic benefits expected to derive from the business acquired and the synergies expected to be generated by its acquisition by the Group.

The business analysis, as well as the process of assigning the price paid to the assets and liabilities acquired has been finalized.

The total turnover generated by this business combination does not differ significantly from that which would have been considering a takeover date of 1 January 2018.

### **Solutions and Services (Smart Innovation)**

In February 2018, through the subsidiary of the Group Global Near, S.L. the additional capital acquisition of the company Centro Near Servicios Financieros, S.L. has been carried out for one euro, until then a consolidated company using the equity method. Once control over it has been obtained (Note 1), the corresponding business combination has been accounted for.

On 28 March 2018, the Group, through the subsidiary Dominion Industries and Infraestructuras, S.L., has carried out the acquisition of 100% of the capital stock of Go Specialist, S.L. for €1 million, of which €700 thousand were paid at the time of acquisition.

In June 2018 the Group, through its subsidiary Global Dominion Access, S.A. proceeded to the acquisition of 100% of the shares of Grupo Scorpio for a total amount of €5,164 thousand.

In June 2018 the Group, through its subsidiary Global Dominion Access, S.A. proceeded to acquire 100% of the shares of Diseños y Productos Técnicos, S.A. (DITECSA) for a total amount of €2,782 thousand.

The business combinations for these businesses, as well as the detail of assets and liabilities arising from the acquisition; and the movements of cashflows related to the transaction are detailed below:

Fair value in thousand euro	Note	ABSIDE	GO SPECIALIST	SCORPIO <sup>(*)</sup>	DITECSA <sup>(*)</sup>
Fixed assets	6/7	2,000	21	437	1,259
Deferred taxes		1,650	-	99	332
Non-current financial assets	8	(2,845)	-	4	-
Inventories		-	-	449	12
Accounts receivables		57	-	1,219	310
Other current assets		143	-	121	337
Cash and equivalents		85	-	2,072	243
<b>Assets acquired</b>		<b>1,090</b>	<b>21</b>	<b>4,401</b>	<b>2,493</b>
Minority shareholders		2,000	-	-	-
Other non-current financial liabilities		-	-	90	-
Other non-current liabilities		1,787	-	-	-
Deferred taxes		-	-	-	2
Provisions	23	-	93	-	-
Accounts payables		9	328	1,025	1,084
Other liabilities		90	-	237	195
<b>Liabilities acquired</b>		<b>3,886</b>	<b>421</b>	<b>1,352</b>	<b>1,281</b>
<b>Net assets acquired</b>		<b>(2,796)</b>	<b>(400)</b>	<b>3,049</b>	<b>1,212</b>
Purchase Price		-	1,000	5,164	2,782
Fair value of the net assets acquired		2,796	400	(3,049)	(1,212)
<b>Goodwill</b>	<b>7</b>	<b>2,796</b>	<b>1,400</b>	<b>2,115</b>	<b>1,570</b>
Consideration paid on operation		-	700	-	250
Cash and cash equivalents at the entity acquired		(85)	-	(2,072)	(243)
<b>Outflow of cash on the acquisition</b>		<b>(85)</b>	<b>700</b>	<b>(2,072)</b>	<b>7</b>

(\*) The movements corresponding to these business combinations have not been disclosed in the notes, as they have taken place after the date of discontinuation 24 April 2018.

This goodwill embodied the future economic benefits expected to derive from the business acquired and the synergies expected to be generated by its acquisition by the Group.

The business analysis, as well as the process of assigning the price paid to the assets and liabilities acquired are still on going.

The net income from these business combinations, classified as discontinued activities, has not been significant.

## 2017

### Automotive Segment

In March 2017, CIE Automotive USA, Inc, completed the acquisition of all of the share capital of Newcor Group for a purchase price of USD108 million (€102 million at acquisition date).

Newcor is a company specialized in the design and production of components and subassemblies mechanized of high precision, powertrain and transmissions for the sector of automotive. The Group has three manufacturing plants in the State of Michigan, which annual revenue approximately amount to USD150 million, and among its customers are the top vehicle builders and Tier 1 suppliers, with a significant presence in the USA.

The business combination for the takeover of Newcor Group for the 100% of its shares, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarised as follows:

Fair value in thousand euro	Note	NEWCOR
Fixed assets	6/7	35,340
Deferred taxes	21	3,822
Inventories		8,530
Accounts receivable		18,392
Other current assets		333
Cash and cash equivalents		676
<b>Assets acquired</b>		<b>67,093</b>
Provisions	23	10,649
Account payables		13,292
Other liabilities		978
<b>Liabilities acquired</b>		<b>24,919</b>
<b>Total net assets acquired</b>		<b>42,174</b>
Purchase Price		102,245
Fair value of the net assets acquired		(42,174)
<b>Goodwill</b>	<b>7</b>	<b>60,071</b>
Consideration paid on operation		102,245
Cash and cash equivalents at the entity acquired		(676)
<b>Outflow of cash on the acquisition</b>		<b>(101,569)</b>

The business analysis, as well as the process of assigning the price paid to the assets and liabilities acquired are finalized.

The revenue of the business of the business combination made in the six-month period ended 30 June 2017 amounted to €117.9 million. If business combinations had taken place on 1 January 2017, these amounts would have amounted to €141.3 million.

In the third quarter of 2017, and within the measurement period of assets and liabilities acquired in the business combination of the acquisition of the Billforge subgroup in September 2016, the Group has recorded a provision for a contingent liability for amount of USD10 million. The recording of this provision has led to a net decrease in the assets and liabilities acquired in the business combination of €5.8 million, having recorded such decrease against the Goodwill generated at the time of the acquisition of the subgroup.

The impacts by financial lines have been as follows, having been recorded in the corresponding movements as additions to perimeter to the 2017 fiscal year:

Thousand euro	Note	Amount
Long term provisions	23	8,919
Deferred tax assets	21	(3,087)
<b>Goodwill</b>	<b>7</b>	<b>5,832</b>

### **Solutions and Services Segment (Smart Innovation)**

On July 13, 2017, the Group proceeded to subscribe with the group Dixon Phone plc, an acquisition contract of the total share capital of The Phone House España (which include the companies The Phone House España, S.L., Connected World Services Europe, S.L.U. and Smart House Spain, S.L.U.), all of them based in Spain. The closing of the transaction was conditional on obtaining the authorisation of the Spanish Competition Authorities and a series of suspensive conditions relating to the confirmation of the main operators with whom the Phone House operated with so they confirmed that they would maintain their supply and distribution contracts. These suspensive conditions had been fulfilled in the month of September 2017, when the acquisition of all the shares of the aforementioned companies had been effective.

The price of the transaction rose to €58 million, once the Parent company has assumed the payable loan that the previous shareholder held with the acquired companies for €45 million. The purchase price was agreed to be paid in two instalments, the first of them (two thirds) on the transaction closing date, and the remaining, (one third) in January 2018.

The business combination for the takeover of The Phone House for the 100% of its shares, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the resume operation below:

Fair value in thousand euro	Note	TPH
Fixed assets	6/7	26,588
Deferred taxes	21	6,391
Non-current financial assets	8	4,414
Inventories		37,442
Accounts receivable		47,672
Other current assets		905
Cash and cash equivalents		866
<b>Assets acquired</b>		<b>124,278</b>
Deferred taxes	21	3,617
Account payables		93,557
Other liabilities		9,295
<b>Liabilities acquired</b>		<b>106,469</b>
<b>Total net assets acquired</b>		<b>17,809</b>
Purchase Price		102,754
Debt assumed by the previous shareholders		(45,035)
Fair value of the net assets acquired		(17,809)
<b>Goodwill</b>	<b>7</b>	<b>39,910</b>
Consideration paid on operation		38,448
Cash and cash equivalents at the entity acquired		(866)
<b>Outflow of cash on the acquisition</b>		<b>37,582</b>

The process of recognition and valuation at fair value of the assets acquired and liabilities assumed had been allocated an amount of €8.9 million to the brand "Phone House" and an amount of €5.5 million to existing contracts with operators, both recognised under the heading "Other intangible assets" within the non-current asset of the consolidated balance sheet. The "Phone House" brand had been valued on the basis of the "royalty saving method" That estimates the current

value of the savings that the Group obtains by owning the brand with respect to having to pay for the license to use a third party. Abiding to the bet and continuous investment that the Group aims to make on the brand "Phone House" has been determined that it is an asset of indefinite useful life. Contracts with operators have been valued following the application of the "MERM" measurement method, based on the excess of earnings over contributing assets required to exploit the intangible asset. Their estimated useful life was set in 5 years.

The remaining payable amount of €19.3 million was registered within "other current debts" at 31 December 2017.

The analysis of the business combination, as well as the process of assigning the price paid to the net assets acquired has not been completely finalized.

If this business combination had taken place on 1 January 2017, the revenue amount would have increase by €366,287 thousand.

#### **34. Related-party transactions**

The direct shareholders of the Group (including minority interests), key executive managers, close relatives and those companies consolidated using the equity method are considered as related parties.

The following transactions were carried out with related parties:

##### a) Compensation and loans to key management personnel

The total compensation accrued by key management personnel in 2018, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €6,215 thousand (2017: €5,388 thousand).

Additionally, for the close of fiscal year 2017, the remuneration based in the share's value had completely been accrued, as explained in section e) of this Note, and payment has been carried out in 2018.

As explained in note 26, the Board of Directors of CIE Automotive agreed in 2018 to implement a plan to allow the participation of certain employees in the company's share capital. The total nominal amount of loans to members of the key management, pending collection as of December 31, 2018 is €11,271 thousand.

At the end of 2017, there was a balance receivable from other operations with members of key management for an amount of €732 thousand, which were classified as non-current assets. As a result of the sale of the Solutions and Services segment (Smart Innovation), this amount is no longer reflected in the Group's consolidated balance sheet as of December 31, 2018.

The Group has entered into no commitments related to pensions or other types of complementary post-employment benefits with key management personnel.

##### b) Parent company Directors compensation

Total compensation paid to the members of the Board of Directors has amounted to €5,513 thousand (2017: €3,916 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At 2018 year end, there is a balance receivable (at present value) of €152 thousand arising from other transactions with these related parties (2017: €303 thousand), classified in current assets.

The Parent company has entered into no commitments relating to pensions or other types of complementary retirement remuneration with senior management personnel.



c) Balances and transactions during the year with Group companies and related parties

Balances in thousand euro	31.12.2018	31.12.2017
Receivables from related parties	28,846	21,936
Payables from related parties	(7,076)	(5,312)
Loans and credits from related parties	1,377	21,948
Borrowings from related parties	-	(59)
Advances to related parties	11,700	-
Balances receivable with entities with significant influence	16,800	16,800
Balances payable with entities with significant influence	(14,712)	(5,000)
Dividend pending payment	(39,990)	(36,049)
Transactions in thousand euro	2018	2017
Services received	7,240	10,728
Services rendered	68	5,819
Purchases (*)	27,046	22,240
Sales (*)	213,893	200,493

(\*) Both purchases and sales correspond, basically, to commercial operations of purchase and sale of pieces with the Mahindra & Mahindra group.

d) Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Parent company, during the exercise 2018 the administrators who have occupied charges in the Board of Directors during have complied with the obligations foreseen in the article 228 of the recasted text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

e) Complementary long-term incentive based on the increase in value of the shares

During the General Shareholders' Meeting of 30 April 2014, a long-term incentive was approved, based on the increase in value of the shares of CIE Automotive, S.A., in favour of the CEO and certain managers and other people owing to their special relationship with the Company.

The incentive consisted of the payment of an extraordinary total remuneration proved of multiplying a maximum of 1,800,000 rights by the increase of the market price of shares of CIE Automotive in the period 2013-2017, being its contribution base €6 per share and the closing value would be the average of the market price of the last quarter of 2017, in the terms approved by the Shareholders' General Meeting.

During the year 2018, the payment associated with this remuneration was carried out for an approximate amount of €33 million.

At the General Shareholders' Meeting held on April 24, 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A.

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of 9 years (reference periods), with a base price of €21.30 per share and the closing value of the average of the contribution corresponding to a quarter of the periods completed within the predetermined period, in the terms approved by the General Shareholders' Meeting.

**35. Other information**

## a) Auditors fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for audit services performed in 2018 total €1,485 thousand (2017: €2,569 thousand). From the total of audit services contracted in 2018, €555 thousand have been rendered in Spain (2017: €1,125 thousand).

Other services rendered by PricewaterhouseCoopers, S.L. and other firms associated to PricewaterhouseCoopers have amounted to €790 thousand (2017: €571 thousand). Other assessment services different from audit fees rendered by PricewaterhouseCoopers Auditores, S.L. have amounted to €68 thousand in 2017 (2017: €67 thousand), and mainly refer to agreed upon procedures related to covenant compliance, review of the Spanish SCIIF report related to Internal Control Management on Financial Information, verification of non-financial indicators, others related to the verification of security measures in the processing of personal data, and other requirements based on the regulation of Biodiesel.

The fees charged by other firms for financial statements audit services in respect of other investees amount to €250 thousand in 2018 (2017: €456 thousand). This amount includes the services rendered for all the period of the companies joined to the consolidation scope in the period.

## b) Environmental issues

The Parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

Investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associated with its operations and improve the Group's environmental management and record. The combined amounts of investments and expenses accrued in 2018 in relation to environmental protection worked amounted to €2.8 million (2017: €2.7 million) and are recorded under the element headings of "Property, plant and equipment" on the accompanying balance sheet and "Other operating income/expenses" on the accompanying income statement.

**36. Events after the balance sheet date**

On January 29, 2019 the Group has signed a contract for the sale of its biofuel production plants: The plant located in Berantevilla (Álava / Araba) -Bionor- and the plant located in Palos de la Frontera (Huelva) - Biosur-. The agreed sales price has been €13.6 million.

Company	Parent company	Activity	Registered office	% effective Sharedholding of CIE Automotive	
				Direct	Indirect
<b>CIE Berriz, S.L. (*) (7)</b>	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Belgium Forge, N.V. (domant)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Mecanizaciones del Sur-Mecatur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100.00%
Alurecy, S.A.U. (2)	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100.00%
CIE Stratis-Tratamientos, Ltda.	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100.00%
CIE Praga Louny, a.s. (*)	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Praga Service, s.r.o.	CIE Praga Louny, a.s.	Facilities	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Facilities	Germany	-	100.00%
Leaz Valorización, S.L.U. (without activity)	CIE Berriz, S.L.	Waste management and recoveries	Bizkaia	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Bionor Berantevilla, S.L.U. (8)	CIE Berriz, S.L.	Biofuel production and sale	Álava/Araba	-	100.00%
Biosur Transformación, S.L.U. (8)	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (domant)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (without activity)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. (8)	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*) (8)	CIE Berriz, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (8)	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U. (8)	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L. (8)	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U. (8)	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Pontevedra	-	100.00%
Industrias Amaya Tellería, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
MAR SK, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Slovakia	-	100.00%
Autocom Componentes Automotivos do Brasil Ltda.	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100.00%
GAT México, S.A. de C.V.	CIE Berriz, S.L.	Manufacture of automotive components	Mexico	-	100.00%

Company	Parent company	Activity	Registered office	% effective Sharedholding of CIE Automotive	
				Direct	Indirect
SC CIE Matricon, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L.	Manufacture of automotive components	China	-	100.00%
CIE Automotive Rus, LLC	CIE Berriz, S.L.	Manufacture of automotive components	Russia	-	100.00%
CIE Automotive Goiain, S.L.U. (1)	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Autometal, S.A. (*) (5)	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100.00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda. (*)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autocromo Cromação de Plásticos Ltda.	Autometal SBC Injeção e Pintura de Plásticos Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Facilities	Brazil	-	100.00%
Gescrap-Autometal Comércio de Sucatas S.A.	Autometal Investimentos e Imóveis, Ltda.	Scrap	Brazil	-	30.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autometal ML Cromação, Pintura e Injeção de Plásticos Ltda. (1)	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
CIE Autometal de México, S.A. de C.V. (*)	CIE Berriz, S.L.	Holding company	Mexico	-	100.00%
Pintura y Ensamblés de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V. (*)	CIE Autometal de México, S.A. de C.V.	Scrap	Mexico	-	30.00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Facilities	Mexico	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Facilities	USA	-	100.00%
CIE Automotive USA Investments	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Century Plastics, LLC (*)	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Century Plastics Real State Holdings, LLC	Century Plastics, LLC	Real state company	USA	-	100.00%
Newcor, Inc (*)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real state company	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real state company	USA	-	100.00%
Clifford Realty, Corp.	Newcor, Inc	Real state company	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc (6)	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U. (*)	CIE Berriz, S.L.	Holding company	Bizkaia	-	100.00%
PIA Forging Products, S.L.U.	Participaciones Internacionales Autometal Dos S.L.U.	Holding company	Bizkaia	-	100.00%
Mahindra CIE Automotive Ltd. (*) (3)	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of automotive components	India	-	56.32%
Stokes Group Limited (*) (8)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Limited (8)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Dudley Limited (8)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	56.32%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Orense	-	56.32%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Gipuzkoa	-	56.32%

Company	Parent company	Activity	Registered office	% effective Sharedholding of CIE Automotive	
				Direct	Indirect
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	56.32%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Orense	-	14.08%
Metalcastello S.p.A. (4)	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	56.30%
Mahindra Forgings Europe AG (*)	CIE Galfor, S.A.U.	Holding company	Germany	-	56.32%
Gesensschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	56.32%
BillForge Pvt. Ltd. (*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	56.32%
BillForge de Mexico S de RL de CV	BillForge Pvt. Ltd.	Manufacture of automotive components	Mexico	-	56.32%
BF Precision Pvt. Ltd.	BillForge Pvt. Ltd.	Manufacture of automotive components	India	-	56.32%
Gescrap India Pvt. Ltd. (1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	16.90%
<b>Advanced Comfort Systems Ibérica, S.L.U.</b>	CIE Automotive, S.A.	Manufacture of automotive components	Orense	100.00%	-
<b>Advanced Comfort Systems France, S.A.S. (*)</b>	CIE Automotive, S.A.	Manufacture of automotive components	France	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100.00%
Advanced Comfort Systems Wuhan Co, Ltd. (1)	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of automotive components	China	-	100.00%
<b>Autokomp Ingeniería, S.A.U. (*)</b>	CIE Automotive, S.A.	Facilities	Bizkaia	100.00%	-
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	Mexico	-	100.00%
Nanjing Automotive Forging Co., Ltd.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	China	-	50.00%
Componentes Automotivos Taubaté, Ltda. (*)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%

(1) Companies added to consolidation scope in 2018 together with their subsidiaries.

(2) Merged in 2017 with Alfa Deco, S.A.U.

(3) Merged in 2017 with Mahindra Forging Global Ltd., Mahindra Forgings International Limited, Crest Geartech Ltd. and Mahindra Gears Transmission Private Ltd.

(4) Merged in 2017 with Mahindra Gears Global, Ltd. by reverse merger

(5) Merged in 2017 with Naturoil Combustíveis Renováveis, S.A.

(6) Merged in 2017 with Deco Engineering, Inc.

(7) Merged in 2017 with Grupo Amaya Tellería, S.L.U. and GAT Staff, S.L.U. with accounting effects of January 1, 2017.

(8) Discontinued companies on December 31, 2018.

(\*) Parent of all investees listed subsequently in the table.

## 1. CIE AUTOMOTIVE GROUP

### 1.1 Profile of the Group

CIE Automotive (from now on, “CIE” or “The Group”, interchangeably) is an industrial group specialist in high value-added processes, which has been developing its activities in two different business areas: automotive components and applied innovation. After the disposal of the applied innovation business (Solutions and Services segment - Smart Innovation), the Group operates only in the Automotive components business.

The business of **automotive components** encompassed the design, production and distribution of integral services, components and sub-assemblies for the global automotive market. This is CIE Automotive’s main activity since its foundation.

The business of **applied innovation**, until its disposal on July 3, 2018, has consisted on the digitalization of the productive activities of the clients to increase its efficiency by means of a wide offer of solutions and technological services. This activity has depended on Dominion, CIE Automotive's subsidiary since 2011 and until the distribution of the extraordinary dividend, that has become effective its disposal on 3 July 2018.

### 1.2 Mission, vision, and values

#### **Mission**

We are an Industrial Group specialist in management of high value-added processes:

- We have devoted this concept of being a supplier of components and sub-assemblies for the global automotive market, with an action based on the utilization of complementary technologies and diverse associate processes.
- We apply this conception in the management, with an overall view in all the phases of the chain value.

We grow on a sustainable and profitable way to position ourselves as partner of reference across the satisfaction of our clients with integral, innovative and high value-added competitive solutions.

We look for the excellence on the following commitments:

- The continued improvement of processes and its efficient management.
- The promotion of participation, implication and teamwork in a pleasant and sure environment.
- The transparency and integrity in all our actions.
- Respect for the environment.

#### **Vision**

We aspire to be an:

- Industrial Group of reference specialist in high value-added processes.

Become the example of a socially responsible company by our commitment to:

- People and their fundamental right.
- Environment, encouraging initiatives to promote greater environmental responsibility.
- Value creation.
- Collaboration with stakeholders.
- Excellence in management.

We intend to be:

- A reference within the chain value regarding quality, technology and services.
- A reference within eco-innovation and eco-design.

### Values

People:

- Respecting their fundamental rights.
- Providing fair working conditions.
- Encouraging
  - o Their initiative, creativity and innovativeness;
  - o Participation and teamwork;
  - o Their capability to attain goals and create value;
  - o Positive attitude to change and continuous improvement.

Environment:

- Maintaining a precautionary approach.
- Working to minimize any negative impact.

Transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.
- Making public clearly all relevant data of our activity so that they are known and understood.

Stakeholders:

- Promoting honest relationships.
- Respecting their rights.

Legality:

- Respecting national and international standards.

**Honesty, fairness and integrity are the foundation of our values.**

### **1.3 Business units**

#### **Automotive components**

CIE Automotive is a supplier of completeness services, components and sub-assemblies for the automotive market.

The Group develops all its line of products across seven basic processes or technologies: forging, machining, aluminium, stamping, plastic, iron smelting and painting. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and sets of direction, and exterior and interior of the vehicle.

The customer portfolio is divided into two big categories: vehicle's manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent approximately 65% and 35% of total sales, respectively.

Since its creation, the company has been gaining managerial volume in a sustainable way thanks to a unique business model, capable of avoiding adverse economic cycles and of increasing the profitability for its shareholders every year.

Five differential features support CIE Automotive's business:

- Multilocation
- Diversification
- Multitechnology
- Investments control
- De-centralised management

### **Applied Innovation**

The Group has developed an autonomous and independent project of innovation applied through its subsidiary Dominion, until its disposal on July 3, 2018.

Dominion was the multisectorial Smart Innovation group of CIE Automotive.

In the case of services, Dominion focuses its activity, until its discontinuation, on the development of powerful technological platforms to improve the quality and efficiency of the benefits given by its resources. For this, it has collected a multitude of data that are treated in control centers that has allowed optimizing the management of a multipurpose force and guarantee high levels of quality and safety in the workplace.

In the case of solutions, knowledge of the client and the sector has been key factors. Dominion has made productive processes more efficient by applying technology contributed by its partners or developed internally. Added Dominion's financial knowledge and experience in managing complex projects, has been able to offer complete EPC solutions.

## **2. EVOLUTION OF THE BUSINESS**

### **2.1 Financial indicators:**

#### **CONSOLIDATED GROUP:**

<b>(Thousand euro)</b>	<b>2018</b>		<b>2017</b>	
	<b>Normalised</b>	<b>2018</b>	<b>Automotive Business (**)</b>	<b>2017 (*)</b>
Consolidated revenue	3,029,495	3,029,495	2,842,566	2,842,566
Gross operating profit/(loss)-EBITDA	529,022	529,022	471,120	471,120
Net operating profit/(loss)-EBIT	366,195	365,286	339,092	339,092
Profit/(loss) before taxes cont. act.-EBT	363,433	318,473	303,604	303,604
Profit/(loss) for the year cont. act.	282,012	228,334	232,399	232,399
Profit/(loss) on discontinued operations	(2,111)	209,151	(1,167)	25,757
Profit/(loss) attributable to non-controlling interests	(37,129)	(40,731)	(28,848)	(42,748)
Profit/(loss) attributable to Parent company	242,773	396,754	202,384	215,408

(\*) Comparative amounts has been restated in order to present the net income of Dominion Group (disposed in the year) and the British forge (Stokes) and biofuels businesses as discontinued activities, according to current accounting regulations.

(\*\*) Comparable amounts for year 2017 exclude the result of the Dominion Group (classified as discontinued operations) for comparability purposes with normalised results of year 2018.

#### **Business performance:**

Once again, historical record of sales, EBITDA and net result. Sales grow 6.6% over the same period of the previous year, EBITDA 12.3% and net result reaches €396.8 million, 84% more than in 2017.



The result for the year 2018 includes the following non-recurring impacts:

<b>6.4 MM€</b>	Net income corresponding to the Dominion segment until the distribution of the extraordinary dividend.
+	
<b>238.9 MM€</b>	Book surplus generated by the difference in value between the accounting value of Dominion in CIE Automotive Group's consolidated financial statements and the market value of the distributed extraordinary dividend.
+	
<b>(91.3 MM€)</b>	<ul style="list-style-type: none"> <li>a- Forced liquidation value adjustment of the Biofuel asset business resulted from the decision of discontinuing that business.</li> <li>b- Update on some assets useful lives.</li> <li>c- Reserves related to the reevaluation of non-operating risks.</li> </ul>
<b>154.0 MM€</b>	Non-recurrent net income

Therefore, in line with the established commitment, the Group has increased its recurring net income by 20%, or €40.4 million, from €202.4 million in 2017 to €242.8 million in 2018.

## **2.2 Summary of the year**

### Europe:

This is CIE Automotive's main market. The Group has 42 manufacturing facilities (two of which are multi-technology) in eleven countries: Spain, France, Germany, Italy, Portugal and the UK in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has one factory in Morocco.

CIE Automotive's European plants have increased their turnover by 4.7% thanks to the high level of recruitment and the start-up of new projects in a market that has showed negative growth in the year 2018. Traditional market plants maintained their dynamism, with an EBITDA of 17.6% and EBIT normalised of 12.2%, while the Mahindra CIE maintains the operational normality and confidence of their customers achieved in the previous year, with margins of an EBITDA of 13.4% and EBIT normalised of 9.7%.

### North America:

CIE Automotive has production centers in 15 locations in Mexico and the U.S., which serve the light-vehicle North American market and, to a lesser extent, Brazil, Europe and Asia. Its evolution is the most profitable of the Group and its growth potential one of the largest in the world, presenting margins of an EBITDA of 22.8% and EBIT normalised of 18.4%.

#### Asia:

CIE Automotive has 21 plants in Asia (one of them multitechnology). The presence of the Group in India comes from the alliance with the Indian group Mahindra and Mahindra Ltd., which gave rise to the Mahindra Group CIE. India is one of the development engines of the region and China, the world's leading car producer. Currently, CIE Automotive has a productive capacity in 21 locations, 18 in India and 3 in China. In 2018, CIE Automotive, in its commitment to this market, has acquired an additional 5% of the sharehold of the subsidiary Mahindra CIE Automotive, Ltd., reaching the effective percentage of 56.32% of the sharehold, for an approximate amount of €61 million.

With the integration of BillForge's Indian plants in 2016, new projects in China (especially Nanjing forging) and productive improvements in India, CIE Automotive has continued to increase its margins. The Group hopes to continue to improve its results on the continent, given the significant growth of these countries.

#### Brazil:

The Brazilian plants of CIE Automotive are focused on the manufacture of plastic components, stamping, forging, iron casting, aluminium injection and machining, being especially competitive in technology of Plastic, body-colour paint and chrome. In Brazil, one of the key markets in recent decades for its projection, the company has productive centers in 13 plants (three of them multitechnology), after the acquisition of Zanini Industria de Autopeças, Ltda for a price of €1.1 million. The position of CIE Automotive has been consolidated in recent years despite the plight of the country, partly because of the closure of a multitude of local suppliers, who have not been able to survive the crisis.

### **2.3 Predictable evolution of the Group**

In 2018, CIE Automotive has continued to develop its activity according to the lines outlined in the strategic Plan 2016-2020, which envisaged doubling the net profit via organic growth, surpassing the €260 million in 2020 and allowing a Remuneration to Shareholders of more than €300 million over the period, not including the extraordinary dividend in particular distributed this year for a value of €405 million for which the sharehold held by the Group in Global Dominion Access, S.A has been delivered to its shareholders.

Thanks to the good results obtained in 2016, the CIE Automotive Group has indicated during 2017 that it will advance to 2019 the commitment to double the net profit in five years, as it was announced in the General meeting of shareholders held on May 4, 2017. In 2018, the compliance with the committed strategic objectives is reaffirmed.

#### Market backdrop

2018 has been a year of negative growth for the automotive sector, which has presented irregular growths in different geographies: while the Brazilian and Indian markets have experienced increases compared to 2017, the European, North American and Chinese markets have suffered decreases. Worldwide production of vehicles in 2018 reached 94 million units, production lower than the initial forecast of the year, representing a negative growth of 1% over the production levels of 2017.

Global sales decreased slightly to 93.8 million units. The main drivers of growth in the 2018 fiscal year were Brazil and India, which presented an increase in car sales of 13% and 8% respectively. These growths have not been enough to alleviate the negative growth of the Chinese market, 3% less than in 2017. This market, with a volume of 27.5 million, has ceased to be the great driver of the annual growth that have been taking place in previous years, being the main geography that has influenced the negative growth of the market in the current year. On the other hand, the European and North American markets have also decreased slightly, by 0.1% and 0.4% negative, respectively.

#### Trends in the vehicle industry

The vehicle industry is being shaped by a series of trends that are destined to have a significant impact on the automotive parts industry:

- Electric vehicles
- Autonomous Driving (A.D.)
- Industry 4.0

## **2.4 2016-2020 Business Plan**

CIE Automotive unveiled its new 2016-2020 Business Plan to the market, undertaking to double net profit to over €250 million within five years' time by means of organic growth.

### Lines of initiative

CIE Automotive has pledged to pursue the following lines of initiative and deliver the targets associated with each:

a) Organic growth:

The Group marks a series of growth objectives derived from the increase in the presence in markets and customers, through the realization of greenfield projects, that is, the creation of new plants or expansion of existing facilities.

b) M&A-led growth:

The plan plans to integrate new companies, which will report around 1 billion of additional billing.

In this line, the Automotive business of CIE Automotive subscribed a binding offer for the acquisition of the roofing business of the Inteva Group which has more than 4,400 employees and a turnover in 2018 estimated at approximately USD1,000 million (more than €850 million), Inteva's roof systems unit has more than sixteen production plants and six R&D centers in seven countries (United States, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

### Corporate Social Responsibility Strategy

The 2016-2020 Business Plan includes the initiatives contemplated in CIE Automotive's Corporate Social Responsibility Plan, embracing the action plans envisaged in the 2015-2018 Sustainability Plan.

This plan sets the following targets:

- Supporting CIE Automotive's Business Plan and mitigating reputational risks.
- Enhancing the Group's CSR positioning.
- Increasing non-financial information controls and security.
- Responding appropriately to customer needs in the CSR area.
- Capturing new talent to facilitate growth.
- Mitigating supply chain risks.
- Responding to good governance regulatory requirements and recommendations.

Based on CIE Automotive's current level of readiness and prioritisation in terms of their impact on the organisation, the following initiatives were undertaken in 2018:

- Approval of the new Strategic Plan for CSR 2019-2020.
- Celebration of the I Conference of CSR in the United States, Mexico, Brazil, India and China.
- Incorporation as Signatory Partner of the Spanish Network of the Global Compact.
- Global deployment of the CSR Conference: dissemination of the milestones and progress made in CSR.
- Preparation of a Strategic CSR Plan 2019-2020.
- Definition of a social action model in line with the guidelines approved by the CSR Committee in December 2017.
- Implementation of a work methodology to accompany the growth of the Group.
- Revision and analysis of CSR indicators.

### 3. NON-FINANCIAL INFORMATION STATEMENT – ANNUAL REPORT

In accordance with Law 11/2018, 28 December, in terms of non-financial information and diversity, CIE Automotive's Group has prepared "NON-FINANCIAL INFORMATION STATEMENT" for 2018. This document, which is part of the Director's report, as prescribed in at.44 CCom, is attached as separate document.

### 4. FINANCIAL RISK MANAGEMENT

CIE Automotive has a Policy of Identification and Management of risks, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might difficulty attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces - between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, one process of constant cycle in nine phases: identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

#### **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favorable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavorable environment.

#### **a) Market Risk**

##### **(i) Foreign Exchange risk**

The Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favorable trends.

In order to arrange such a policy, the Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognized on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, the Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by denominating borrowings in these currencies.

(ii) Price risk

CIE Automotive Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

The Group's borrowings are largely benchmarked to variable rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materializes in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognized in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement and which principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may be qualified as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate of a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

#### **b) Liquidity Risk**

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net financial debt.

Group's financial department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2019 will allow facing all year recurrent payments without increasing net financial debt.

Group's financial department monitors Group's liquidity needs provisions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool, reducing Spanish and Brazilian banks burden.

Noteworthy is the existence at 31 December 2018 of €543 million of undrawn credit lines and loans.

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions, many credit lines being automatically renewed.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables and to optimize the accounts payable, with the support of bank operational mobilization of resources, as well as to minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

However, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2019 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

#### **c) Credit risk**

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the Automotive segment, present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable. Until fiscal year 2017, the impairment of financial instruments, especially of customers and accounts receivable, was evaluated according to the estimated losses incurred for customers or Group of debtors.

#### **d) Raw material price risk**

The Group has not a significant risk in raw price variations. In these societies when the risk could exist in market specific situations (plants of the automotive segments which use raw materials with market price), the risk is controlled thanks to financing prices agreements to customers.

### **5. R&D ACTIVITES**

The global trend of increased mobility, the limitation of fossil fuels and climate change are directly influencing the sustainability of the transport sector.

The decarbonisation of transport, electrification, as well as connectivity and the autonomous driving of vehicles are, among others, the main challenges faced by active companies in the automotive sector in 2018.

Working on the sustainability of the system has led the sector to the current situation of technological coexistence and that of the coming years, finding the best possible combination between the need for mobility, the concept of vehicle and the type of fuel.

**Lines of work 2018**

CIE Automotive makes heavy investments to analyze market trends, with a gradual entry into production of projects defined according to the challenges and opportunities that the sector will provide in the coming years, in the following areas and projects:

- For electric vehicles:
  - o Integral cooling systems for motors and generators.
  - o Multi-material systems for boxes and battery covers.
- Active chassis systems:
  - o Active suspensions systems.
  - o Transmission systems based on road conditions.
- Weight reduction of the vehicles:
  - o Hybrid structures multilateral union systems.
  - o Rotating forge.
  - o Multi-axial forging.
- Fuel and emissions:
  - o Increase in pressure of the injection systems.
  - o Twin injection systems.

Many of these projects are carried out in collaboration with other companies, with the participation of technology centers such as IK4, developing scientific-technological alliances with agents of the science and technology network such as Tecnalia and collaborating with local universities such as the UPV-EHU, national and international.

We maintain our presence in regional, national and international forums (Chair of the automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of component manufacturers SERNAUTO, members of the executive committee of the TECNALIA technology center, we continue to participate in the R & D + i and Industrial forums of CLEPA, EGVIA, etc).

We try to align in the best possible way our R + D + i with our business strategy.

And that's why our innovation model is designed to prioritize those projects that can be applied later and can generate new business with the knowledge, products and technologies developed.

**6. TRADING WITH TREASURY SHARES**

The movement of treasury shares the year 2018 is disclosed as follows:

	<b>31.12.2018</b>	
	<b>Number of shares</b>	<b>Amount (Thousand euro)</b>
<b>At 1 January 2018</b>	252,587	4,526
Sales	(252,587)	(4,526)
<b>At 31 December 2018</b>	-	-

As of December 31, 2018, the Company does not own shares in its net equity, after the sale thereof in the first half of 2018. The sale of the treasury shares has generated a capital gain of €3,207 thousand recognized in the Parent company's reserves.



Similarly, the mandate conferred at the Annual General Meeting of 24 April 2018, whereby the Parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until 24 April 2023.

## **7. AVERAGE PAYMENT PERIOD TO SUPPLIERS**

The breakdown of trade payables settled during 2018 and 2017 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5 of July, is as follows:

	Days	
	2018	2017
Paid operations ratio	72	78
Outstanding operations ratio	72	82
Average payment period to suppliers	74	71

	Thousand euro	
	2018	2017
Total payments made	942,354	1,065,764
Total outstanding payments	266,925	764,822

A series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

## **8. STOCK EXCHANGE INFORMATION**

### **Entry into the IBEX35**

The year 2018 was marked by the entry of CIE Automotive on the IBEX 35 in June 2018.

The action of CIE Automotive has shown an unprecedented volatility in a year that has marked its historic high with a price of €36.30 per share, prior to the distribution of the extraordinary dividend for which the Solutions and Services segment was distributed; and a minimum of €19.90 per share, in a year marked by the negative growth of global markets.

In a year marked by volatility across the main markets, CIE Automotive's shares devalued nearly 11%, until trading at €21.44 per share on December 31, 2018, implying a market capitalisation at year-end of €2,766 million.

### **Dividend**

CIE Automotive maintains its politics to remunerate one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2018 of €0.31 per share. Disbursement was effective January 4, 2019.

## **9. EVENTS AFTER THE BALANCE SHEET DATE**

On January 29, 2019 the Group has signed a contract for the sale of its biofuel production plants: The plant located in Berantevilla (Álava / Araba), Bionor Berantevilla S.L.U., and the plant located in Palos de la Frontera (Huelva), Biosur Transformación S.L.U. The agreed sales price has been €13.6 million.

**IDENTIFYING INFORMATION OF ISSUER**

Ending date of reporting period: [ 31/12/2018 ]

Tax identification number: [ A-20014452 ]

Company name:

**CIE AUTOMOTIVE, S.A.**

Registered office:

ALAMEDA MAZARREDO, 69, 8º, BILBAO (VIZCAYA)

**A. OWNERSHIP STRUCTURE**

A.1. Complete the following form with information on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
06/06/2014	32,250,000.00	129,000,000	129,000,000

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes

[✓] No

A.2. Provide information on the direct and indirect holders of significant shareholdings on the closing date of the year, excluding Board members.

Name or company name of shareholder	Percentage of voting rights attributed to shares		Percentage of voting rights through financial instruments		Total percentage of voting rights
	Direct	Indirect	Direct	Indirect	
CORPORACION FINANCIERA ALBA, S.A.	0.00	10.13	0.00	0.00	10.13
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	5.51	9.40	0.00	0.00	14.91
MAHINDRA & MAHINDRA LTD	0.00	7.44	0.00	0.00	7.44
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	0.00	3.38	0.00	0.00	3.38

Information on indirect shareholdings:

Name or company name of indirect holder	Name or company name of direct holder	Percentage of voting rights attributed to shares	Percentage of voting rights through financial instruments	Total percentage of voting rights
CORPORACION FINANCIERA ALBA, S.A.	ALBA EUROPE SARL	10.13	0.00	10.13
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	7.44	0.00	7.44
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	CONCERTED ACTION	3.38	0.00	3.38
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	RISTEEL CORPORATION, B.V.	9.40	0.00	9.40

Indicate the most significant changes in shareholder structure that took place in the year:

Most significant changes
Elidoza Promoción de Empresas, S.L. gave notice on 28 November 2018 that it had reached the threshold of 10%. ALANTRA EQMC ASSET MANAGEMENT, S.G.I.I.C., S.A. and ALANTRA ASSET MANAGEMENT, S.G.I.I.C., S.A. have executed an agreement regarding the concerted exercise of voting rights of the shares of the Company that is owned by the investment companies that manage the shares in question (EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC, MERCER INVESTMENT FUND (sub-fund MERCER QIF COMMON CONTRACTUAL FUND) and QMC III IBERIAN CAPITAL FUND FIL).

A.3. Provide information on the Company's Board members that hold voting rights on the Company's shares:

Name or company name of Board member	Percentage of voting rights attributed to shares		Percentage of voting rights through financial instruments		Total percentage of voting rights	Percentage of voting rights that <u>may be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERMIN DEL RIO SANZ DE ACEDO	0.02	0.00	0.00	0.00	0.00	0.00	0.00
ANTONIO MARIA PRADERA JAUREGUI	0.00	10.00	0.00	0.00	0.00	0.00	0.00
JESUS MARIA HERRERA BARANDIARAN	1.35	0.00	0.00	0.00	0.00	0.00	0.00
ADDVALIA CAPITAL, S.A.	5.00	0.00	0.00	0.00	5.00	0.00	0.00
ELIDOZA PROMOCION DE EMPRESAS, S.L.	10.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	26.37
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Information on indirect shareholdings:

Name or company name of Board member	Name or company name of direct holder	Percentage of voting rights attributed to shares	Percentage of voting rights through financial instruments	Total percentage of voting rights	Percentage of voting rights that <u>may be transferred</u> through financial instruments
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S.L.	10.00	0.00	10.00	0.00

Grupo Inversiones INSSEC, S.L. directly holds 5% of the shares of the Company and indirectly holds (through Inversiones, Estrategia y Conocimiento Global CYP, S.L.) another 5% of the shares of the Company. Grupo Inversiones INSSEC, S.L. and Inversiones, Estrategia y Conocimiento Global CYP, S.L. are companies in which Antonio María Pradera Jáuregui holds a controlling stake.

A.4. Indicate any relationships of a family, commercial, contractual or corporate nature that exist among the significant shareholders, to the extent that the relationships are known by the Company, except those that are of little importance or arise in the ordinary course of business and omitting those indicated in section A.6:

Related name or company name	Type of relationship	Brief description
No information		

A.5. Indicate any relationships of a commercial, contractual or corporate nature that exist among the significant shareholders, and the Company and/or its group, except those that are of little importance or that arise in the ordinary course of business.

Related name or company name	Type of relationship	Brief description
No information		

A.6. Describe the relationships, except those that are of little importance for the two parties, which exist among the significant shareholders or their representatives in the Board and the Board members or their representatives in the event that there are legal entities acting as Board members.

If applicable, explain the nature of the representation of the significant shareholders. Specifically, indicate Board members that have been appointed in representation of significant shareholders, those whose appointment had been promoted by significant shareholders or were associated with significant shareholders and/or group entities, specifying the nature of the associating relationships. If applicable, specific information is to be provided on the existence, identities and positions held by Board members or their representatives of the listed company who are also members of the governing body or their representatives in companies that hold significant shareholdings of the listed company or in group entities of the aforementioned significant shareholders:

Name or company name of associated Board member or representative	Name or company name of associated significant shareholder	Company name of group company of significant shareholder	Description or relationship/position
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Francisco José Riberas Mera is representative of one of the administrators of Acek Desarrollo y Gestion Industrial, S.L.
JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Juan María Riberas Mera is representative of one of the administrators of Acek Desarrollo y Gestion Industrial, S.L.

MARIA TERESA SALEGUI ARBIZU	ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.	Maria Teresa Salegui Arbizu, representative of Board member and significant shareholder Addvalia Capital, S.A., is an administrator of Addvalia Capital, S.A.
GOIZALDE EGAÑA GARITAGOITIA	ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCION DE EMPRESAS, S.L.	Goizalde Egaña Garitagoitia, representative of Board member and significant shareholder Elidoza Promoción de Empresas, S.L., is an administrator of Elidoza Promoción de Empresas, S.L.
SANTOS MARTÍNEZCONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S.A.	CORPORACION FINANCIERA ALBA, S.A.	Santos Martínez-Conde Gutiérrez Barquín is Chief Executive Officer (CEO) of Corporación Financiera Alba, S.A.
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S.L.	GRUPO INVERSIONES INSSEC, S.L.	Antonio María Pradera Jáuregui is the administrator of Grupo Inversiones Inssec, S.L.
ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	Antonio María Pradera Jáuregui is president and Chief Executive Officer (CEO) of Inversiones, Estrategia y Conocimiento Global CYP, S.L.
FRANCISCO JOSÉ RIBERAS MERA	DON ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	Francisco José Riberas Mera is a Board member of Inversiones, Estrategia y Conocimiento Global CYP, S.L.
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Shriprakash Shukla is the head of Aerospace & Defence of Mahindra's Group, is the president of Mahindra Sanyo Special Steels Private Limited and is an Executive Board member of Mahindra & Mahindra Ltd.
VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Vankipuram Parthasarathy is CFO and CTO of Mahindra & Mahindra Ltd and an Executive Board member of Mahindra & Mahindra Ltd.
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	DON JACOBO LLANZA FIGUEROA	DON JACOBO LLANZA FIGUEROA	Jacobo Llanza Figueroa is CEO of Alantra Asset Management, SGIIC, S.A.

A.7. Indicate whether the Company has been given notice of shareholders agreements that may affect it, pursuant to sections 530 and 531 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). If applicable, describe the agreements briefly and provide information on the shareholders who are associated through the agreements.

Yes

No

Indicate whether the Company is aware of the existence of concerted actions among the shareholders. If so, please describe them briefly.

Yes

No

Parties involved in concerted actions	Percentage of affected share capital	Brief description of agreement	Expiry date of agreement (if applicable)
ALANTRA EQMC ASSET MANAGEMENT, SGIIC, S.A., ALANTRA ASSET MANAGEMENT, SGIIC, S.A	3.38	According to the notice (form 1) available at the CNMV website with entry number 2018139166, Alantra Asset Management, SGIIC, S.A. and Alantra EQMC Asset Management, SGIIC, S.A. (management companies of collective investment institution of Grupo Alantra) maintain a shared policy in relation to the voting rights of the shares of the Company owned by the investment companies that manage the shares in question).	Not specified in notice.

If, over the course of the year, there have been any changes or finalisation of the agreement or concerted actions, please indicate expressly:

A.8. Indicate whether there are any individuals or legal entities that control or may control the Company, pursuant to section 5 of the Spanish Securities Market Act (*Ley del Mercado de Valores*). If so, please identify them:

Yes

No

A.9. Provide information on the Company's treasury stock:

On closing date of the year:

Number of directly held shares	Number of indirectly held shares (*)	Total percentage of share capital
		0.00

(\* ) Through:

Name or company name of direct holder of shares	Number of directly held shares
No data	

Describe the significant changes that took place over the course of the year:

Describe significant changes
The company's treasury stock in its portfolio on 31 December 2017 amounted to 1,502,587 shares (252,587 held directly and 1,250,000 held indirectly), which comprise 1.165% of share capital and voting rights. In the first half of 2018, the Company sold the whole of its directly and indirectly held treasury stock, according to the filing submitted to Spain's stock-market authority CNMV on 30 May 2018. Hence, the Company had none of its own shares in portfolio from the date of the sale until 31 December 2018.

A.10. Provide information on the conditions and compulsory period established by the shareholders' mandate regarding the Board's issuance, repurchase or transfer of treasury stock.

The mandate approved at the 24 April General Shareholders Meeting will be in force up to and including 24 April 2023. The mandate establishes that the Board has powers to acquire shares of the Company at any time and as often as it wishes, by any legal means, even charging the acquisitions to the year's profit and/or unrestricted reserves, and that it may dispose of or subsequently amortise the shares, all of this being pursuant to and subject to the limitations established under section 146 et seq. of the Spanish Corporate Enterprises Act.

A.11. Estimated floating capital:

	Percentage
Estimated floating capital	37.91

A.12. Indicate whether there are any restrictions (statutory, legislative or of any nature) on the transferability of securities and/or any restrictions on voting rights. Specifically, state any type of restriction that might hamper a takeover of the Company through the acquisition of its shares in the market, as well as any authorisation or reporting procedures applicable under sector regulation that must be obtained or followed prior to acquisitions or transfers of the Company's financial instruments.

Yes

No

A.13. Indicate whether the General Shareholders Meeting has resolved to take countermeasures in the event of a takeover bid, pursuant to Spanish Law 6/2007.

Yes

No

If applicable, describe the measures taken and the conditions in which the restrictions may be considered inefficient:

Describe the measures taken and the conditions in which inefficiency arises
The 23 April 2008 General Shareholders Meeting resolved to pass the following resolution as the sixth item of its agenda: SIXTH.- Authorisation not to apply limitations on the actions of the governing bodies and management of the Company and of its group in the terms of subsection 2 of section 60 bis of Spanish Law 24/1988 of 28 July of the Spanish Securities Market and subsection 5 of section 28 of Royal Decree 1066/2007 of 27 July. Pursuant to subsection 2 of section 60 bis of Spanish Law 24/1988 of 28 July of the Spanish Securities Market and subsection 5 of section 28 of Royal Decree 1066/2007 of 27 July on takeover bids, authorise that the limitations on the actions of the bodies referred to under section 60 bis, subsection 2 and section 28 subsection 5 of Royal Decree 1066/2007 of 27 July will not be applied to the governing bodies and management of the Company and of its group in the event that the Company is the subject of a takeover bid from an entity whose registered office is not in Spain and that is not subject to Spanish law or similar, including that which refers to rules that are considered necessary to pass resolutions of the General Shareholders Meeting or by an entity controlled by the latter directly or indirectly, pursuant to section 4 of Spanish Law 24/1988 of 28 July of the Spanish Securities Market".

A.14. Indicate whether the Company has issued securities that are not traded on a regulated market in the European Union.

Yes

No

If applicable, indicate the different classes of shares and, for each class, the rights and obligations assumed:

**B. GENERAL SHAREHOLDERS MEETING**

B.1. Indicate and, if applicable, provide information on whether there are differences with regard to the minimum quorum regime established under the Spanish Corporate Enterprises Act (SCEA) in relation to the quorum for General Shareholders Meetings.

Yes

No

	Percentage of quorum different from that established under art. 193 SCEA for normal circumstances	Percentage of quorum different from that established under art. 194 SCEA for special circumstances of art. 194 SCEA
Quorum on first call	50.00	50.00
Quorum on second call	0.00	25.00

**Description of the differences**

With regard to normal circumstances, article 13 of the Articles of Association states that, for the ordinary and extraordinary General Shareholders Meetings, it will suffice on first call when the attending shareholders or their representatives are the holders of at least 50% of subscribed capital with voting rights. On second call, any proportion of attending capital will suffice for the General Shareholders Meeting. Consequently, a sufficient forum is determined for normal circumstances in relation to section 193 of the Spanish Corporate Enterprises Act for the meeting to be held on first call. No differences are established in relation to the quorum defined in section 194 of the Spanish Corporate Enterprises Act for the special circumstances defined therein.

B.2. Indicate and, if applicable, provide detailed information on whether there are differences with the regime defined under the Spanish Corporate Enterprises Act regarding passing resolutions:

Yes

No

B.3. Indicate the rules that may be applied to the amendment of the Company's Articles of Association. In particular, indicate the majorities required for the amendment of the Articles of Association, and, if applicable, the rules defined for the protection of the rights of the shareholders in the amendment of the Articles of Association.

The regulation that may be applied to the amendment of the Company's Articles of Association is included in the Spanish Corporate Enterprises Act (the detail in question appearing in section B.1 above). In the Articles of Association, there are no majorities that differ from legally applicable majorities, nor are there rules defined for the protection of the shareholders that differ from those established in general regulation.



- B.4. Indicate data on attendance of the General Shareholders Meetings that were held in the year that is the subject of this report and in the two preceding years:

Date of General Shareholders Meeting	Attendance data				
	Percentage of physical presence	Percentage by proxy	Percentage of distance voting		Total
			Electronic voting	Other	
26/04/2016	67.59	15.57	0.00	0.00	83.16
Of which floating capital	0.36	15.57	0.00	0.00	15.93
04/05/2017	64.37	16.19	0.00	0.00	80.56
Of which floating capital	0.56	16.19	0.00	0.00	16.75
24/04/2018	86.37	8.55	0.00	0.00	94.92
Of which floating capital	22.48	8.55	0.00	0.00	31.03

- B.5. Indicate whether or not in the General Shareholders Meetings held in the year there were any items on the agenda that, for any reason, were not authorised by the shareholders:

Yes  
 No

- B.6. Indicate whether there are any statutory restrictions that establish a minimum number of shares required to attend the General Shareholders Meeting or for distance voting:

Yes  
 No

- B.7. Indicate whether it has been established that certain decisions other than those established by law that involve acquisition, disposal, contribution to another company of core assets or other similar corporate transactions require authorisation by vote at the General Shareholders Meeting.

Yes  
 No

- B.8. Indicate the URL and form of access to the Company's website and its information on corporate governance and other information on General Shareholders Meetings that must be made available to shareholders through the Company's website:

The company's website where one may access information on corporate governance and other information on General Shareholders Meetings is <http://www.cieautomotive.com/web/investors-website>.

**C. ADMINISTRATIVE STRUCTURE OF THE COMPANY**

C.1. Board of Directors

C.1.1 Maximum and minimum numbers of Board members established in Articles of Association and number established by General Shareholders Meeting:

Maximum number of Board members	15
Minimum number of Board members	6
Number of Board members established by GSM	13

C.1.2 Provide information on the Board members:

Name or company name of Board member	Representative	Type of Board member	Position held on Board	Date of first appointment	Date of last appointment	Form of election
JUAN MARÍA RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
FRANCISCO JOSÉ RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ADDVALIA CAPITAL, S.A.	MARIA TERESA SALEGUI ARBIZU	Proprietary	DIRECTOR	26/04/2007	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ELIDOZA PROMOCION DE EMPRESAS, S.L.	GOIZALDE EGAÑA GARITAGOITIA	Proprietary	VICE CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
QMC DIRECTORSHIPS, S.L.	JACOBO LLANZA FIGUEROA	Proprietary	DIRECTOR	12/05/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
SHRIPRAKASH SHUKLA		Proprietary	DIRECTOR	25/06/2015	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
VANKIPURAM PARTHASARATHY		Proprietary	DIRECTOR	04/10/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
SANTOS MARTÍNEZCONDE GUTIÉRREZ BARQUÍN		Proprietary	DIRECTOR	24/04/2018	24/04/2018	RESOLUTION GENERAL SHAREHOLDERS MEETING
ÁNGEL MANUEL OCHOA CRESPO		Independent	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
CARLOS SOLCHAGA CATALÁN		Proprietary	LEAD INDEPENDENT DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING

ANTONIO MARIA PRADERA JAUREGUI		Proprietary	CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
FERMIN DEL RIO SANZ DE ACEDO		Executive	DIRECTOR	21/12/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
JESUS MARIA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	21/01/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Total number of Board members		13				

Indicate any departures of Board members that took place in the reporting year, whether due to resignation, dismissal or any other cause:

Name or company name of Board member	Type of Board member on date of departure	Date of last appointment	Termination date	Appointments to special committees	Indicate whether departure took place prior to end of term
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Proprietary	26/04/2016	21/03/2018	n.a.	Yes

C.1.3 Provide information on the Board members and their positions:

EXECUTIVE DIRECTORS		
Name or company name of Board member	Position held	Profile
FERMIN DEL RIO SANZ DE ACEDO	Executive director	Fermin del Rio holds a degree in Business Studies from the University of San Sebastián. He began his career as a tax advisor in 1975 and is the founder of Norgestión (a consultancy specialised in M&A, tax law and finance). He provided services to this firm until 2008. He also headed up ADEGI (the Guipuzcoa business association) and was a member of Basque business-owners association CONFEBASK. He has chaired Autometal S.A. and currently sits on the boards of Fegemu S.A., Viveros San Antón, S.A. and Global Dominion Access S.A.
JESUS MARIA HERRERA BARANDIARAN	CEO	Jesús María Herrera holds a degree in Business Studies and Economics from the Basque University and holds a Master of International Expansion (from Euroforum). He joined CIE Automotive as CFO in 1991, also heading up the HR function for CIE Orbelan. He was named deputy manager in 1995 general manager in 1998. He took over management of CIE Brazil in 2000 and of CIE Plasfil in 2002. The same year he was named global director of CIE Plástico, a position he held until 2005, when he took up the general manager spot at CIE America. He has been the CEO of Autometal S.A. since 2010. In 2011, he was named COO for the entire group, and just a year later he took over as general manager of CIE Automotive. In 2013, the Board of Directors appointed him CEO of CIE Automotive, and he is a director at Global Dominion Access, S.A.
Total number of executive directors		2
Percentage of total Board members		15.38

NON-EXECUTIVE PROPRIETARY DIRECTORS		
Name or company name of Board member	Name or company name of represented or nominating significant shareholder	Profile
ANTONIO MARIA PRADERA JAUREGUI	ANTONIO MARIA PRADERA JAUREGUI	Antonio María Pradera holds a degree in Road Engineering from Polytechnic University of Madrid. His career began in 1979 at Banco Bilbao, where he worked as a director until 1985. In 1988, he was named executive director of Nerisa, holding this position until 1993, when he moved to SEAT as director of strategy. He played an important role in the creation of INSSEC in 1995, where he served as CEO until 2010. He has served as the executive chairman of CIE Automotive since 2002, working in the areas of strategy and financial design, as well as in Global Dominion Access, S.A. He has been a director at Tubacex since May 2015 and a director at Corporación Financiera Alba since June 2015. On 31 December 2017, he stepped down from his executive duties at CIE Automotive, thus reinforcing the Company's corporate governance practices.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCION DE EMPRESAS, S.L.	Goizalde Egaña holds a degree in Business Studies and Economics from Deusto University in San Sebastián, where she also completed post-graduate studies in business competitiveness and regional development and an executive financial management programme. She began her career in the finance department of Compañía Ibérica de Encuadernaciones S.A. (CIBENSA) in 1989 and later joined the team of auditors at Attest Consulting (1990–92). She was a board member of INSSEC and is currently a director at Global Dominion Access, S.A.
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Francisco Riberas holds a degree in Law (1987) and Business Studies and Economics (1988) from Universidad Pontificia de Comillas (ICADE   E-3) of Madrid. His career began in 1989 in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997, initially assuming the position of CEO and serving as executive chairman from 2010 onward. In 1998, he was appointed to the board of directors of Aceralia Corporación Siderúrgica and held this position until the Company was absorbed by Grupo Arcelor. In addition to his position on the board of Gestamp, he is also co-chairman of the family holding company ACEK and a board member of Telefónica, Global Dominion Access, Gonvarri Industrial and other group companies of Grupo ACEK. He is also part of the board of management of Spain's IEF institute for family-owned businesses and serves on the Spanish board of Endeavor, an NGO created to help future generations of entrepreneurs to achieve success through mentoring and assistance in investment programmes.
JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Juan Riberas holds a degree in Law and Business Studies and Economics (dual degree) from Universidad Pontificia de Comillas (ICADE   E-3) of Madrid. He began his career in 1992 in the area of business development at Grupo Gonvarri, where he later assumed the role of CEO. In 2005, he helped to create ACEK Renewables, taking on the position of executive chairman in 2007. Since 2010 he has been the chairman of Gonvarri Steel Industries and co-chairman of ACEK, the family holding company. He is also a trustee of the Juan XXIII Foundation.
QMC DIRECTORSHIP, S.L.	ALANTRA ASSET MANAGEMENT, SGIC, S.A	Jacobo Llanza holds a degree in Business Studies and Economics from the University of Paris. He built his career in investment banking, starting out in 1989 in a number of positions at Banque Indosuez and Bancapital before going on to create and run AB Asesores Moneda in 1992, an AB Asesores group company. After this company was acquired by Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, serving as managing director of Equities & Derivatives in LatAm, Eastern Europe, Africa and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently a managing partner and the CEO of Alantra Asset Management. He also sits on the board of Tubos Reunidos.
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA	Shripprakash Shukla holds a degree in Technology from the Indian Institute of Technology at Banaras Hindu University and an MBA from the Indian Institute of

NON-EXECUTIVE PROPRIETARY DIRECTORS		
Name or company name of Board member	Name or company name of represented or nominating significant shareholder	Profile
	LTD	Management of Ahmedabad. His career has developed in several companies, including Dunlop India, Swisscom Essar (currently Vodafone Essar) and Reliance Infratel, where he served as executive chairman before joining the Mahindra Group. At this time, he runs the latter group's Aerospace & Defence unit, he chairs Mahindra Sanyo Special Steels and he sits on the executive committee of Mahindra & Mahindra. Previous posts at this group included director of strategy and of brand management. He is also affiliated with prestigious industrial forums in several countries.
VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	Vankipuram Parthasarathy holds a degree in Commerce from Gujarat University and an MBA from Harvard Business School. He began his career at Xerox, where he reached the position of associate director. In 2000, he joined Mahindra & Mahindra, Ltd., where he has held various executive positions. He is currently CFO and CTO of Mahindra & Mahindra, Ltd. and he sits on the group's executive committee and on the boards of 14 subsidiaries (four of which are listed). He has received a number of accolades in the areas of finance, M&A and IT.
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S.A.	Santos Martínez-Conde holds a bachelor's degree in Engineering (roads, canals and bridges), an MBA from ICADE and a degree in Nuclear Technology from ICAI. Regarding his present activity, he has been executive director at Corporación Financiera Alba since 2006 and he holds other positions, such as member of the boards of Acerinox, CIE Automotive, Bolsas y Mercados Españoles, Indra, Banca March and Artá Capital. Prior to this, he worked at several engineering and financial firms such as Sener, Técnicas Reunidas, Bestinver, Corporación Borealis and Banco Urquijo. He has been a board member of many listed and unlisted firms in a wide variety of sectors.
ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.	María Teresa Salegui holds a degree in Business Studies and Economics from Deusto University. Her career began in the transport company La Guipuzcoana, where she worked between 1988 and 2002), reaching the position of general manager during this period. She held the same position in DHL Express Iberia between 2002 and 2004. She is currently chairwoman of Addvalia Capital and Perth Espacio y Orden and sits on the governing bodies and boards of companies such as One Facility Management and Baztango.

Total number of proprietary directors	9
Percentage of total Board members	69.23

**NON-EXECUTIVE INDEPENDENT DIRECTORS**

Name or company name of Board member	Profile
ÁNGEL MANUEL OCHOA CRESPO	Ángel Manuel Ochoa holds a degree in Business Studies and Economics from the Basque University and a Master of International Business Administration (MIBA) from the United States International University of San Diego. In his 24 years of experience in the financial sector, he has held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of corporate banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico. He has also sat on the boards of several open-end investment companies (SICAVs). At present, he is a financial advisor in the area of investment and a partner at the firm Angel Ochoa Crespo EAFI, and he is also the chairman of ISLOPAN, S.A.
CARLOS SOLCHAGA CATALÁN	Carlos Solchaga holds a degree in Business Studies and Economics from the Complutense University of Madrid, and he completed post-graduate studies at the Alfred P. Sloan School at the Massachusetts Institute of Technology (MIT). In 1980, he was elected member of the Spanish Parliament as deputy for the PSOE Socialist party and was subsequently re-elected in 1982, 1986, 1989 and 1993, ultimately presiding the party's parliamentary group between 1993 and 1994. Other noteworthy appointments: member of the Basque regional government prior to approval of the Euskadi Autonomous Statute (1979–80); president of the IMF's Interim Committee (1991–93), Minister of Industry and Energy (1982–85); and Minister of Economy and Finance (1985–93) in Spain. He is currently an international consultant and president of the firm Solchaga & Recio Asociados. Other current appointments include chairman of the Euroamerica Foundation; president of the Arquitectura y Sociedad Foundation, chairman of the advisory board of the Roca Junyent law firm, member of the scientific board of the Elcano Royal Institute and member of the board of Pharma Mar, S.A.

Total number of independent directors	2
Percentage of total Board members	15.38

Indicate whether any independent directors receive from the Company or its group any amounts of money or benefits for reasons other than remuneration for their positions as directors, or whether they maintain or have maintained in the last year a business relationship with the Company or any group companies, regardless of whether this takes place in the director's own name or as a significant shareholder, board member or member of upper management of an entity that maintains or would have maintained the relationship.

If applicable, provide a reasoned statement prepared by the Board, indicating why it is considered that the director may act as an independent director.

Name or company name of Board member	Description of relationship	Reasoned statement
No data		

**OTHER NON-EXECUTIVE DIRECTORS**

Identify any other non-executive directors, stating why they cannot be considered proprietary or independent directors and describing their relationships with the Company, its management and its shareholders:

Name or company of Board member	Reasons	Company, management or shareholders with whom relationship is held	Profile
No data			
Total number of non-executive directors		n.a.	
Percentage of total Board members		n.a.	

List any changes to director type that may have occurred during the period:

Directors name or company name	Date of change	Previous type	Current type
ANTONIO MARIA PRADERA JAUREGUI	'01/01/2018	Executive	Proprietary

C.1.4 Fill in the following table with details of the number of female directors at the close of the last four financial years and the types of directorship they held:

	Number of directors				% of total directors of each type			
	Financial year 2018	Financial year 2017	Financial year 2017	Financial year 2015	Financial year 2018	Financial year 2017	Financial year 2017	Financial year 2015
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	25.00	25.00	25.00	22.22
Independent					0.00	0.00	0.00	0.00
Other External					0.00	0.00	0.00	0.00
Total	2	2	2	2	15.38	15.38	15.38	15.38

C.1.5 State whether the Company has diversity policies for the Company's Board of Directors concerning such areas as age, gender, disabilities, or professional training and experience. Small and medium companies as defined in the Spanish Auditing Act (*Ley de Auditoría de Cuentas*) must report at least on their gender diversity policy.

- Yes  
 No  
 Partial policies

If yes, describe the diversity policies, their goals, measures taken and how the policy has been applied, and results during the financial year. Further indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to achieve director balance and diversity.

If the Company does not have a diversity policy, give the reasons why.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained
<p>The diversity policy of the company is directly accessible on the corporate website, where the information can be easily consulted. The recent approval during the year 2019 of the diversity policy is the most recent concrete measure carried out by the company to achieve a balanced and diverse presence of female directors.</p> <p>Due to its recent approval, the diversity policy has not been applied in the 2018, so it has not yet been made an analysis of application and results of it. In any case, the company considers that the composition of its board of directors reflects the objectives pursued in the diversity policy, having a balanced and diverse presence of female directors.</p> <p>This policy of diversity will ensure that, with the selection of candidates, the composition of the Board of Directors is diverse and balanced as a whole, which enriches the decision-making and provides plural points of view to the debate of the matters of its competence.</p> <p>In this regard, the Board of Directors is committed to promote diversity in its composition and, for this purpose, in the selection of candidates for members. Candidates whose appointment favors that the members of the Board of Directors have different capacities, knowledge, experiences, origins, nationalities, age and gender will be evaluated.</p> <p>The diversity criteria will be chosen based on the nature and complexity of the businesses developed by the Group, as well as the social and geographical context in which it is present.</p> <p>Additionally, depending on the needs of the Board of Directors, other criteria may be taken into consideration.</p> <p>In the process of selection of candidates, any type of bias that may imply any discrimination, among others, for reasons of sex, ethnic origin, age or disability will be avoided.</p> <p>The Board of Directors will periodically evaluate the degree of compliance and effectiveness of its diversity policy and, in particular, the percentage of female directors at any time, in order to assess the degree of compliance with the recommendations on corporate governance matters in relation to the presence of women in the Board of Directors.</p>

- C.1.6 Explain any measures the Appointments Committee may have taken to avoid implicit bias in selection procedures that would act to block the selection of female directors and to encourage the Company to deliberately seek and include women who have the professional profile sought among the potential candidates to achieve an equal balance in the presence of women and men:

Explanation of the measures
The Appointments and Remuneration Committee will ensure that persons of both sexes who fulfil the necessary requirements and skillsets for the post will be taken into consideration

Where the number of female directors is nil or very low despite the measures that may have been taken, explain the reasons why:

Explanation of the measures
The company considers the number of female directors to be sufficient.

- C.1.7 Explain the conclusions of the Appointments Committee concerning verification of compliance with the director selection policy. In particular, how that policy is promoting the goal of at least 30% of Board members being female directors by 2020.

The Appointments and Remuneration Committee is aware of the objective of at least 30% of Board members being female directors by 2020. In this respect, as stated above, the Appointments and Remuneration Committee will ensure that appointments of new directors are not subject to implicit bias by reason of sex, mainly in the case of non-proprietary directors (since this is where it has greater room for manoeuvre in the selection process) and will ensure that, insofar as possible, the number of female directors is promoted, without prejudice to always taking into account persons who have the necessary requirements and skillset for the position.
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- C.1.8 Explain, where appropriate, the reasons why proprietary directors have been appointed at the request of shareholders having a shareholding of less than 3% of the share capital:

Shareholder's name or company name	Reason
No data	

State whether formal requests for membership on the Board from shareholders whose shareholdings are greater than or equal to others at whose request proprietary directors have been appointed have been disregarded. If appropriate, explain the reasons why they were disregarded:

- Yes  
 No

- C.1.9 List any powers or authorities delegated by the Board of Directors to directors or Board committees:

Director's or committee's name or company name	Brief description
JESUS MARIA HERRERA BARANDIARAN	The CEO holds all the powers of the Board except those that may not be delegated.



C.1.10 Identify any Board members who hold positions as directors, representatives of directors, or executives in other companies making up the listed company's group:

Director's name or Company name	Company name of the Group entity	Position	Has executive duties?
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal Comercio de Sucatas México, S.A.	DIRECTOR	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México S.A. de C.V.	DIRECTOR	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México Servicios S.A. de C.V.	DIRECTOR	NO
FERMIN DEL RIO SANZ DE ACEDO	Autometal, S.A.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autokomp Ingeniería S.A.U.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autometal, S.A.	DIRECTOR	NO
ANTONIO MARIA PRADERA JAUREGUI	CIE Berriz, S.L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Galfor, S.A.U.; CIE Legazpi, S.A.U.; Autokomp Ingeniería S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Industrias Amaya Tellería, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra CIE Automotive, LTD	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra Forgings Europe, AG	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Alcasting Legutiano, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Alurecy, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Biodiesel Mediterraneo, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Bionor Berantevilla, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Biosur Transformación, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado de Residuos Grasos, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado Ecológico de Residuos, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Mecauto, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Udalbide, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recytec, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recylan, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Egaña 2, S.L.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Gameko Componentes de Automoción, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Grupo Componentes Vilanova, S.L.	DIRECTOR	NO

Director's name or Company name	Company name of the Group entity	Position	Has executive duties?
JESUS MARIA HERRERA BARANDIARAN	Inyectametal, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Leaz Valorización, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Mecanizaciones del Sur Mecasur, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Nova Recycd, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Orbelan Plásticos, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Plasfil Plásticos da Figueira, S.A.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Recycle, S.A.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Transformaciones Metalurgicas Norma, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Autometal de México, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Berriz México Servicios Administrativos, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Forjas de Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Maquinados Automotrices y Talleres Industriales Celaya S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Percaser de México, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura Estampado y Montaje, S.A.P.I. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura y Ensamblados de México, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Servicat Servicios Contables Administrativos y Técnicos, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Autometal, S.A.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Denat 2007, S.L.U.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	Advanced Comfort Systems Ibérica, S.L.	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	GAT México, S.A. de C.V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Newcor, Inc	DIRECTOR	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Automotive USA, Inc	DIRECTOR	NO

C.1.11 Name any directors or representatives of legal persons serving on the Board of your company who are directors or representatives of legal persons serving on the Boards of other companies that are listed on official stock exchanges and are not members of your group of which your company has been notified:

Director's name or corporate name	Corporate name of the listed entity	Office
ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	DIRECTOR
ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
CARLOS SOLCHAGA CATALAN	PHARMA MAR, S.A.	DIRECTOR
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	DIRECTOR
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	DIRECTOR
FRANCISCO JOSÉ RIBERAS MERA	TELEFÓNICA, S.A.	DIRECTOR
FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	CHAIRMAN
JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	ACERINOX, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	INDRA SISTEMAS, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE SISTEMAS Y MERCADOS FINANCIEROS, S.A.	DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S.A.	CHAIRMAN

C.1.12 State, and if necessary explain, whether the Company has implemented rules regarding the maximum number of company boards on which its directors may sit and, if appropriate, specify where this is regulated:

Yes

No

C.1.13 State the amounts of the total remuneration of the Board of Directors broken down into the following categories:

Remuneration paid to the Board of Directors in the financial years (thousands of euros)	5,513
Amount of pension rights accumulated by the current directors (thousands of euros)	
Amount of pension rights accumulated by former directors (thousands of euros)	

C.1.14 Name senior executives who are not also executive directors and state the total remuneration they were paid in the financial year:

Name or Company name	Office(s)
MR. ALEXANDER TORRES COLOMAR	Director of plastics, Brazil
MR. AITOR ZAZPE GOÑI	Director of biofuels, plastics Europe and H.R.
MR. JUSTINO UNAMUNO URCELAY	Director of foundries, CIE Europe and China and Director of metal, Europe
MS. SUSANA MOLINUEVO APELLÁNIZ	Director of internal auditing, compliance, and corporate social responsibility
MR. JOSÉ LUIS CASTELO SÁNCHEZ	Director of stamping, Mexico
MR. JOSÉ MAUNEL ESMORIS	Director of R&D
MR. ZENON VAZQUEZ IRIZAR	Director of finance and treasury
MS. MARÍA MIÑAMBRES GARCIA	Director of corporate controlling and tax
MR. ANDER ARENAZA ALVAREZ	Director of aluminium and machining, Europe and CEO Mahindra CIE Automotive Limited
MS. LOREA ARISTIZÁBAL ABÁSOLO	Director of corporate development and investor relations

C.1.15 Indicate any changes to the Board of Director regulations made during the financial year:

[ ] Yes

[✓] No

C.1.16 State the selection, appointment, re-appointment, and removal procedures for directors.

Specify the competent bodies, steps to be taken, and criteria to be used in each of the procedures.

The General Meeting is responsible for appointing the Board members, without prejudice to the Board's authority to appoint members by co-option in the event of vacancies. In that respect, article 23 de the Company's Articles of Association provide that:

- "4. Members of the management body are not required to be shareholders.
- 5. Members of the management body will be appointed to four (4)-year terms and may be re-appointed for one or more periods of equal length.
- 6. The terms of members of the management body appointed by co-option will run until the date of the next General Meeting.
- 7. A member of the management body will cease to be a member by decision of the General Meeting, upon giving the Company notice of resignation, or upon expiry of the term to which the member was appointed. In this last-mentioned case, a director's appointment will lapse on the date on which the next General Meeting meets or the legal time limit for holding the General Meeting to decide on approval of the accounts for the preceding financial year has expired.
- 8. Members of the management body will perform the statutory duties of their office with the necessary reasonable care required for such post, taking into account the nature of the office and the duties assigned to each. Furthermore, members of the management body will perform the duties of their office with the loyalty of a faithful representative, acting in good faith and in the Company's best interest. The Board of Directors Regulations will set out the specific obligations of directors based on the duties prescribed by law, in particular confidentiality, non-competition, and loyalty, paying special attention to conflicts of interest."

Rule 23 of the Board of Directors Regulations provides:

- "1. Directors will be appointed by the General Shareholders Meeting or by the Board of Directors in accordance with the law.
- 2. Proposals for the appointment and re-appointment of Directors submitted to the General Shareholders Meeting by the Board of Directors for consideration and appointments made by the Board of Directors by virtue of their powers of co-option under the law will be preceded by the corresponding proposal by the Appointments and Remuneration Committee for independent Directors or by the Committee's report for all other Directors. Where the Board disregards the report by the Appointments and Remuneration Committee, it will state the reasons for its action and will make a record of those reasons in the minutes.
- 3. Proposals and reports by the Appointments and Remuneration Committee will expressly assess the candidates' honesty, suitability, solvency, competence, experience, qualifications, training, availability, and commitment to their duties. For this purpose the Appointments and Remuneration Committee will estimate the time non-executive Directors should spend on work, in number of hours per year, and will include that estimate in the corresponding report or proposal.
- 4. The Appointments and Remuneration Committee will propose or report on the assignment of the Director to one of the categories included in these Regulations and will review it annually."

C.1.17 Explain to what extent the Board's annual assessment has resulted in significant changes to its internal organisation and to the procedures used for its activities

#### Description of the changes

Throughout 2018, the implementation of the conclusions reached by the evaluation process carried out by an external expert has been deepened (Evaluación de Consejos S.L.)

No significant changes have been proposed in the internal organization, but actions have been developed aimed at:

- Deepen in succession plans and protocols.
- Improve selection procedures for Board members and training plans.
- Deepening the role of certain statutory roles.
- Provide more time for the Board's dedication to the strategy.

Describe the assessment process and the areas assessed by the Board of Directors, if appropriate in association with an external adviser, in respect of the operation and composition of the Board and its committees and any other area or aspect that has been assessed.

#### Description of the assessment process and the areas assessed

In 2018, an external expert assessment has not been commissioned (the assignment was in relation to the year 2017 and was carried out in the first two months of 2018). Throughout 2018 the evaluation has been carried out through personal interviews held by the Chairman of the Board of Directors (assisted by the department in charge of internal auditing, compliance and CSR) to evaluate the functioning of the Board and its committees,

C.1.18 For those years in which the review has been made with the assistance of an external adviser, break down the business relationships of the adviser or any company in its group with the Company or any company in its group.

This year the board of directors has not had the help of an external consultant in its evaluation. The evaluation of the external expert has been carried out in the first two months of the 2018 fiscal year in relation to the functioning of the Board of Directors and its committees in 2017.

C.1.19 State the cases in which directors must resign.

Rule 26 of the Board of Directors Regulations provides:

"1. The appointments of the Directors, or the appointment of any individual Director, will cease as specified by the legislation applicable at any given time.

2. Directors will offer their resignations to the Board of Directors and, if the Board so determines, submit their resignations, in the following cases:

- a) In the case of a proprietary director, when the director, or the shareholder the director represents, sells its shareholding to the Company.
- b) In the case of an executive director, whenever the Board considers it appropriate and at all events when the director ceases to hold the executive office he or she performs in the Company and/or the companies in its Group.
- c) Where they become ineligible or disqualified under any of the cases prescribed by law.
- d) Where they have been charged for a presumably criminal offence or disciplinary proceedings have been opened against them by the supervisory authorities on grounds of serious or gross misconduct.
- e) The term of the CEO will lapse when the officer turns 65 years of age, though the officer may continue as a director, without prejudice to the content of item b) above.
- f) Where they have been seriously reprimanded by the Board of Directors for breach of their duties as directors following a report by the Audit and Compliance Committee.

C.1.20 Are any qualified majorities, other than those required by law, required for any decisions?

Yes

No

Describe any differences, if appropriate.

C.1.21 Explain whether there are specific requirements for being appointed Chair of the Board of Directors other than the requirements to be a director.

Yes

No

C.1.22 State whether the Articles of Association or Board of Directors Regulations prescribe an age limit for directors:

Yes

No

	Age limit
President	N.A.
CEO	65
Director	N.A.

C.1.23 State whether the Articles of Association or Board of Directors Regulations prescribe term limits or further stricter than statutory requirements for independent directors apart from those prescribed by law.

Yes

No

C.1.24 State whether the Articles of Association or Board of Directors Regulations prescribe specific rules for delegating Board of Director votes to other directors, how it is done, and, in particular, the maximum number of proxies a director may hold, and whether there are any limits as to the categories to which votes may be delegated, apart from the constraints prescribed by law. Briefly specify those rules, if appropriate.

Rule 22, paragraph 2, of the Board of Directors Regulations provides:

"Directors should attend sessions of the Board of Directors, and when unable to do so themselves, should appoint another director as their proxy and issue any appropriate instructions. Non-executive directors may only appoint another non-executive director as their proxy. No proxy may be issued in any matter involving a conflict of interest for a director. Proxies are to be specially issued for each meeting of the Board of Directors, and this may be done using any of the same means prescribed for convening meetings.

C.1.25 State the number of meetings of the Board of Directors held during the year. Also, if appropriate, state the times the Board has met without the Chair being in attendance. Attendance by a proxy holding specific instructions will be considered attendance.

Number of Board meetings	6
Number of Board meetings not attended by the Chair	

State the number of meetings held by the coordinating director with the other directors without attendance or proxy representation by any executive director:

Number of meetings	
--------------------	--

State the number of meetings held by the various Board committees during the year.

Number de meetings of the Auditing and Compliance Committee	4
Number of meetings of the Strategy and Operations Committee	3
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Corporate Social Responsibility Committee	1

State the number of meetings held by the Board of Directors during the year with details of attendance by Board members:

Number of meetings at which at least 80% of directors were in attendance in person	6
% attendance in person vs. total votes during the year	88.50
Number of meetings attended by all the directors personally or as proxies with specific instructions	1
% votes issued in person and by proxy with specific instructions vs. total votes during the year	88.50

C.1.27 State whether the individual and consolidated financial statements are certified before being submitted to the Board for approval:

Yes

No

If appropriate, state the person(s) who certified the Company's individual and consolidated financial statements for approval by the Board:

C.1.28 Explain any mechanisms set up by the Board of Directors to avoid the individual and consolidated accounts it approves from being submitted to the General Meeting with auditor's reservations.

According to Rule 3 of the Audit and Compliance Committee's Regulations, the Committee has, *inter alia*, the following duties:

e) To assess, with the auditor, significant weaknesses in the internal control system disclosed during the performance of the audit.

f) To supervise the process of drawing up and submitting requisite financial reporting.

g) To propose the appointment, re-appointment, or replacement of the auditor to the Board of Directors for submission to the General Shareholders Meeting together with its terms of engagement pursuant to applicable law and regulations, and to regularly receive information from the auditor on the auditing plan and performance while preserving its independence in the performance of its duties.

h) To oversee the activity of the Internal Audit Department, functionally subsidiary to the Audit and Compliance Committee.

i) To establish suitable relations with the auditor to receive information on those questions that might compromise its independence for examination by the Committee together with any other information relating to the auditing process and any other communications prescribed by the auditing legislation and other auditing regulations.

In any case, it should receive written confirmation of their independence vis-à-vis the Company or entities directly or indirectly linked to the Company from the auditor annually along with information from the auditor or from persons or entities related to the auditor concerning any additional services of any kind provided and the corresponding fees received from those entities as stipulated in the auditing legislation and regulations.

C.1.29 Is the Secretary of the Board a director?

Yes

No

If the Secretary of the Board is not a director, fill in the following table

Secretary's name or company name	Representative
MR. ROBERTO ALONSO RUIZ	

C.1.30 State the specific mechanisms put in place by the Company to safeguard external auditor independence and any mechanisms to safeguard the independence of the financial analysts, investment banks, and rating agencies, including how the statutory stipulations have been implemented in practice.

Relations with the external auditor are dealt with in Rule 46 of the Board of Directors Regulations:

"Rule 46. Relations with the auditor

1. The Board of Directors' relations with the Company's external auditor will be routed through the Audit and Compliance Committee as specified in the Articles of Association and the Audit and Compliance Committee Regulations.
2. The Board of Directors will provide information on the fees paid to the auditor by the Company for the various auditing services in each financial year in the annual report.
3. The Board of Directors will endeavour to draw up the financial statement that does not elicit any reservations by the auditor. However, where the Board considers it should follow its own criterion, it will explain the content and scope of the discrepancy."

Pursuant to that mandate, the Audit and Compliance Committee will be in charge of establishing suitable relations with the auditor to receive information on those questions that might compromise its independence together with any other information relating to the auditing process and any other communications prescribed by the auditing legislation and other auditing regulations.

C.1.31 State whether the external auditor has been changed during the financial year. If appropriate, name the incoming and outgoing auditors.

Yes

No

Explain the nature of any disagreements with the outgoing auditor:

Yes

No

C.1.32 State whether the auditor does other work for the Company and/or its group apart from the audit, and, if so, state the amount of the fees paid for that work and the percentage of the fees charged to the Company and/or its group that they represent.

Yes

No

	Company	Group companies	Total
Amount paid for other work apart from the audit (thousands of euros)	398	392	790
Amount paid for other work apart from the audit / amount paid for the audit (thousands of euros)	72.46	22.71	34.72

C.1.33 State whether the audit of the financial statement for the preceding financial year encountered reservations or qualifications. If appropriate, state the reasons given to the General Shareholders Meeting by the Chair of the Audit Committee to explain the substance and scope of those reservations or qualifications.

Yes

No



C.1.34 State the number of consecutive financial years the auditor has been auditing the Company's individual and/or consolidated financial statement. Further state the percentage of the number of financial years audited by the current auditor on the total number of financial years in which the financial statement has been audited:

	Individual	Consolidated
Number of consecutive financial years	17	17

	Individual	Consolidated
No. of financial years audited by the current auditor / No. of financial years in which the Company or its group have been audited (%)	48.57	48.57

C.1.35 State, and if appropriate specify, whether there is a procedure in place for directors to be able to obtain the necessary information to prepare for meetings of the management bodies in good time.

Yes

No

**Details of the procedure**

In accordance with Rule 20 of the Board of Directors Regulations, the relevant information for meetings will be sent to directors with the notice of meeting. Furthermore, directors are sent a copy of the basic document for the meeting sufficiently in advance so that they will be made aware of the different agenda items to enable them to prepare for meetings in good time.

Furthermore, Rule 29 of the Board of Directors Regulations states that any director may ask the Company to hire, at its expense, the legal, accounting, financial, technical, or business advisers or other experts they may consider necessary for the proper performance of their duties to assist them in the performance of those duties. Any such request will necessarily concern specific issues that are particularly complicated.

C.1.36 State, and if appropriate specify, whether the Company has rules in place compelling advisers to report any circumstances that may be detrimental to the Company's standing and reputation and to resign if appropriate.

Yes

No

**Details of the procedure**

Rule 26.2(d) of the Board of Directors Regulations compels directors to tender their resignation from the Board where ... they have been charged for a presumably criminal offence or where disciplinary proceedings have been opened against them by the supervisory authorities on grounds of serious or gross misconduct.

C.1.37 State whether any Board member has informed the Company that they have been charged, or verbal proceedings have been opened against them for any of the criminal offences enumerated in Section 213 of the Spanish Corporate Enterprises Act.

Yes

No

C.1.38 List any significant agreements arranged by the Company that will take effect, be amended, or be concluded in the event of a change of control of the Company as a result of a takeover bid, and their effects.

| Not applicable |

C.1.39 List, in detail, separately where they apply to directors and combined in other cases, the agreements between the Company and its managers or executives or employees that provide for compensation, severance benefits, or golden parachutes where they resign or are unfairly dismissed or where the contractual relationship is terminated by a takeover bid or other type of operation.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
Company CEO	The agreement with the executive director complies with the stipulations of subsection (g) (clawback) and (h) (termination) in Section IV in the Director Remuneration Policy. "(g) In response to a proposal by the Appointments and Remuneration Committee, the Board of Directors is authorised to claim reimbursement for any compensation already paid in relation to a minimum term and non-compete commitment (clawback clauses) in the aforesaid circumstances. Furthermore, additional clawback measures may be arranged for special situations such as fraud, serious breach of law." "(h) The CEO will be entitled to payment of all of his or her variable long-term compensation and full payment for his or her minimum term and non-compete commitment should the General Meeting and Board of Directors decide to remove him or her from his or her position for any reason for ten (10) years starting from 1 January 2018. In addition to the foregoing, the CEO may be entitled to payment of an additional amount (at most two annual fixed salaries and short-term variable remuneration), to be included in his or her contract, where appropriate.

State any such contracts have to be reported to and/or approved by the Company's or its group's management bodies in the cases stipulated in the legislation and regulations. If so, please specify. the procedures, the cases envisaged, and the nature of the bodies responsible for approval or giving notice:

	Board of Directors	General Meeting
Body approving the clauses	✓	

	Yes	No
Is the General Meeting informed of the clauses?	✓	

C.2. Board of Directors Committees

C.2.1 Specify all the Board of Directors committees, their members, and the proportion of executive, proprietary, independent, and other external directors who are members of them:

Audit and Compliance Committee		
Name	Office	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIR	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	MEMBER	Independent
ADDDVALIA CAPITAL, S.A.	MEMBER	Proprietary

% executive directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external directors	0.00

Explain the duties assigned to that committee, including any in addition to its statutory duties, and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

It is the remit of the Audit and Compliance Committee to assist the Company's Board of Directors in supervising the Company's financial status and in exercising its duties of oversight of CIE Automotive, S.A. and the companies making up its group.

To that effect, the committee will have jurisdiction:

- To regularly review risk policies and propose changes and updates to the Board of Directors.
- To approve policy in relation to hiring the auditor.
- To report to the General Shareholders Meeting on questions falling within its purview raised by shareholders at the Meeting.
- To supervise the effectiveness of the Company's and the Group's internal controls and its risk control systems, including tax risks.
- To assess, with the auditor, significant weaknesses in the internal control system disclosed during the performance of the audit.
- To supervise the process of drawing up and submitting requisite financial reporting.
- To propose the appointment, re-appointment, or replacement of the auditor to the Board of Directors for submission to the General Shareholders Meeting together with their terms of engagement pursuant to applicable law and regulations, and to regularly receive information from the auditor on the auditing plan and performance while preserving its independence in the performance of its duties.
- To oversee the activity of the Internal Audit Department, functionally subsidiary to the Audit and Compliance Committee.
- To establish suitable relations with the auditor to receive information on those questions that might compromise its independence for examination by the Committee together with any other information relating to the auditing process and any other communications prescribed by the auditing legislation and other auditing regulations. In any case, it should receive written confirmation of their independence vis-à-vis the Company or entities directly or indirectly linked to the Company from the auditor annually along with information from the auditor or from persons or entities related to the auditor concerning any additional services of any kind provided and the corresponding fees received from those entities as stipulated in the auditing legislation and regulations.
- To issue an annual report in advance of the auditor's report setting out its opinion regarding the auditor's independence. This opinion should at all events deal with provision of the additional services referred to in the preceding item in the terms and conditions stipulated by law.
- To report, in advance of the Board of Directors meeting, regarding the financial reporting the Company should periodically disclose as a listed company, ensuring that interim financial statements are drawn up to the same accounting standards as the annual financial statement, and to that end it will consider whether it is appropriate for the auditor to conduct a limited review.
- To report to the Board of Directors on the creation or purchase of shares in special purpose vehicles or entities based in countries or territories classified as tax havens and any other transactions or similar operations that, by their complexity, could be detrimental to the Group's transparency, before the Board takes the corresponding decision.
- Any other tasks that may be assigned by the Company's Board of Directors.

The most relevant activities during the year were:

- Evaluating the Periodic Public Information before it is forwarded to the CNMV [*Spanish National Securities Market Commission*] and the companies that manage the Bilbao and Madrid Stock Exchanges.
- Assessing the annual financial statement (balance sheet, profit and loss account, cash flow statement and statement of net assets, and annual report) and the management report of CIE Automotive, S.A. and its Consolidated Group for the financial year that closed on 31 December 2016.
- Monitoring the external audit procedures.
- Assessing the internal audit procedures and, more particularly, those relating to the Internal Control System for procedures for drawing up financial reports.
- Verifying the accounting status of liquid assets in relation to approving an interim dividend against the profit and loss account for 2017.
- Approving the Company's tax strategy.
- Analysing the Company's risk map.
- Reporting on the General Meeting agenda items within the scope of its remit and, in particular, the item on re-appointment of the external auditor.

Name the directors appointed to the Audit Committee on the basis of their knowledge and experience in accounting or auditing matters, or both, and report the date of the appointment of the sitting Chair of the committee.

Names of experienced directors	MR. CARLOS SOLCHAGA CATALÁN
Date of appointment of the sitting Chair	25/02/2015

Strategy and Operations Committee		
Name	Office	Type
MR. SANTOS MARTÍNEZ CONDE GUTIÉRREZ BARQUÍN	MEMBER	Proprietary
MR. JUAN MARÍA RIBERAS MERA	MEMBER	Proprietary
MR. FERMIN DEL RIO SANZ DE ACEDO	MEMBER	Executive
MR. ANTONIO MARIA PRADERA JAUREGUI	CHAIR	Proprietary
MR. JESUS MARIA HERRERA BARANDIARAN	MEMBER	Executive

% executive directors	40.00
% proprietary directors	60.00
% independent directors	0.00
% other external directors	0.00

Explain the duties assigned to that committee and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Committee will have the following basic duties:

- To evaluate and propose to the Board of Directors strategies for growing, developing, or diversifying the business of the Company and the Group.
- To propose to the Board of Directors opportunities to make new investments (both those fomenting organic growth and those enabling inorganic growth by acquiring new companies, activities, or sectors) and to submit alternative investments in assets that will produce a long-term increase in the value of the Company and its Group.
- To review and propose recommendations or enhancements to the strategic plans and updates to those plans to the Board of Directors at all times.
- Any other tasks that may be assigned by the Company's Board of Directors.

The strategic transactions carried out by the Company have been assessed over the course of the financial year

Appointments and Remuneration Committee		
Name	Office	Type
MR. CARLOS SOLCHAGA CATALÁN	MEMBER	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIR	Independent
MR. FRANCISCO JOSÉ RIBERAS MERA	MEMBER	Proprietary

% executive directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external directors	0.00

Explain the duties assigned to that committee, including any in addition to its statutory duties, and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

The Committee is an internal advisory and consultancy body having no executive duties, whose remit is to report, advise, and propose within the scope of its purview.

To that effect, the Committee will have jurisdiction:

- a) To propose to the Board of Directors remuneration policies for directors and senior executives and to review them from time to time, proposing amendments and updates to the Board of Directors as appropriate.
- b) To review the criteria on the make-up of the Board of Directors and for candidate selection and to report accordingly, and, more particularly, in relation to the skills, knowledge, and experience needed and how to estimate the time and work required for directors to properly perform their duties.
- c) To ensure that, when filling vacancies or appointing new directors, the selection procedures are not subject to implicit bias, and, more to the point, do not impede the selection of female directors.
- d) To set a target for representation by the sex less represented on the Board of Directors and to draw up guidelines on how to achieve that goal.
- e) To submit to the Board of Directors proposals for the appointment of independent directors by co-option or for submission to the General Shareholders Meeting and proposals for the re-appointment or removal of those directors by the General Shareholders Meeting, and to report on proposals for the removal of directors made by the Board of Directors.
- e) To submit proposals for the appointment of the other directors by co-option or for submission to the General Shareholders Meeting for decision, and proposals for the re-appointment or removal of those directors by the General Shareholders Meeting.
- g) To draw up proposals and report on the appointment of internal officers on the Board of Directors and on the Board members who should join each of the committees.
- h) To review and arrange for succession of the Chair of the Board of Directors and the Company's CEO and, if appropriate, to submit proposals to the Board of Directors so that succession can take place in an orderly and planned manner in accordance with the succession plan approved by the Board of Directors.
- i) To propose to the Board of Directors the annual remuneration scheme and amount of remuneration for the directors and the individual remuneration for the executive directors and the other basic terms and conditions of their contracts, including possible compensation or indemnities that may be arranged in the event of severance, in all cases in keeping with the director remuneration policy approved by the General Shareholders Meeting.
- j) To supervise the process of selecting candidates for senior executives of the Company and to report on proposals to appoint or remove top executives made by the Company's CEO.
- k) To report on and submit to the Board of Directors proposals by the Company's CEO regarding the remuneration structure for senior directors and the basic terms and conditions of their contracts.
- l) To ensure compliance with the Company's remuneration schemes and to report on the documents to be approved by the Board of Directors for public disclosure in relation to information concerning remuneration, including the Annual Report on Director Remuneration and the corresponding sections in the Company's Corporate Governance Report.
- m) Any other tasks that may be assigned by the Company's Board of Directors.

**Corporate Social Responsibility Committee**

Name	Office	Type
MR. SANTOS MARTÍNEZ CONDE GUTIÉRREZ BARQUÍN	MEMBER	Proprietary
ADDVALIA CAPITAL, S.A.	MEMBER	Proprietary
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	CHAIR	Proprietary

% executive directors	0.00
% proprietary directors	100.00
% independent directors	0.00
% other external directors	0.00

Explain the duties assigned to that committee and describe the committee's procedures and organisational and operational rules. State the most significant activities during the year for each of these duties and how each of the duties assigned to it by law, in the Articles of Association, or by other corporate agreements have been exercised in practice.

The CSR Committee is an internal advisory and consultancy body having no executive duties, whose remit is to report, advise, and propose within the scope of its purview.

To that effect, the Committee will have jurisdiction:

- a) To regularly review corporate governance policies and to propose amendments and updates appropriate for ongoing growth and enhancement to the Board of Directors for approval or for submission to the General Shareholders Meeting.
- b) To foment the Company's corporate governance and sustainability strategy.
- c) To supervise compliance with statutory requirements and standards for corporate governance.

- d) To examine, foment, steer, and supervise the Company's activities in the area of corporate governance and to report on this to the Board of Directors and to the Executive Committee, as appropriate.
- e) To evaluate and review the Company's plans for executing social responsibility policies and to monitor the degree of compliance.
- f) To report on the activities assigned to and carried out by the foundations linked to the Group in the areas of general interest and corporate social responsibility.
- g) To report on the Company's Annual Corporate Governance Report, compiling the sections of the reports of the Auditing and Compliance Committee and the Appointments and Remuneration Committee that fall within its remit, and, if one is released, the annual report on sustainability, prior to their approval.
- h) To promote drafting of the Company Code of Ethics, to propose it and possible subsequent amendments to it to the Board of Directors for approval, and to promote all other relevant issues relating to promotion of, awareness of, and compliance with the Code of Ethics.
- i) To review the Company's internal policies and procedures to verify their effectiveness in preventing inappropriate conduct and to identify policies or procedures that would potentially be more effective in promoting the highest ethical standards.
- j) Any other tasks that may be assigned by the Company's Board of Directors.

In the course of the year it has (i) reported on the Annual Corporate Governance Report, the Corporate Responsibility Report, and Annual Financial Report in the areas falling within its remit; (ii) monitored the operation of the Code of Ethics and any incidents that arose during the year reported using the Ethical Reporting Channel; and (iii) evaluated corporate social responsibility policies and steps that were taken during the year.

**C.2.2** Fill in the following table with details of the number of female directors on the Board of Director's Committees at the close of the last four financial years:

	Number of female directors							
	Financial year 2018		Financial year 2017		Financial year 2016		Financial year 2015	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	1	33.33	1	33.33	2	50.00	2	66.66
Strategy and Operations Committee		0.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Appointments and Remuneration Committee		0.00		0.00		0.00		0.00
Corporate Social Responsibility Committee	2	66.66	2	66.66	2	66.66	N.A.	N.A.

**C.2.3** If appropriate, state the Board of Directors' committees that have regulations, where they are available for reference, and amendments made to them during the year. Also, state whether any annual report on the activities of each committee has been drawn up voluntarily.

Each of the Board of Directors' Committees described in the preceding sections has its own rules and regulations. They are available on the Company's website at (<http://www.cieautomotive.com/web/investors-website/comisiones-del-consejo-de-administracion>). The committees have drawn up the corresponding reports on their activities during 2018, and they have been posted on the above-mentioned website.

**D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS**

**D.1.** If appropriate, explain the procedure and the competent bodies for approving related-party and intra-group transactions.

Transactions concluded by the Company or its affiliates with their directors, significant shareholders, or representatives on the Board of Directors or with parties related to them have to be submitted to the Board of Directors beforehand for prior approval (especially in the case of transactions that do not ensue from the ordinary course of business of the companies in the group. In any case, regardless of their nature, all related-party transactions are carried out at market prices in compliance with the laws and regulations in force.

D.2. Specify any significant transactions in terms of their amount or in terms of their subject matter performed between the Company or entities in its group and the Company's significant shareholders.

Name or company name of the significant shareholder	Name or company name of the Company or entity in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sales of finished or not finished goods	191,689
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Purchases of finished or not finished goods	26,489
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Reception of services	2,204
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Delivery of services	10
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sales of finished or not finished goods	2,783
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Commercial	Sales of finished or not finished goods	19,420
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Commercial	Purchases of finished or not finished goods	557

The lines related to the operations between ACEK Desarrollo and Gestión Industrial, S.L. and CIE Automotive Mexico have been calculated considering the expression "CIE Automotive Mexico" to various Mexican companies of the group.

D.3. Specify any significant transactions in terms of their amount or in terms of their subject matter performed between the Company or entities in its group and the Company's directors or executives

Name or company name of the directors or executives	Name or company name of the related party	Relationship	Type of transaction	Amount (thousands of euros)
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	JESUS MARIA HERRERA BARANDIARAN IS CEO OF CIE AUTOMOTIVE, S.A.	Financing agreements: loans	152
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	JESUS MARIA HERRERA BARANDIARAN IS CEO OF CIE AUTOMOTIVE, S.A.	Others	11,700
MANAGEMENT TEAM	CIE AUTOMOTIVE, S.A.	SOME DIRECTORS OF THE GROUP	Financing agreements: loans	27.258

- D.4. Report of significant transactions carried out by the Company with other entities belonging to the same group that are not eliminated when drawing up the consolidated financial statements and are not part of the Company's purpose and the Company's terms and conditions in its ordinary course of trade.

In any event, all intra-group transactions carried out with entities established in countries or territories classified as tax havens are to be reported:

Name or company name of the group entity	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

- D.5. Specify any significant transactions performed between the Company or entities in its group and other related parties not reported in previous sections

Name or company name of the related party	Brief description of the transaction	Amount (thousands of euros)
CIE AUTOMOTIVE I+D+I FOUNDATION	Delivery of services	13
CIE AUTOMOTIVE I+D+I FOUNDATION	Reception of services	3,442
BANCA MARCH, S.A.	Accounts payable	14,712
GLOBAL DOMINION ACCESS, S.A.	Reception of services	1.593
GLOBAL DOMINION ACCESS, S.A.	Delivery of services	45

- D.6. Indicate the mechanisms established to detect, determine, and resolve potential conflicts of interest between the Company and/or its group and its directors, executives, or significant shareholders.

Rule 34 of the Board of Directors Regulations provides:

"Rule 34. Conflicts of Interest

1. Directors will take the necessary steps to avoid conflicts of interest as stipulated by law.
2. A conflict of interest will exist in those situations in which the Company's interests and the personal interest of the Director clash, directly or indirectly. A personal interest on the part of a director exists where the matter affects the director him or herself or a Related Person. For purposes of these Regulations, Related Persons will be:
  1. The director's spouse or persons in a comparable sentimental relationship.
  2. Parents, children, and siblings of the director or the director's spouse.
  3. Spouses of the director's parents, children, and siblings.
  4. Companies in which the director, him or herself or through an interposed person, is in any of the circumstances set forth in Section 4 of the Spanish Securities Market Act.



Where the director is a legal person, Related Persons will be:

1. Members who are in any of the circumstances set forth in Section 4 of the Spanish Securities Market Act with respect to the legal person serving as director.
2. *De facto* or *de jure* directors, liquidators, or legal representatives vested with general power of attorney of the legal person serving as director.
3. Members who are in any of the circumstances set forth in Section 4 of the Spanish Securities Market Act with respect to the legal person serving as director.
4. Persons who are Related Parties to the directors in respect of the representative of the legal person serving on the Board in accordance with this section.

3. The following rules apply to conflict of interest situations:

- a) Notice: the director will notify the Board of Directors and the Audit and Compliance Committee of any conflict of interest situation in which the director is involved, through the person of the Chair or the Secretary.
- b) Abstention: the director will abstain from attending and taking part in the deliberation and voting procedures relating to any matters in which the director faces a conflict of interest. In the case of proprietary directors, they will abstain from voting on any matters that may represent a conflict of interest between the shareholders who nominated him or her for appointment and the Company.
- c) Transparency: where appropriate in conformity with the law, the Company will report any and all conflicts of interest involving directors during the year in question of which it is aware by virtue of a notice from the party concerned or any other means.

D.7. Is more than one company in the Group listed in Spain?

Yes

No

## E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Describe the Risk Control and Management System in place at the Company, including tax-related risks.

CIE Automotive is subject to several risks inherent in the various countries, markets and businesses in which it operates and the activities carried out in each of them. Aware of the importance of adequate risk management, the Board has developed a general policy for global risk management and identification, which is implemented and monitored by the Audit and Compliance Committee ("ACC").

The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 methodology and on a continuous cycle, broken down into five phases:

- I. Identify the key risks that may affect the achievement of the organisation's objectives, including all objectives regarding control over financial reporting, including tax-related risks.
- II. Evaluate them based on their probability of occurrence and impact on the organisation, taking into account the existing controls. These scales are useful to place each risk on the Risk Map, the main risk assessment tool.
- III. Establish a response for each of them.
- IV. Monitor the actions taken.
- V. Report the results of the analysis performed.

E.2. Identify the corporate bodies responsible for developing and implementing the Risk Control and Management System, including tax-related risks.

The Board is responsible for implementing the risk management system, including tax risks, and relies specifically on the ACC for its monitoring and proper operation.

The risk management policy of CIE Automotive requires all business divisions to identify and assess the risks to which they are exposed in the pursuit of their business objectives, for the purpose of identifying sufficiently in advance the appropriate mitigating measures to reduce or eliminate the probability of the risk occurring and/or its potential impact on the objectives if they were to materialise.

E.3. List the main risks, including tax risks and, to the extent that they are significant, those arising from corruption (understood within the scope of Royal Decree Law 18/2017), that may impact the achievement of the business objectives.

In performing its activity, CIE Automotive is exposed to a variety of risks inherent to the different business activities in which it engages and to the countries in which they are carried out.

In addition, the different degree of socio-economic uncertainty that exists in the markets in which CIE Automotive carries out its activity may lead to the appearance of risk factors, currently unknown or not considered relevant, which could eventually affect the business, results and/or financial position of the Company.

The main risks to which CIE Automotive is exposed in complying with its business objectives are briefly detailed as follows:

a) Corporate risks:

- Regulatory risks: arising from securities market regulations, the data protection law, potential changes in Spanish and international tax regulations and third-party liability on equity integrity.
- Financial risks: level of indebtedness, liquidity risk, risks arising from fluctuations in exchange rates and interest rates, risks from the use of derivative financial instruments and investment risk.
- Information risks: reputational risks that may affect CIE Automotive's image and those relating to transparency and its relationship with analysts and investors.

b) Business risks: those that specifically affect each of the business areas and change depending on the unique nature of each business activity.

- Operational risks: risks relating to contracting and customer relations, product quality, and environmental, purchasing and subcontracting risks.
- Non-operational risks: risks relating to occupational health and safety, human resources, specific tax regulations applicable to the businesses, the reliability of accounting and financial information and the management of financial resources and indebtedness.

For more information on the risks and the measures taken to manage these risks, please see the Non-Financial Reporting Statement - 2018 Annual Report.

#### E.4. Identify whether the entity has risk tolerance levels, including tax risks.

The Board approves the acceptable level of risk for each type of risk, business and geographical location, as well as the levels of deviation allowed based on the strategic objectives and its strategic lines to achieve them. The acceptable levels of risk are regularly updated in accordance with any changes in the corporate strategy and the risk profile of the businesses.

Any risks that threaten the achievement of the business objectives are identified on an annual basis, including tax risk, and they are assessed based on their probability of occurrence and potential impact on financial profit, to determine the severity of the risk.

#### E.5. Indicate any risks, including tax risks, that have arisen during the year:

In 2018 the risk map was reviewed and defined, which improved the detection of risks and policies for minimising existing risks. As a result, there was no substantial occurrence of the risks listed, as they were properly monitored by the various divisions and by the Compliance department, showing that the control systems were working properly, and there were no significant effects on the consolidated financial statements for 2018.

#### E.6. Explain the response and monitoring plans for the Company's main risks, including tax risks, as well as the procedures followed by the Company to ensure that the board responds to the new challenges that arise:

CIE Automotive has a corporate risk control and monitoring system, on which the system of each business unit depends, whereby each management level is responsible for the compliance with applicable internal rules and procedures.

Their effectiveness is assessed and verified on a regular basis by the Compliance department, which has qualified and experienced personnel, independent of the business lines. Alerts, recommendations and conclusions generated are communicated to CIE Automotive management.

The measures taken by CIE Automotive for monitoring risks include the following:

- Setting objectives and internal regulations (policy, procedures and manuals).
- Definition, monitoring and continuously evaluating the design and performance of internal control systems and compliance.

During the process of drafting the 2018 Risk Map, the Company has worked on the identification of new responses and consolidation lines for its most significant risks.

It is important to highlight that CIE Automotive has analysis, monitoring and control units in various areas of risk management, such as:

- Financial risk management and control.
- Tax risk reporting and control.
- Information system risks.
- Safety and the environment.
- Corporate Social Responsibility.

## **F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)**

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Describe the mechanisms that comprise the internal control and risk management systems in relation to the financial reporting process (ICFR) at the entity.

### F.1. The entity's control environment.

Specify at least the following components with a description of their main characteristics:

#### F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of a suitable and effective ICFR system; (ii) its implementation; and (iii) its oversight.

The Board of CIE Automotive is the body responsible, among other matters, for the updating and on-going improvement of the Company's corporate governance system, in accordance with current legislation, and generally recognised good corporate governance recommendations, through the resolutions it considers necessary or advisable, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed at the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the Internal Control over Financial Reporting System ("ICFR System").

The CIE Automotive Audit and Compliance Committee ("ACC") is the body responsible for monitoring the effectiveness the Company's ICFR System, the internal audit function, and the risks management process, and for discussing with the auditors or audit firms any significant weaknesses in the internal control system detected during the course of the audit.

The ACC is supported by the Compliance department to perform these functions, being responsible for the implementation of the ICFR System and, in general, the entire internal control system of CIE Automotive, overseeing the definition and design of the internal control procedures that should be implemented in the Company's operations, compliance with legal regulations, internal policies and the procedures established.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring procedures are in place to communicate this structure effectively throughout the entity:

The Board is the ultimate body responsible for defining and reviewing on a regular basis the organisational structure of CIE Automotive, and delegates to senior management the task of ensuring that subordinate structures have sufficient human and material resources. With regard to the process of preparing the financial information, there is a global interrelated finance department that is composed of the Controlling and Tax departments and the Treasury and Finance department.

The responsibilities and functions of all persons directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE Automotive's internal policies and procedures.

There are internal protocols ensuring that information on any change in relation to the preparation of financial information is distributed to the appropriate personnel in due time and form. There are also controls in place to identify any irregularity in this regard.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

CIE Automotive currently has an Internal Code of Professional Conduct and Internal Regulations on Conduct in relation to Securities Markets, in which there is a specific section on the reliability of the financial information, which establishes a series of specific rules aimed at anyone involved in the financial reporting process.

Both documents are published on the corporate website and are distributed to all personnel subject thereto through the communication channels established for this purpose. In both cases, the body responsible for their definition and approval is the Board.

The Internal Code of Professional Conduct lays down certain basic rules and principles that aim to ensure the commitments to and transparency in relations and transactions with customers, suppliers and employees, the maximisation and protection of shareholders' investments and the safeguarding of health, safety and the environment. The Code also establishes the need for controls over payments and any situation of conflict of interests involving employees.

The functions of the Corporate Social Responsibility Committee ("CSRC") include monitoring compliance with the aforementioned code and regulations on conduct.

- Whistle-blowing channel, for reporting to the audit committee any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

CIE Automotive has an ethics channel for the receipt of notices and/or reports related to irregular conduct or activities implying any breach of the principles and ethical rules laid down in the Internal Code of Professional Conduct or the Internal Regulations on Conduct in relation to Securities Markets.

There are regulations setting out the process for the functioning of the ethics channel, which ensures that reports can be submitted by either named staff members or anonymously, whereby the confidentiality of the whistleblower is guaranteed at all times, if so desired, and an action protocol for analysing the complaints received and reporting them to the CSRC for monitoring.

- Training programmes and periodic refresher courses for personnel involved in preparing and reviewing financial information and evaluating the ICFR system, which at least cover accounting standards, auditing, internal control and risk management.

As well as a variety of staff training programs, CIE Automotive has the following additional training resources and support for personnel involved in preparing and reviewing financial information and evaluating the ICFR system

- There is an Accounting Policies Manual, which is updated on an on-going basis.
- There is an ICFR Policy.
- There is a Controlling and Tax department, which is responsible for resolving any doubts regarding interpretation of the Accounting Policies Manual, and providing advice on the treatment of complex transactions.
- There are division/regional controllers who are involved in providing support to everyone that forms part of the financial function at all its plants and companies, through on-going internal assessment and training.
- When a new company joins the Group, support strategies are developed to train the new employees in accordance with CIE Automotive's standards and criteria.
- Advice is received from external advisors in relation to changes in accounting, legal and tax regulations that may affect the Company.

F.2. Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, with regard to:

- Whether the process exists and is documented:

The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 methodology and on a continuous cycle, broken down into five phases:

- I. Identify the key risks, including risks of error or fraud, that may affect the achievement of the organisation's objectives, including all objectives regarding control over financial reporting, including tax-related risks.
- II. Evaluate them based on their probability of occurrence and impact on the organisation, taking into account the existing controls. These scales are useful to place each risk on the Risk Map, the main risk assessment tool.
- III. Establish a response for each of them.
- IV. Monitor the actions taken.
- V. Report the results of the analysis performed.

The process of identifying and assessing risks falls upon senior management and executive team, who self-assess the risks identified, with the Compliance department acting as the coordinator in this process.

The result obtained is a Risk Map, and a list of steps to be taken to properly manage the risks.

This is supplemented by activities for monitoring the management of certain risks, which are carried out by the Compliance department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial reporting that may have a material impact on its reliability.

The Risk Map must be updated at least on an annual basis. However, if circumstances arise during the year that require specific steps to be taken to manage a potential risk, the appropriate measures would be adopted.

- Whether a specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

The process of identifying and assessing risks takes into consideration all processes, Group companies and their various structures, and the specific characteristics of each country and business line, with particular attention being paid to risks arising from those transactions that, owing to their foreseen level of complexity or significance, require specialised management.

- Whether the process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.

As indicated above, the model is based on the ISO 31000 methodology, which, on the basis of the organisation's objectives, results in a Risk Map that is updated annually, monitoring financial, tax, legal and other types of risks (operational, strategic, compliance, environmental, Corporate Social Responsibility, good governance, and those relating to the supply chain, etc.).

- Which of the Company's governing bodies is responsible for overseeing the process.

This entire process is reviewed and approved by the ACC, which is the body that ultimately determines whether the process of identifying, assessing and monitoring the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial reporting, are appropriate and sufficient.

### F.3. Control activities

Specify at least the following components with a description of their main characteristics:

F.3.1. Procedures for reviewing and authorising financial reporting and the description of the ICFR system to be disclosed to the securities markets, indicating those in charge, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may have a material effect on the financial statements, including the accounting close procedure and the specific review of the relevant judgements, estimates, evaluations and projections.

The Board is the highest body responsible for approving and monitoring the Group's financial statements.

CIE Automotive sends quarterly information to the securities market. This information is prepared by the Controlling and Tax department, which performs a number of control activities during the accounting closing period to ensure the reliability of financial information.

In addition to the actual accounting close procedure, and prior to the process of preparing and reviewing financial information, CIE Automotive has control procedures and activities in other key areas of the Company, the purpose of which is to ensure that transactions are properly recorded, measured, presented and broken down, and to prevent and detect fraud and thus cover all transactions that may have a material effect on the Company's financial statements.

The company's key processes, including closing, for which risk and control matrices have been defined, are as follows:

- Closing, consolidation and reporting
- Non-current assets
- Inventories
- Revenue/Accounts receivable
- Cash
- Provisions
- Procurements/Accounts payable
- Human resources
- Taxes

The financial statements are prepared based on a reporting schedule and deadlines, known by all those participating in the process, and taking into account the legal deadlines.

Furthermore, and to review the judgements, estimates, evaluations and projections, the Accounting Policies Manual defines the applicable criteria existing at CIE Automotive.

These significant transactions are reviewed by the Company's Board through various processes (review, approval and monitoring of the Strategic Plan and the Budget, and review of the most significant accounting estimates and judgements used in preparing the financial information), once the ACC has confirmed that the information is adequate.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

CIE Automotive has internal control policies and procedures in place for the IT systems that support its significant processes, including the process of preparing and reviewing financial information. This policy and the associated regulatory framework is based on a catalogue of international standards ISO 27000.

CIE Automotive uses IT systems to correctly record and control its operations and, therefore, it is highly dependent on their correct functioning.

As part of the process of identifying risks of misstatement in financial reporting, CIE Automotive identifies the relevant systems and applications in each of the areas or processes considered significant. The systems and applications identified include both those that are used directly in the preparation of financial information, and those that are relevant to the effectiveness of the controls that mitigate the risk of misstatement in such information.

CIE Automotive has a security system policies defined at the corporate level aimed at achieving the general security objectives identified.

The objective is to take the appropriate measures of an organisational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this regard relates to the following areas:

- Access control and user management.
- Management of change.
- Back-up and recovery.
- Physical security.
- Control of subcontractors.
- Provision of resources, risk purging and business maintenance.

Critical business processes for CIE Automotive have different organisational and technological solutions that guarantee business continuity.

**F.3.3. Internal control policies and procedures for overseeing the management of activities outsourced to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

In general, CIE Automotive does not outsource any activities considered relevant that could have a material effect on the financial information.

In any case, the Company has a management procedure in place for activities outsourced to third parties, the purpose of which is to define the controls to be applied to outsourced activities that have a significant impact on the financial information prepared by the Company.

Based on the analysis performed, in 2018 the only outsourced area with a potential significant impact on the financial information was considered to be the IT Systems area. In this respect, the Company has verified that the supplier has obtained the necessary certificates to evidence an adequate control environment, and that these certificates are regularly validated by an external party.

In addition, control activities are carried out on a regular basis at CIE Automotive (included in the aforementioned risk and control matrices), which contribute to validating the control environment in this area.

Responsibility with regard to other activities in relation to significant transactions entrusted to independent experts (e.g., tax advisory services, relationship with actuaries and derivative management) remains within CIE Automotive, which requires specific monitoring work to guarantee their reliability. In addition, the ACC authorises all actions of the Company's external auditor to ensure their independence.

**F.4. Information and communication**

Specify at least the following components with a description of their main characteristics:

**F.4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations; and a manual of accounting policies regularly updated and communicated to all the Company's operating units.**

The accounting policies function is assumed by the Controlling and Tax department, which reports directly to the CEO.

In performing this function, the department assumes the following responsibilities:

- Maintenance and dissemination of the Accounting Policies Manual (continuously updated) to other Group companies.
- Update any changes in accounting rules applicable to all members of the financial function.
- Resolution of conflicts that may arise (at an individual or consolidated level) in the interpretation of the standards to be applied. Mechanisms for collecting and preparing financial information in a homogeneous manner.

**F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

CIE Automotive has a specific system for financial reporting and consolidation that is used in all units of the Group and that allows financial information to be collected in a homogeneous manner. This system, which is underpinned by the SAP BPC tool, is used in turn for the aggregation and consolidation of the data reported.

Additionally, to ensure the reliability of the ICFR information, CIE Automotive has implemented the SAP GRC tool in all units of the Group.

**F.5. Monitoring**

Specify at least the following components with a description of their main characteristics:

**F.5.1. The ICFR monitoring activities undertaken by the audit committee and whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.**

The ACC has the following oversight responsibilities with regard to ICFR:

- Supervision of periodic financial reporting.
- Monitoring and evaluation of the ICFR system.
- Knowing the financial reporting process and internal control systems associated with the Company's significant risks.
- Review internal control and risk management systems on a regular basis, so that the main risks are properly identified, managed and disclosed.

CIE Automotive has an Internal Audit department that reports to the Compliance department, which in turn reports to the ACC, which coordinates the internal auditing teams in Europe (including Russia and Morocco in the scope), North America, Brazil and Asia, the members of which are exclusively dedicated to these functions.

The main function of the Internal Audit department is overseeing the internal control system, which includes aspects sections monitoring the correct implementation of the risk management system, including the risk of fraud, and the controls aimed at the reliability of the financial information.

Based on the results of the risk assessment, the Internal Audit department prepares an annual ICFR assessment plan, which will be submitted each period for approval by the ACC as the body responsible for overseeing ICFR.

The information on ICFR will be provided to the market or stakeholders on an annual basis and will cover the financial year of the corresponding financial report.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the Company's senior management and its audit committee or board. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

The auditor actively participates in the meetings of the ACC. Furthermore, the auditor issues an annual report on internal control weaknesses, which is submitted to the ACC in order to take any measures considered appropriate.

In addition, CIE Automotive has a procedure allowing any external advisor, in the exercise of their activity, to detect the existence of internal control weaknesses, and communicate the incidents detected to the ACC, through the Compliance department, for discussion, analysis and evaluation.

F.6. Other relevant information

F.7. External auditor review.

Report on:

F.7.1. Whether the ICFR information reported to the markets has been reviewed by the external auditor. If "yes", the related report should be included in the corresponding report as an Appendix. If "no", give reasons. If "no", give reasons.

CIE Automotive has submitted for review by the External Auditor the effectiveness of ICFR system, in relation to the financial information contained in its consolidated financial statements accounts at 31 December 2018.

A copy of the report with the opinion of the External Auditor is attached.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the code of good governance for listed companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Compliant [ X ]

Explain [ ]

2. When a parent and a subsidiary are listed companies, both should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Compliant [ ]

Partially compliant [ ]

Explain [ ]

Not applicable [ X ]

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons why the Company does not follow certain recommendations of the Corporate Governance Code and the alternative rules applied in this connection, should any exist.

Compliant [ ]      Partially compliant [ X ]      Explain [ ]

Within the framework of the normal running of the General Shareholders Meeting, they are informed of any relevant changes that have taken place since the last meeting, including issues of corporate governance (i.e., approval of new Board of Directors Regulations, creation of the Corporate Social Responsibility Committee, etc.).

However, it is not considered important to emphasize the reasons why CIE Automotive, S.A. does not follow any specific recommendation since (i) no circumstances seem sufficiently relevant, and (ii) those circumstances, if appropriate, are included in the Annual Corporate Governance Report, (to which all shareholders have timely access).

4. The company should draw up and implement a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the Company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

5. The board should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emption rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emption rights, the Company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the appointments and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

7. The company should broadcast its general meetings live on the corporate website.

Compliant [ ]      Explain [ X ]

Given the characteristics of its shareholder structure and the level of attendance at meetings, CIE Automotive, S.A. does not consider it necessary to broadcast of the General Shareholders Meeting live on its website.

In view of its size, capitalisation, composition of share capital and the normal development of the general meetings, the Company considers that live streaming would not be widely received or have a significant following. Consequently, the measure would entail more costs than benefits involved and its implementation would not add value to the Company's corporate governance.



8. The audit committee should strive to ensure that the board can present the Company's accounts to the general shareholders meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant  Partially compliant  Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general shareholders meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant  Partially compliant  Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders meeting, the Company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general shareholders meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant  Partially compliant  Explain  Not applicable

11. In the event that a company plans to pay for attendance at the general shareholders meeting, it should first establish a general, long-term policy in this respect.

Compliant  Partially compliant  Explain  Not applicable

12. The board should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant  Partially compliant  Explain

13. The board should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant  Explain

14. The board should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general shareholders meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant  Partially compliant  Explain

15. Proprietary and independent directors should constitute an ample majority on the board, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant  Partially compliant  Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion of the capital represented on the board by these directors to the remainder of the Company's capital.

This criterion may be relaxed:

- a) In large cap companies where few or no ownership interests attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant  Explain

In line with section (b) of this recommendation, CIE Automotive, S.A. has a plurality of significant shareholders represented on the Board that are otherwise unrelated.

The potential overrepresentation of proprietary directors that might be detected is mitigated by the diversity of shareholders with a variety of interests that form part of the Board.

The Company therefore considers that the balance expressed by the recommendation is sufficiently mitigated by the variety of interests of the significant shareholders that are represented on the Board by proprietary directors with different profiles, knowledge and experience.

17. The number of independent directors should represent at least half of all board members.

However, when the Company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.

Compliant  Explain

CIE Automotive, S.A. considers that the number of independent directors correctly reflects the current shareholder structure of the Company.

Since the Company is not consider a large-cap company, the ratio of independent directors over total directors is 15% and, therefore, it does not reach the recommended ratio of one third. However, if both independent directors and non-executives directors are included, the ratio is 77%.

The Company considers that these proportions are adequate for the configuration of the Board considering the shareholder structure and, therefore, that it is not necessary to include more independent directors at the moment. The Company considers that the number of non-executives directors (almost three-quarters of total directors) enables Board to take decisions with the necessary levels of quality, objectivity and independence for the right formation of the corporate will. However, the inclusion of independent directors in subsequent appointments that may be proposed by the Board at the General Shareholders Meeting will be promoted.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) An indication of the director category to which they belong, in the case of proprietary directors indicating the shareholder they represent or are related thereto.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the Company and any options thereon.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

Although there is no specific section on the website that groups together the information indicated in the recommendation, all information on directors referred to in this recommendation is contained in the Annual Corporate Governance Report (accessible at all times from the website) and in the section of the website reserved for the Board; and the Company considers the content of the information to be sufficient for the purposes proposed and in relation to the profiles of the Board members.

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital and explain any rejection of a formal request for a board place from shareholders whose ownership interest is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their ownership interest, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

21. The board should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant [  ]      Explain [  ]

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is prosecuted or tried for any of the offences stated in company legislation, the board should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

Recommendation 22 includes two reasons or circumstances to resign: (i) circumstances that may harm the Company's name or reputation, and (ii) the director in question is prosecuted or tried for any of the offences stated in company legislation.

Article 26.2(d) of the Company's Board of Directors Regulations establish the following circumstances for resignation: "When the directors are prosecuted for an allegedly criminal offence or are subject to disciplinary proceedings due to a serious or very serious breach brought by the supervisory authorities".

With regard to the second reason or circumstance described in recommendation 22, this is included in the Board of Directors Regulations (the expression "are prosecuted" includes having a court order issued for the initiation of trial proceedings, comparable to an order for abbreviated proceedings. Furthermore, the requirements in the Board of Directors Regulations are greater than those recommended, as they include any type of offence (not only those indicated in company legislation) and exceed the scope of jurisdiction in criminal matters, as they include the possibility of bringing action in administrative sanctioning proceedings, such as the initiation of disciplinary proceedings. The Company is therefore compliant with regard to the second reason.

With regard to the first reason or circumstance described in recommendation 22, the Company considers that it is extremely broad and abstract, and that its objectives is sufficiently covered by the cases envisaged in sections (d) to (f) of article 26.2 of the Board of Directors Regulations.

In any case, the Company is not fully compliant, as it deviates from the literal wording of the recommendation.

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary to the board, even if he or she is not a director.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all board members. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

The Company's Board has a balanced composition with regard to the type of directors. Those directors that act as directors in other companies, have evidenced that these functions do not prevent them from dedicating sufficient time to their tasks as director at CIE Automotive.

In addition, the Appointments and Remuneration Committee, when appointing an independent director or when receiving information on any other type of director proposed, assesses the candidate's capacity of dedication to the Company, among other matters.

The Company therefore considers that it is not necessary to include this limitation in the Board of Directors Regulations.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

The Company considers that it is not necessary to comply with the minimum recommended frequency (8 meeting per year) for various reasons, such as, the existence of three executive directors (with autonomous decision-making capacity in the case of the CEO, on the basis of the functions delegated) or the fact that, up until now, in practice the number of meetings each year that are held (6) have been shown to be sufficient to monitor business activities and provide directors with information and the ability to take the necessary decisions regarding strategy and management of the Company and its group.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

Directors absences are quantified in the Annual Corporate Governance Report. It should be noted that in the majority of cases, absent directors delegate their representation to other directors, although they do not grant representation with specific instructions, but leave direction of the vote up to the representative director.

Although this practice does not comply with the recommendation, at all meetings at which this circumstance has occurred, the number of absences (although represented without instructions) was not significant, and the absent directors were duly represented through their representatives indicated.

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant [  ]      Explain [  ]      Not applicable [  ]

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its group.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

33. The chairman, as the person charged with the efficient functioning of the board, in addition to the functions assigned by law and the Company's Articles of Association, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the Company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant  Partially compliant  Explain

34. When a lead independent director has been appointed, the Articles of Association or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance; and coordinate the chairman's succession plan.

Compliant  Partially compliant  Explain  Not applicable

35. The board secretary should strive to ensure specifically that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the Company.

Compliant  Explain

36. The board in plenary session should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board and the Company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board, while that of the board itself should start from the report of the appointments committee.

Every three years, the board should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the Company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant  Partially compliant  Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary to the board should also act as secretary to the executive committee.

Compliant [ ]      Partially compliant [ ]      Explain [ ]      Not applicable [ X ]

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant [ ]      Partially compliant [ ]      Explain [ ]      Not applicable [ X ]

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]      Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

1. With regard to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and monitor a mechanism whereby employees can report, in a confidential or, if appropriate and feasible, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of any external auditor.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

- c) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor holds an annual meeting with the board in plenary session to inform it of the work performed and developments in the Company's risk and accounting positions.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant [ ]      Partially compliant [ X ]      Explain [ ]

Despite the fact that some of the functions mentioned are not expressly attributed to the committees in company regulations, they are carried out on a de facto basis, particularly those expressly stipulated by the sections 529 quaterdecies and 529 quidecies of the Spanish Corporate Enterprises Act (and, therefore, directly applicable).

The Company's Audit Committee Regulations expressly include the following functions (in reference to the matters contained in recommendation 42), which, at least partially and certainly not with a literally meaning, account for the set of recommendations indicated for the systems for preparing information and internal control systems, and in relation to the external auditor:

- e) Analyse, along with the auditors, any significant weaknesses in the internal control system detected during the audit. (Recommendation 42;2b))
- f) Supervise the process of preparing and submitting the required financial information. (Recommendation: 42;1a)
- g) Propose to the Board, to then be submitted at the General Shareholders Meeting, the appointment, re-election or replacement of the external auditor, as well as the terms of their engagement, in accordance with applicable legislation, and regularly gather information from the auditors regarding the audit plan and its implementation, in addition to preserving their independence in the performance of their duties.
- h) Supervise the activity of the Internal Audit department, which will report functionally to the Audit and Compliance Committee. (Recommendation 42;1b))
- i) Establish the appropriate relationships with the auditor to receive information on those matters that may jeopardise its independence and that will be studied by the Committee, and any other matters related to the audit process, as well as those communications envisaged in audit legislation and other audit regulations. In any case, written confirmation must be received, on an annual basis, from the auditor of its independence with regard to the Company or entities directly or indirectly related thereto, as well as information on any type of additional services provided and the related fees received from these entities by the auditor or by persons or entities related to the auditor pursuant to that provided in accounting legislation. (Recommendation 42;2))"

43. The audit committee may call on any company employee or manager to be present at its meeting, even ordering their presence without another manager.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the Company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant [ ]      Partially compliant [ ]      Explain [ ]      Not applicable [ X ]

45. The risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the Company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) The measures in place to mitigate the impact of risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]



46. Companies should establish a risk control and management function in the charge of one of the Company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks to which the Company is exposed are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively within the framework of the policy defined by the board.

Compliant  Partially compliant  Explain

47. Appointees to the appointments and remuneration committee – or of the appointments committee and the remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge and that the majority of their members should be independent directors.

Compliant  Partially compliant  Explain

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Compliant  Explain  Not applicable

49. The appointments committee should consult with the Company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant  Partially compliant  Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior executive contracts.
- b) Monitor compliance with the remuneration policy set by the Company.
- c) Periodically review the remuneration policy for directors and senior executives, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior executives in the Company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents, including the annual report on directors' remuneration.

Compliant  Partially compliant  Explain

The Company's Appointments and Remuneration Committee Regulations expressly include the following functions (in reference to the matters contained in recommendation 50), which, at least partially and certainly not with a literally meaning, account for the set of recommendations indicated:

"a) Propose to the Board the remuneration policies for directors and senior executives and review them on a regular basis, proposing any amendments and updates to the Board, where applicable. (Recommendation 50 a) and c))

k) Notify and submit to the Board the proposals of the Company's executive officer concerning the remuneration structure of senior executives and the standard terms of their contracts. (Recommendation 50 a)).

l) Ensure the compliance of the Company remuneration programmes and report on the documents to be approved by the Board for general disclosure with regard to information on remuneration, including the annual report on directors' remuneration and the corresponding sections of the Annual Corporate Governance Report. (Recommendation 50 b) and e))".

51. The remuneration committee should consult with the Company's chairman and chief executive officer, especially on matters relating to executive directors and senior executives.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees having regard to the knowledge, skills and experience of its directors and remit of each committee and discuss their proposals and report; and the committees should report the business transacted and account for the work performed at the first plenary session of the board following each committee meeting.
- d) Committees may engage external consultants, when they feel this is necessary for the discharge of their duties.
- e) Meetings should be recorded in minutes and a copy made available to all board members.

Compliant [ ]      Partially compliant [ X ]      Explain [ ]      Not applicable [ ]

With regard to the Corporate Social Responsibility Committee, the Company does not comply with the recommendation corresponding to the composition of the committee members, as there are no independent directors on the committee. The Company considers that the functions attributed to this committee are adequately carried out by non-executive directors, who have the same criteria correctness and independence of judgement as independent directors, with which there would be an analysis unit; it is therefore not considered necessary for the chairman or any committee members to be elected from among the Company's independent directors.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the Company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small- and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

- d) Review the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess the level of compliance therewith.
- f) Monitor and evaluate the Company's interaction with its stakeholders.
- g) Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

54. The corporate social responsibility policy should state the principles or commitments the Company will voluntarily adhere to in its dealings with stakeholders, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant [  ]      Partially compliant [  ]      Explain [  ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant [  ]      Explain [  ]

57. Variable remuneration linked to the Company's profit and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the Company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant  Partially compliant  Explain  Not applicable

The CEO earns variable remuneration that depends on compliance with general, since target levels of compliance are not determined, economic objectives (EBITDA) that can be valued and assessed by Appointments and Remuneration Committee.

The Company does not considered relevant to the purpose of variable remuneration to link this remuneration to objective, measurable and direct components that time remuneration to the Company's performance, beyond a general element of compliance with EBITDA levels expected for the year (budget).

As a result of the relationship between the Company and its CEO, his dedication, capacity to generate value and his loyalty shown towards the Group, there is no need to introduce control or correction mechanisms such as those indicated in sections b and c of the recommendation.

The executive directors who receive this type of remuneration have typically been very committed and dedicated to the Company and the Company's performance has been sufficiently satisfactory so that these correlation measures have not been necessary.

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant  Partially compliant  Explain  Not applicable

In accordance with recommendation 58, the Company does not consider the variable remuneration of the CEO should be deferred until compliance with the objective is verified.

However, the CEO has a variable long-term remuneration based on the evolution of the share price that can be generated over a period of ten years, with which there is a long-term link to be able to link the remuneration with the creation of value over time (which indirectly is related to its performance)

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant  Partially compliant  Explain  Not applicable

The variable remuneration of the CEO does not take into account these circumstances, essentially as a result of the absence of qualifications by the external auditors in the financial statements.

If there are qualifications, the circumstances under which they arose would have to be understood and, therefore, the consequences deriving from this fact would be assessed by the Board in each particular case.

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant  Partially compliant  Explain  Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain  Not applicable

The Company considers that the limitations included in this recommendation are unreasonable with regard to the intent of the remuneration policy for the CEO and that it does not support the incentive of the plan. In this regard, the explanation lies in the nature of the plan's remuneration, and the fact that it is not necessary to establish additional components linking the remuneration of an executive director whose entire professional career has been with the Group and with regard to which there are no doubts as to his commitment.

63. Contractual arrangements should include provisions that permit the Company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant  Partially compliant  Explain  Not applicable

The Company does not comply with the recommendation under the terms proposed.

The reasoning applicable to this circumstance is the following: the remuneration to which the executive directors are entitled is not linked to performance or equivalent objective parameters; it is the Board that determines, in an autonomous and discretionary manner, the amounts to be paid as variable remuneration (except for the CEO, whose variable remuneration does depend on objective criteria, although not quantified).

That is why, to the extent that they are not taken into account when granted, mechanisms that entail reimbursement linked to a possible ex post demonstration of the performance failure cannot be introduced.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the Company confirms that he or she has met the predetermined performance criteria.

Compliant  Partially compliant  Explain  Not applicable

The contract between the CEO of CIE Automotive, S.A. and the Company includes a clause granting a compensation in case of early termination that does not strictly comply with the second part of the recommendation. In accordance with the directors remuneration policy available on the Company's website:

"h) Indemnity clauses: The CEO will be entitled to receive all of his long-term variable remuneration and the entire amount of his undertaking to remain at the Company and non-compete clause in the event that the shareholders at the General Meeting and the Board decide to remove him from his position under any circumstances within a period of ten (10) years from 1 January 2018. He will also have the right to receive an additional amount (a maximum equal to two year's salary of his fixed and short-term variable remuneration) to be included, where applicable, in his contract."

## H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and that is necessary to provide a more comprehensive view of the corporate governance structure and practices at the Company or group, explain briefly.
2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the Company voluntarily adheres to other international, industry-specific or other ethical principles or good practices. If applicable, identify the code and date of adoption. In particular, indicate whether the Company adheres to the Code of Best Tax Practices of 20 July 2010:

1. In relation to Recommendation 2, it is necessary to highlight the fact the listed company Global Dominion Access S.A. has ceased to be subsidiary of the Company during the year of reference through the distribution of the dividend in kind approved the 14<sup>th</sup> of April and completed the 4<sup>th</sup> of July. During the months of the period that Global Dominion S.A. has been listed subsidiary: 1) business transactions between listed holding company and listed subsidiary have not taken place and (ii) in relation to potential conflict of interests, they have not been likely to occur due to non-business transaction. In any case, to the extent no business transactions have taken place, there was no need to more precisely define "the eventual business relationships between the holding company and its listed subsidiary, and between the latter and the rest of Group subsidiaries" and "the planned mechanisms to resolve the eventual conflicts of interest". As a consequence, not considering necessary to provide a public definition of the nature of its business relationship, until the 4<sup>th</sup> of July 2018 recommendation 2 was partially fulfilled.

2. In October 15 2015, the Company joined the Global Compact, international initiative that promotes the implementation of 10 universally accepted principles to promote Corporate Social Responsibility (CSR) in Human Resources, Labour Standards, Environment and Anti-Corruption in business and strategy areas.

This annual corporate governance report was approved by the Company's board at its meeting held on:

22/02/2019

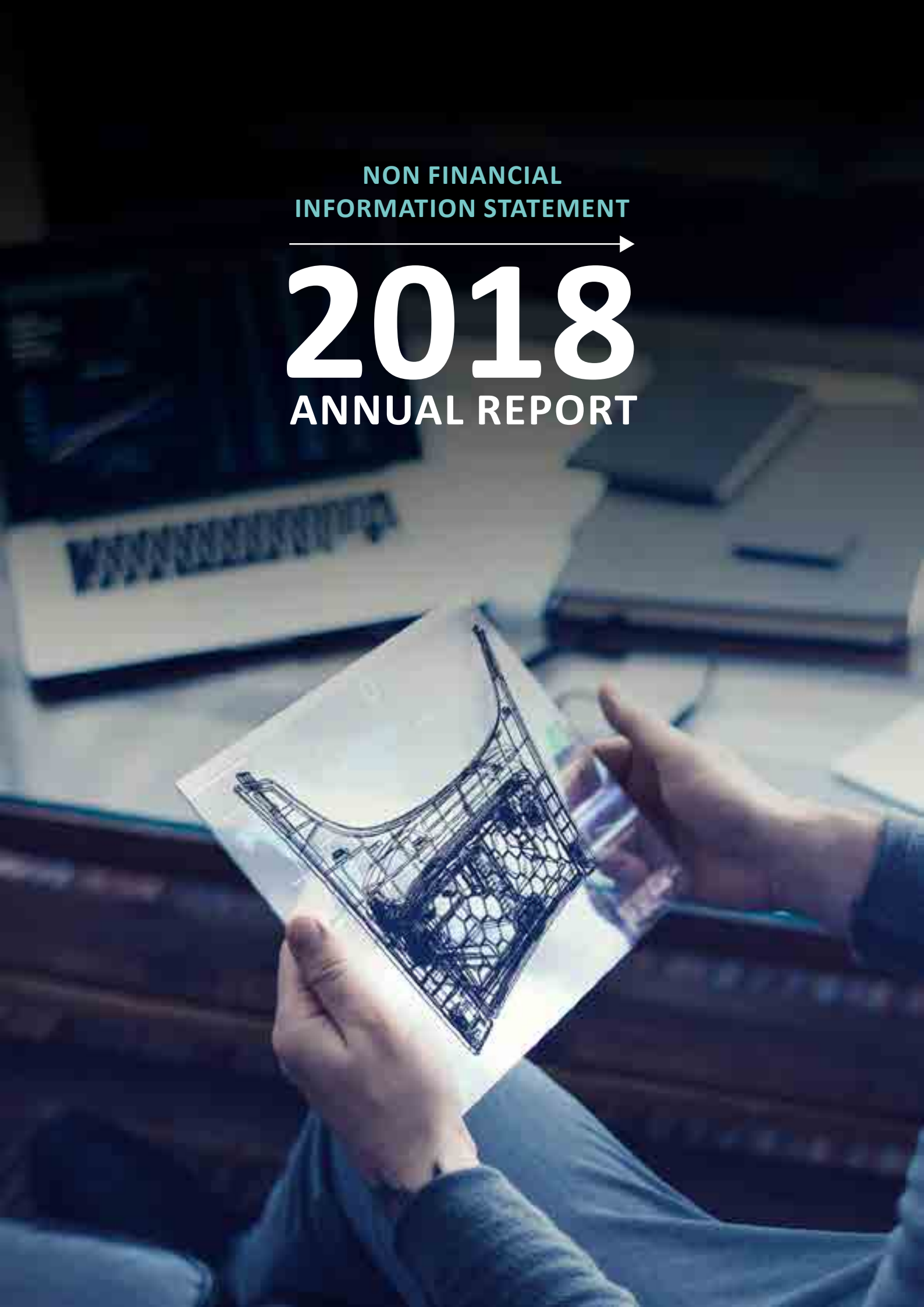
Indicate whether any directors voted against or abstained in relation to the approval of this report.

Yes

No

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In addition, the CIE Automotive NFIS - 2018 Annual Report is available online at [annualreport.cieautomotive.com](http://annualreport.cieautomotive.com)



# 1. Chairman and CEO's statement

[102-14]

Dear friends,

This Annual Report attempts to summarise CIE Automotive's performance in 2018, another year of sustainable and profitable growth in which we had the honour of being added to Spain's blue chip stock index, the IBEX-35. That development is tantamount to acknowledgement of our track record and brings us greater visibility in the market, particularly vis-a-vis important international investors.

In 2018, automotive revenue reached a record €3.03 billion, while recurring net profit continued to climb, to €243 million, which is a significant 20% more than in 2017.

Thanks to these strong results, the company's shareholders saw their cash dividends increase by 37%. They also received an in-kind dividend consisting of shares of Global Dominion, a company CIE Automotive exited in 2018, as was always planned. We wish that company the very best going forward.

«We managed to continue to post growth quarter after quarter and end the year with a new set of record earnings.»

These figures, which stack up well on their own, are even more remarkable in light of the macroeconomic uncertainty and sector turmoil in which they were achieved: an economic slowdown in China; protectionist threats in the US; new emissions regulations in Europe; lower production estimates, etc. However, it is in times of trouble that CIE Automotive demonstrates the solidity of its business model; thanks to our geographical, technological and customer diversification and our financial discipline, among other strengths, we managed to continue to post growth quarter after quarter and end the year with a new set of record earnings.

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In September 2018, we agreed to acquire Inteva's roof systems division, a giant in this segment with sales of approximately \$1 billion. That acquisition, the largest in our history, makes us the number-three supplier of roof systems worldwide and puts us in a privileged position in one of the sector's most promising niches.

Meanwhile, we continued to build a number of greenfield projects, particularly in markets with high growth potential such as Mexico, Brazil and India. By way of illustration, this strategy crystallised in a 5% increase in our shareholding in the Mahindra CIE group, the start-up of a factory in Puebla (Mexico) and the incorporation of a new company, Autometal Minas (Brazil).

Highlights on the corporate finance front included the arrangement of a €150 million loan with IFC/ EDC to fund our growth in Mexico and another €80 million loan from the EIB to fund our R&D programme in Europe. In addition, we registered our first promissory note issue, raising €200 million which we will use to finance working capital.

In this context of adverse external factors but rock solid company fundamentals, we are in a position to reiterate our guidance for 2020, specifically for net profit of €300 million that year, which would imply significantly outperforming the market's growth during the five years of the Business Plan and once again generating significant value for our shareholders.

**«In each of those markets we are striving to act as agents of social development, framed by the commitments assumed as signatory of the United Nations Global Compact and in the new Strategic Corporate Social Responsibility Plan.»**

**«We are in a position to reiterate our guidance for 2020.»**

Beyond our earnings performance, we feel proud of the value we have generated for society in the 17 countries we do business in. In each of those markets we are striving to act as agents of social development, framed by the commitments assumed as signatory of the United Nations Global Compact and in the new Strategic Corporate Social Responsibility Plan set in motion during the year.

Our 98 production facilities and 7 research centres employed over 23,000 people who encounter in our company a place to develop their capabilities to the full in a safe and protected environment.

Our suppliers, the large majority of which local, invoiced us 9% more in 2018. We strengthened our ties with them by launching a Suppliers Portal which facilitates access to our supply chain and enables us to control their value propositions better.

The total quality we offer was once again endorsed by our Tier-1 supplier and OEM customers. To maintain our quality edge, we invested €120 million in upgrading and expanding our production facilities and we devote nearly 2% of revenue to R&D projects every year.

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We also act as agents of social development by paying taxes and carrying out community work. Here is it worth highlighting the signature of our first community project at the corporate level in collaboration with Save The Children.



**«We will continue to deliver our objectives, overcoming any and all obstacles, by leveraging the ideas, experience and hard work of all.»**

On the environmental front, we continue to work to reconcile our business activities with environmental conservation by reducing harmful emissions and the use of water and raw materials. Every year we fine-tune our environmental evaluation systems and the efficiency of each and every one of our factories.

Not satisfied with all of that, we are keen to make further progress on integrating social and environmental criteria into our activities and on engaging the entire organisation in that effort. To this end we globalised the company's CSR workshops, at which we managed to identify the environmental, social and governance aspects of greatest concern to the members of our organisation.

In short, the fine work done by CIE Automotive in 2018 allows us to look to the future with optimism. We are convinced that in the coming years we will continue to deliver our objectives, overcoming any and all obstacles, by leveraging the ideas, experience and hard work of all.



**Antón Pradera**  
Chairman



**Jesús Mª Herrera**  
Chief Executive Officer

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## 2. We are driven by Results

*Because every step we take is aimed at delivering profitable and sustainable growth. Because our economic achievements generate value for all our stakeholders, create jobs and constitute an opportunity for community development and progress.*

### 2.1 2018 in review



#### WE BEAT GROWTH AND PROFIT RECORDS IN THE MIDST OF SECTOR TURMOIL

*CIE Automotive demonstrated its strength in 2018 by registering growth that significantly outperformed the market and delivering margins that were above the sector average in a year of turmoil for the automotive industry. The company reinforced its position in the comfort segment with the acquisition of Inteva's roofing systems division and stepped up its exposure to India by lifting its stake in Mahindra CIE by 5%. In parallel, it registered fresh growth in the Americas with numerous new projects, including the start-up of a factory in Puebla (Mexico) and the integration of Autometal Minas (Brazil). All of this while maintaining a solid capital structure and generating strong cash flow, in line with its strategic goals.*

In a sector agitated by new regulations, threats of a tariff war, downward revisions to production estimates and profit warnings, CIE Automotive posted a net profit of €396.8 million, up 84.2% from 2017, beating its own record once again.

**In 2018, net profit included certain non-recurring items:**

- (I)** The accounting gain generated on the payout of the special dividend structured to distribute the group's ownership interest in Dominion (hereinafter 'Dominion' or 'Global Dominion Access'), which implied income of €238.9 million, the difference between the carrying amount of the shares distributed and the net assets held by CIE Automotive.
- (II)** The profit contributed by Dominion, up until the date of the special dividend amounted to €6.4 million.
- (III)** Non-recurring charges totalling €91.3 million related with: (I) the realisation value of assets of the unwound biofuels business; (II) the revision of the useful lives of certain productive assets; and (III) the restatement of the provisions recognised to cover non-business contingencies.

**«Automotive business delivered a normalised net profit of €242.8 million in 2018, year-on-year growth of 20.0%.»**

Stripping out the impact of these non-recurring items, normalised net profit in the automotive segment amounted to €242.8 million, growth of 20.0% from 2017.

## NORMALISED AUTOMOTIVE EARNINGS PERFORMANCE

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€ millions	2017 (**)	2018	Chg. %
Revenue	2,842.5	3,029.5	6.6%
EBITDA (*)	471.1	529.0	12.3%
EBITDA margin	16.6%	17.5%	
EBIT (*)	339.1	399.2	17.7%
EBIT margin	11.9%	13.2%	
Net profit (*)	202.4	242.8	20.0%

(\*) EBITDA: earnings before interest, tax, depreciation and amortisation; EBIT: earnings before interest and tax; Net profit: profit attributable to owners of the parent.

(\*\*) In order to provide greater transparency and clarity in the information, the following is compared with the Automotive data published as comparable in the consolidated financial statements published by CIE Automotive 31/12/2018. The information differs from that published in 2017 due to the fact that, according to accounting standards, the specific impacts on the different lines of the income statement of those businesses discontinued in 2018 must be eliminated. For further information see the Consolidated Annual Accounts for the year ended 31 December 2018.

Revenue amounted to €3.03 billion, growth of €187.0 million from 2017. That is significant growth in light of the global sector weakness (contraction of 1.0%) last year and the negative impact of exchange rate trends in all of the company's operating regions. In constant currency terms, topline growth rises to 11%.

**«CIE Automotive continued to outperform the market, posting organic growth of 10.1% in a market that contracted by 1%.»**

The company's operating profit metrics once again evidenced the strength of its business model: EBITDA registered growth of 12.3% to €57.9 million, while normalised EBIT increased by 17.7% to €60.6 million, equivalent to 13.2% of revenue.

## ■ Capex and acquisitions [102-10]

In 2018, the company invested €210.9 million, €87.6 million of which was earmarked to greenfield projects. Moreover, it posted a return on net assets (RONA) of 22%, close to delivering the associated guidance.

Within the greenfield projects, it is worth highlighting the new welding assembly plant in Mexico (CIE Nugar Puebla), the launch of a new crankshaft line in Lithuania (CIE LT Forge) and expansion of the fuel rail lines for petrol engines in Spain (CIE Norma).

In addition to investing in new plants and expanding existing facilities, CIE Automotive increased its exposure to India with the acquisition of an additional 5% of Mahindra CIE. India is already the fifth-largest vehicle producer in the world (behind China, the

US, Japan and Germany) and the upside is very considerable: capacity is expected to double within less than a decade with annual growth of nearly double digit.

In Brazil, CIE Automotive integrated the CIE Autometal Minas plant (formerly Zanini Brazil) into the group. This new facility makes plastic parts (injection moulding, chroming and painting). This move consolidates the company's privileged position in a growing market which is gaining traction in the wake of recession. Among the products made at Autometal Minas the badges, wheel covers, front grills, fuel flaps and housing, spoilers and bodywork trim stand out.

### The acquisition of Inteva's roofing system division makes us the world's number-three supplier of roofing systems

In the pursuit of continued growth and with the aim of reinforcing its market positioning, in September, CIE Automotive agreed to acquire one of the top three roofing system makers in the world: Inteva's dedicated division. That acquisition implies a qualitative and quantitative leap for the company as it not only makes it a top three player in the roofing system segment, it also increases its range of products and patents and further diversifies its customer base.

The purchase of this division marks a strategic commitment to the burgeoning comfort niche which has already made significant inroads in the premium segment and is increasingly penetrating the compact vehicle segment. *(For more information, go to Section 4.2 2016-2020 Business Plan)*

#### A giant in the comfort niche

With revenue of an estimated \$1 billion in 2018 (approximately €850 million), Inteva's roofing system division has over 4,400 employees, 16 factories and 6 R&D centres in 7 countries (US, Mexico, Germany, Slovakia, Rumania, China and India). Its customers include the leading OEMs, including significant penetration of the Chinese, German and American OEMs.

The transaction, which will entail an investment of \$755 million (around €650 million), complements CIE Automotive's existing roof system division, Advanced Comfort Systems (ACS). Since its acquisition in 2009, ACS has doubled its revenue and improved its profitability significantly.

It is expected that the acquisition will close during the first half of 2019, upon receipt of the pertinent authorisation from the US anti-trust authorities and execution of the carve-out of this division from the Inteva Group.

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## ■ Performance by region [102-7]

All of the operating regions contributed to CIE Automotive's strong earnings performance.

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### EUROPE

• The introduction of the new WLTP had a range of effects, translating into a surge in sales of heavily-discounted non-compliant vehicles in July and August following by significant market contraction in the rest of the year:

- Traditional European plants: tied to the passenger vehicle segment, they are exposed to the fallout from the WLTP. As a result, this division's revenue contracted by 1% (vs. a contraction in production of 1.5%).
- Mahindra CIE European plants: mainly exposed to the heavy commercial vehicle segment, so that they were not affected by the new regulations and posted growth that was significantly above the market average at 14.6%.
- Overall, CIE Automotive in Europe grew by 4.7% on a like-for-like basis.

### NORTH AMERICA

- In this market, CIE Automotive's revenue increased by 11.0% (7.7% due to organic growth), whereas production declined by 0.6%, dragged down mainly by the contraction in Canada.
- Focus on Mexico with the start-up of CIE Nugar Puebla.
- Good prospects following the new deal between the US, Mexico and Canada.

### BRAZIL

- Topline growth of 27.1% (24.2% due to organic growth), above market production growth of 4.0%; Brazil is beginning to make up the volumes lost during the crisis.
- Integration of CIE Autometal Minas (former Zanini Brazil) into the group.

### ASIA

- India: The company increased its interest in Mahindra CIE by 5%, reinforcing its presence in a market expected to become the world's fourth-largest producer by 2025. In 2018, CIE Automotive's revenue increased by 20.8%, compared to growth in overall market production of 6.7%.
- China: Growth of 21.8%, in a shrinking market (-3.8%) due to the threat of a trade war with the US and the foreseeable reformulation of vehicle purchase incentive scheme.



## EBITDA CONTRIBUTION BY REGION



<span style="color: orange;">■</span> NORTH AMERICA	32.9%
<span style="color: teal;">■</span> EUROPE	28.0%
<span style="color: darkblue;">■</span> ASIA	16.1%
<span style="color: lightgreen;">■</span> MCIE EUROPE	14.2%
<span style="color: blue;">■</span> BRAZIL	8.8%

### ■ Financial situation

At year-end 2018, on a like-for-like basis, factoring the disposal of Dominion, CIE Automotive had €2.11 billion of net assets and €1.05 billion of equity. Borrowings ended the year at €948.2 million, which implies a net debt-to- EBITDA ratio of 1.8x, compared to 1.6x at year-end 2017.

In 2018, CIE Automotive continued to work to secure the financing it needs to fund its ongoing growth and to diversify its sources of financing. Evidence of this is the \$150 million loan arranged with the International Finance Corporation (World Bank Group) and Export Development of Canada (EDC), to fund its growth in Mexico, and the €80 million loan awarded by the European Investment Bank to finance its R&D strategy in Europe.

Also, for the first time, it issued a commercial paper programme of up to €200 million on the Irish Stock Exchange to fund its working capital requirements.

*(For more information, go to Section 4 We are driven by our Strategy).*

Thanks to these new loans arranged during the year and the rollover of the syndicated loan for an additional year, 80% of the company's available financial resources have a maturity of over 4 years.

**«The EBITDA-to-cash conversion ratio was 58.1%, just above the targeted ratio of 55%.»**

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## FINANCIAL RESOURCES MATURITY PROFILE

(€ million)	2017	2018
Within 1 year	242.6	282.3
Between 1 and 2 years	135.7	161.9
Between 3 and 5 years	749.0	789.6
Over 5 years	97.6	106.2
<b>Total equity and liabilities</b>	<b>1,224.9</b>	<b>1,340.0</b>

As for its cash flows, it is worth noting that the EBITDA-to-cash conversion ratio was 58.1% last year, above the strategic target of 55%.

## BALANCE SHEET

The group's key balance sheet metrics at the last three year-ends:

(€ million)	2016	2017	2018
Fixed assets	2,480.5	2,660.2	2,267.7
Net working capital	(248.9)	(350.6)	(158.8)
<b>Total net assets</b>	<b>2,231.6</b>	<b>2,309.6</b>	<b>2,108.9</b>
Equity	1,263.3	1,336.9	1,048.9
Net debt	816.2	854.8	948.2
Other (net)	152.1	117.9	111.8
<b>Total equity and liabilities</b>	<b>2,231.6</b>	<b>2,309.6</b>	<b>2,108.9</b>

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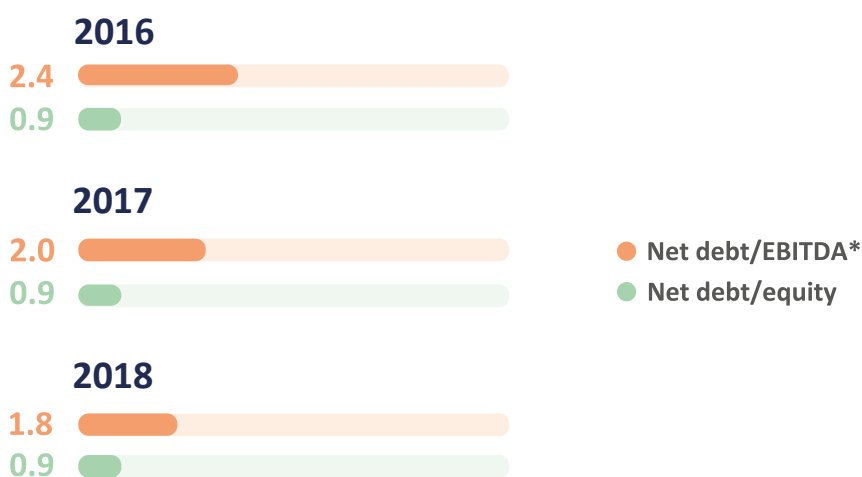
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And the like-for-like\* balance sheet at the same year-ends:

(€ million)	2016(*)	2017(*)	2018
Fixed assets	2,157.1	2,273.1	2,267.7
Net working capital	(132.3)	(189.2)	(158.8)
<b>Total net assets</b>	<b>2,024.8</b>	<b>2,083.9</b>	<b>2,108.9</b>
Equity	988.7	1,042.6	1,048.9
Net debt	930.2	948.7	948.2
Other (net)	105.9	92.6	111.8
<b>Total equity and liabilities</b>	<b>2,024.8</b>	<b>2,083.9</b>	<b>2,108.9</b>

(\*) Balance sheet restated to exclude Dominion in order to enable a comparable reading.

## FINANCIAL RATIOS



(\*) EBITDA: earnings before interest, tax, depreciation and amortisation.

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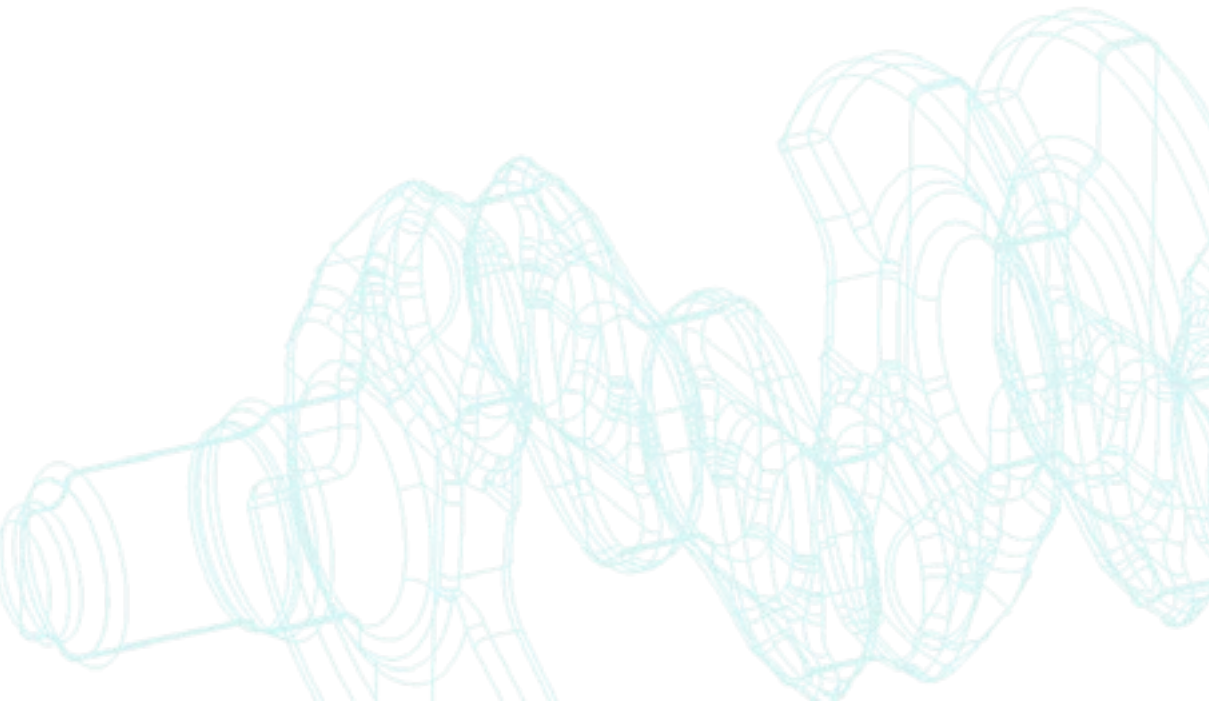
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## ■ Tax information

### COUNTRY-BY-COUNTRY PROFITS & TAXES

Note that the information included below is presented in the Form No. 231 - Information Statement submitted to the regional authorities of Vizcaya. In turn, that form is aligned with Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, which regulates the country-by-country reports that 'multinational enterprise groups' are required to present annually and for each tax jurisdiction in

which they do business.

Those reports can be used for the purposes of assessing high-level transfer-pricing risks; their main purpose is to provide the information needed to analyse related-party transaction risks, thus facilitating the work of the tax authorities, which may also use them to assess other risks related to base erosion and profit shifting.

That obligation to present a country-by-country report was regulated in sections 10 and 11 of article 43 of Provincial Law 11/2013 on corporate income tax.

Tax jurisdiction	Profit/(loss) before income tax	Income tax paid
MEXICO	131.9	33.0
BASQUE COUNTRY	66.4	0.0
BRAZIL	31.3	7.5
INDIA	30.7	10.2
SPAIN	29.0	6.9
CHINA	21.6	5.0
USA	15.7	0.3
ITALY	7.5	0.0
LITHUANIA	5.4	0.2
FRANCE	4.5	1.5
CZECH REPUBLIC	4.4	0.8
ESLOVAKIA	4.3	0.4
GERMANY	3.6	0.0
NAVARRA	2.5	0.0
PORTUGAL	2.3	0.4
RUSSIA	1.0	0.0
MOROCCO	0.6	0.0
GUATEMALA	(0.1)	0.0
ROMANIA	(0.3)	0.9
UNITED KINGDOM	(6.3)	0.0
<b>Total (€ million)</b>	<b>356.1</b>	<b>66.9</b>

Data with no consolidation adjustments and under IFRS.

### CORPORATE INCOME TAX PAID

€66.9 million.

### FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENTS [201-4]

€2 million of grants related to income: €1.5 million in Spain; €0.4 million in Mexico; and €0.1 million in China.

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## ■ Sustainable development

The company's excellent economic and financial performance was accompanied by improved social and environmental indicators and growth in the economic value distributed to its stakeholders.

In 2018, CIE Automotive's workforce increased by 1.6% to 23,262; the cash dividends paid to shareholders registered growth of 37%; its shareholders also received a special dividend on 3 July 2018 when CIE Automotive disposed of its interest in Dominion, a stake that had a market value of €404.7 million at the time of the distribution.

Purchases from suppliers amounted to over €1.8 billion; the company made further progress on its research, development and innovation efforts and the group's hard work earned it the recognition of its customers. In addition, the company arranged

its first community project at the corporate level in collaboration with Save The Children. On the environmental front, emissions fell, as did the amount of water and other raw materials consumed.

The management of social and environmental aspects continues to be fine-tuned and harmonised all across the group. A good example of this effort: the CSR Workshops, initiated in Europe in 2017 and rolled out to Brazil, the US, Mexico, China and India in 2018.

*«Solid commitment to stakeholders.»*

### VALUE GENERATED AND DISTRIBUTED [201-1]

€ million	2016 (***)	2017(***)	2018
<b>Revenue</b>	2,220.8	2,845.6	3,029.5

<b>Economic value distributed</b>	2016 (***)	2017(***)	2018
To shareholders (dividends)*	42.6	52.9	72.1
To shareholders (special dividend)**	-	-	404.7
To employees (employee benefits expense)	445.5	532.0	557.8
To suppliers (consumption of raw materials and auxiliary materials)	1,271.1	1,683.7	1,836.7
To society (income tax paid)	43.3	55.9	66.9

(\*) Dividend paid during the year.

(\*\*) Market value of the special dividend articulated to distribute CIE Automotive's interest in Dominion to its shareholders.

(\*\*\*) In order to provide greater transparency and clarity in the information, the following is compared with the Automotive data published as comparable in the consolidated financial statements published by CIE Automotive 31/12/2018. The information differs from that published in 2017 due to the fact that, according to accounting standards, the specific impacts on the different lines of the income statement of those businesses discontinued in 2018 must be eliminated. For further information see the Consolidated Annual Accounts for the year ended 31 December 2018.

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#### JANUARY

INTEGRATION OF CIE AUTOMETAL MINAS

START-UP OF THE CIE NUGAR PUEBLA PLANT



#### MARCH

GLOBAL ROLLOUT OF CSR WORKSHOP FORMAT

#### JUNE

CIE AUTOMOTIVE ADDED TO THE IBEX-35

INCREASE IN SHAREHOLDING IN MAHINDRA CIE

\$150 MILLION LOAN TO FUND GROWTH IN NORTH AMERICA

FUNDING FOR INNOVATION EFFORT IN EUROPE

APPROVAL OF THE NEW CORPORATE SOCIAL RESPONSIBILITY PLAN



#### JULY

CIE AUTOMOTIVE EXITS DOMINION'S SHAREHOLDER RANKS

NEW SUPPLIER PORTAL



#### SEPTEMBER

PURCHASE OF INTEVA'S ROOFING SYSTEM DIVISION

FIRST COMMERCIAL PAPER PROGRAMME TO FINANCE WORKING CAPITAL



#### DECEMBER

STRATEGIC ALLIANCE WITH SAVE THE CHILDREN



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## ■ JANUARY

### ■ INTEGRATION OF CIE AUTOMETAL MINAS

Integration of the CIE Autometal Minas plant (Brazil), devoted to the injection, chroming and painting of plastic parts, into the group.

### ■ START-UP OF THE CIE NUGAR PUEBLA PLANT

Start of operations at the new welding and assembly factory in Puebla (Mexico).

## ■ MARCH

### ■ GLOBAL ROLLOUT OF CSR WORKSHOP FORMAT

March marked the start of the global rollout of the CSR Workshop format in Brazil, followed in the second half of the year by similar events in the US, Mexico, China and India.

## ■ JUNE

### ■ CIE AUTOMOTIVE ADDED TO THE IBEX-35

CIE Automotive's shares were added to Spain's blue chip stock index, the IBEX-35, on 18 June.

### ■ INCREASE IN SHAREHOLDING IN MAHINDRA CIE

Acquisition of an additional 5% interest in group subsidiary, Mahindra CIE Automotive Ltd.

### ■ \$150 MILLION LOAN TO FUND GROWTH IN NORTH AMERICA

CIE Automotive arranged a \$150 million loan with IFC and EDF to fund growth plans for Mexico.

### ■ FUNDING FOR INNOVATION EFFORT IN EUROPE

The EIB extended CIE Automotive a €80 million loan to finance its R&D strategy.

### ■ APPROVAL OF THE NEW CORPORATE SOCIAL RESPONSIBILITY PLAN

Board approval for a new CSR Plan for 2019-2020, designed to standardise and embed environmental, social and governance criteria across the group.

## ■ JULY

### ■ CIE AUTOMOTIVE EXITS DOMINION'S SHAREHOLDER RANKS

CIE Automotive exited Dominion in July, as had been foreshadowed, by delivering its shareholders 0.65709 Dominion shares for every CIE Automotive share they held.

### ■ NEW SUPPLIER PORTAL

Launch of a new online and free-to-use platform designed to facilitate engagement with suppliers. The platform is scheduled to be global in reach by the end of 2019.

## ■ SEPTEMBER

### ■ PURCHASE OF INTEVA'S ROOFING SYSTEM DIVISION

CIE Automotive agreed the acquisition of the world third-largest roofing system maker, a division of Inteva, for \$755 million (€650 million).

### ■ FIRST COMMERCIAL PAPER PROGRAMME TO FINANCE WORKING CAPITAL

First notes placed under the company's new €200 million commercial paper programme, listed on the Irish Stock Exchange.

## ■ DECEMBER

### ■ STRATEGIC ALLIANCE WITH SAVE THE CHILDREN

Execution of the first community project at the corporate level: a collaborative agreement with Save the Children for the provision of training support to youths in Mexico.

## 2. We are driven by Results

### 2.3. CIE Automotive's share price performance



#### WE HAVE ARRIVED IN THE IBEX-35 TO STAY

*In 2018, CIE Automotive was promoted to the IBEX-35 index. Its entry into the blue chip index is a testament to the company's history of profitable growth. It will inject liquidity and visibility into the stock, particularly vis-a-vis international investors. By the same token, it implies additional share price volatility, which took a toll during the second half, and, compounded with exogenous sector-specific and macroeconomic factors, hurt the share price, despite the fact that the company had made good on all its guidance. The market also discounted the exit from Dominion, articulated by an in-kind dividend.*

CIE Automotive's shares have been trading as part of the IBEX-35 index since 18 July. It is the only company from the only automotive sector in the index.

Despite the recognition implied by making it into this index, the company's healthy earnings performance and the upward revision of its guidance, CIE Automotive's shares ended the year virtually flat (0.3%), after adjusting for the effect of the extraordinary distribution of the company's shares in Dominion. At year-end 2018, the company's market capitalisation stood at €2.77 billion.

The share's performance last year (flat) is attributable to several factors. On the one hand, the stock's inclusion in the IBEX-35 had the effect of increasing share price volatility at a time of sector turbulence on account of new emission standards, the market slowdown, profit warnings, etc. On the other, the deterioration in macroeconomic conditions and other tensions of a geopolitical nature, which are weighing on the global markets, such as the fear of

protectionist measures from the US, the threat of a trade war between the US and China, and the stalled Brexit negotiations, among other factors.

At any rate, the fact that CIE Automotive's share price did not correct was laudable considering the fact that the IBEX-35 lost 15% and the Stoxx Europe 600 Automobiles & Parts corrected by 28%.

The OEMs included in the Stoxx Auto saw their share prices correct by 19% on average in 2018 (vs. 0% at CIE Automotive), while the SUPPLIERS included in that same index saw 45% wiped off their market caps on average.

*«The share price did not reflect the company's fundamentals or its excellent performance.»*

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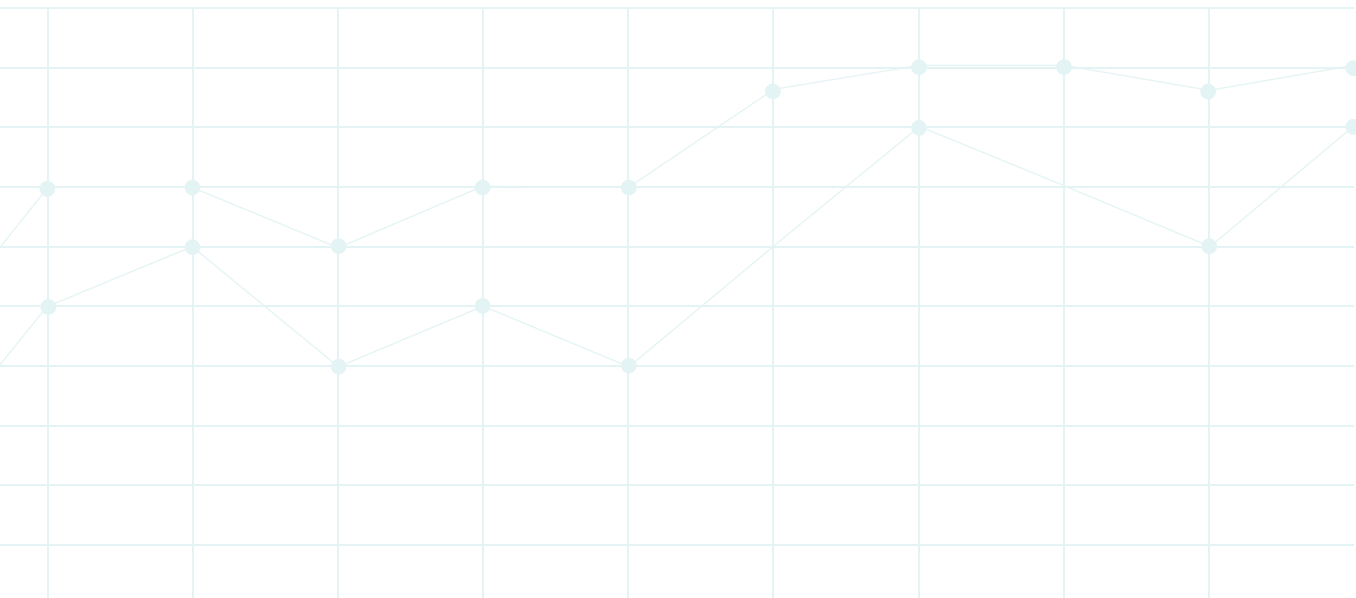
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## CIE AUTOMOTIVE'S STOCK MARKET INDICATORS

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	2016	2017	2018
Number of shares at year-end	129,000,000	129,000,000	129,000,000
Share price at year-end (€)	18.52	24.21	21.44
Pro forma share price at year-end (€)*	16.46	21.37	21.44
Market capitalisation at year-end (€ million)	2,388.4	3,123.1	2,765.8
Average trading volume	59,065	59,318	87,149
Dividends paid (€ million)	42.6	52.9	72.1 (before the in-kind dividend)
Payout** (%)	32%	33%	33%
Earnings per share (€)	1.00	1.26	1.67
P/E multiple***	15.4	14.7	14.5

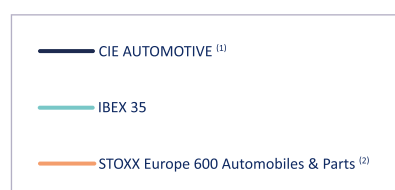
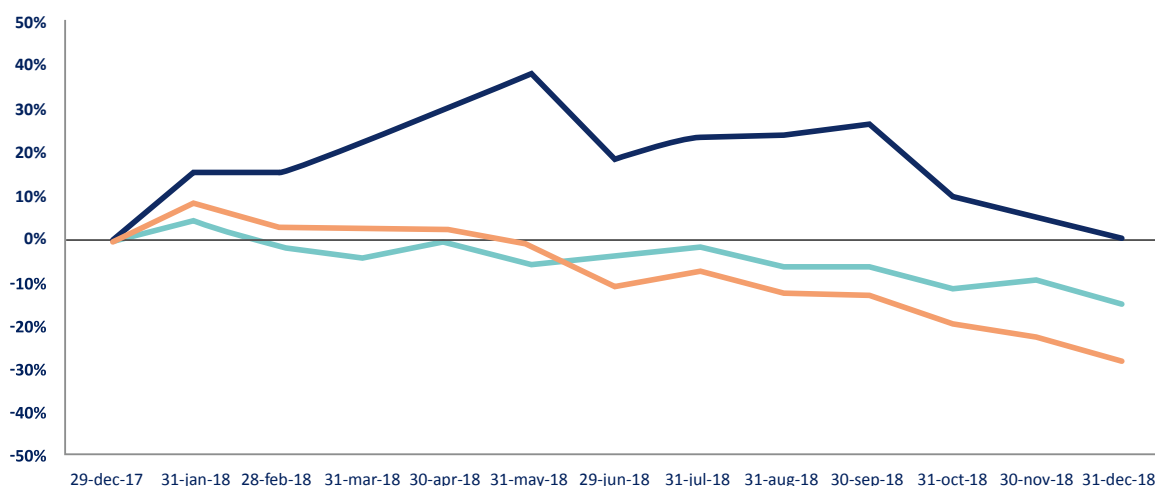
(\*) Share price adjusted for the in-kind dividend consisting of the distribution of the company's shares in Dominion.

(\*\*) Payout: percentage of profit paid out to shareholders

(\*\*\*) P/E multiple: ratio between share price and EPS

## SHARE PRICE PERFORMANCE

(comparison with the IBEX-35 and the STOXX Europe 600 Automobiles & Parts)



(1) Share price adjusted for the in-kind dividend consisting of the distribution of the company's shares in Dominion.

(2) STOXX Europe 600 Automobiles & Parts is composed of: OEMS: BMW ST, Daimler, Ferrari NV, Fiat, Peugeot, Porsche, Renault, and Volkswagen. SUPPLIERS: Faurecia, Michelin, Nokian, Plastic Omnium, Rheinmetall, Schaeffler, Valeo.

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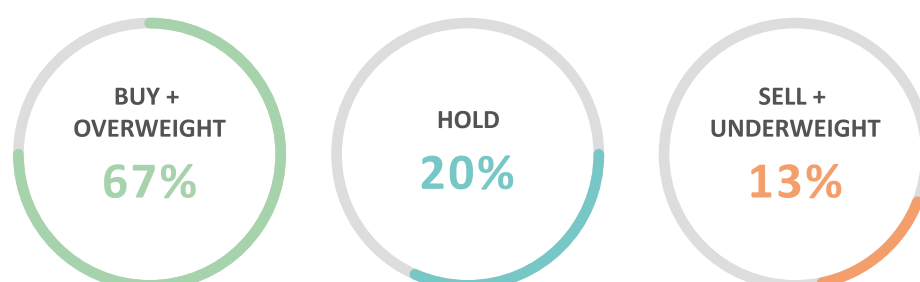
## ABOUT THIS REPORT

Looking to 2019, despite the lingering macroeconomic and geopolitical uncertainties that could still take a toll, CIE Automotive believes that its shares will return to the gains notched up in recent years thanks to the combination of several tailwinds:

- **Growth and profitability on track** for delivery of the company's strategic targets; in 2020 that guidance calls for significant outperformance in organic growth relative to the global market in 2016-2020, accompanied by considerable margin expansion: an EBITDA margin of over 18% and an EBIT margin of over 14% for €300 million of net profit in 2020.
- **The acquisition of Inteva's roofing system division**, which will add around \$1 billion to the topline, in a market niche expected to grow by more than 7% in the coming years.
- **The growth forecast for the Indian market** (6% in 2019 and up to double-digit growth in successive years), where CIE Automotive has reinforced its position by lifting its stake in Mahindra CIE by 5% to 56%.
- **The deal reached between the US, Mexico and Canada**, which reinforces the local production and supply mix in North America.
- **The recovery of the Brazilian market**, where CIE Automotive is a renowned player, should translate into compelling profits for the group.

At the end of 2018, most of the research firms covering the stock had reiterated their buy recommendations with an average target price of €28.74.

### RECOMMENDATIONS



## ■ Dividends

CIE Automotive paid out €72.1 million in cash dividends from 2017 profits, up 37% year-on-year. In addition, it distributed its shares in Dominion to its shareholders.

The cash dividend was paid out in two instalments: an interim division of €0.28 per share on 5 January and a final dividend of the same amount on 3 July.

That second cash dividend was used to pay the personal income tax withholdings corresponding to the distribution of shares of Dominion.

*«The company paid out €72.1 million in cash divisions, growth of 37% year-on-year.»*

## CIE Automotive exited Dominion's shareholder ranks by distributing its shares in that subsidiary to its shareholders

One of the developments with the biggest impact on the company's share price last year was the exit from Dominion. The transfer to its shareholders of its shareholding in its Smart Innovation subsidiary, in the form of a special in-kind dividend, was approved at the Annual General Meeting on 24 April.

The company distributed a total of 84.7 million Dominion shares (50.01% of the total), equivalent to 0.65709 Dominion shares for every CIE Automotive share.

By the time it exited Dominion, CIE Automotive had contributed significantly to the consolidation of this subsidiary, whose shares have been publicly traded since April 2017.

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## ■ Mahindra CIE's share price performance on the two main exchanges of India

The Mahindra CIE (MCIE) stock is listed on the two main exchanges of India: the National Stock Exchange of India Limited (NSE), whose main index is the CNX Nifty 50, and the BSE Limited (BSE), whose main index is the S&P BSE Sensex.

In 2018, 130,973,618 shares of MCIE, with an effective turnover of INR 33.305 billion were traded. The share price ranged from the low reached at INR 199.2 (BSE) to a high of INR 302 (NSE).

During the calendar year 2018, the CNX Nifty 50 ended the year with an increase of 5.9% and the S&P

BSE Sensex with an increase of 3.2%. On the other hand, the S&P BSE AUTO Index has fallen by 22.1% while the NIFTY AUTO Index has fallen by 23.1% in 2018. The stocks of companies in the automotive and auto components space have been affected because of the credit crisis and resultant slowdown in sales. In this milieu, the MCIE share price has remained stable at -0.4%.

At all times, the main research firms covering MCIE have reiterated their recommendation to buy while periodically revising the target price, confirming their confidence in the company.

### KEY DATA RELATED TO THE MCIE STOCK'S BEHAVIOR ON THE STOCK EXCHANGES

	2016	2017	2018
Number of shares by 31/12 (in Millions)	378.1	378.4	378.8
Closing Share price on 31/12 (INR) on BSE	183.5	257.8	253.5
Closing Share price on 31/12 (INR) on NSE	183.8	258.2	257.0
Year Max. on BSE	256.0	270.1	301.8
Year minimum on BSE	156.9	181.1	199.2
Capitalization 31/12 (INR Million) on BSE	69,379	97,525	96,002
Average trading volume* (BSE)	35,916	58,273	75,674
Average trading volume* (NSE)	197,948	197,188	456,739

	2016	2017	2018
Earnings per share (in INR)	4.99	9.46	14.48
PER (**)	36.8	27.3	17.0

(\*) Trading volumes calculated by reducing the 52 weekends and declared trading holidays from 365 days in that year.

(\*\*) PER: relationship between share price and profit. For 2018, it has been considered the EPS for continued operations only.

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### 3. We are driven by our Identity

*Because we are and want to remain a benchmark player in the automotive components sector, endorsed by the OEMs and the market for our excellence and reliability. Because we are a group that is constantly evolving, capable of imagining, shaping and anticipating the vehicle of the future. A company that embraces the interests of all of the people who, in so many ways, help us to be who we are.*

#### 3.1 Mission, vision and values [103-1, 103-2, 103-3]



##### WE ARE COMMITTED TO EXCELLENCE

##### MISION [102-16]

CIE Automotive supplies components and subassemblies to the global automotive market using complementary technologies and a range of associated processes.

We are growing steadily and profitably with the aim of positioning ourselves as a benchmark partner by meeting our customers' needs through innovative, competitive, end-to-end, high value-added solutions.

**We seek excellence through the following commitments:**

- ▶ Continuous improvement of processes and efficient management.
- ▶ Encouraging participation, involvement and motivated teamwork in a pleasant, safe work environment.
- ▶ Transparency and integrity in everything we do.
- ▶ Respect for the environment and a commitment to improving our environmental record.



##### VISION

We aspire to being a benchmark industrial group specialised in managing highly value-added processes.

**We strive to be the paradigm of a socially-responsible company through our commitment to:**

- ▶ People and their fundamental rights.
- ▶ The environment, fostering initiatives which translate into greater environmental responsibility.
- ▶ Value creation.
- ▶ Stakeholder collaboration.
- ▶ Management excellence.

**We aim to be:**

- ▶ A standard-bearer within the value chain for quality, technology and service.
- ▶ A benchmark in eco-innovation and eco-design.

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## VALUES

### At CIE Automotive we attach importance to people:

- ▶ Respecting their fundamental rights.
- ▶ Providing them with fair working conditions.
- ▶ Fostering their initiative, creativity and originality, their engagement and teamwork, their ability to deliver objectives and add value and their openness to change and continuous improvement.

### At CIE Automotive we attach importance to the environment:

- ▶ Taking a preventative approach.
- ▶ Working to minimise any adverse impact.

### At CIE Automotive we attach importance to transparency:

- ▶ Promoting responsibility, integrity and commitment to a job well done.
- ▶ Disclosing in a clear manner all information of relevance to our activities so that it is known and understood.

### At CIE Automotive we attach importance to our stakeholders:

- ▶ Promoting honest relations.
- ▶ Respecting their rights.

### At CIE Automotive we attach importance to compliance:

- ▶ Upholding Spanish and international law.

## CORPORATE POLICIES

CIE Automotive has developed a body of **corporate policies**, which were formulated by the various responsible departments and approved by the Board of Directors in December 2015 and then revised in 2018. They are binding upon all member of the organisation.

### • Corporate social responsibility (CSR)

- ▶ Corporate social responsibility.
- ▶ Purchasing.
- ▶ Supplier CSR commitment.
- ▶ Human rights.
- ▶ Anti-corruption and fraud.
- ▶ Social action.

### • Governance

- ▶ Internal control over financial reporting (ICFR).
- ▶ Risk control and management.
- ▶ Corporate governance.
- ▶ Director remuneration.
- ▶ Tax policy.
- ▶ Information and Communication to shareholders and markets.
- ▶ Shareholder remuneration policy.
- ▶ Policy for the selection of candidates for director and diversity on the Board of Directors.
- ▶ Hiring policy and relations with the auditor of accounts.

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# 3. We are driven by our Identity

## 3.2 Business model



**DIVERSIFICATION AND FINANCIAL DISCIPLINE ARE OUR KEY SUCCESS DRIVERS [102-2, 102-4, 102-6]**

CIE Automotive's business model is based on five cornerstones: multiple locations, customer diversification, a multi-technology approach, financial discipline and decentralised management. These singular traits pave the way for optimal customer service and sustained profitable growth, even in times of crisis.

### CORNERSTONES OF THE BUSINESS MODEL

#### ▶ MULTIPLE LOCATIONS

98 manufacturing facilities | 90 locations | 17 countries | 7 research centres

#### ▶ CUSTOMER DIVERSIFICATION

60% OEMs (Automobile manufacturers) | 40% TIER-1 suppliers

#### ▶ MULTI-TECHNOLOGY

7 technologies:  
Machining | Metal stamping and tube forming | Forging | Plastic | Aluminium injection | Roof systems | Casting

#### ▶ DISCIPLINED INVESTING

Facility quality and flexibility | High returns | EBITDA-to-cash conversion of over 55%

#### ▶ DECENTRALISED MANAGEMENT

6 geographic areas | 1 cross-cutting network structure

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## ■ Multiple locations [102-4, 102-45]

The Group locates its manufacturing facilities close to the car assembly plants distributed all over the world. At year-end 2018, it had 98 manufacturing facilities in 90 locations within the leading automotive markets, as well as seven technology centres.

*«We manufacture alongside our customers.»*

	TOTAL	MACHINING <sup>(2)</sup>	STAMPING <sup>(3)</sup>	FORGING <sup>(4)</sup>	PLASTIC <sup>(5)</sup>	ALUMINIUM <sup>(6)</sup>	ROOF SYSTEMS	CASTING
<b>Europe <sup>(1)</sup></b>	42	15	5	7	5	7	3	0
<b>North America</b>	17	5	5	2	3	1	1	0
<b>Brazil</b>	16	3	4	1	6	1	0	1
<b>Asia (India &amp; China)</b>	23	3	6	8	3	0	1	2
	98	26	20	18	17	9	5	3

**(1)** Includes the CIE Maroc factory in Morocco and the CIE Automotive Rus factory in Russia.

**(2)** Includes five multi-technology factories (CIE Amaya, CIE Denat, CIE Autocom, CIE Automotive Parts Shanghai and CIE Autoforjas).

**(3)** Includes three multi-technology factories (CIE Celaya, CIE Automotive Parts Shanghai and CIE Autometal Diadema).

**(4)** Includes one multi-technology factory (CIE Autoforjas).

**(5)** Includes two multi-technology factories (CIE Autometal Diadema and CIE Automotive Parts Shanghai), as well as two facilities in India and one in the US that use composites technology.

**(6)** Includes four multi-technology factories (CIE Amaya, CIE Denat, CIE Autocom and CIE Celaya).

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### NORTH AMERICA

The company has 17 manufacturing facilities in Mexico (12) and the US (5), which service the light vehicle market in North America and, to a lesser extent, the Brazilian, European and Asian markets. These factories are the most profitable in the Group and these markets' growth potential is among the highest in the world.

### BRAZIL

With 16 manufacturing facilities, CIE Automotive is one of Brazil's best-known players. This economy is making up the ground lost during the crisis and presents very significant upside.

### EUROPE

Europe is home to the highest number of CIE Automotive manufacturing facilities: 42 in 12 countries (including the company's factories in Russia and Morocco). The European facilities stand out for their specialisation, process automation and strategic commitment to innovation.

### ASIA

The company is present in the two Asian giants: India, one of the region's highest potential markets, and China, the world's largest vehicle producer. CIE Automotive is present in India through its joint venture, Mahindra CIE, created in the wake of the strategic alliance forged with India's Mahindra&Mahindra. In China, the company has its own direct facilities as well as an alliance with a local partner, Donghua Automotive (SAIC Group). It currently has 23 manufacturing facilities: 18 in India and 5 in China.

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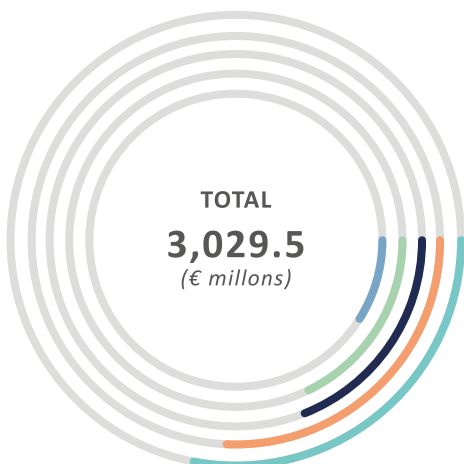
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For further details, please consult CIE Automotive's Consolidated Financial Statements for the year ended 31 December 2018 or the group's corporate website.

## REVENUE MIX BY REGION

(€ million)	Revenue
Europe	844.6
MCIE Europe	557.7
North America	763.3
Brazil	323.6
Asia	540.3
<b>TOTAL</b>	<b>3,029.5</b>



EUROPE	27.9%
NORTH AMERICA	25.2%
MCIE EUROPE	18.4%
ASIA	17.8%
BRAZIL	10.7%

## Customer diversification

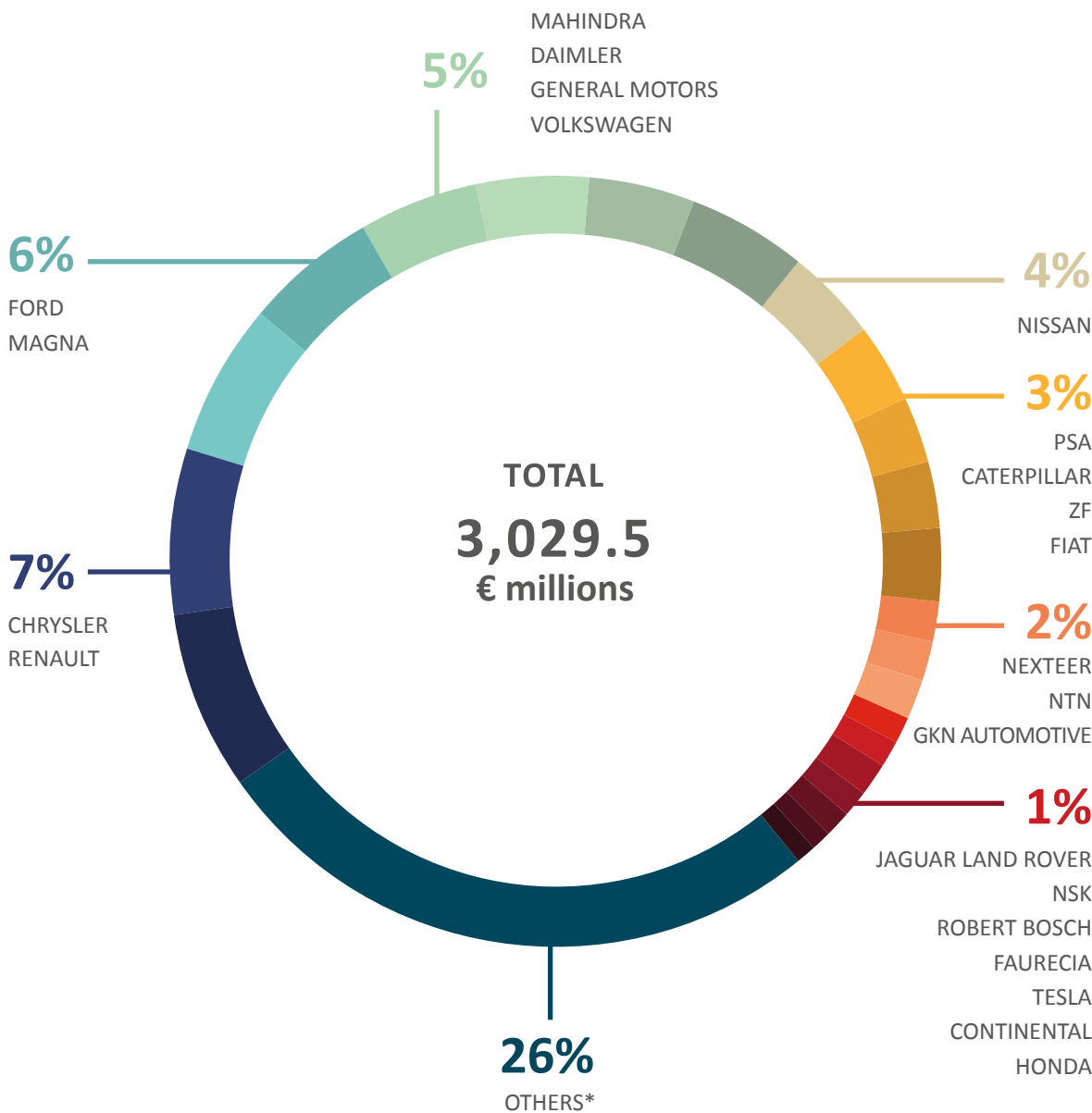
CIE Automotive's customer portfolio is split between vehicle original equipment makers (OEMs) and TIER-1 suppliers.

It is a highly diversified portfolio of well-known names. No single customer accounts for more than 10% of revenue, which puts the company in a position of strength when negotiating prices.

The company does not depend on any single platform or car model, ensuring an advantage in times of crisis.

*«None of our customers represents more than 10% of sales revenue.»*

### REVENUE MIX BY CUSTOMER



\*OTHERS: JTEKT, DAF, TATA, MAN, AAM, BMW, SCHAEFFLER GROUP, THYSSEN KRUPP, ACI Y DACIA, TRW, KS KOLBENSCHMIDT, AUDI, MARUTI – SUZUKI, BROSE, HYUNDAI-KIA, OPEL, SCANIA, LEAR,...

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## ■ Multi-technology [102-2]

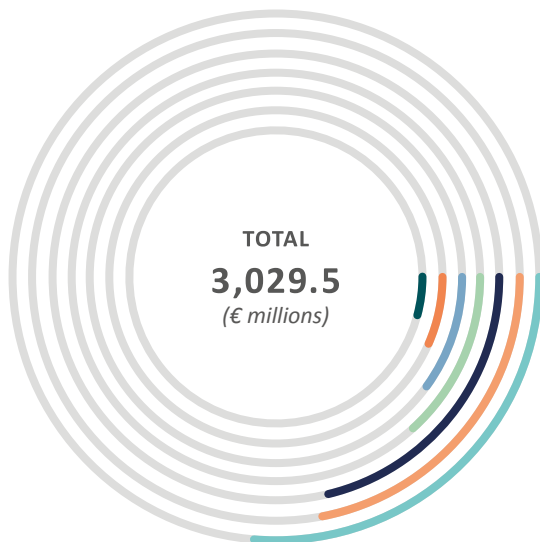
CIE Automotive can draw on seven different kinds of technology to make over 6,500 part SKUs. That enables the company to offer a given component or subassembly using different technologies and to invest in prevailing techniques.

*«We are capable of making a given component or subassembly using different technologies.»*

### REVENUE MIX BY TECHNOLOGY

TECHNOLOGY	Revenue (€ million)
Forging	821.0
Machining	703.6
Metal stamping and tube shaping	673.0
Plastics	384.3
Aluminium	295.5
Roof systems	133.1
Casting	116.2

Note: Includes €97.2 million of intercompany sales.



■ FORGING	26.3%
■ MACHINING	22.5%
■ METAL STAMPING AND TUBE SHAPING	21.5%
■ PLASTICS	12.3%
■ ALUMINIUM	9.5%
■ ROOF SYSTEMS	4.3%
■ CASTING	3.7%

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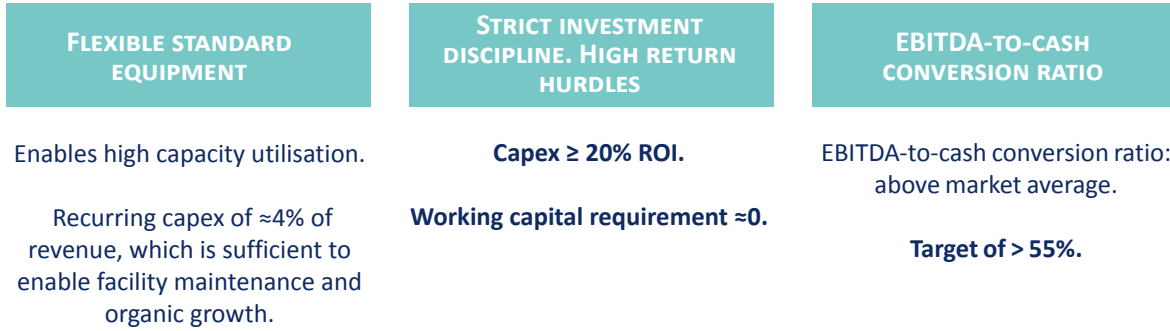
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## ■ FINANCIAL DISCIPLINE

Every year, the Group invests sizeable sums in increasing its production capacity. Those investments must meet three conditions: (i) flexible equipment that is valid for multiple customers and platforms; (ii) high returns on investment; and (iii) EBITDA-to-cash conversion of over 55%.

### PILLARS OF FINANCIAL DISCIPLINE STRATEGY



## ■ Decentralised management

*«Decentralised decision-making allows us to respond quickly to emerging market trends.»*

To compete in the global marketplace with the necessary flexibility, the company is managed decentrally with six geographic areas which make decisions with the support of the Corporate Areas and Network Services vested with Group-wide powers.

*(For more information, refer to section 6.2 Governance bodies - Management Board).*



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### 3. We are driven by our Identity

## 3.3. Stakeholder engagement

[102-17, 102-40, 102-42, 102-43]



CIE Automotive has identified nine groups of stakeholders that interact with the company and are affected directly or indirectly by its business activities: shareholders, professionals, customers, business partners, suppliers, society, public authorities, the automotive sector and financiers.

#### STAKEHOLDER GROUPS

##### SHAREHOLDERS

- ✓ The company generates value for its shareholders by increasing the company's value and the dividends they receive every year.
- ✓ It provides transparent, accurate and timely information to the investment community.
- ✓ It earns the market's trust.

##### PROFESSIONALS

- ✓ The company provides decent work in all its business markets and the training needed so its professionals can do their jobs.
- ✓ It protects employee well-being in a safe and healthy workplace.
- ✓ It facilitates collective bargaining.
- ✓ It promotes respect for human rights with an emphasis on more vulnerable markets.

##### CUSTOMERS

- ✓ The company is strategically committed to innovation to meet customers' demands.
- ✓ It guarantees the quality and safety of its products.
- ✓ It fine-tunes the supply chain continually.
- ✓ It manages its resources efficiently in order to contain prices.

##### BUSINESS PARTNERS

- ✓ The strategic alliances with Mahindra&Mahindra, Ltd. in India and Donghua Automotive Industrial (SAIC Group) in China bring enhanced knowledge of and adaptation to the local market.

##### SUPPLIERS

- ✓ The company guarantees its suppliers are given equal opportunities.
- ✓ It promotes transparency and optimal pricing.
- ✓ It provides fair payment terms.
- ✓ It reaches out to its supplies as part of its effort to deliver customer satisfaction.

##### SOCIETY

- ✓ The company drives development through its activities in its operating markets.
- ✓ It finances community work targeted at the least privileged.
- ✓ It helps make safer and more comfortable and environmentally-friendly cars.

##### PUBLIC AUTHORITIES

- ✓ The company works with the authorities in its business communities to improve various services.
- ✓ It implements their requirements at its facilities, cooperating lawfully and transparently.

##### SECTOR

- ✓ The company participates actively, holding positions of prominence, in several business associations in Spain and Europe.

##### FINANCIERS

- ✓ The company negotiates the best possible conditions on the basis of investment requirements and prevailing market conditions.

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Its stakeholder relations are framed by the 2015-2018 Corporate Social Responsibility Strategic Plan, which sets down the lines of initiative to be pursued and the channels for communicating with each.

### CORPORATE WEBSITE

The corporate website [www.cieautomotive.com](http://www.cieautomotive.com) provides relevant information about the company: in addition to information about possible jobs in the dedicated human resources tab, the supplier tab provides access to the new Suppliers Portal. There is also a 'Press Centre' with all of the company's press releases and an extensive investors and shareholders tab containing all the documentation required under securities market regulations (CNMV Circular 3/2015).

### MAILING ADDRESS

Any stakeholder so wishing may also write to the department in question at the following address:

AIC - Automotive Intelligence Center, Parque Empresarial Boroa, Parcela 2A -4, 48340 Amorebieta (Bizkaia), Spain.

To report anything of concern using the whistle-blowing channel, stakeholders may write to the Compliance Department at the following address **[102-17]**:

Alameda Mazarredo 69, 8º. 48009 Bilbao (Bizkaia), Spain.

### SPECIFIC CONTACTS FOR EACH STAKEHOLDER GROUP

**CSR and Society: Susana Molinuevo**  
[csr@cieautomotive.com](mailto:csr@cieautomotive.com)

**Professionals: Javier Álvarez**  
[hr@cieautomotive.com](mailto:hr@cieautomotive.com)

**Investor relations and business partners: Lorea Aristizabal**  
[ir@cieautomotive.com](mailto:ir@cieautomotive.com)

**Customers and sector: Mikel Orbegozo**  
[sales@cieautomotive.com](mailto:sales@cieautomotive.com)

**Supply chain: Irache Pardo**  
[purchasing@cieautomotive.com](mailto:purchasing@cieautomotive.com)

**Financiers: Irache Pardo**  
[financierocie@cieautomotive.com](mailto:financierocie@cieautomotive.com)

**Public authorities:**  
[compliance@cieautomotive.com](mailto:compliance@cieautomotive.com)

### WHISTLE-BLOWING CHANNEL

Anyone can notify unethical conduct or breaches of the company's business ethics or any of the matters stipulated in CIE Automotive's Code of Conduct through this channel. **[102-17]**

**Whistle-blowing channel e-mail inbox:**  
[whistleblowerchannel@cieautomotive.com](mailto:whistleblowerchannel@cieautomotive.com)

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## ■ Materiality assessment

[102-21, 102-31, 102-44, 102-46, 102-47, 103-1, 103-2, 103-3]

In publishing this Annual Report, CIE Automotive is attempting to report to all of its stakeholders on the environmental, social and governance topics they view as relevant. To this end, in 2017, the company conducted a materiality assessment to identify which topics are most important to the company and to its stakeholders. To help it, it engaged an independent expert (Deloitte), and consulted with internal and external sources.

### METHODOLOGY

The materiality assessment was conducted in two phases:

#### ● PHASE 1:

**External and internal analysis of the burning issues in the ESG arena**

During this first phase, the goal was to determine the ESG matters of greatest relevance to CIE Automotive and its stakeholders.

Externally, the analysis encompassed the hot topics in the media, best practices in the sector, the demands being made by the company's key customers and a review of the Sustainable Development Goals (SDGs) and the updated version of the GRI standards.

Internally, the analysis addressed progress on the 2016-2020 Business Plan, the Code of Conduct, the firm's anti-corruption and fraud, and risk and control management policies and the documentation pertaining to management of the supply chain.

#### ● PHASE 2:

**Prioritisation of the issues identified as relevant**

In order to prioritise the issues objectively, a weighted count was made of the number of times the issues of relevance to stakeholders were reported about externally; internally, CIE Automotive organised a workshop attended by the directors and managers of the European factories and members of the Cross-Group CSR Committee to evaluate the issues identified during phase 1. Twenty-one topics of interest were rated on two scales: the importance to CIE Automotive and the extent to which the issue is currently being managed.

These two phases of work enabled the formulation of a materiality matrix which highlights in the upper right hand quadrant the matters of greatest importance to CIE Automotive.

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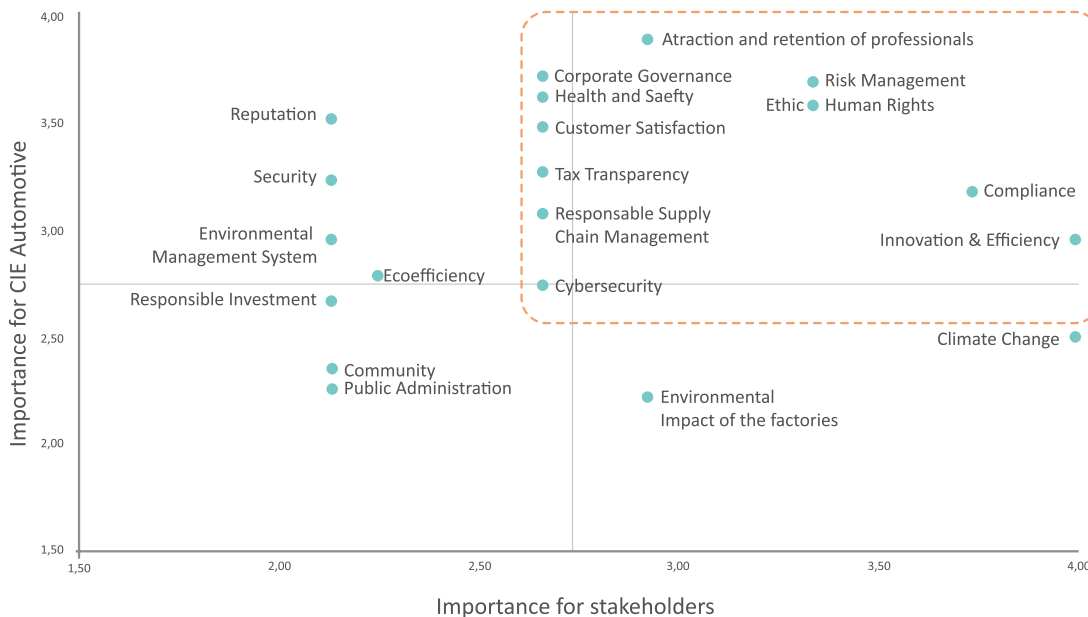
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## 2017 MATERIALITY MATRIX



## GLOBAL ROLLOUT OF THE CSR WORKSHOPS [205-2]

In 2018, the company complemented that analysis thanks to new CSR workshops attended by 140 executives and managers from the Brazilian, Indian, Chinese, North American and Mexican plants, which enabled it to broaden its vision of the issues of greatest concern in each country.

The workshop agendas were articulated around management of CIE Automotive’s expectations and

needs with respect to its stakeholders (shareholders, customers, business partners, society, public authorities, the automotive sector and CIE Automotive’s professionals). Materiality determination processes were also conducted to identify which environmental, social and governance (ESG) criteria worry the organisation the most and understand how those issues are being managed in each of the countries mentioned.



USA



CHINA



BRAZIL



MEXICO



INDIA

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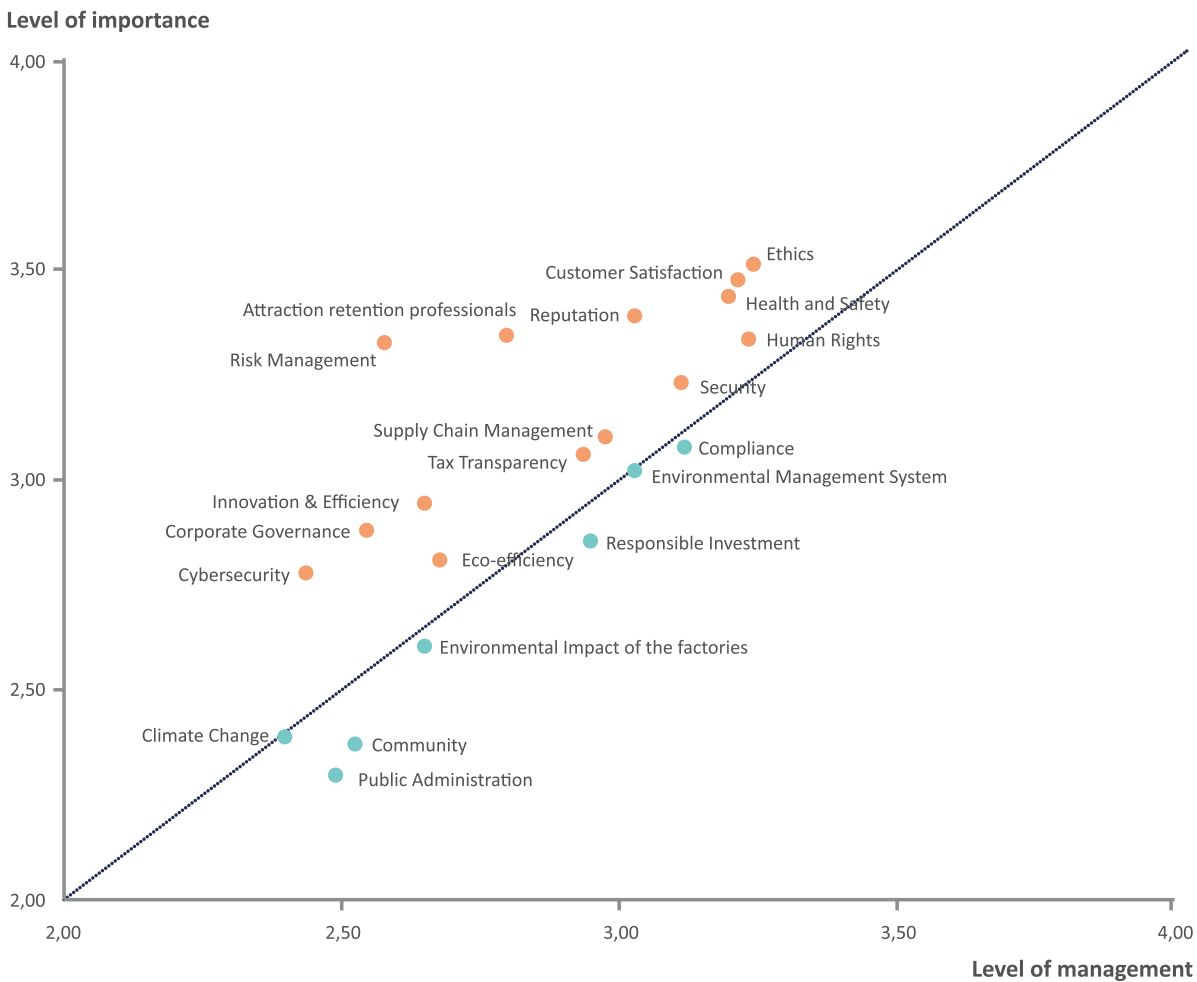
That analysis revealed that all of the countries have concerns in common, such as customer satisfaction, ethics, risk management, supply chain management, respect for human rights, workplace health and safety and reputation. The factory managers see these aspects are important enough to warrant greater attention than they are currently receiving.

To manage all of these aspects, the importance of the reliability and thoroughness of the information (financial and non-financial) reported by the plants was emphasised.

Participants were given a tour of the corporate website to stress the ready availability of the company's codes of conduct and ethics and all other information of potential relevance to stakeholders.

Lastly, the company took advantage of the workshops to reiterate the importance of complying with the Code of Conduct and to remind everyone of the existence of a whistle-blowing channel which can be used by anyone in the organisation to report any perceived breach of CIE Automotive's rules of business.

### 2018 MATERIALITY MATRIX



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Below is a list of the most relevant GRI indicators that will be addressed in this Annual Report on the basis of the results of the materiality assessment.

## MATERIAL TOPICS

GRI	Contents	Correspondence with the Materiality	Section
<b>GRI 102</b> <hr/> General disclosures	<b>102-2</b> Activities, brands, products, and services	Innovation and efficiency	5.5 Innovation and technology
	<b>102-8</b> Information on employees and other workers	Attracting and retaining talent	5.3 The team
	<b>102-16</b> Values, principles, standards and norms of behaviour	Ethics	3.1 Mission, vision and values 6.3 Business ethics
	<b>102-17</b> Mechanisms for advice and concerns about ethics	Ethics	6.3 Business ethics
	<b>102-18</b> Governance structure	Corporate governance	5.1 CSR Management 6.2 Governance bodies
	<b>102-30</b> Effectiveness of risk management processes	Risk management	6.4 Risk management
	<b>102-42</b> Identifying and selecting stakeholders	Customer satisfaction	3.3 Stakeholder engagement
	<b>102-43</b> Approach to stakeholder engagement	Customer satisfaction	3.3 Stakeholder engagement
<b>102-47</b> List of material topics	N/A	3.3 Stakeholder engagement	
<b>GRI 201</b> <hr/> Economic performance	<b>201-1</b> Direct economic value generated and distributed	Tax transparency	2.1 2018 in review
<b>GRI 202</b> <hr/> Market presence	<b>202-1</b> Ratios of standard entry level wage by gender compared to local minimum wage	Attracting and retaining talent	5.3 The team
<b>GRI 204</b> <hr/> Procurement practices	<b>204-1</b> Proportion of spending on local suppliers	Responsible supply chain management	5.6 Suppliers

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<b>GRI 205</b> Anti-corruption	<b>205-2</b> Communication and training on anti-corruption policies and procedures <b>205-3</b> Confirmed incidents of corruption and actions taken	Ethics Ethics	6.3 Business ethics 6.4 Risk management 6.3 Business ethics
<b>GRI 302</b> Energy	<b>302-1</b> Energy consumption within the organisation	Climate change	5.7 Environmental disclosures
<b>GRI 307</b> Environmental compliance	<b>307-1</b> Non-compliance with environmental laws	Compliance	5.7 Environmental disclosures 6.1 Corporate governance principles
<b>GRI 308</b> Supplier environmental assessment	<b>308-1</b> New suppliers that were screened using environmental criteria	Responsible supply chain management	5.6 Suppliers
<b>GRI 401</b> Employment	<b>401-1</b> New employee hires and employee turnover	Attracting and retaining talent	5.3 The team
<b>GRI 403</b> Occupational health and safety	<b>403-2</b> Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health & safety	5.3 The team
<b>GRI 404</b> Training and education	<b>401-1</b> Average hours of training per year and per employee <b>404-2</b> Programmes for upgrading employee skills and transition assistance programmes	Attracting and retaining talent	5.3 The team
<b>GRI 412</b> Human rights assessment	<b>412-1</b> Operations that have been subject to human rights reviews or impact assessments <b>412-2</b> Employee training on human rights policies or procedures	Human rights Human rights	5.3 The team 5.1 CSR management 5.3 The team
<b>GRI 414</b> Supplier social assessment	<b>414-1</b> New suppliers that were screened using social criteria	Responsible supply chain management	5.6 Supply chain
<b>GRI 419</b> Socioeconomic compliance	<b>419-1</b> Non-compliance with laws and regulations in the social and economic area	Compliance	6.1 Corporate governance principles
The GRI standards do not have a specific indicator that fits with the topic addressed by CIE Automotive in its Annual Report.		Cybersecurity	6.4 Risk management

# 4. We are driven by our Strategy

- 4.1 Market environment and trends
- 4.2 2016-2020 Business Plan
- 4.3 CSR Strategy

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## 4. We are driven by our Strategy

*Because we are convinced that in order to achieve great things we need to set ambitious targets and work day in and day out to meet them. Those who know us know that we never let our profit standards drop, not even in times of crisis. In 2018 we had to overcome many obstacles but we managed to stay on track for delivery of our strategic objectives.*

### 4.1 Market environment and trends



#### THE AUTOMOTIVE SECTOR EXPERIENCED A YEAR OF UNCERTAINTY

Uncertainty dominated the automotive market in 2018. In addition to adverse macroeconomic factors such as the slowdown in China, the market had to tackle challenges of a geopolitical nature, such as the US threat of tariffs on car imports, and of a legal nature, notably the new European emissions regulations. As a result, global production totalled 94.2 million vehicles, which is nearly 1 million fewer

than in 2017, while vehicle sales amounted to 93.6 million units, down half a million. In parallel, the carmakers continued to invest sizeable sums in electrification, in upgrading their conventional engines and in exhaust fume treatment technology. The extensive range of engines previously in existence in all segments narrowed significantly.

#### VEHICLE PRODUCTION\* WORLDWIDE

(millions of units)	2016	2017	2018
Europe	21.4	22.1	21.7
Greater China	27.4	28.0	27.0
Japan & Korea	12.9	13.3	13.2
North America	17.8	17.1	17.0
South America	2.8	3.3	3.4
India	4.2	4.5	4.8
Middle East/Africa	2.3	2.6	2.6
Rest of Asia	4.4	4.4	4.7
<b>Total</b>	<b>93.1</b>	<b>95.2</b>	<b>94.2</b>

(\* ) Vehicles weighing from 0 to 6 tonnes

Source: IHS Markit Automotive: sales and production report

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## VEHICLE SALES\* WORLDWIDE

(millions of units)	2016	2017	2018
Europe	19.7	20.5	20.4
Greater China	28.0	28.4	27.4
Japan & Korea	6.6	6.9	7.0
North America	21.1	20.8	20.7
South America	3.9	4.3	4.7
India	3.4	3.7	4.0
Middle East/Africa	4.8	4.7	4.5
Rest of Asia	4.6	4.9	5.1
<b>Total</b>	<b>92.2</b>	<b>94.1</b>	<b>93.6</b>

(\* ) Vehicles weighing from 0 to 6 tonnes  
Source: IHS Markit Automotive: sales and production report dated January 2019.

More specifically in the regions in which CIE Automotive operates, the key sector trends were the following:

### ■ Europe

*«The effectiveness of the new emission standards translated into heavily discounted sales in the third quarter and sharp corrections in production and sales in the fourth quarter.»*

2018 was marked by the new emission standards which took effect on 1 September. Introduction of the Worldwide Harmonised Light Vehicle Test procedure (WLTP) implies the need to certify each make of passenger and four-wheel drive car in real conditions in addition to the previous laboratory simulations, forcing the carmakers to incur new adaptation and certification costs.

In the market, the arrival of the new emission standards translated into sharp spikes in heavily discounted sales of non-compliant vehicles to offload stocks in July and August. From September on, production and sales slumped across the board. The fourth-quarter slump was also shaped by various news reports about future regulations and restrictions on internal combustion engines in different cities and countries.

All of that translated into a 1.5% drop in production in 2018. The outlook for 2019 is for more normal growth rates for a mature market: growth of output of between 0 and 1%.

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## ■ North America

*«After months of uncertainty, the US, Mexico and Canada reached a status quo agreement that eased the carmakers' fears.»*

The North American automotive market contracted slightly (-0.6%) in 2018. Production came in at around 17.0 million vehicles, shaped by slight growth (+0.5%) in the US, flat production in Mexico and a contraction of 7.5% in Canada.

Over the course of the year, Donald Trump's threats of slapping tariffs on imports of certain goods, including cars, and the trade war between China and the US, left the sector volatile.

In the end, the US, Mexico and Canada reached a new tariff pact known as the USMCA, which in theory foreshadows continuity and has eased the fears of the OEMs and parts makers located in Mexico. The detailed terms of this new deal have yet to be officially published.

## ■ Brazil

*«Brazil is making up for some of the ground lost during the crisis, registering production growth of 4% in 2018.»*

Brazil is making up some of the ground lost during the crisis. Production increased by 4% to 2.8 million vehicles and is expected to continue to register annual growth of between 5% and 8% in the coming years.

The South American giant grabbed the eighth spot in vehicle production away from Spain and presents excellent growth prospects thanks to trade deals in Latin America and with Europe.

## ■ Asia

*«India is expected to become the world's fourth-largest vehicle producer, after China, the US and Japan, by 2025.»*

Asia is set to dominate the automotive market in the years to come with high volumes and compelling growth.

India is one of the highest-potential markets. In 2018, production increased by 7% up to 4.8 million units. According to the experts, by 2025 this country is expected to be the fourth-largest vehicle producer after China, the US and Japan, with output of close to 8 million vehicles produced.

In China, currently the world's number-one vehicle producer, there were moments of heightened uncertainty due to tariff-mongering in the US as well as the restructuring of vehicle purchase incentives which may be having the effect of temporarily pushing back sales. As a result, production contracted by 3.5% to 27.0 million vehicles, compared to 28.0 million in 2017.



## Trends in the automotive sector:

### Shift towards hybrid and/or electric vehicles:

As emission standards are tightened and battery technology develops, electric vehicles are emerging as a significant driver of growth for the automotive sector. It is expected that in the years to come the automotive industry will invest heavily in developing models in this segment featuring new parts such as electric engines and batteries. There is huge upside, therefore, for the manufacture of parts associated with the gradual growth in vehicle hybridisation and electrification.

CIE Automotive is already supplying OEMs with parts for electric motors. For example, it supplies battery housing to Tesla and housing reducers to Renault and Nissan. This emerging trend is letting the company develop its product portfolio and leverage its mastery of a range of technologies to add next-generation, more profitable parts that meet its customers' demands.

### Growing incidence of outsourcing:

We expect the shift by our customers towards outsourcing to continue and even gain pace as they focus their manufacturing on the areas related with the new technologies.

CIE Automotive has been benefitting from this trend in recent years, gaining market share astutely. Going forward, CIE Automotive expects to continue to benefit from this trend.

### Growing focus on comfort:

Customers are increasingly looking for advanced features that enhance the driving experience in general; that trend is being boosted by the trend towards autonomous driving (the pleasure of driving will be replaced by the pleasure of comfort in the future). The OEMs are upgrading their trims in all ranges and are earmarking a growing percentage of total vehicle costs to their interiors.

The suppliers with advanced capabilities in the areas of design, materials and manufacturing science, coupled with the ability to offer a broad range of interior parts to the quality standards required by the OEMs, are set to benefit from these trends.

CIE Automotive's wide range of products for interiors and roofing systems positions it ideally to benefit from these trends. Note that CIE Automotive bought into this trend in 2019 when it acquired ACS; in 2018, it took this strategy a step further with the acquisition of Inteva's roofing system division, reinforcing its position in this segment.

### Reducing the weight of vehicles:

In order to comply with emerging environmental standards across their various business markets, the OEMs are increasingly focusing on reducing the weight of the vehicles they make and the associated emissions. Initially, this trend was more pronounced in Western Europe, where these standards have tended to be stricter than in other markets. However, this trend is taking hold in China, North America and other markets as regulatory and industry standards are tightened.

As a result, the technological know-how built up in Europe with respect to this light-weighting trend is increasingly in demand in other markets. Fuel economy improves significantly as vehicles are lightened. Thanks to its multi-technology approach, CIE Automotive offers customers an incomparable portfolio of products designed to reduce vehicle weight at competitive prices. For example, CIE Automotive is a leading developer of light-weight parts for chassis systems thanks to its stamping and tube shaping technology; these products help its customers meet their carbon emission targets.

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## 4. We are driven by our Strategy

### 4.2. 2016-2020 Business Plan



**OUR ORGANIC GROWTH WILL SIGNIFICANTLY OUTPACE OVERALL MARKET GROWTH**

In 2018 we raised the guidance contained in our 2016-2020 Business Plan upwards: during this period CIE Automotive expects its organic growth to exceed overall market growth, enabling it to multiply its 2015 net profit by a factor of 2.5 to €300 million in 2020.

#### 2016-2020 BUSINESS PLAN

	Starting point 2015	2016-2020 Business Plan Original targets	Current guidance 2020 TARGETS
<b>Growth</b>	-	2X mercado	~ 4X mercado
<b>EBITDA margin</b>	15.4%	> 17%	> 18%
<b>EBIT margin</b>	10.2%	~ 13.0%	> 14.0%
<b>NET PROFIT</b>	€118 million	x2	x2,5
<b>RONA*</b>	16%	> 20%	~ 23%
<b>Net debt/EBITDA**</b>	2.0x	~ 0.7x	~ 1.0x
<b>Operating cash flow generation***</b>	50%	~ 50%	~ 55%
<b>Annual capex</b>	7.5%	~ 7%	~ 7.5%

\*RONA (Return On Net Assets) = EBIT/(fixed assets + net working capital - goodwill not derived from cash flows).

\*\*Net debt = Bank and other borrowings less cash and cash equivalents - Other current and non current financial assets.

\*\*\*Operating cash flow generation = (EBITDA - finance costs - maintenance capex - tax) / EBITDA

The upward revision to the Business Plan in 2018 implies the following targets for 2020:

- Expansion of more than 200 basis points in profit margins in between 2018 and 2020.
- Profit-after-tax margin of over 10%.
- Net profit growth of approximately 50% in three years (2018-2020).
- Distribution of €400 million in dividends thanks to earnings momentum and the distribution of shares of Dominion.

**«Upward revision to guidance for 2020.»**

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## FOUNDATIONS OF THE 2016-2020 BUSINESS PLAN

- Customer, geographical and product/technology diversification.
- Strategic focus on process efficiency.
- Decentralisation and simplification of the chain of command. Lean structure.
- Long-term investment in human capital.
- Opportunistic M&A strategy without losing sight of the need to carefully select and closely control all types of investments.
- Industrial vocation with financial mentality.
- Reputation management.
- Progress on the digitalisation front towards factories 4.0.

## GROWTH DRIVERS IN 2018

- Strategic commitment to the higher potential regions and to R&D effort.
- Arrangement of new financing to fund growth.



### STRATEGIC COMMITMENT TO HIGHEST-POTENTIAL REGIONS

#### ■ North America (Mexico):

The group is stepping up its investments in this market which is set to benefit from the continuity implied by the agreement reached with the US and Canada in 2018, coupled with demand for vehicles from the rest of Latin America.

Among the greenfield projects executed in 2018, it is worth highlighting the new factory in Puebla (CIE Nugar Puebla), devoted to welding and assembling stamped parts.

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## ■ Brazil:

In this market, CIE Automotive has established itself as one of the key parts makers, having resisted the crisis and undertaken restructuring to put it in a privileged position for competing.

In 2018, it integrated the CIE Autometal Minas factory devoted to the injection moulding, chroming and painting of plastic parts.

## ■ Asia (India):

Since its alliance with Mahindra&Mahindra, Ltd., which gave rise to the Mahindra CIE conglomerate, one of CIE Automotive's top priorities has been to build its presence in India, where the growth potential is huge.

To this end, in 2018 it acquired an additional 5% of Mahindra CIE from its local partner, paying €60 million for this stake. In the wake of that transaction, CIE Automotive holds 56% of that conglomerate's shares.

## ■ Europe:

*«In Europe we are striving to be best-in-class in terms of know-how.»*

In Europe, the company remains strategically committed to value-added products and its R&D effort. This strategy is yielding excellent results in a market that is already mature.

During the year, the company launched its second crankshaft production lines at CIE LT Forge. The investment in this factory, located in Marijampole (Lithuania), amounted to €8 million. The new line will triple its production capacity to 1.5 million units a year.

In addition to it, there was also an expansion of the fuel rail lines for petrol engines in Spain (CIE Norma), and an investment approval for a third production line.

*(For more information, go to Section 5.2 Customers)*

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## GROWTH FUNDING

In the second quarter of the year, CIE Automotive secured new financing to enable it to continue to grow and generate returns for its shareholders.

With the aim of further diversifying its sources of financing and ensuring CIE Automotive can tackle looming challenges from a position of greater financial strength, it arranged the following noteworthy loans:

### ■ \$150 million for growth in Mexico

In July, the group arranged a 10-year \$150 million loan with the International Finance Corporation (World Bank Group) and EDC (Export Development of Canada) to help finance its burgeoning growth in Mexico.

This loan forms part of CIE Automotive's structural financing. It will permit the creation of over 1,000 new jobs and pave the way for the delivery of significant energy efficiency gains in this market, as well as the development of a competitive local supplier base.

### ■ €80 million for R&D in Europe

Last year, the European Investment Bank (EIB) extended the company an €80 million loan to fund the R&D effort across its European centres.

CIE Automotive is planning to focus its investments in innovation on hybrid and light-weight materials. The company's R&D goals also include the design and manufacture of new electric vehicle parts. To this end, it will implement new digital production processes and circular economy loops that will

enable it to use energy more efficiently through the recycling and reuse of certain raw materials.

Thanks to these loans, CIE Automotive looks to the future with over €200 million of borrowings not due for 10 to 12 years, from entities that can offer global and long-lasting relationships. Indeed, the loan from the EIB is the third arranged in recent years, having repaid the first loan extended back in 2010.

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## ■ Commercial paper programme of up to €200 million

*«CIE Automotive issued commercial paper for the first time last year to cover its working capital needs as a competitive alternative to bank financing.»*

In 2018, CIE Automotive issued commercial paper for the first time to cover its working finance requirements as an alternative to bank financing, securing highly competitive costs on an international market

The programme was arranged on the Irish Stock Exchange in July. The placement agents were Banca March (which also acted as arranger), Banco de Sabadell, Banco Santander, BNP Paribas and Crédit Agricole Corporate and Investment Bank.

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## CIE AUTOMOTIVE'S DEBT STRUCTURE

<i>(in million euros)</i>	2016	2017	2018	MATURITY	KEY TERMS
Syndicated loan	~ 550	~ 466	~ 400	April 2023	<ul style="list-style-type: none"> <li>• Euro denominated loan</li> <li>• Rate range based on ND/EBITDA</li> <li>• €360m loan for the automotive segment plus a €240m revolving credit facility</li> </ul>
EIB and IFC	~ 70	~ 61	~ 82	7 & 10 years with a 2-year grace period	<ul style="list-style-type: none"> <li>• Euro- and dollar-denominated loan</li> <li>• Partially fixed-rate</li> <li>• ~€180 million available</li> </ul>
Long-term loan	~ 85	~ 85	~ 81	10 years	<ul style="list-style-type: none"> <li>• Euro-denominated loan</li> </ul>
Bank of America and other Mexican lenders	~ 71	~ 162	~ 162	7 years with a 1-year grace period	<ul style="list-style-type: none"> <li>• Dollar-denominated loan</li> <li>• Partially swapped to fixed rate</li> </ul>
Other	~ 359	~ 384	~ 616	Sundry	<ul style="list-style-type: none"> <li>• Borrowings comprising bilateral loans (local), credit lines, working capital financing, etc.</li> </ul>
<b>Gross debt</b>	<b>~ 1,135</b>	<b>~ 1,158</b>	<b>~ 1,340</b>		
Cash and cash equivalents	~ 240	~ 201	~ 392		
<b>Net debt</b>	<b>~ 895</b>	<b>~ 957</b>	<b>~ 948</b>		

## 4. We are driven by our Strategy

### 4.3. CSR Strategy



In 2018, CIE Automotive delivered the objectives it had set in its 2015-2018 CSR Plan. Having attained them, it focused its efforts on formulating and approving a new plan to 2020 with the aim of further systematising and standardising its CSR effort. The new plan specifically factors in its stakeholders' concerns.

#### 2015-2018 CSR PLAN TARGETS

Supporting CIE Automotive's 2016-2020 Business Plan and mitigating reputational risks.
Enhancing the company's CSR positioning.
Increasing non-financial information control and reliability.
Responding appropriately to customer needs in the CSR arena.
Capturing new talent to facilitate growth.
Mitigating supply chain risks.
Responding to corporate governance regulatory requirements and recommendations.

CIE Automotive's new CSR Plan features the following lines of initiative:

#### 2019-2020 CSR PLAN TARGETS

- Consolidation of the compilation of non-financial information.
- External assurance for new GRI indicators (goal: full assurance).
- Establishment of ESG targets for each department.
- Implementation of a CSR working methodology that can grow with CIE Automotive.
- Systematisation of communication with stakeholders.

(For more information, go to Section 5.1 CSR Management)

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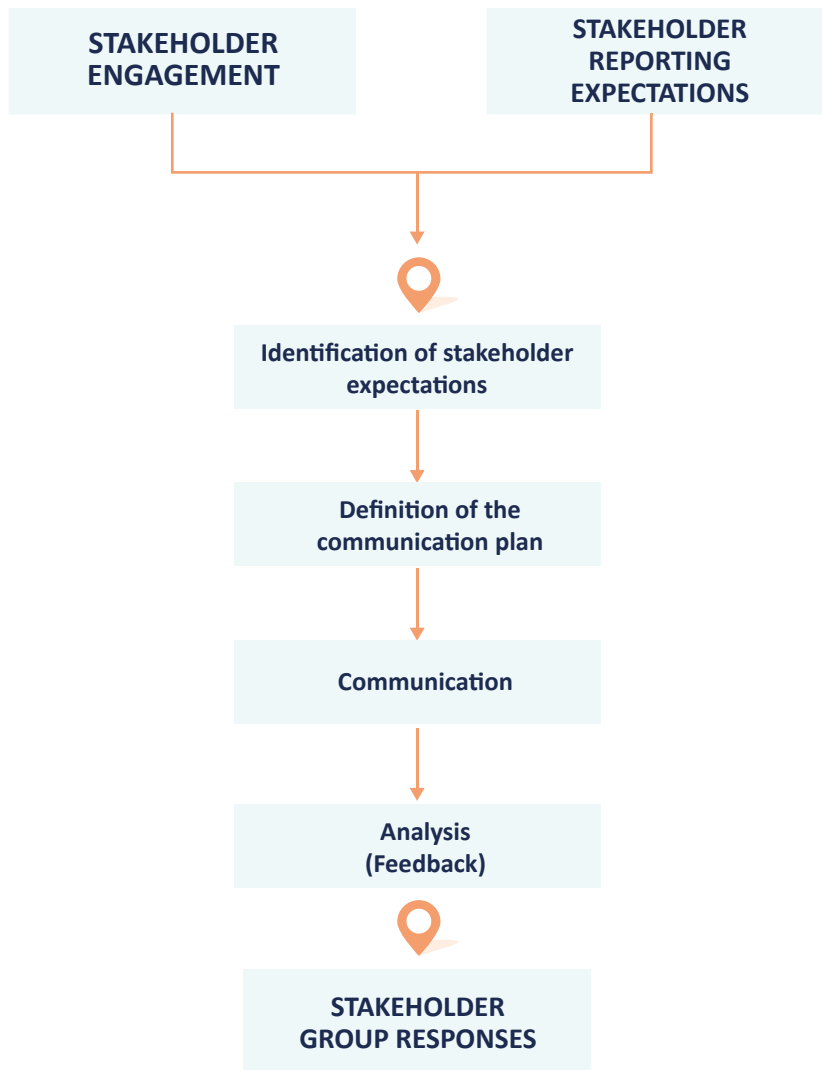
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With the aim of perfecting its CSR management system and improving its reporting effort, the company continued to analyse the concerns of its stakeholders identified through the materiality assessment conducted in 2017 and also voiced during the CSR Workshops held around the world throughout the year.



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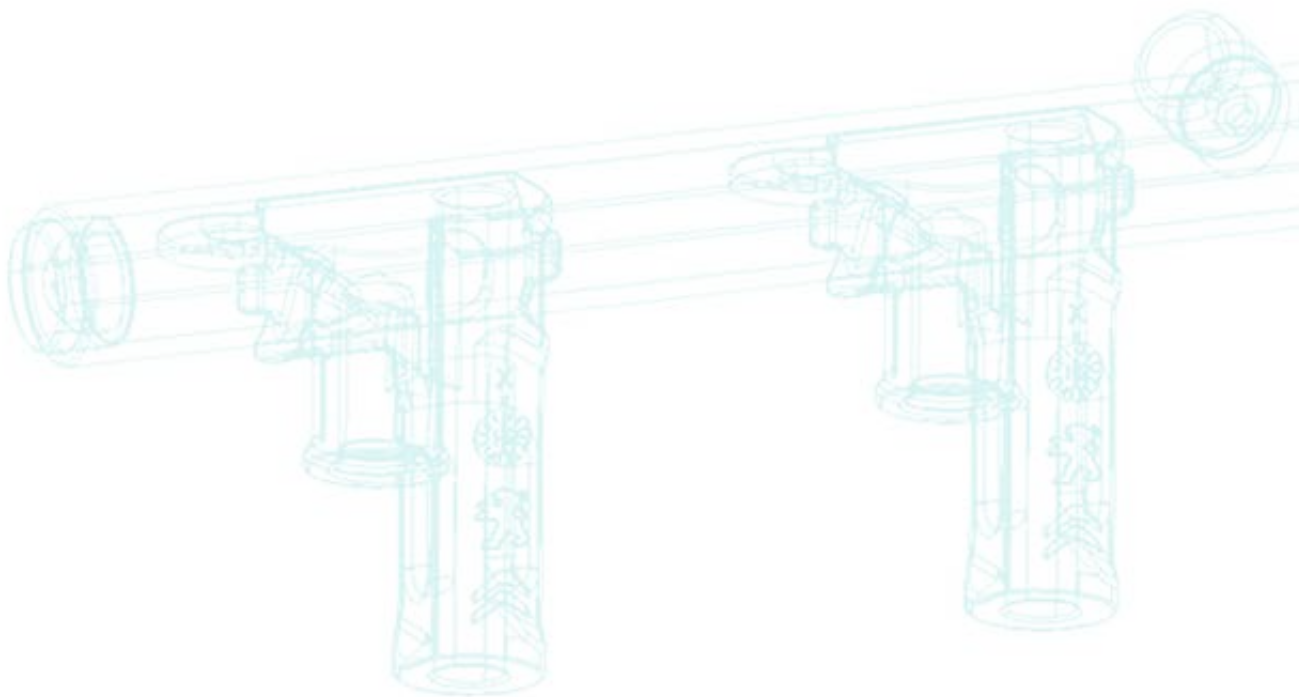
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## 5. We are driven by engagement

*Because we want to combine our profitable and sustainable growth with stringent social and environmental objectives and because we are convinced that the interests of our employees, customers, investors, suppliers and communities are our best interests. Because we are aware of the importance of minimising our negative impact on our natural surroundings and of preserving them for future generations. Because we are convinced that our performance and sustainability go hand in hand.*

### 5.1 CSR management

[102-12, 102-18, 102-31, 412-2]



WE ROLLED OUT OUR CSR WORKSHOPS WORLDWIDE

#### MILESTONES IN 2018

- Approval of the new 2019-2020 CSR Plan.
- Celebration of the first CSR Workshops in the US, Mexico, Brazil, India and China.
- Signatory of the Spanish Network of the Global Compact.

#### LINES OF INITIATIVE UNDERTAKEN IN 2018

- Global rollout of the CSR Workshops: dissemination of the milestones and advances achieved on the CSR front.
- Formulation of a new 2019-2020 CSR Plan.
- Definition of a community work model in line with the guidelines approved by the CSR Committee in December 2017.
- Implementation of a work methodology designed to accompany the group's growth.
- Review and analysis of the CSR indicators.

#### LINES OF INITIATIVE UNDERTAKEN IN 2019

- Incorporation of non-financial indicators into each facility's management plan.
- Start-up of the *Caminando hacia el futuro* [Walking towards the future] programme in Mexico under the umbrella of the strategic alliance with Save the Children.
- Provision of training to all employees on how to combat corruption and bribery and on environmental awareness.

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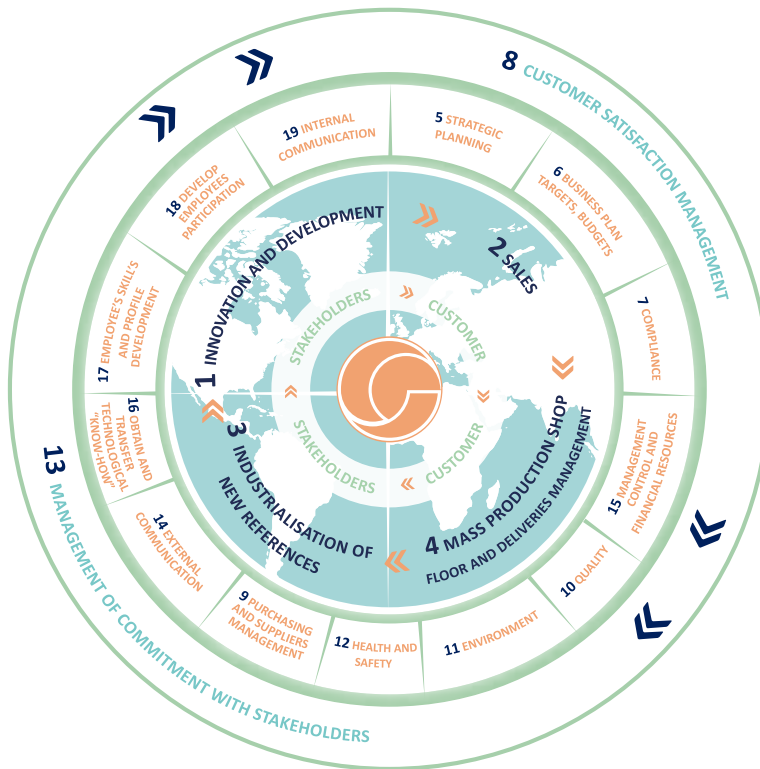
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CIE Automotive sees sustainable development as an opportunity for improving its business, which is why it is layering social and environmental principles into its everyday management, framed by the group-wide CSR Policy approved in 2015. In 2018 it continued to make progress on harmonising its CSR efforts in all of its markets by bringing its CSR Workshops worldwide. In order to ensure continued progress, it approved a new CSR Plan with targets for 2020 and strengthened its commitment to the Global Compact by becoming a Signatory of the Spanish Network.

## EMBEDDING CSR INTO PROCESSES



### ■ Globalisation of the CSR Workshops

*«US, Mexico, China, India and Brazil completed its first CSR workshop.»*

Having successfully completed its first CSR Workshop in Europe in October 2017, CIE Automotive introduced this event in several new countries: Brazil (CIE Autometal Diadema) in March; the US (Century Plastics) in July; Mexico (CIE Nugar) in September; China (ACS Shanghai) in October; and India (Magnetics Product Division) in November. Those workshops were attended by the management teams from all of the factories in each of those regions.

The goal of the workshops was to publicise the milestones and progress attained on the CSR front at CIE Automotive and to identify the environmental, social and governance aspects of greatest concern to the members of the organisation in order to enhance their management in all countries.

That analysis revealed several common concerns, including customer satisfaction, ethics, risk management, supply chain management, respect for human rights, workplace health and safety and reputation.

*(For more information, go to Section 3.3 Stakeholder relations)*

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## ■ New 2019-2020 CSR Strategic Plan

During 2018, the company designed a new CSR Strategic Plan for 2019 and 2020 which lays the foundations for the materialisation of its public and voluntary commitment to social, environmental and governance criteria.

The new plan, approved in June, furthers the systematisation and standardisation of CSR management

*(For more information, go to Section 4.3 CSR Strategy and 5.8 Community)*

across the entire group by improving measurement, communication and reporting systems and setting new ESG targets for each department.

The new plan has a two-year horizon to bring it in line with the company's next Business Plan.

## ■ Enhanced commitment to the Global Compact

*«We have become a Signatory of the Global Compact's Local Network in Spain.»*

CIE Automotive has been a member of the United Nations Global Compact since October 2015. That membership implies a commitment to acting as an agent of development and generating positive impacts on society as a whole based on compliance with the 17 Sustainable Development Goals (SDGs).

In 2018, the company took its commitment a step further by becoming a Signatory of the Spanish Network of the Global Compact, which is populated by over 640 organisations. At the Local Network level, the idea is to work in alliances that enable the contribution of greater value added to member organisations and to the community alike.

*(For more information, go to Section 7.3 Sustainable Development Goals)*

## ■ Policy and how it works

**[102-18, 102-19, 102-20, 102-27, 102-32]**

Everything CIE Automotive does is framed by its commitment to responsible management, set down in its [CSR Policy](#) and implemented in a body of internal CSR rules and policies that are approved by the Board of Directors ([refer to the CSR Tab on the corporate website](#)).

The CIE Automotive group's CSR policy crystallised in 2018 in delivery of its 2015-2018 Corporate Social Responsibility Business Plan which was articulated around four dimensions: the governance, social, economic and environmental dimensions.

Effective application of the CSR Policy and the potential

risks associated with it are addressed in the [Risk Management and Control Policy](#), which follows the ISO 31000 methodology.

CSR management is supervised by the Corporate Social Responsibility Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group CSR Committee.

To measure its performance on the various ESG aspects, CIE Automotive has established group-wide CSR indicators in the following areas: supply chain, HR, environmental management and community work.

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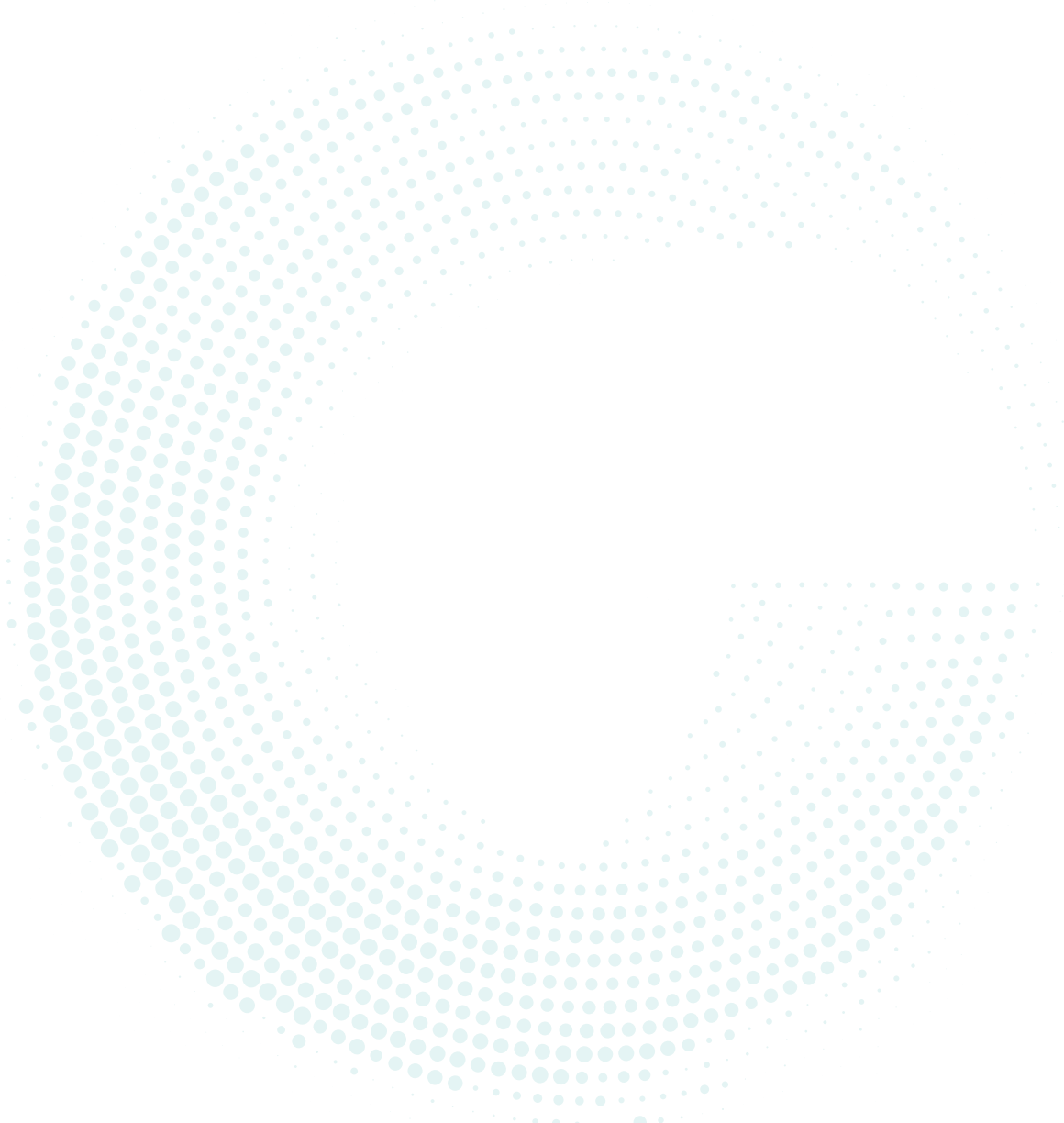
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**CROSS-GROUP CSR COMMITTEE**

Member	Area
Javier Álvarez	Human Resources
Lorea Aristizabal	Corporate Development
Gonzalo Ceberio	Quality & Environment
Iker Hernández	Internal Control and Risk Management
Susana Molinuevo	CSR & Compliance
Mikel Orbegozo	Sales
Irache Pardo	Supply Chain
Angel Zalduegui	Internal Audit



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# 5. We are driven by engagement

## 5.2. Customers



**OUR CUSTOMERS ACKNOWLEDGE THE VALUE WE ADD FOR THEM [103-1, 103-2, 103-3]**

CIE Automotive's business is articulated around satisfying its customers, which include Original Equipment Manufacturers (OEMs) and TIER-1 suppliers. The company wants its customers to see it as a partner thanks to its comprehensive, innovative and competitive offering. With this goal in mind, in 2018 it invested €120 million in upgrading and expanding its productive facilities, many of which hold or are on the verge of holding triple certification. This effort has earned the company multiple prizes.

The group locates its operations where its customers need it to, provides its customers with what they need when they need it and creates added value for them in everything it does. In order to translate this philosophy, enshrined in the group's process map and its [Health, Safety, Environmental and Quality \(HSEQ\) Policy](#), into reality, the company continued to improve its facilities and products in all the regions where it does business.

*«We continue to fine-tune our factories and products in all our business regions.»*

### KEY MILESTONES IN 2018

<p><b>METAL STAMPING AND TUBE FORMING</b></p>	<p><b>EUROPE:</b> The CIE Norma factory, located in Spain's Basque region, inaugurated its second common fuel rail line. In 2020 it will have three fully operational lines devoted to this product, making it a benchmark supplier of this product at the European level (high and low pressure injection systems).</p> <p><b>MEXICO:</b> Traction in the supply of stamped and welded parts for the TESLA Model 3 from the CIE Nugar factory.</p> <p><b>INDIA:</b> Start of construction of a new stamping factory in Kahne featuring automated processes.</p>
<p><b>FORGING</b></p>	<p><b>NORTH AMERICA:</b> HYUNDAI has contracted the forging factory in Celaya to make two new crankshafts for delivery in Monterrey (Mexico) and Alabama (US).</p> <p><b>BRAZIL:</b> Launch of a new line in the CIE Autoforjas factory for strategic products (tulips and CV joint housings) for NTN and NEXTEER, customers expected to deliver substantial growth.</p>
<p><b>ALUMINIUM</b></p>	<p><b>GLOBAL:</b> Successful launch of a ladder frame for the Ford DRAGON engine for manufacture in three different regions: Europa, North America and South America.</p> <p><b>EUROPE:</b> RENAULT awarded business to CIE Matricon (Romania), specifically to make filter holders using aluminium injection technology for electric vehicles fitted with the 5AQ engine.</p>

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<p><b>MACHINING</b></p>	<p><b>EUROPE:</b></p> <ul style="list-style-type: none"> <li>• The company's French factory, CIE Compiègne, successfully completed the industrialisation of the first fuel injection rail for petrol engines.</li> <li>• CIE Recytec (Basque region, Spain) was awarded a new project encompassing a range of transmission system parts for BORGWARNER, featuring new technology such as laser welding between plastic and metal parts and double frequency induction heating.</li> </ul>
<p><b>PLASTICS</b></p>	<p><b>EUROPE:</b></p> <ul style="list-style-type: none"> <li>• Acquisition by CIE Plasfil (Portugal) of a new plastic injection press featuring full-electric technology designed to deliver enhanced processes while ensuring better energy efficiency. This investment covers all parts that require low clamp tonnage.</li> <li>• Launch at CIE Orbelan (Basque region, Spain) of new plastic moulds featuring heat-and-cool moulding technology for SEAT door grips. These moulds eliminate visible plastic weld lines, improving the aesthetics of decorative parts.</li> </ul>
<p><b>ROOF SYSTEMS: Advanced Comfort Systems (ACS)</b></p>	<p>Order for the largest panoramic sun roof on the market from RENAULT; the roof is designed for assembly bearing a higher load, comprised of sheet glass and a side impact structure.</p> <p>Order for an ultra-flat glass roof for ASTON MARTIN. This product is a fixed glass roof with an electric shade, based on modular architecture, which fits in the smallest frame ever made.</p>

## ■ Total quality

The total quality concept has been embraced by the car industry and is present at CIE Automotive. In carrying out its activities the company puts the core tenets of prevention, training, automatic revision and continuous improvement into practice.

Thanks to this commitment to excellence, the company is able to obtain and maintain certifications in the quality, environmental and health & safety management fields.

*«We are close to triple certification at many of our manufacturing facilities.»*

With its management model at the core, the company transitioned from ISO/TS 16949 to IATF 16949:2016, the update of ISO 14001:2015, and is getting ready for the challenge posed by the new ISO 45000:2018, set to replace the current OHSAS 18001 over the course of 2019.

These challenges, which are global in nature and require bringing together different countries and cultures, help CIE Automotive to improve its model.

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## GLOBAL CERTIFICATION MAP

	Certifications	IATF	ISO 14001	OHSAS 18001
Europe*	40	40	100%	39 98%
North America	14	14	100%	9 64%
Brazil	12	12	100%	12 100%
Asia (India & China)	21	15	71%	8 38%
<b>Total</b>	<b>87</b>	<b>81</b>	<b>93%</b>	<b>68 78%</b>

\*The Europe region includes the factories located in Morocco and Russia.

Due to certification requirements, three factories are included in the certifications obtained by other factories: CIE Celaya Metal (included in the CIE Celaya Aluminio certification), CIE Nugar Puebla (included in CIE Nugar), and CIE USA II (included in CIE USA).

Note that the group did not incur any material sanctions for non-compliance with environmental laws and regulations in 2018. Significant fines are those of €30,000 or more. **[307-1]**

### ■ Confidentiality

IE Automotive fosters the responsible use of information and guarantees the confidentiality of its customers' sensitive information at both the corporate level and in each of its divisions.

To this end, in 2018, it launched a project for the protection of its information assets framed by the following methodology and standards:

- Based on the leading international benchmark standards:
  - **ISO 27001**: Information Security Management Systems.
  - **ISO 27005**: New standard providing guidelines for information security risk management.
  - **ISO/IEC 27002/2005**
- Guidelines and general principles for initiating, implementing, maintaining, and improving information security management in an organisation.
- Real-time management of information security matters, framed by the continuous improvement concept (ISO 27001) and ensuring the traceability of all security management processes.

The company did not receive any complaints concerning breaches of privacy or losses of customer data in 2018.

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## ■ Certifications and accolades

Thanks to all of these commitments, CIE Automotive once again earned the acknowledgement of its customers in 2018.

### PRIZES AND ACCOLADES

Cliente	Planta	País	Reconocimiento
Honda	CIE Plasfil	Portugal	Sustainable award First customer award for CSR effort
General Motors	Nanging Automotive Forging	China	Logistics and quality
General Motors	PEMSA Celaya	Mexico	Supplier Quality Excellence Award
General Motors	CIE Inyectametal	Spain	Supplier Quality Excellence Award
PSA	CIE Compiegne	France	Best of the Best Plant Award 2018 Second year running. This prize is awarded to factories that receive the Best Plant Award for three years in a row.
AISIN	CIE Taubaté	Brazil	<i>Logistics Achievement Performance Certificate</i>
Mercedes Benz	CIE Durametal	Brazil	<i>Prêmio Interação.</i> Excellence in logistics.
ZF	CIE Celaya Aluminio	Mexico	Excellence in motion 2018
NEXTEER	CIE Celaya Aluminio	Mexico	Perfect Quality 2018
NEXTEER	CIE Unitools Press	Czech Republic	Perfect Quality 2018
Bosch	CIE Celaya Aluminio	Mexico	Best supplier award North America 2016/2017
Bosch	Bill Forge Bommasandra	India	Achieving Delivery Target-2018 under Silver Category
Endurance Technologies Limited	Bill Forge Bommasandra	India	Special Award For Quality

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Bajaj Auto Limited	Bill Forge Bommasandra	India	BAL TPM Excellence
Bajaj Auto Limited	Bill Forge Bommasandra	India	Quality Award GOLD
Ford	CIE Galfor	Spain	Q1
Ford	CIE Autometal Camaçari	Brazil	Q1 This award recognises managerial excellence in quality, deliveries, operating systems, material management and compliance with environmental requirements.
Jaguar Land Rover	CIE Galfor	Spain	JLRQ

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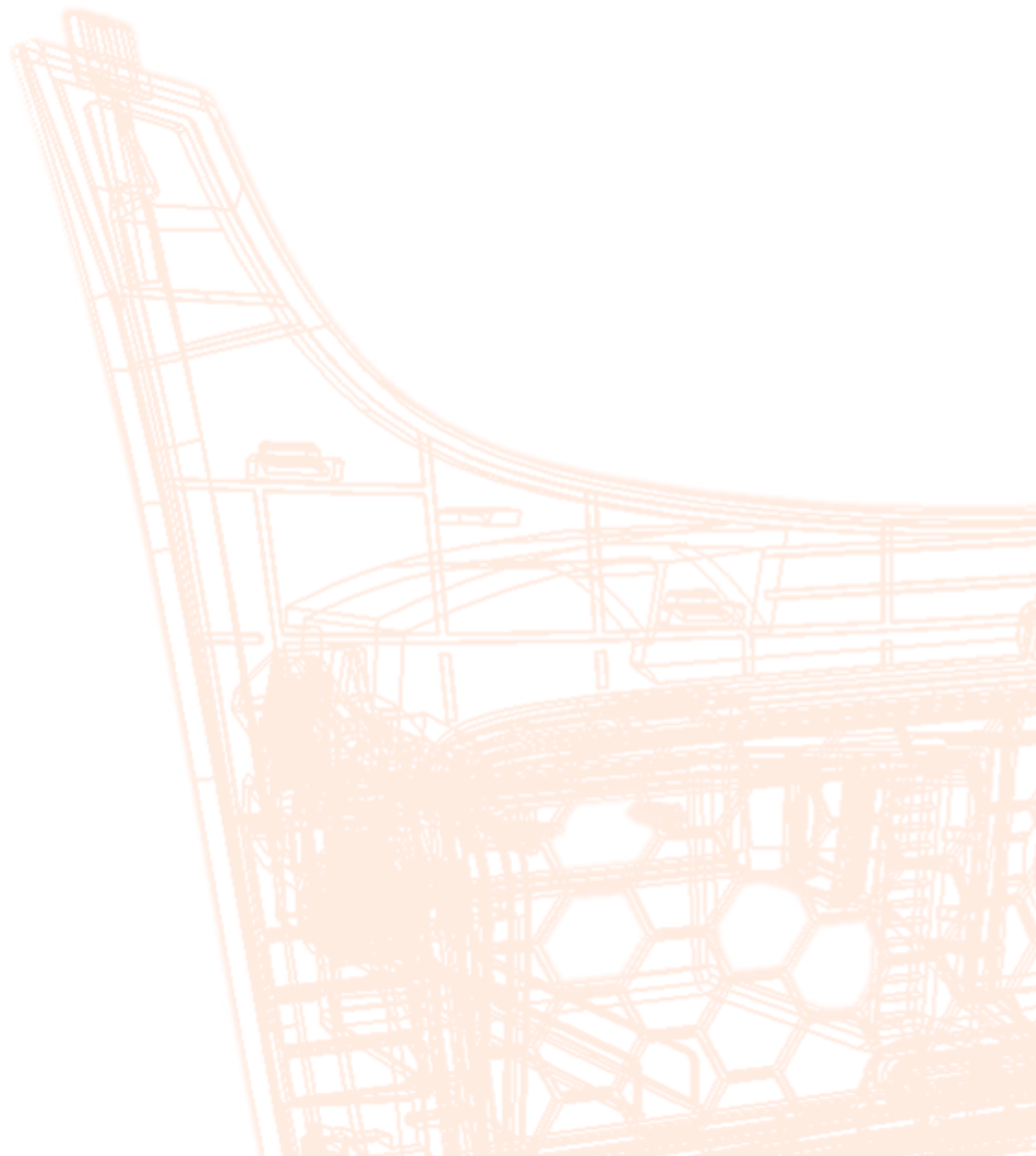
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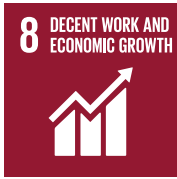
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## 5.3. The team



### WE HIRE EFFICIENT TALENT AND WE TAKE CARE OF OUR PROFESSIONALS' HEALTH AND SAFETY

[102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 202-1, 401-1, 412-1]

#### MILESTONES IN 2018

- 14% increase in training hours and 3% increase in the number of professionals receiving training to nearly 90% of the workforce in 2018.
- 12% cent reduction in the number of accidents and an 18.4% reduction in the injury frequency rate.
- Expansion of the Ulysses programme with a particular focus on Mexico.
- Integration of the entire workforce added as a result of the acquisition of CIE Autometal Minas in Brazil (former Zanini Brazil).

#### LINES OF INITIATIVE IDENTIFIED FOR 2019

- Continuity of the 2020 Health & Safety Programme. Continuous improvement in indicators and growth in the number of OHSAS-certified plants.
- Integration into the group of the workforce at the roofing system division acquired from Inteva.
- Launch of design of a Corporate Equality Plan.

The CIE Automotive team is made up of 23,262 employees from a range of nationalities who perform their duties all over the world. CIE Automotive views its team as a strategic asset, as the success of the company depends on their performance. As a result, the management of its human capital and the protection of their health and safety are priorities for CIE Automotive, priorities put into practice via a Human Resources Plan framed by its [Human Rights Policy](#). That policy lays down the principles that govern the management of the group's workforce.

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## EMPLOYMENT AT CIE AUTOMOTIVE [405-1]

	2016	2017	2018
<b>No. of employees</b>	<b>20,926</b>	<b>22,899</b>	<b>23,262</b>
EUROPE	6,034	6,221	6,240
SPAIN	2,501	2,548	2,602
GERMANY	857	808	834
CZECH REPUBLIC	853	876	794
FRANCE	394	395	371
PORTUGAL	257	285	330
ROMANIA	317	321	328
ITALY	249	254	280
SLOVAKIA	226	245	243
LITHUANIA	172	197	231
RUSSIA	58	107	111
UNITED KINGDOM	101	97	75
MOROCCO	49	88	41
NORTH AMERICA	4,711	6,142	6,224
MEXICO	4,101	4,680	4,545
USA	599	1,459	1,678
GUATEMALA	11	3	1
BRAZIL	3,010	3,574	3,652
ASIA	7,171	6,962	7,146
INDIA	6,449	6,271	6,391
CHINA	721	691	755
UNITED ARAB EMIRATES	1	0	0
<b>Fixed/indefinite contracts, %</b>	<b>80%</b>	<b>78%</b>	<b>82%</b>
<b>Average fixed/indefinite contracts, %</b>	<b>77%</b>	<b>79%</b>	<b>80%</b>
<b>Temporary contracts, %</b>	<b>20%</b>	<b>22%</b>	<b>18%</b>
<b>Average temporary contracts, %</b>	<b>23%</b>	<b>21%</b>	<b>20%</b>
<b>Female employees, %</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>
<b>Female hires, %</b>	<b>18%</b>	<b>18%</b>	<b>25%</b>
<b>Employees with some form of disability, %</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.6%</b>
<b>Employees covered by collective bargaining agreements, %</b>	<b>63%</b>	<b>63%</b>	<b>62%</b>

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## ■ INFORMATION ON EMPLOYEES [102-8] [401-1]

At the end of 2018, the CIE Automotive team comprised 23,262 people, year-on-year growth of 1.6%. The increased headcount is attributable to the group's organic growth and the incorporation of the 101 employees of CIE Autometal Minas (formerly Zanini Brazil).

**«In 2018, 7,329 joined CIE Automotive and 4,853 people left of their own free will.»**

In 2018, 7,329 people joined CIE Automotive and 4,853 left the company of their own free will. Hiring was concentrated in Mexico and India.

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### DISTRIBUCIÓN DE LAS ALTAS Y BAJAS VOLUNTARIAS POR EDAD Y SEXO

	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total women	Total
NEW HIRES	3,361	1,806	348	5,515	782	902	130	1,814	7,329
VOLUNTARY DEPARTURES	2,252	1,047	295	3,594	552	593	114	1,259	4,853

### BREAKDOWN OF HIRES AND DEPARTURES BY AGE AND GENDER

Region	No. of layoffs	Men	Women
Europe*	188	139	49
North America**	1,134	839	295
Asia	151	147	4
Brazil	542	452	90
<b>TOTAL</b>	<b>2,015</b>	<b>1,577</b>	<b>438</b>

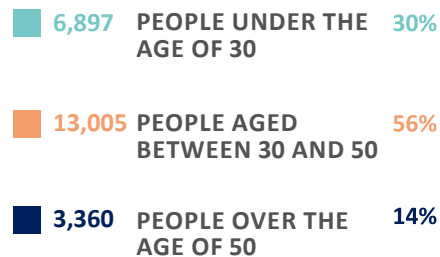
\*The Europe region includes the factories located in Morocco and Russia.

\*\*This region includes the Biofuels workforce in Guatemala.

Female employees have been gaining weight at CIE Automotive in recent years: 25% of the new hires were female, which is higher than in previous years, while the number of female departures declined.

## WORKFORCE BREAKDOWN BY JOB CATEGORY AND GENDER

	2016	2017	2018
<b>Executives</b>	676	728	758
Men	632	667	690
Women	44	61	68
<b>University graduates</b>	5,528	5,913	6,055
Men	4,624	4,986	5,063
Women	904	927	992
<b>Skilled workers</b>	14,722	16,258	16,449
Men	12,658	13,607	13,707
Women	2,064	2,651	2,742
<b>TOTAL</b>	<b>20,926</b>	<b>22,899</b>	<b>23,262</b>
<b>Total men</b>	<b>17,914</b>	<b>19,260</b>	<b>19,460</b>
<b>Total women</b>	<b>3,012</b>	<b>3,639</b>	<b>3,802</b>



### ■ DECENT WORK [102-8, 202-1, 202-2, 401-3, 404-3]

CIE Automotive offers its employees the best possible working conditions, including decent pay and job stability.

The company is committed to providing permanent contracts: 82% of its workforce (over 19,000 employees) enjoyed indefinite job contracts at year-end, whereas the 18% (over 4,000 employees) enjoyed temporary job contracts. By region, this percentage is highest in Europe, North America and Brazil are close to 90%; in Asia it stands at 70%.

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## BREAKDOWN OF JOBS BY REGION

	Total headcount	Under indefinite contracts	%	Under temporary contracts	%
Europe*	6,240	5,410	87%	830	13%
North America	6,224	5,080	82%	1,144	18%
Asia	7,146	4,990	70%	2,156	30%
Brazil	3,652	3,539	97%	113	3%
	<b>23,262</b>	<b>19,019</b>	<b>82%</b>	<b>4,243</b>	<b>18%</b>

\*The Europe region includes the factories located in Morocco and Russia.

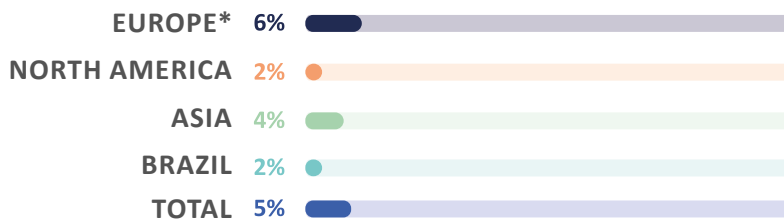
All CIE Automotive employees earn a fixed salary, commensurate with the type of work they do and their job performance. 50% (nearly 12,000 employees) were formally reviewed last year and 32% received a bonus in addition to their fixed pay as a result of delivery of set targets and/or excellent or improved performances.

**«87% of CIE Automotive's plants are managed by local managers.»**

87% of the group's plants are managed by local managers, which makes it easier to cover each region's specific needs, while evidencing the company's commitment to its local communities. Indeed, this attribute sets CIE Automotive apart and proves that diversity is not only a plus in its own right but also helps organisations achieve better results.

Absenteeism at the company stands at 5% (over three million work hours); it is more pronounced at some facilities than others.

## ABSENTEEISM BY REGION [403-2]



\*The Europe region includes the factories located in Morocco and Russia.

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270 men and 148 women availed of paternity/maternity leave; note that these leaves are included in the absenteeism numbers. At the time this report was ended, 268 men and 113 women had returned to work after maternity/paternity leave. Those who have not yet returned from leave are still on leave. **[401-3]**

CIE Automotive uses the most conservative yardstick for absenteeism; it factors in all types of absences, including those related with workplace or ordinary accidents, long-duration leaves of absence and paternity/maternity leave (paid vacation is not computed).

CIE Automotive complies with and often exceeds the minimum wage requirements in each country. Moreover, when it integrates new plants, it analyses their working conditions with a view to resolving potential shortcomings and improving the situation, in keeping with the group's Human Resources Policy. For example, in relation to the only plant acquired in 2018, CIE Autometal Minas (formerly Zanini Brazil), it verified that both the male and female employees were receiving the minimum wage stipulated in Brazil and that the minimum wage collected by male and female employees was identical.

## ■ Employee assistance measures

The company attempts to help make sure that the everyday lives of its employees and their families are as simple as possible and that membership of CIE Automotive constitutes a source of pride for them.

To this end, in 2018 it invested over €22 million in employee support measures.

### EMPLOYEE ASSISTANCE MEASURES

<b>Health</b>	Over €13 million	<ul style="list-style-type: none"> <li>• Medical and accident insurance, in-house medical and/or nursing services and other activities related with the health of CIE Automtoive's employees and their families, notable among which:               <ul style="list-style-type: none"> <li>• Medical insurance in the US in the amount of over €4 million.</li> <li>• Medical assistance, healthcare plans and agreements with private hospitals in Mexico and Brazil in the amount of over €2 million.</li> <li>• Regular health checks in several countries.</li> <li>• Screening for the early detection of certain types of cancer at some of the Spanish factories.</li> <li>• On-staff doctors.</li> </ul> </li> </ul>
<b>Food services</b>	Over €4 million	<ul style="list-style-type: none"> <li>• Subsidised canteens.</li> <li>• Restaurant vouchers (with tax benefits for employees in the countries in which this scheme applies).</li> </ul>
<b>Transport</b>	Over €4 million	For example: <ul style="list-style-type: none"> <li>• Factory-funded proprietary bus services.</li> <li>• Employee fuel payment schemes at certain factories.</li> <li>• Public transportation payments for employees.</li> </ul>



<b>Education</b>	Nearly €1 million	<p>Services related with the education of employee relatives and other services. Examples:</p> <ul style="list-style-type: none"> <li>• Mexico: activities such as organisation of the 'Best student' scheme under which the children of employees with grade point averages of 8.5 or more out of 10 receive scholarships and/or school materials.</li> <li>• CIE Galfor (Spain): school assistance, scholarships for employees, aid per household with school-age children (from day-care right through to third-level education).</li> <li>• India: donation of computers, creation of schools and supply of school materials.</li> </ul>
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In addition to the above-listed assistance measures, each year the company sends out a questionnaire worldwide about the work-life balance measures in place in each of its locations.

The responses suggest that 80% of its workplaces have measures of this nature, notable among which:

- Up to two hours' flexibility in terms of workday start and end times.
- The ability to adjust the workday to suit the family situation.
- The grant of additional days of paternity/maternity leave relative to those stipulated by law.
- Measures for protecting pregnant employees.
- Scope for working from home.

### Engagement of the services of International SOS



With the aim of offering the best possible advice to the company's employees who have to travel abroad for professional purposes, CIE Automotive has engaged the services of International SOS, the world's largest medical and travel security services firm.

Thanks to this service, employees now have access to International SOS doctors, security experts and assistance coordinators 24 hours a day; these professionals can provide advice before travelling, assistance during overseas stays and emergency medical care or security assistance as needed. They also have access to an e-learning platform where they can get all the medical and security information needed before travelling.

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## ■ Obligations to employees [201-3]

The breakdown of the provisions for non-management employee obligations and benefits by country is as follows:  
(for more information go to 6.2 Governance bodies – Management Board)

The post-employment obligations and other long-term employee benefits that several group companies have vis-a-vis certain groups of employees break down as follows by country:

- Post-employment benefit plans and other long-term employee benefits in Germany, funded entirely through an internal fund:
  - **Non-current employee benefits:** Long-service bonuses and supplements deriving from partial retirement agreements.
- Post-employment benefit plans in India, most of which are funded through an internal fund: annuity pensions; retirement bonuses financed externally under insurance contracts and retirement awards in the event of termination.
- Post-employment benefit plans in Italy. The model currently used its Italy's TFR system, which is the obligatory private system for the corporate sector. It was a defined benefit plan that was transformed into a defined contribution plan following the pension reforms undertaken in Italy in 2005.

Thousands of euros	31 Dec. 2018
Germany	25,869
India	4,397
Italy	2,783
<b>TOTAL PENSION OBLIGATIONS</b>	<b>33,049</b>

The movement in the defined benefit obligation and in long-term employee benefits in 2018:

### CALCULATIONS

Thousands of euros	Post-employment benefits <sup>(1)</sup>	Non-current employee benefits	TOTAL PENSION OBLIGATIONS
<b>31 Dec. 2017*</b>	45,322	1,138	<b>46,460</b>
<b>CURRENT SERVICE COST</b>	(33)	383	<b>350</b>
<b>INTEREST EXPENSE/(INCOME)</b>	503	16	<b>519</b>
<b>(GAINS)/LOSSES ON CHANGES IN FINANCIAL ASSUMPTIONS</b>	292	123	<b>415</b>
<b>(GAINS)/LOSSES ARISING FROM EXPERIENCE ADJUSTMENTS</b>	(117)	-	<b>(117)</b>
<b>CLAIMS PAID</b>	(1,304)	(26)	<b>(1,330)</b>
<b>TRANSLATION DIFFERENCES</b>	(172)	-	<b>(172)</b>
<b>DISCONTINUED OPERATIONS</b>	(13,076)	-	<b>(13,076)</b>
<b>31 Dec. 2018</b>	<b>31,415</b>	<b>1,634</b>	<b>33,049</b>

(1) Corresponds to the annuity pension obligations in Germany and India; the retirement bonuses in India; and the post-employment plans in Italy.

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The main financial and actuarial assumptions used in this analysis are as follows:

	Germany	India	Italy
Interest rate	1.78%	7.4%-7.9%	1.00%
Expected return on plan assets	N/A	7.4%-7.7%	N/A
Salary growth rate	2.30%	7%-10%	0%
Pension growth rate	1.00% - 1.50%	0.0%-8%	3.00%
Mortality table	RT 2008 G	Indian assured lives Mortality (2006-08)Ult	RG48
Retirement age	65 years	58 for workers; 60 for the rest	58 years
Valuation method	Unit credit method	Unit credit method	TFR (Italian obligatory private system)

For further details, refer to note 22 - *Employee obligations* in the [Consolidated Financial Statements](#) for the year ended 31 December 2018.

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## ■ Zero tolerance of discrimination [202-1, 405-1, 405-2]

CIE Automotive offers its employees a work environment free of bias on the grounds of gender, race, religion, age, sexual orientation, nationality, civil status or socio-economic background.

This commitment is evident in the nationalities of its factory managers, nearly 90% of whom are local, and the 7 point year-on-year increase in the percentage of female new hires.

In 2018, the company conducted a preliminary analysis of the gender pay gap in existence at all of its business locations. That analysis focused exclusively on the overall gender gap, comparing the salaries earned by all of the women in each productive facility with those earned by all of the men at those same centres, weighting the results as a percentage of total employees.

### GENDER PAY GAP AND AVERAGE ANNUAL SALARY BY REGION

	Pay gap	Average annual salary in €	
		Men	Women
ASIA (India & China)	133%	7,282	9,703
NORTH AMERICA	85%	13,245	11,220
BRAZIL	70%	7,168	5,008
EUROPE*	59%	34,793	20,574
<b>CIE AUTOMOTIVE</b>	<b>87%</b>	<b>15,641</b>	<b>13,532</b>

\*The Europe region includes the factories located in Morocco and Russia.

The company corroborated the existence of equal pay in its significant locations of operation. This is evident in its collective bargaining agreements, whose salary schedules are the same for both genders. As a result, the differences presented in the tables above stem from the gender mix at the various hierarchical levels; in some countries that mix is attributable to sociocultural factors.

In Spain, all the manufacturing facilities affected by the national regulations on equality plans comply with the regulations. In addition to it, in 2019 the company is planning to draw up a Corporate Equality

Plan in order to detect areas where it can improve in this respect and formulate action plans with the aim of reducing the pay gap and getting closer to effective gender equality by job category.

On the other hand, CIE Automotive employs 366 people with some type of disability at a global level, 1.6% of its workforce and, as an example of the Group's commitment to diverse employment, it is a member of the Advisory Board of the Inserta Forum in the Basque Country, led by ONCE, with the aim of facilitating the integration and employability of people with a certain degree of disability.

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## ■ Zero tolerance stance on child and forced labour [408-1, 409-1, 412-1]

CIE Automotive has a zero-tolerance stance on child labour and complies with prevailing legislation in all its business markets, framed by the internationally recognised human rights and its own [Human Rights Policy](#).

Although all of the factory managers and human resources directors endorse this policy, thus

committing to complying with it and enforcing it, a survey is undertaken annually to identify which plants are at risk and take any measures warranted. By the date of publication of its Integrated Report, more than the 90% of CIE Automotive's plants had completed that survey, with 100% of them responding satisfactorily.

## ■ Collective bargaining [102-41, 402-1, 403-1, 403-4, 407-1]

*«Collective bargaining agreements include specific references to workplace health and safety.»*

The company respects its employees' freedom of association and right to collective bargaining, engaging with its workers' representatives, not only in its European plants but also in less unionised countries.

The measures adopted by the organisation during the reporting period aimed at supporting its employees' freedom of association and right to collective bargaining included collective bargaining or other company agreements (geographical, sectoral or production centre) in over 40 productive facilities in the following countries:

- Europe: Germany, Slovakia, Spain, France, Portugal and Romania.
- North America: Mexico.
- Brazil.
- Asia: India and China.

As a rule, all of the agreements make special mention of workplace health and safety matters, this being one of the most important topics, as well as other aspects such as the minimum number of weeks' notice employees and their representative have to be given before introducing significant operational changes that could have a considerable effect on them.

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## COLLECTIVE BARGAINING: COVERAGE BY COUNTRY [403-1]

	Total headcount	Employees covered by collective bargaining agreements	Coverage, %	RWorker representatives by country
<b>EUROPE</b>	<b>6,240</b>	<b>4,989</b>	<b>80%</b>	<b>188</b>
SPAIN	2,602	2,371	91%	119
GERMANY	834	816	98%	27
CZECH REPUBLIC	794	252	32%	9
FRANCE	371	370	100%	16
PORTUGAL	330	330	100%	5
ROMANIA	328	327	100%	3
ITALY	280	280	100%	3
SLOVAKIA	243	243	100%	5
LITHUANIA	231	0	-	0
RUSSIA	111	0	-	0
UNITED KINGDOM	75	0	-	1
MOROCCO	41	0	-	0
<b>NORTH AMERICA</b>	<b>6,224</b>	<b>3,101</b>	<b>50%</b>	<b>41</b>
MEXICO	4,545	3,101	68%	41
USA	1,678	0	-	0
GUATEMALA	1	0	-	0
<b>BRAZIL</b>	<b>3,652</b>	<b>3,524</b>	<b>96%</b>	<b>39</b>
<b>ASIA</b>	<b>7,146</b>	<b>2,781</b>	<b>39%</b>	<b>180</b>
INDIA	6,391	2,380	37%	131
CHINA	755	401	53%	49
<b>TOTAL</b>	<b>23,262</b>	<b>14,395</b>	<b>62%</b>	<b>448</b>

### ■ Communication channels

Employee relations are based on respect for others and transparency. The main communication channels are the chain of command and the company intranet. There is also a weekly in-house news bulletin in which the company shares the most significant financial and business developments, as well as reporting on social and environmental aspects.

To get to know what is of concern to its employees, CIE Automotive conducts a workplace climate survey at every factory every two years. That frequency can vary depending on the specific situation of each location: new acquisitions, specific country considerations, collective bargaining negotiations, etc.

The average score on the 73 surveys conducted in 2017 and 2018 was 7 out of 10. Note that action plans are always drawn up with a view to improving the survey scores and, by extension, the satisfaction of CIE Automotive’s employees.

*«Workplace climate surveys were performed in 73 productive centres in 2017 and 2018.»*

### ■ CAREER DEVELOPMENT

[101-1, 102-2, 103-3, 404-2]

CIE Automotive’s People Management Model establishes employee skill profiles, evaluates executive, middle management and skilled workers’ job performance and identifies areas for improvement. There is also a Career Development Programme which designs development and training programmes.

Employees undergo an annual assessment with their immediate superiors with the aim of analysing theirs and the company’s performance during the prior 12 months and learning about their expectations for the near and longer term. Whenever skill gaps are detected, the employee in question is included in a specific training programme.

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## ■ Job training

[404-1, 404-2, 412-2]

### PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS

	Training hours	Employees trained	Average hours of training per year per employee
2016	504,813	16,325	30.9
2017	610,658	19,513	31.3
2018	698,970	20,491	34.1

The training effort is articulated around developing the skills needed for effective on-the-job delivery of CIE Automotive’s strategic objectives. In 2018, over 20,000 of the company’s employees received 698,970 hours of training (up 38% from 2016); that meant that 88% of the workforce received training, which is 5% more than in 2017 and 25% more than in 2016.

The average number of hours of training per trained employee was 34.1, growth of 9% compared to 2017. The breakdown by job category was 696,246 hours for factory workers and 2,724 hours for corporate services staff.

As for **training on human rights matters**, in 2018, CIE Automotive provided nearly 9,000 hours of training

to 6,000 employees (nearly 26% of the workforce) in 32 factories worldwide, which was 50% more than in 2017, in line with CIE Automotive’s 2015-2018 CSR Plan and its Human Rights Policy.

In addition, high-potential professionals receive training in advanced skills. Those initiatives encompass several areas such as people management, teamwork, decision-making based on financial considerations, team coaching and negotiation.

In 2018, CIE Automotive received over €400,000 from public institutions in several countries for the performance of training initiatives.

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## ■ Attracting talent

In 2017, the company launched again the Ulysses Programme, which is populated by new graduates from CIE Automotive's business markets: these graduates are trained in its legacy Spanish factories for one year and are then offered a job in their home markets. The programme thus delivers four objectives: training young people at facilities at which the group's values have been embedded for years; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence.

In 2018, the programme focused on Mexico, where the company brought in youths from training centres and universities, who first did a stint at the Mexican factories, receiving classroom and in-factory training, and then continued the programme with four months of dual training in Spain. As a result, in addition to training new employees, the company increased collaboration and dialogue between the Spanish and Mexican factories. It is worth noting that this programme is multi-divisional, i.e., it attracts talent to the forging, metal and aluminium divisions.

In line with what it has been doing in recent years with the aim of attracting top talent to the firm, over the course of the year the company ran a number of

recruitment programmes targeted at young graduates with an interest in pursuing an international career. To this end, it collaborated with Deusto University and the Basque University (UPV) in Spain and the Celaya Technology Institute and Coparmex in Mexico.

Within these initiatives it is worth singling out the BBK scholarships. Backed by the Basque regional authorities and the BBK Foundation, these scholarships combine training in excellence at foreign universities with a job contract at a cutting-edge company. In 2019, the company will participate in the second edition of these scholarships with a view to continuing to bring in new talent.

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## ■ HEALTH AND SAFETY

[103-1, 103-2, 103-3, 403-2, 403-3]

### ■ Preventive approach

The company takes a preventive approach to ensuring the health, safety and well-being of its employees: it observes more stringent standards than are required under local legislation, provides safety training to employees tailored for with the work they perform, establishes preventive measures and controls the effectiveness of the improvements introduced by means of internal audits.

The prevention of workplace accidents is articulated around the 2020 Health & Safety Strategic Plan, which was approved in 2017 and structured as follows:

- **Indicators:** Continuous improvement in the indicators that track workplace accidents (volume, frequency and severity rates).
- **CIE SAFETY:** Implementation of a self-assessment questionnaire at all factories. The target compliance score is 85% and the results trigger the mandatory implementation of specific measures in their annual safety plans in order to improve their scores going forward.
- **OHSAS 18001:** all of the productive facilities must be OHSAS 18001-certified in 2020.

*(For more information, refer to 5.2 Customers – Global certification map).*

Organisationally, CIE Automotive has an outside safety service that covers the four legally-stipulated areas of accident prevention expertise and a health and safety officer at each of its productive facilities, more than 100 people worldwide in total. This effort is shored up by a corporate health and safety department which regularly audits the factories, maintains the corporate intranet and serves as contact point for issues related with occupational health and safety.

At the factory level, the safety staff inspect the adequacy of the company's facilities, conduct emergency evacuation drills, provide training, assist

with incident investigations and carry out awareness drives.

Each plant has its own health and safety plan, which is put together on the basis of a framework system that is subjected to continual audit as part of the group's workplace safety management systems. This structure enables the company to adapt safety measures for each plant and evaluate the measures taken by it on this front as a whole. Individual action plans are formulated every year to deliver the targeted level of improvement defined on the basis of the prior year's performance. All of the group's productive facilities have a health and safety officer.

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## ■ Accidents [403-2, 403-3]

CIE Automotive is on the right path to reducing its accident rates. Thanks to its preventive and training efforts, the number of workplace accidents fell to 517 in 2018, down 12% from 2017, and down by 18% compared to 2016. That figure is relatively low considering the company's absolute headcount and the fact that the workforce increased by nearly 2% in 2018 (which is growth of 11% since 2016).

*«The number of accidents declined by 12%, despite headcount growth.»*

### ACCIDENT RATES

	2016	2017	2018
No. of employees	20,926	22,899	23,262
Lost-time injuries	629	588	517
Fatalities	1	0	0
Injury frequency rate	15	11.2	9.1
Accident severity rate	0.4	0.2	0.2

As the numbers show, in recent years not only has the injury frequency rate declined, so too has the severity rate, and very significantly so. Nor were any of the employees of subcontractors the victim of serious accidents in 2018.

CIE Automotive has a corporate policy, which is audited internally and externally, whereby prior to any outsourcing, the tasks that are going to perform are identified, as are the associated risks, preventive measures and safety resources, along with other complementary measures designed to mitigate residual risk.

CIE Automotive's employees receive safety training tailored to the risks posed by their jobs. Notable

among the safety-related training provided in 2018 was the implementation of new safety requirements as a result of the new collective bargaining agreement in the metalworking sector in Spain.

In addition, all of the productive facilities are sent a questionnaire annually (CIE Safety) asking them to indicate the number of employees at greater risk of occupational accidents or ill health so as to take the opportune measures. In 2018, that questionnaire was set to more than the 90% of CIE Automotive's productive facilities with none of the respondents flagging high-risk cases.

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### 5.4. Investors

#### MILESTONES IN 2018

- Added to the IBEX-35.
- Exit from Dominion via the distribution of a special dividend of over €400 million.
- Payment of a record-high cash dividend of €0.31/share.

#### LINES OF INITIATIVE UNDERTAKEN IN 2018

- Implementation of the suggestions derived from the Analyst Satisfaction Survey conducted in November 2017.
- Expansion of IR presence in international cities.
- Communication of new guidance for 2020 under the Business Plan.
- Communication of the exit from Dominion.
- Updates on the sector and macroeconomic situation.

#### LINES OF INITIATIVE IDENTIFIED FOR 2019

- Additional reinforcement in key international cities and first-time presence in new cities.
- Mastery of new CRM tool.
- Knowledge Management Project designed to optimise interactions with investors.
- Standardisation of periodical stock market reports for internal distribution.

CIE Automotive is committed to creating value for its shareholders and investors via dividend payments and share price gains. The company provides them continually with information so they can analyse its performance, forecast its future and take well-substantiated investment decisions. Engagement with the investment community intensified in 2018 on the heels of the company's addition to the IBEX-35.

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## ■ Value creation

Thanks to its earnings growth, the group paid out €72.1 million of dividends in cash from 2017 profits, up 37% year-on-year, extending its policy of paying out approximately one-third of net profits.

In addition, it paid out a special in-kind dividend against reserves, giving its shareholders 0.65709 shares of Global Dominion Access for every CIE Automotive share held. In total it distributed 84.76 million shares, representing 50.01% of that company's capital. An extraordinary dividend worth over €400 million.

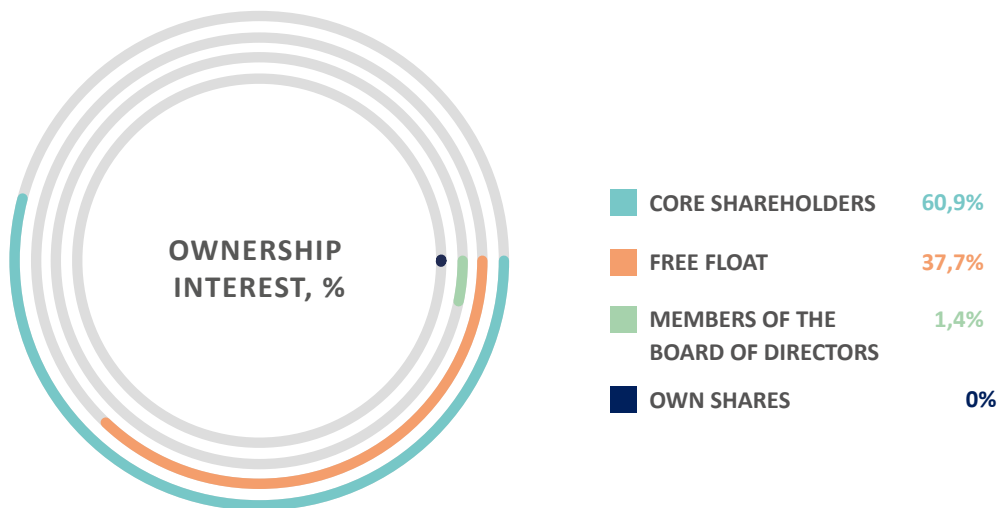
*«We paid out €72.1 million in dividends in cash, up 37% from 2017.»*

## ■ Ownership structure

At year-end 2018, CIE Automotive had 129 million shares outstanding and a market capitalisation of €2.77 billion. The core shareholders controlled approximately 60.9% of the total, with the 37.7% freely floated (members of the Board 1.4% and own shares: 0%). The company duly upholds both shareholder groups' interests thanks to its balanced corporate governance system.

As for the composition of the free float, although many of the company's investors are Spanish, its shareholder ranks also include funds from the US, UK, France, Ireland, Canada, Germany, Belgium, Portugal, Norway and Denmark.

### OWNERSHIP STRUCTURE



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## ANNUAL CHANGE IN SHAREHOLDER STRUCTURE

Shareholder	2016	2017	2018
ACEK Desarrollo y Gestión Industrial	20.9%	15.9%	14.9%
Antonio María Pradera Jáuregui	10.0%	10.0%	10.0%
Corporación Financiera Alba, S.A.	-	10.0%	10.1%
Elidoza Promoción de Empresas, S.L.	9.6%	9.6%	10.0%
Mahindra&Mahindra, Ltd.	12.4%	7.4%	7.4%
Addvalia Capital, S.A.	5.0%	5.0%	5.0%
Alantra Asset Management, SGIIC, S.A.	5.6%	4.7%	3.5%
<b>Total core shareholders</b>	<b>63.5%</b>	<b>62.6%</b>	<b>60.9%</b>
Own shares	0.0%	1.2%	0.0%
Members of the Board of Directors	0.4%	0.4%	1.4%
<b>Free float</b>	<b>36.1%</b>	<b>35.9%</b>	<b>37.7%</b>

For additional information about significant shareholdings as of the reporting date, refer to [here](#).

### ■ Shareholder communication

In keeping with its Market Information and Communication Policy, the company provides its shareholders with all relevant information and does what it can to encourage their participation at the Annual General Meeting, as required in the Spanish Corporate Enterprises Act.

All relevant group information, presentations and legally-stipulated financial and corporate governance reports and documents are available to the public on the corporate website ([www.cieautomotive.com](http://www.cieautomotive.com)), under the Investors & Shareholders tab. The website also provides contact data (a dedicated phone line and electronic mail address) for shareholders.

*«The Investor Relations Department stepped up its communication efforts in 2018 after CIE Automotive was added to the IBEX 35.»*

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## ABOUT THIS REPORT

The group's Investor Relations Department is tasked with the disclosure of accurate and regular information about the company's performance to the financial community.

In 2018, it stepped up its effort to educate the investment community about its equity story in light of the growing interest sparked by its inclusion in the IBEX-35, Spain's blue chip stock index. As part of that effort, it met 490 times with investors between 14 conferences, 11 roadshows, 7 investor visits to CIE Automotive's productive facilities and numerous conference calls.

During those events the company emphasised the company's solid fundamentals, its excellent prospects and its strategic commitment to promising markets such as Mexico, Brazil and India.

- Disclosure of sales breakdown for India and China (within the Asia segment).
- Disclosure of breakdown of growth by source (organic vs M&A, and forex) for the various geographic reporting segments.
- Alternation between near and far destinations for the Analyst Day event.

It is worth noting that the 2017 Analyst Satisfaction Survey yielded highly encouraging results. The survey evaluated a range of topics related with: (i) the quarterly earnings presentations; (ii) the quarterly earnings call; (iii) market guidance; (iv) the equity story; (v) the IR Department's know-how and service standards; (vi) marketing events; and (vii) the communication effort.

The Analyst Satisfaction Survey is biannual, with the next one scheduled to take place in 2019.

In addition, the company has a close relationship with the various analysts that cover the company. With them it organised meetings, visits and regular conference calls. That effort culminated with the 2018 Analyst Day, an informal meeting at which the company attempted to inform the analyst community about the Indian story; Ander Arenaza, CEO of Mahindra CIE met with the analysts.

At year-end 2018, 16 analysts were following CIE Automotive, up from 14 at the end of 2017. The company worked to implement their suggestions, gleaned from the 2017 Analyst Satisfaction Survey. The key suggestions implemented in 2018 were:

## ANALYST COVERAGE

Company	Analyst	Recommendation	Target price	Last update
Ahorro Corporación	Álvaro Arístegui	Buy	31.99€	10/2018
Alantra Equities	Álvaro Lenze	Hold	23.10€	12/2018
Bankinter	Esther Gutierrez de la Torre Coll	Hold	25.50€	10/2018
BBVA	David Díaz Rico	Overweight	33.00€	10/2018
BPI	Manuel Coelho	Hold	27.00€	11/2018
Exane BNP Paribas	Javier Pinedo	Hold	25.00€	10/2018
Fidentiis	Juan Cánovas	Buy	33.70€	07/2018
Intermoney Valores	Virgina Pérez	Buy	30.30€	07/2018
JB Capital Markets	Ignacio Ortiz de Mendivil	Buy	31.00€	07/2018
Kepler Cheuvreux	Alexandre Raverdy	Underweight	20.00€	10/2018
Link Securities	Iñigo Isardo	Buy	38.42€	07/2018
Nau Securities	Pedro Baptista	Buy	27.00€	04/2018
Renta 4	Iván San Félix	Buy	27.40€	10/2018
Sabadell	Alfredo del Cerro	Buy	27.85€	10/2018
Santander	Robert Jackson Pina	Buy	29.85€	07/2018
<b>CONSENSUS</b>	-	-	28.74€	-

Note that the table doesn't include Mirabaud Securities; although this firm was actively covering the stock at year-end 2018, it had yet to issue its report with an updated recommendation.

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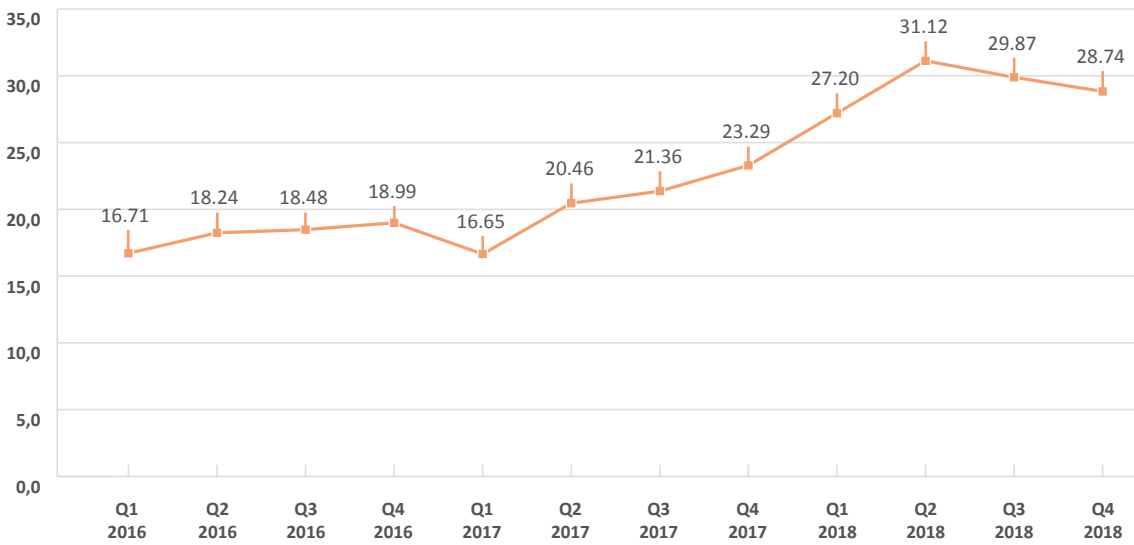
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## TREND IN ANALYSTS' CONSENSUS TARGET PRICE



\*Until 3Q18, the analysts' target prices included Dominion.

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## 5. We are driven by engagement

### 5.5. Innovation and technology [102-2]



#### INROADS INTO THE AUTOMOTIVE INDUSTRY



*CIE Automotive analyses emerging trends in the automotive industry and responds with new products. The company collaborates with a number of associations on a range of research programmes. Every year it earmarks nearly 2% of revenue to this effort across its 7 R&D centres, taking a multi-technology, multi-materials approach.*

The automotive sector is a success story from the standpoint of car and parts makers alike. 2018 marked a new chapter of growth within the healthy recovery underway since the crisis of 2009.

CIE Automotive is in the midst of tackling the challenges posed by the transformation unfolding

in the sector: vehicle **emission** standards; product and process **digitalisation** (with the effect that the OEMs are increasingly outsourcing their productive processes); new **mobility** concepts (comfort); and slow but steady **electrification** of the sector in general.

*(For more information, refer to section 4.1 Market environment and trends)*

The company is very familiar with these transformations thanks to its active participation in sector clusters such as ACICAE, which it presides, national business associations like SERNAUTO, where it sits on the management board, and international platforms such as EGVIA and CLEPA, where it is part of the research project committee.

**«Emissions, digitalisation, mobility and electrification rank among the main challenges facing the sector.»**

The **key sector changes**, if we compare where we are today and where we are headed in 2030, are expected to lie with the **electrification of the power and traction systems** and with **mechatronic and electrical parts**. Meanwhile, one of the **main sector challenges** will continue to be that of making vehicles lighter, thus enabling the **reduction of emissions** and energy **consumption**.

On 8 November 2017, the European Commission presented a legislative proposal with the aim of establishing new CO2 emission standards for cars and vans. It set a target for 2030 of a 30% reduction with respect to 2021 for new vehicles. Correlation data should already be available by then according to the new WLTP test cycle, with a reduction target of 15% by 2025.

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On 18 December 2018, a definitive agreement was reached: a reduction of 15% by 2025 and of 37.5% by 2030 for cars; and of 15% in 2025 and 31% in 2030 for vans.

These requirements mean that even the most efficient diesel engines, such as a Euro 6d engine, need a level of technological sophistication that is already weighing significantly on sales prices today,

making the endeavour all but non-viable for small cars and a significant consideration also for compact cars. This trend will be more pronounced in 2021 when CO<sub>2</sub> emissions will have to fall to 95gr/km.

The standards set for 2030 imply a level of consumption that is not achievable with internal combustion engines alone, spelling inevitable growth in electro-mobility.

*«CIE Automotive has a roadmap for investing in R&D projects articulated around the prevailing sector challenges.»*

CIE Automotive has a R&D roadmap for the gradual start-up of production of projects defined around the challenges, and opportunities the sector will throw up in the coming years, specifically articulated around the following areas and projects:

## ELECTRIC VEHICLES

- End-to-end refrigeration systems for engines and generators.
- Multi-material systems for battery housing and lids.

## ACTIVE CHASSIS SYSTEMS

- Active suspension systems.
- Transmission systems based on road conditions.

## REDUCING VEHICLE WEIGHT

- Hybrid structures and multi-material joining systems.
- Rotary forging.
- Multi-axial forging.

## FUEL AND EMISSIONS

- Higher pressures injection systems.
- Twin injection systems.

## ■ The challenge of smart manufacturing

We are witnessing many technologies develop at dizzying speed. Not only are they developing in parallel, they are interacting with and feeding into each other. As a result, we are seeing disruptive transformation of productive processes. If we layer in the sensory capacity to extract data which is then transformed into information by means of the necessary algorithms, information that can be available for analysis and decision-making virtually instantaneously thanks to hyperconnectivity, then we have the optimum environment for rendering our processes smart. Smart processes we can use to boost:

*«We are witnessing disruptive transformation of production environments.»*

- **Quality ratios:** We are increasingly closing in on zero defects in tuning, manufacturing, servicing and product traceability.
- **Productivity ratios:** With very high overall equipment effectiveness (OEE) ratios and resolving what that means for our value chain and for the preventive and prescriptive maintenance of our facilities by means of a well-defined total productive maintenance (TPM) strategy.
- **Flexibility:** Necessary at the facility level to permit swift changes in SKUs for ever-shorter production runs.

The fact is that automotive industry is demanding shorter time- and cost-to-market. To this end, CIE Automotive is tapping a range of technologies including sensor, vision, virtual and augmented reality technology and robotics in their different manifestations, manufacturing execution systems (MES), product lifecycle management (PLM), enterprise resource planning (ERP) systems, deep learning and blockchain technology for product traceability purposes. Correct implementation of these technologies in manufacturing facilities helps tackle the 'Smart Factory' challenge.

The company's R&D roadmap encompasses projects in the following areas for the forging, high-pressure aluminium die casting (HPDC), stamping and roof assembly lines:

- Automated in-line measurement.
- Artificial vision for superficial control.
- Sensorisation and control of dies and moulds.
- Unit traceability.
- Data capture, analysis and visualisation for process-critical variables.

This major effort around all of the above-mentioned lines of initiative meant that CIE Automotive devoted almost 2% of revenue to R&D projects in 2018. Many of these projects have been submitted for local, national and European R&D funding programmes.

It is worth noting that in 2018, the European Investment Bank (EIB) extended the company an €80 million loan for funding the R&D effort across its European centres

*(For more information, go to Section 4.2 2016-2020 Business Plan)*

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## ■ KEY R&D FUNDING PROGRAMMES

### HAZITEK PROGRAMME (BASQUE REGIONAL GOVERNMENT)

- **NITSL Project:** Development of high-spec wear parts for high-pressure aluminium smelting processes via active screen plasma nitriding and the hollow cathode effect.
- **CODICE+ Project:** Flexible dimensional control and in-line control of parts by means of modular artificial vision technology.

### CDTI PROGRAMME (SPAIN)

- **TEINEXT Project:** Research into new forming processes and mass and superficial heat treatments in order to optimise extrusion forging of industrial vehicle transmission parts.
- **FORJAL Project:** Research into hot aluminium forging techniques for the manufacture of large-sized structural automotive components.

### RCFS PROGRAMME (EUROPE)

- **HSSF Project:** The hybrid semi-solid forming project is being undertaken in collaboration with other companies and universities. Notably, CIE Automotive is participating in the *Universidad Empresa* classroom challenges programme happening at the automotive industry cluster (AIC) in Amorebieta (Spain). Also collaborating are certain research centres, some of which are members of the Basque science and technology network such as Ik4 and Tecnalia (CIE Automotive is a member of Tecnalia's executive board).

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## 5. We are driven by engagement

### 5.6. Suppliers

[102-9, 102-10, 103-1, 103-2, 103-3, 201-1]

We share information about our supply chain and foster training at small and medium sized enterprises by leading by example.

We are driven to meet the targets announced...

*«New supplier portal launched to facilitate end-to-end management.»*

#### LINES OF INITIATIVE UNDERTAKEN IN 2018

- Launch of the European Supplier Portal as an open communication channel that facilitates equal opportunities.
- Global, in-person and online training on CSR matters for buyer teams.
- Development and implementation of Industry 4.0 tools applicable to the supply chain with a view to delivering more nimble and effective management that ultimately translates into cost streamlining.
- Collaboration with suppliers and universities on Industry 4.0 projects designed to enhance the supply chain.
- Standardisation of the global requirement to embed ESG criteria into audits of suppliers of productive material.

#### LINES OF INITIATIVE IDENTIFIED FOR 2019

- Consolidation of the supplier portal worldwide.
- Work plan with productive material suppliers for the definition of environmental requirements.
- Development of an environmental collaboration project incubator with suppliers.
- Rollout of the 'CIE Automotive and its supply chain' project to educate suppliers about what is expected of them on the CSR front, accompanied by an assistance programme.
- Audits following specific ESG criteria of the top five suppliers to every European factory and the factories in North America and Brazil.

CIE Automotive's supply chain is made up of over 27,000 suppliers, who invoiced the company over €1.8 billion in 2018. Last year, the group continued to fine-tune its procurement model, carrying out quality controls and integrating ESG criteria into its supplier management processes. The biggest development was the launch of the first Supplier Portal in Europe.

The new Supplier Portal is an online platform that is free to use and accessible from the [Supply Chain](#) tab on the corporate website. Existing and prospective suppliers of products and services to CIE Automotive can register on the portal.

This new interaction channel is designed to deliver two objectives: (i) make it easier for firms interested in working with CIE Automotive to register by standardising the assessment needed prior to their addition to the supplier panel; (ii) provide a query tool for procurement managers worldwide.

In 2018, the Portal was rolled out to suppliers of productive material in Europe (> 1,000). The plan is to have it encompass all productive material suppliers worldwide by the end of 2019.

## ■ Standardised and objective selection [414-1]

*«Equal opportunities guaranteed.»*

Once registered with the Portal, suppliers must answer four questionnaires covering the following areas: business management; environmental management; CSR management; and conflict

mineral management. Each questionnaire has a specific weight; following objective assessment of their responses, suppliers are automatically sent an overall score. If positive, this score certifies membership of the supplier panel. If negative, the supplier receives details of the aspects in need of improvement along with a commitment on the part of CIE Automotive to help implement them.

The detailed questionnaires are available for consultation on the [Supply Chain](#) tab of the corporate website.

### QUESTIONNAIRE CATEGORIES AND WEIGHTINGS



Thanks to this procedure, CIE Automotive ensures that its procurement processes are standardised, framed by the criteria of objectivity, impartiality and equal opportunities, as stipulated in its [Global Supply Chain Manual](#).

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ABOUT THIS REPORT

This Manual, published in December 2017, details graphically and in plain language the [Mission](#), [Purchasing Policy](#), the [various product and service purchasing categories](#), the [purchasing flowchart](#) and the associated internal procedures and the CSR requirements suppliers must meet in order to work with CIE Automotive.

*«The new Supplier Portal ensures that the procurement model is framed by the criteria of objectivity, impartiality and equal opportunities.»*

None of the communication channels in place for reaching out to suppliers registered any complaints about the model or its impartiality in 2018.

## ■ Supplier certification [308-1]

The requirements demanded of suppliers are aligned with their classification as a function of the product or service they supply. Over 90% of CIE Automotive suppliers of the product families deemed subject to assessment are IATF 16949 (former ISO/TS 16949) or ISO9001 certified; environmental certification under ISO 14001 and OHSAS 18001/ISO 45001 certification is also positively rated.

In 2018, over 20% of all suppliers of productive material supplies evidenced environmental certification under

ISO 14001, a figure the company wants to improve in 2019, as this is one of the qualifications requested in the Portal *Environment* questionnaire.

The General Purchasing Terms and Conditions and the Global Supply Chain Manual evidence the commitment to compliance with applicable ESG legislation country by country at the supplier level. Section 15 of the [Supplier CSR Commitment](#) details what is required of suppliers environmental-wise in the course of doing business.

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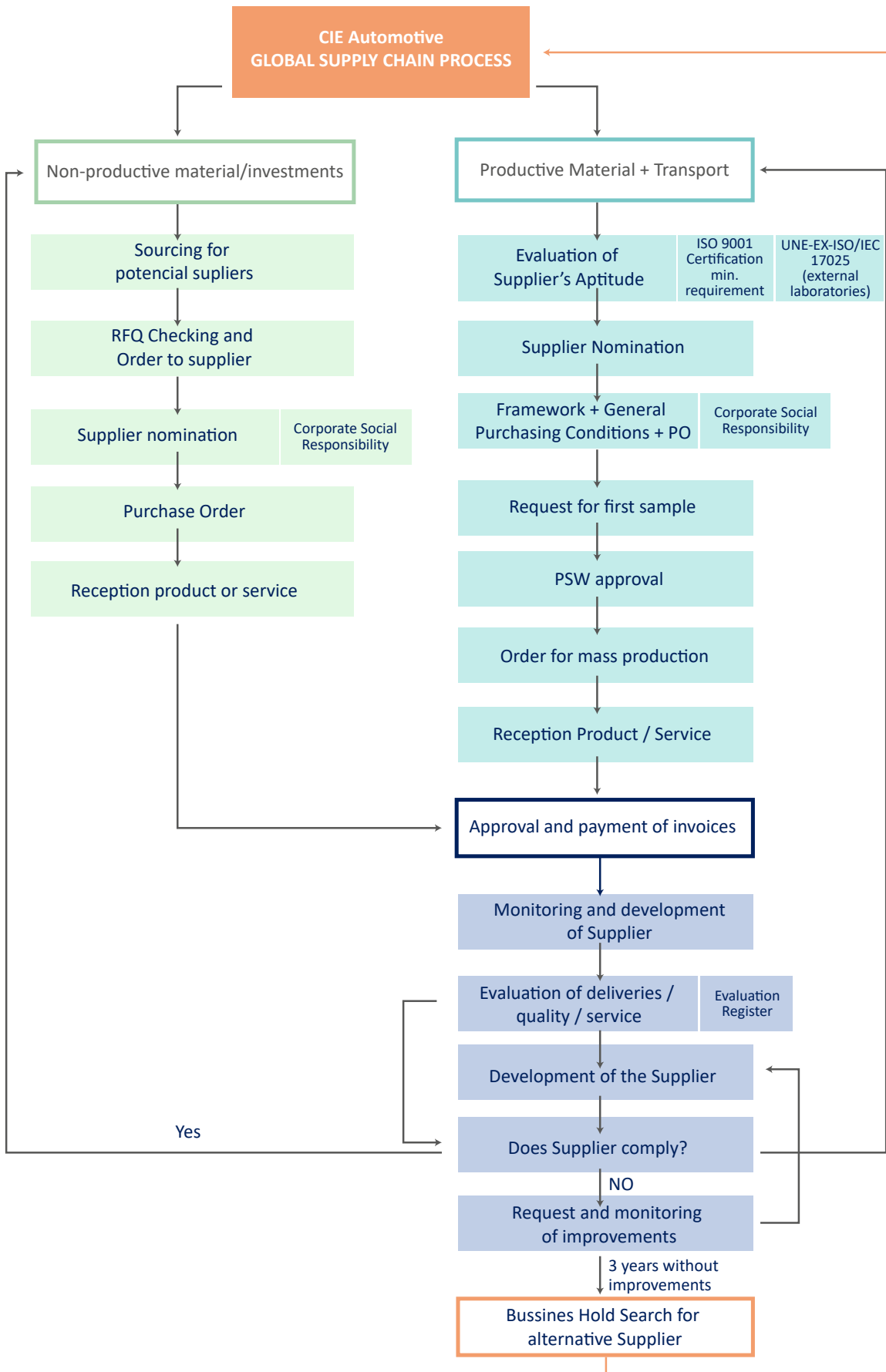
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*«Over 20% of suppliers of productive material have environmental management certifications .»*

Suppliers that do not hold these certifications are required to draw up a work plan for obtaining or presenting certification from a third party attesting that they meet CIE Automotive’s requirements.

In 2018, the company defined the environmental requirements it demands of its suppliers which it will gradually implement in the coming years. Aware of the difficulties they imply for small and medium sized enterprises, CIE Automotive offers these firms training if they require.

Supplier evaluations are rounded out by audits which assess and score them on the following parameters: planning, reception, training and skills, process, maintenance, inspection, packaging, storage, continuous improvement and environmental performance, customer satisfaction, documentation and corporate social responsibility. On several of these aspects, specific mention is made of critical environmental and workplace safety criteria and the suppliers are explicitly audited on those matters.

In addition, in the CSR section, the company verifies that existing and newly audited suppliers’ processes comply with the ESG requirements CIE Automotive endorses and promotes in its supply chain.

This assessment categorises suppliers into one of four levels depending on their level of compliance:

- **Not acceptable:** the supplier ceases to be a CIE Automotive supplier, having scored less than 55%.
- **Conditional:** these suppliers are required to draw up a plan for improving how their companies are managed, having only fulfilled between 55% and 74% of the assessment requirements.
- **Acceptable:** these suppliers are asked to carry out certain specific improvements, having fulfilled between 75% and 89% of the assessment requirements.
- **Preferred:** suppliers that score between 90% and 100% on the assessment.

Note that failure to score 100% on the CSR section immediately qualifies a supplier as ‘not acceptable’.

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## SUPPLIER AUDITS

BY REGION	Nº. OF AUDITS, 2018	%
Europe*	118	23.18%
North America	137	26.92%
Brazil	98	19.25%
Asia (India & China)	156	30.65%
Total	509	

\*The Europe region includes the factories located in Morocco and Russia.

The outcome of the audits is a testament to the robust nature of the company's supply chain as less than 1% of the suppliers audited were classified as *Not acceptable*.

### ■ CSR in the supply chain [408-1, 409-1, 414-1]

The [Purchasing Policy](#) is distributed to suppliers through the following communication channels: the corporate website; the General Purchasing Terms and Conditions; the Supplier Portal; and by getting them to endorse the [CSR Commitment](#). As a result, CIE Automotive can state that suppliers representing over 90% of purchasing volumes have been informed of and have ratified the [CSR Commitment](#).

CIE Automotive can also state, therefore, that its global supply chain is free of suppliers that pose a significant risk of presenting incidents of child or forced labour, unfair treatment, discrimination or any other practices that imply putting profits ahead of social and/or environmental concerns.

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## INDUSTRY 4.0 AND THE SUPPLY CHAIN

Over the course of 2018, the company collaborated with suppliers around the world on a series of projects for the application of emerging technology and developments to certain productive processes, robotisation and real-time data capture, among other initiatives.

Here it is worth highlighting the 'Industry 4.0 and the Supply Chain' project, which ran for six months as part of a collaboration between Deusto University and CIE Automotive's Corporate Purchasing Department for the former's Dual Entrepreneurship Masters.

As a result of this project, the participants identified the new global Industry 4.0 management practices, the need for real-time data management and the crucial role of digital logistics. They also detected the importance of understanding in depth the existing digital enablers and identifying which among them, such as cloud computing, can be of immediate use in enhancing basic industry

needs, whether or not related with the automotive industry, such as 'Improving communication channels between customers and suppliers'.

Although the full potential of implementation has still to be measured, the improvements identified unquestionably include the ability to capture value, an improved workflow, traceability, the real-time exchange of information, end-to-end visibility and the elimination of waste. Industry 4.0 is expected to be key to paving the way for the development of professionals who will be able to focus on higher value-added tasks, in even better working and social conditions.

Over the course of 2019, CIE Automotive will continue to work on enhancing the company's tools and collaborating with its suppliers in order to be able to implement quickly and flexibly all the potential improvements identified that stand to benefit CIE Automotive, its suppliers and society at large.

### ■ Other supplier communication channels

In addition to the Supplier Portal, the Suppliers tab on the corporate website provides the [General Purchasing Terms and Conditions](#) and a dedicated e-mail address for enquiries: [purchasing@cieautomotive.com](mailto:purchasing@cieautomotive.com). In parallel, the company engages with its supplier community at the corporate and local levels by meeting directly with them, giving talks at universities, attending expert forums and trade fairs and through phone and e-mail contact.

The company also seeks to acknowledge the suppliers that contribute to its business development. For example, in Mexico it has been organising a Supplier Day annually since 2016 and since last year it has been singling out the suppliers that best exemplify the company's CSR criteria.

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## ■ ORGANISATIONAL MODEL

### Product purchase families

- CIE Automotive remains true to its original product purchase families, which it reviews annually. The product purchase family framework is the cornerstone of the organisational model used to classify suppliers and manage the resources deployed locally and globally in managing such an important part of the company's business. Supplier purchases accounted for 61% of total revenue in 2018.

### CIE AUTOMOTIVE PURCHASING FAMILIES

CIE AUTOMOTIVE PURCHASING FAMILIES		
<b>RAW MATERIAL</b>	<b>COMPONENTS</b>	<b>SUBCONTRACTING</b>
STEEL	BAR-TURNING	TTT
ALUMINIUM	STAMPING	SUPERFICIAL COVERING
PLASTIC	FORGING	FOUNDRY
ALLOY COMPONENTS	FOUNDRY	FORGING
TOOLING RAW MATERIAL	MOTOR COMPONENTS	STAMPING
<b>TOOLING</b>	SINTERING	MACHINING
CONTROL TOOLING	THERMOFORMING	INSPECTION & ASSEMBLY
MACHINING	TISSUE	CUTTING
TTT & WELDING	INJECTION & OVERINJECTION	WELDING
STAMPING TOOLING	GLASS	
MOLDS	<b>OWN LOGISTICS MANAGEMENT</b>	
TUBE FORMING	TRANSPORT	
SPARE PARTS	STORAGE	
REPAIRING & MODIFICATIONS		

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NON PRODUCTIVE PURCHASE		
<b>MRO</b>	<b>ENVIRONMENT</b>	<b>PROFESSIONAL SERVICES</b>
PNEUMATIC	WASTE PROCESING	CONSULTING
HYDRAULIC	SANITARY	AUDIT
MECHANICAL	ENVIRONMENTAL CONSUMABLES	INDUSTRIAL DESIGN
ELECTRICAL	<b>OTHER CONSUMPTIONS</b>	INSURANCE
ELECTRONICS	CHEMICAL	DATA PROCESING
TECHNICAL SERVICE	PACKAGINGS	COMMUNICATION
FIRE EXTINCTION	CUTTING TOOLS	CLEANING
GENERAL MAINTENANCE	INDUSTRIAL SUPPLY	MEDICAL SERVICE
<b>ENERGY</b>	WELDING	TRAVELLING
WATER	OFFICE CONSUMABLES	HUMAN RESOURCES
ELECTRICITY	PPES&CLOTHES	SECURITY SERVICES
GAS	INDUSTRIAL GAS	MARKETING
FUELS	HARDWARE & SOFTWARE	
	<b>INVESTMENTS</b>	
	MACHINERY	
	EQUIPMENTS	
	BUILDINGS	
	OTHERS	

### Internal management

- CIE Automotive’s Purchasing Model can be described as **GLOCAL: Global management with local application**. It is a lean, simple, streamlined and thus highly efficient management network made up of factory buyers, lead buyers, buyer managers specialised by technology and the head of corporate purchasing and procurement.

Fewer than 200 professionals located all around the world who, framed by a global policy and support at the corporate level, guarantee the correct implementation of the company’s policies, procedures, values and objectives.

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## Supply chain management

Some 90.4% of the company's suppliers are local firms [204-1]

By sourcing from suppliers located close to its manufacturing facilities, CIE Automotive generates wealth in local communities, reduces logistics and tariff costs and mitigates exchange rate risk. As a result, 90.4% of CIE Automotive's suppliers, responsible for 79.3% of product and service purchases in 2018, are local firms.

It is therefore necessary to train the professionals working in the purchasing function in each region so that they can in turn educate local suppliers on CIE Automotive's requirements in terms of quality and sustainability.

### LOCAL SUPPLIERS, %



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## ■ SUPPLIER CLASSIFICATION

Using management tools such as the Kraljic Matrix, among others, CIE Automotive analyses the products and services to be acquired and, by extension the kinds of suppliers it needs and how best to manage them, along two key dimensions: **supply risk** and **impact on the company's profits**.

That analysis yields the following supplier segmentation:

### Leverage products and services - Commoditised suppliers

- Products and services with a high impact on the company's earnings but for which there is a large number of suppliers offering uniform quality, making them readily substitutable. The buyer profiles vary depending on the product/service types.

### Strategic products and services - Strategic suppliers

- These suppliers' make a very significant contribution to the organisation in terms of quality and/or differentiation. Moreover, the number of suppliers of these products and services is more limited, making it harder to replace them. The company seeks to build a long-term relationship with these suppliers, work on their vertical integration within the organisation and ensure the highest quality at the best possible price. It engages with these suppliers on innovation and product enhancement.

### Non-critical products and services - Multiple suppliers

- These products and services are **not critical for the organisation** and have a moderate impact on its cost structure. Management of these suppliers is articulated around the search for standardised supply solutions with fast and simple replenishment procedures.

### Bottleneck products and services - Limited/captive suppliers

- These are critical products and services than can **only be acquired from a very limited number of suppliers**; they have a relatively low impact on the cost structure but can cause major difficulties. These suppliers dominate their respective markets and they can impose their terms and conditions, so that they are managed at a high level of the organisation or by expert buyers. The aim is to lock in long-term agreements, forge alliances and often to work together on future developments.

Year after year, CIE Automotive strives to strike strategic agreements with suppliers which establish themselves as benchmarks in terms of quality, innovation, design and fulfilment, as well as being cost competitive.

The execution of more than 100 such strategic agreements in 2018 implies a competitive advantage by locking in the supply of products and services and guaranteeing the pursuit of materials and

process innovation projects destined to benefit CIE Automotive as well as its suppliers and customers in the medium term.

Despite segmentation, the company's quality and service standards and its ESG requirements are applicable to all suppliers in light of the important role played by every organisation in forging a sustainable business and world.

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## 5. We are driven by engagement

### 5.7. Environmental management [102-11, 103-1, 103-2, 103-3]



#### OUR PRODUCTS' ENVIRONMENTAL FOOTPRINT IS SHRINKING

#### LINES OF INITIATIVE UNDERTAKEN IN 2018

- Closing in on triple certification at all factories.
- Development of advanced calculations of the environmental footprint of the company's products
- Calculation of the cost of emissions.

In 2018, CIE Automotive's environmental pledge materialised in the development of new indicators that enable it to calculate the environmental impact of its activities and, as a result, to take the opportune measures for reducing that impact. The group is working to maintain the necessary balance between its business activities and environmental protection at each of its factories.

CIE Automotive tackles its environmental commitments by taking a preventive approach and working to minimise the adverse impacts the manufacturing and distribution of parts for the automotive industry could have on the environment, as set down in its Mission, Vision and Values and in its [Health, Safety, Environmental and Quality \(HSEQ\) Policy](#).

**«The environmental footprint as a preventive tool.»**

With this in mind, it manufactures environmentally-friendly products, introduces energy efficiency measures into its processes and installations, uses water and other raw materials rationally and manages its waste appropriately.

During 2018, CIE Automotive has adapted its production facilities to meet the legislative environmental requirements of the countries in

which they are located. Therefore, there have been investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment, and also expenses deriving from environmental action incurred during the year basically relate to waste removal expenses. The combined amounts of investments and expenses accrued in 2018 in relation to environmental protection worked amounted to €2.8 million.

Please refer for a bigger detail to Note 35. Other information of the [Consolidated Annual Accounts and Consolidated Directors' Report](#) for the year ended 31 December 2018.

Framed by a decentralised management model, the company has established factory-specific Eco-Efficiency Plans, which include a monitoring regime with specific improvement targets and a reporting system so it can analyse its environmental performance.

In recent years the company has been working towards the goal of having all CIE Automotive facilities achieve tripe environmental certification under ISO 14001, OHSAS 18001 and IATF (which replaces the former ISO/TS 16949).

*(For more information about the company's certifications, refer to section 5.2. Customers)*

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## ■ Climate change

CIE Automotive's operations affect the climate all along its value chain. Against this backdrop, the commitments enshrined in this Annual Report should be seen as the assumption of the company's responsibility with respect to climate change; in one way or another, all of its actions are designed to minimise that impact.

Although the use and consumption of raw materials, water and energy is inevitable in the course of the company's activities, it manages these impacts by means of annual risk assessments at each of its locations, framed by the ISO 14001 standards and a continuous monitoring regime.

## ■ Environmental offsetting

*«Working to achieve carbon neutrality.»*

In light of its inevitable environmental impact, CIE Automotive believes that the best way of achieving a neutral impact is to offset its adverse impacts. As a result, during the course of 2019 the company plans to analyse existing proposals and pursue offset initiatives wherever its footprint is greatest.

## ■ Improving indicators

With the aim of being able to assess its environmental impact more precisely, in 2018, the company developed a new indicator.

*«Inclusion of its carbon emission cost as a new environmental .»*

Specifically, it added the cost of its emissions, calculated in terms of European emission allowances (EUA), to its process map. Note, however, that CIE Automotive does not participate in the global emission trading scheme such that this indicator is a 'fictional' cost that does not affect its statement of profit or loss.

This new indicator joins another new indicator added in 2017 - environmental costs over revenue - which factors in the cost of all things related with environmental management of the productive process, from the intake of the energy and water consumed to the exit of the waste generated and its ultimate management.

## ■ Consumption of water and material resources [301-1, 301-2, 303-1]

CIE Automotive consumes water and raw materials intensively.

Adequate management of water is a priority for CIE Automotive as it needs water to cool materials shaped at high temperatures. In order to minimise water discharges, the company has proprietary water treatment systems that enable its recovery.

## WATER CONSUMPTION [303-1]

	Indicator	Definition	Unit	2016	2017	2018
<b>Europe*</b>	GRI 303-1 (1)	Surface water	m <sup>3</sup> /year			2,009.00
	GRI 303-1 (2)	Underground water				47,574.00
	GRI 303-1 (3)	Rainwater				22,034.00
	GRI 303-1 (4)	Municipal networks				435,096.00
	TOTAL			<b>502,688.67</b>	<b>635,129.58</b>	<b>506,713.00</b>
<b>North America</b>	GRI 303-1 (1)	Surface water	m <sup>3</sup> /year			393.00
	GRI 303-1 (2)	Underground water				79,016.00
	GRI 303-1 (3)	Rainwater				-
	GRI 303-1 (4)	Municipal networks				260,088.85
	TOTAL			<b>230,840.00</b>	<b>316,434.00</b>	<b>339,497.85</b>
<b>Brazil</b>	GRI 303-1 (1)	Surface water	m <sup>3</sup> /year			52,698.00
	GRI 303-1 (2)	Underground water				37,784.00
	GRI 303-1 (3)	Rainwater				-
	GRI 303-1 (4)	Municipal networks				124,009.00
	TOTAL			<b>148,228.27</b>	<b>174,443.00</b>	<b>214,491.00</b>
<b>Asia (India/China)</b>	GRI 303-1 (1)	Surface water	m <sup>3</sup> /year			250,915.00
	GRI 303-1 (2)	Underground water				48,522.00
	GRI 303-1 (3)	Rainwater				6,165.00
	GRI 303-1 (4)	Municipal networks				226,434.00
	TOTAL			<b>688,011.37</b>	<b>606,860.83</b>	<b>532,036.00</b>
<b>TOTAL</b>	GRI 303-1 (1)	Surface water	m <sup>3</sup> /year			306,015.00
	GRI 303-1 (2)	Underground water				212,896.00
	GRI 303-1 (3)	Rainwater				28,199.00
	GRI 303-1 (4)	Municipal networks				1,045,627.85
	TOTAL			<b>1,569,768.30</b>	<b>1,732,867.41</b>	<b>1,592,737.85</b>

\*The Europe region includes the factories located in Morocco and Russia.

The company also reviews all of its processes constantly to ensure responsible use of raw materials. An example of these good practices is the constant effort to reduce the gross weight of the products made by the company, which is key to using raw materials more efficiently. This effort also lowers the generation of waste and the consumption of energy and other products needed in the manufacturing process.

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## MATERIALS CONSUMPTION [301-1, 301-2]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 301-1	Raw materials used	Kg	476,126,871.23	512,145,613.43	546,033,547.00
	GRI 301-2	Raw materials recovered	Kg %	88,595,117.88 19%	102,844,996.56 20%	247,023,857.00 45%
North America	GRI 301-1	Raw materials used	Kg	236,962,233.98	292,588,679.88	307,241,576.00
	GRI 301-2	Raw materials recovered	Kg %	44,106,529.80 19%	61,719,614.69 21%	43,254,069.00 14%
Brazil	GRI 301-1	Raw materials used	Kg	62,664,350.43	102,588,358.27	196,503,649.00
	GRI 301-2	Raw materials recovered	Kg %	23,006,269.39 37%	34,090,451.91 33%	57,297,757.00 29%
Asia (India/China)	GRI 301-1	Raw materials used	Kg	242,586,834.72	276,947,728.70	423,041,204.00
	GRI 301-2	Raw materials recovered	Kg %	62,715,188.70 26%	74,553,499.61 27%	113,050,215.00 32%
TOTAL	GRI 301-1	Raw materials used	Kg	1,018,340,290.37	1,184,270,380.28	1,472,819,976.00
	GRI 301-2	Raw materials recovered	Kg %	218,423,105.77 21%	273,208,562.76 23%	460,625,898.00 31%

\*The Europe region includes the factories located in Morocco and Russia.

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## ■ Circular economy

CIE Automotive is moving in several directions towards a circular economy model with the aim of reducing the intake of materials and the production of virgin waste by closing economic and ecological loops.

### Suppliers:

- **Raw materials:** encouraging the purchase of raw materials obtained from recycling processes, particularly steel and aluminium, the materials used most intensively in its manufacturing processes.
- **Energy:** fostering the purchase of electricity generated from renewable sources. Today, 100% of the electricity purchased in Spain is renewable (the energy consumption synopsis table provides the breakdown of energy by source and by region).

### Internal process:

- Reusing waste in internal processes. This is very important in aluminium processes but is also a consideration in the casting and plastics processes due to technical requirements, albeit to a lesser extent.
- Fostering waste recycling.

### Sales:

- Use of returnable packaging in collaboration with its customers.

## ■ Waste management [306-2]

CIE Automotive fosters the recycling of its waste by seeking our handlers capable of giving it a second use, so that as little as possible is sent to landfills. The table below shows how the percentage sent for recycling is significantly higher than that sent to landfill.

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## WASTE MANAGEMENT [306-2]

	Indicator	Definition	Unit	2016	2017	2018
<b>Europe*</b>	GRI 306-2 (H)	Hazardous waste disposed of	MT			16,874.00
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				101,945.57
	GRI 306-2	TOTAL		126,079.77	115,653.74	118,819.63
<b>North America</b>	GRI 306-2 (H)	Hazardous waste disposed of	MT			2,937.95
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				82,375.98
	GRI 306-2	TOTAL		32,630.56	42,868.83	85,313.93
<b>Brazil</b>	GRI 306-2 (H)	Hazardous waste disposed of	MT			3,980.26
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				48,432.53
	GRI 306-2	TOTAL		15,952.32	19,122.59	52,412.78
<b>Asia (India/China)</b>	GRI 306-2 (H)	Hazardous waste disposed of	MT			3,114.36
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				115,716.36
	GRI 306-2	TOTAL		83,577.41	84,307.16	118,830.71
<b>TOTAL</b>	GRI 306-2 (H)	Hazardous waste disposed of	MT			26,906.63
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				348,470.43
	GRI 306-2	TOTAL		258,240.06	261,952.32	375,377.06

\*The Europe region includes the factories located in Morocco and Russia.

CIE Automotive also has a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes, thus fostering the above-mentioned circular economy model.

In aluminium, for example, shaped using injection moulding and machining processes, CIE Automotive generates sizeable amounts of remains such as sprue, risers, starting pieces, etc. from the injection moulding process and shavings from the machining process. In both instances, the company reuses these remnants in the melting process. It is worth

highlighting a process set in motion by CIE Celaya (Mexico) in order to reuse in-house the aluminium shavings generated in its machining processes; this waste used to have to be sent out for management.

The plastics division recycles sprue and other remains returned by its injection moulding process. The biggest amount of waste generated by CIE Automotive is steel from its stamping, forging and machining processes. Given that this steel cannot be recycled in full within the group's factories, it is delivered to a number of different local suppliers for end-to-end reuse.

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Most of the waste generated that cannot be recycled internally is sent to waste handlers which prioritise recycling over the landfill disposal method.

Note that although food management is not part of CIE Automotive's core business, all of the facilities with canteens or food vending machines for employees (and regardless of whether these services are outsourced) are subject to the most stringent food quality and safety rules, including food waste prevention criteria to the extent feasible.

## ■ Energy efficiency and emissions

**[302-1, 302-3, 305-1, 305-2, 305-4]**

In recent years, CIE Automotive has made significant progress on its energy efficiency, an area of priority importance because it helps reduce its environmental footprint and can translate into significant competitiveness gains.

The highest consuming technologies - aluminium injection moulding and steel forging - are the key areas of focus for a range of initiatives that range from efficient use of air compressors (via the reuse of the heat generated by the air compressors, the correct management of the distribution network, electric engines, furnaces, etc.), as well as smaller details such as efficient lighting.

### ENERGY CONSUMPTION AND SAVINGS [302-1]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	806,249.89	760,177.02	904,828.58
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	1,372,769.38	1,443,304.32	1,498,492.08
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	637,465.70
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	861,026.38
	GRI 302-1	TOTAL	Gigajoules (GJ)	2,179,019.27	2,203,481.33	2,403,320.66
North America	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	346,130.86	388,682.37	357,669.91
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	363,315.48	540,943.09	734,755.93
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	598,914.08
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	135,841.85
	GRI 302-1	TOTAL	Gigajoules (GJ)	709,446.35	929,625.46	1,092,425.84

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<b>Brazil</b>	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	101,636.69	122,190.94	175,500.25
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	379,636.33	512,872.70	638,508.15
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	90,360.33
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	548,147.82
	GRI 302-1	TOTAL	Gigajoules (GJ)	481,273.02	635,063.64	814,008.39
<b>Asia (India/China)</b>	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	136,807.60	111,087.86	170,942.47
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	907,273.61	985,850.49	1,053,221.25
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	889,320.24
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	163,901.01
	GRI 302-1	TOTAL	Gigajoules (GJ)	1,044,081.21	1,096,938.36	1,224,163.72
<b>TOTAL</b>	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	1,390,825.05	1,382,138.19	1,608,941.20
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	3,022,994.80	3,482,970.60	3,924,977.41
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	2,216,060.35
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	1,708,917.05
	GRI 302-1	TOTAL	Gigajoules (GJ)	4,413,819.85	4,865,108.78	5,533,918.61

\*The Europe region includes the factories located in Morocco and Russia.

## EMISSIONS [305-1, 305-2]

	Indicator	Definition	Unit	2016	2017	2018
<b>Europe*</b>	GRI 305-1	Direct emissions	CO <sub>2</sub>	51,893.41	48,896.85	52,227.83
	GRI 305-2	Indirect emissions	(MT)	128,858.95	134,484.94	78,277.93
	GRI 305	TOTAL		180,752.36	183,381.79	130,505.76
<b>North America</b>	GRI 305-1	Direct emissions	CO <sub>2</sub>	22,189.48	24,856.42	20,406.82
	GRI 305-2	Indirect emissions	(MT)	46,145.92	70,596.58	78,860.08
	GRI 305	TOTAL		68,335.40	95,453.01	99,266.90
<b>Brazil</b>	GRI 305-1	Direct emissions	CO <sub>2</sub>	6,519.22	7,962.10	10,151.10
	GRI 305-2	Indirect emissions	(MT)	9,174.54	12,693.03	1,706.81
	GRI 305	TOTAL		15,693.76	20,655.12	11,857.91
<b>Asia (India/China)</b>	GRI 305-1	Direct emissions	CO <sub>2</sub>	9,435.39	7,436.08	10,916.47
	GRI 305-2	Indirect emissions	(MT)	222,618.14	241,360.28	206,331.15
	GRI 305	TOTAL		232,053.53	248,796.36	217,247.62
<b>TOTAL</b>	GRI 305-1	Direct emissions	CO <sub>2</sub>	90,037.49	89,151.45	93,702.22
	GRI 305-2	Indirect emissions	(MT)	406,797.56	459,134.83	365,175.97
	GRI 305	TOTAL		496,835.05	548,286.28	458,878.19

\*The Europe region includes the factories located in Morocco and Russia,

The table below shows the emissions foregone as a result of purchasing energy generated from renewable sources.

	Indicator	Definition	Unit	2016	2017	2018
<b>Europe*</b>	GRI 305-2	Indirect emissions	CO <sub>2</sub> (MT)	-	-	71,462.56
<b>North America</b>	GRI 305-2	Indirect emissions	CO <sub>2</sub> (MT)	-	-	17,020.41
<b>Brazil</b>	GRI 305-2	Indirect emissions	CO <sub>2</sub> (MT)	-	-	10,353.90
<b>Asia (India/China)</b>	GRI 305-2	Indirect emissions	CO <sub>2</sub> (MT)	-	-	38,936.40
<b>TOTAL</b>	GRI 305-2	Indirect emissions	CO <sub>2</sub> (MT)	-	-	137,773.27

\*The Europe region includes the factories located in Morocco and Russia.

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## ENERGY INTENSITY [302-3]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.66	0.53	0.65
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.12	1.01	1.07
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.45
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.61
	GRI 302-3	TOTAL	GJ/€ 000	1.77	1.55	1.71
North America	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.64	0.54	0.47
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	0.67	0.75	0.96
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.78
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.18
	GRI 302-3	TOTAL	GJ/€ 000	1.32	1.29	1.43
Brazil	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.46	0.37	0.54
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.72	1.56	1.97
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.28
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	1.69
	GRI 302-3	TOTAL	GJ/€ 000	2.18	1.93	2.52
Asia (India/China)	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.31	0.23	0.32
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	2.07	2.04	1.95
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	1.65
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.30
	GRI 302-3	TOTAL	GJ/€ 000	2.38	2.27	2.27

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<b>Total</b>	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.57	0.47	0.53
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.25	1.18	1.30
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.73
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.56
	GRI 302-3	TOTAL	GJ/€ 000	1.82	1.65	1.83

\*The Europe region includes the factories located in Morocco and Russia.

	Indicator	Definition	Unit	2016	2017	2018
<b>Europe*</b>	GRI 305-4 (D)	Direct emissions	CO <sub>2</sub>	0.04	0.03	0.04
	GRI 305-4 (I)	Indirect emissions	MT/€ 000	0.10	0.09	0.06
	GRI 305-4	TOTAL		0.15	0.13	0.09
<b>North America</b>	GRI 305-4 (D)	Direct emissions	CO <sub>2</sub>	0.04	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	MT/€ 000	0.09	0.10	0.10
	GRI 305-4	TOTAL		0.13	0.13	0.13
<b>Brazil</b>	GRI 305-4 (D)	Direct emissions	CO <sub>2</sub>	0.03	0.02	0.03
	GRI 305-4 (I)	Indirect emissions	MT/€ 000	0.04	0.04	0.01
	GRI 305-4	TOTAL		0.07	0.06	0.04
<b>Asia (India/China)</b>	GRI 305-4 (D)	Direct emissions	CO <sub>2</sub>	0.02	0.02	0.02
	GRI 305-4 (I)	Indirect emissions	MT/€ 000	0.51	0.50	0.38
	GRI 305-4	TOTAL		0.53	0.52	0.40
<b>TOTAL</b>	GRI 305-4 (D)	Direct emissions	CO <sub>2</sub>	0.04	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	MT/€ 000	0.17	0.16	0.12
	GRI 305-4	TOTAL		0.20	0.19	0.15

\*The Europe region includes the factories located in Morocco and Russia.

## ■ Light and noise pollution

Although this aspect does not apply to the company's activities, CIE Automotive's environmental management systems are framed by the ISO 14001 standards, thus ensuring compliance with prevailing thresholds. Its systems are designed to help prevent and improve management of the company's environmental impacts, risks and opportunities as a whole.

## ■ Non-compliance with environmental laws and regulations [307-1]

The company did not receive any significant fines for non-compliance with environmental laws or regulations in 2018. Significant fines are those of €30,000 or more.

# 5. We are driven by engagement

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[102-13, 103-1, 103-2, 103-3, 203-2, 413-1, 415-1]



WE EMBARKED ON OUR FIRST STRATEGIC ALLIANCE AT THE CORPORATE COMMUNITY WORK LEVEL

### MILESTONES IN 2018

- Execution of an agreement with Save the Children under which the company will participate in the “Caminando hacia el futuro” programme.
- Membership of Forética’s Social Impact Cluster.
- Growth of 100% in community work donations.
- Growth of 13% in employee participation and of 31% in beneficiaries of community work programmes.

### LINES OF INITIATIVE UNDERTAKEN IN 2018

- Definition of a community work model in line with the guidelines approved by the CSR Committee in December 2017.
- Growth in employee participation in volunteering activities.
- Continued fine-tuning of the contribution to the community.

### LINES OF INITIATIVE IDENTIFIED FOR 2019

- Start-up of the “Caminando hacia el futuro” [Walking towards the future] programme in Mexico under the umbrella of the strategic alliance with Save the Children.
- Extending the growth in community work in terms of: the number of projects; employee participation; and the number of beneficiaries.

CIE Automotive is aware of its responsibilities towards the communities where it carries out its operations. To this end it focuses its community effort on local development needs and expectations. Its projects can take many forms, including volunteering, collaboration agreements, schooling programmes, reforestation drives, etc.

The company aspires to have its progress translate into progress in its communities by playing a prominent role in their economic development by creating jobs, invigorating the local business landscape and paying taxes. In parallel, it strives to minimise the negative impacts generated by its manufacturing facilities and focuses its community programmes on local development needs and expectations, at all times framed by the principles laid down in its [Social Action Policy](#):

- Collaboration
- Long-term commitment
- Transparency
- Employee engagement in company efforts
- Contribution of added value
- Focus on underprivileged places

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## VALUE GENERATED AND DISTRIBUTED [201-1]

€ million	2016 (***)	2017 (***)	2018
<b>Revenue</b>	2,220.8	2,845.6	3,029.5
<b>Economic value distributed</b>	<b>2016 (***)</b>	<b>2017 (***)</b>	<b>2018</b>
<b>To shareholders (dividends)*</b>	42.6	52.9	72.2
<b>To shareholders (special dividend)**</b>	-	-	404.7
<b>To employees (employee benefits expense)</b>	445.5	532.0	557.8
<b>To suppliers (consumption of raw materials and auxiliary materials)</b>	1,271.1	1,683.7	1,836.7
<b>To society (income tax paid)</b>	43.3	55.9	66.9

(\*) Dividend paid during the year.

(\*\*) Market value of the special dividend articulated to distribute the group's interest in Dominion to its shareholders.

(\*\*\*) In order to provide greater transparency and clarity in the information, the following is compared with the Automotive data published as comparable in the consolidated financial statements published by CIE Automotive 31/12/2018. The information differs from that published in 2017 due to the fact that, according to accounting standards, the specific impacts on the different lines of the income statement of those businesses discontinued in 2018 must be eliminated. For further information see the Consolidated Annual Accounts for the year ended 31 December 2018.

CIE Automotive plays a role in local development by creating jobs, purchasing from local suppliers, providing training and paying taxes in all its operating markets. Beyond the benefits generated directly by its activities, it collaborates with the authorities and other local organisations on different community initiatives that can be classified into one of three categories: donations; sponsorships; and community investment.

87% of CIE Automotive factories have local community managers, which brings the company

in closer contact with local needs and enables it to react quicker to sudden crises and ensure that each country takes the decisions that generate the most value.

CIE Automotive's contributions to community work programmes increased to over €800,000 in 2018, up 100% from 2017. Employee participation in these initiatives increased by 13%, from 2,400 employees in 2017 to over 2,700 in 2018. In addition, in 2018, more than 76,000 people benefited from these local community work programmes, 30% more than in 2017.

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COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
EUROPE*	372,700	1,144	764
NORTH AMERICA	75,067	74	7,731
BRAZIL	39,606	11	1,221
ASIA	328,961	1,474	21,744
<b>TOTAL</b>	<b>816,334</b>	<b>2,703</b>	<b>31,460</b>

\*The Europe region includes the factories located in Morocco and Russia.

CIE Automotive's community work rounds out its contribution to community development through its activity as manufacturer and its institutional relations effort, in which its membership of the Forética Social Impact Cluster stands out.

### Membership of Forética's Social Impact Cluster

CIE joined the Forética ([www.foretica.org](http://www.foretica.org)) Social Impact Cluster in May 2018. The Cluster is a forum made up of 60 large enterprises. It was set up to try and understand, assess, measure and improve the impact companies' community work has on society.

The mandate of this platform, which is led by Endesa, Grupo Cooperativo Cajamar, Ibercaja and Ilunion and coordinated by Forética, is to transpose into the Spanish context the main global trends and debates in the field of corporate social impact and to help generate practical solutions and deeper knowledge of the main related topics.

In addition to the Social Impact Cluster, CIE Automotive also participates in Forética's Transparency, Integrity and Good Governance Cluster and its Climate Change Cluster.

In 2018, the company worked to devise a community work model in line with the guidelines set in that policy.

**«The "Caminando hacia el futuro" project is scheduled to begin in Puebla (Mexico) in April 2019.»**

As a result of that effort, it entered into a corporate agreement with Save the Children Mexico under which it will finance and participate in that NGO's *Caminando hacia el futuro* [Walking towards the future] initiative planned for the city of Puebla.

This project, which is scheduled to begin in April 2019 and run for 18 months, consists of training youths aged between 15 and 21 with the aim of increasing their chances of finding decent work and breaking intergenerational poverty cycles.

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CIE Automotive’s contribution to the project encompasses direct financing as well as direct participation by volunteers in the training sessions, at job fairs and facility tours.

The ultimate aim is to help make the transition by youths aged between 15 and 21 into adult life a success by giving them skills and chances for finding work.

- **Objective:** Skills training for three technical baccalaureate classes, 800 youths (320 women and 480 men) enrolled in the fifth semester and to provide that training continuously until they complete the sixth semester.
  
- **Steps:**
  - Diagnosis of the job market;
  - Company outreach strategy;
  - Contacts with potential employers;
  - Assistance with the training;
  - Execution of Job Fairs;
  - Raising awareness about the gender gap;
  - Monitoring of trained youths; and
  - Impact assessment (comparison of results, pre and post programme).
  
- **Indicator:**
  - Number of youths who complete the training programme.
  - Percentage of youths who display increased familiarity with and use of employability skills.
  - Number of organisations that embrace the initiative.
  - Number of alliances with employers.
  - Ten areas of improvement between the group at the start and end of the programme.
  - Percentage of youths employed (paid work, work practice and self-employment).

This is the company’s first such agreement at the corporate level, although it has been working on local projects with various NGOs for years, in keeping with the United Nations Sustainable Development Goals. CIE Automotive’s decentralised management model makes it easier to take community engagement decisions and to align them with each country’s specific needs.

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## ■ COMMUNITY WORK PROJECTS BY REGION

### Europe

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
EUROPE	372,700	1,144	764

- **Training assistance for youths and the elderly**, end-to-end care, help and assistance for persons with disabilities of any kind (physical, intellectual, sensory or mental) with the aim of helping to integrate them into the workplace and society by means of donations to the AFIM Foundation in Spain.
- **Donations to associations that support persons with intellectual disabilities and rare illnesses** in Spain.
- **Donations to and collaboration with the Food Bank, UNICEF and Caritas** in Spain.
- **Collaboration with the choir association Coral de Bilbao** on the socio-educational music project Eskolan Kantari under which the company awards two scholarships to children as part of an initiative whose goal is to bring choir practice to schools with no music on the curriculum.
- **Collaboration with the Lenbur Foundation (Legazpi, Gipuzkoa)**: This foundation was created with the overriding objective of raising the profile of the iron industry's natural and cultural heritage as a symbol of cultural identity and a means for external projection, thus contributing to economic and social development. The Lenbur Foundation has fostered the study and recovery of elements of Spain's industrial past, with several museums set up as a result.
- **Blood donation** drives.
- Support for **child education, skills training and job creation**: In Portugal and Romania, CIE Automotive collaborates with educational institutions and centres that support disadvantaged children and the integration of youths into society.
- **Support for and collaboration with AFAGI** (the Gipuzkoa association of relatives, friends and persons with Alzheimer's and other forms of senile dementia). This organisation's mission is to defend the quality of living of persons affected by Alzheimer's and other forms of dementia and their loved ones.
- **Promotion of local culture and sports**: In Slovakia, the company contributes to a national 'Bike to Work' initiative targeted at cities. Other European factories also promote local culture; notably, the factory in Lithuania collaborated on the promotion of Marijampole as Lithuania's cultural capital of the year.

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## North America

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
NORTH AMERICA	75,067	74	7,731

- The North American factories contribute to organisations that research cures for cancer, leukaemia and diabetes and others that tackle crime and develop local schools (Angels of Hope, the Michael Ostrowski Cancer Foundation, the Children’s Leukaemia Foundation of Michigan (CLF), the Juvenile Diabetes Research Foundation, Crime Stoppers of Michigan).
- **Support and care for the needs of children and teenagers with disabilities and their families:** In 2018, the company collaborated with the Teletón Foundation which strives to transform, via the daily work of its partners and volunteers, the harsh living situation of many Mexicans. The project began in 1997 with the dream of bringing together companies, the media and society to attend to the needs of children and adolescents with disabilities and those of their families.
- **Reforestation and conservation work in preservation areas:** Certain Mexican factories collaborate with reforestation initiatives in order to raise environmental awareness.
- Support for programmes for children with heart disease.
- Donations to the Red Cross in Mexico.

## Brazil

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
BRAZIL	39,606	11	1,221

- **Contribution to food safety and means of livelihood** for the neediest by means of the provision of guaranteed clean water in the community of Sao Paulo.
- **Programmes for improving quality of living in the community:** CIE Automotive participates in programmes for tackling hunger and poverty through its collaboration with the Terra Foundation.

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## Asia

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
ASIA	328,961	1,474	21,744

The Mahindra CIE and Bill Forge factories are known for encouraging their employees to participate in voluntary community work, with a priority focus on the areas of education, environmental protection, personal and road safety and health. Specifically, they earmarked more than €325,000 to these activities, in which nearly 1,500 employees participated, in 2018. Over 20,000 work hours were devoted to community work with a positive impact on more than 10,000 people.

- **Street Light Project in Kanhe (Pune):** Mahindra CIE lent its support to a street lighting programme in Pune with the main aim of saving energy.
- **Promotion of and assistance for education:** CIE Automotive provides support for schools such as materials and funds for infrastructure in the most disadvantaged communities. It also gives scholarships to the brightest students so that they can further their education.
- **Personal and road safety programmes:** Focused on and targeted at teenagers. The idea is to educate adolescents about how to stay safe, taking a preventive approach.
- **Health services in schools and villages:** CIE Automotive also contributes to medical check-ups for students and local community members with the aim of furthering the early detection and prevention of diseases.
- **Blood donation days.**

## ■ Institutional relations [102-13, 415-1]

Institutional relations are based on collaboration and stringent compliance with prevailing legislation, while engaging openly and continuously with them with the aim of minimising potentially adverse impacts on local communities. The company is politically neutral and does not finance, either directly or indirectly, political parties or their representatives or candidates, either in Spain or abroad.

The company is firmly committed to fighting corruption and to establishing principles to govern the conduct of everyone comprising the company, as is reflected in its [Code of Conduct, Anti-Corruption and Anti-Fraud Policy](#) and its endorsement of the ten

principles enshrined in the United Nations Global Compact. Specifically, as contemplated in the tenth principle of the Global Compact, CIE Automotive is explicitly committed to combatting corruption in all its forms, including extortion and bribery and to developing specific and exemplary policies in this arena.

In order to enforce this policy, in addition to having 100% of its factories endorse the Code of Conduct, in 2018 the company carried out worldwide controls to make sure that none are financing political parties or related political institutions

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## ASSOCIATIONS TO WHICH CIE AUTOMOTIVE BELONGS

SERNAUTO - the Spanish association of automotive equipment and components manufacturers. Member of the Management Board.

APD - Association for management progress.

CLEPA - the European Association of Automotive Suppliers. Member of the R&D Committee.

EGVIA - the European Green Vehicles Initiative Association.

M2F (Move to Future) - a Spanish automotive and mobility technology platform. Membership of the Governing Board

TECNALIA - a private applied research centre. Membership of the Management Board.

ACICAE - the Basque automotive cluster. Chair of the Management Board.

CTAG - the Galician automotive cluster.

AIC - Automotive Intelligence Center. Vice-Chair of the Management Board.

TASKFORCE PILOT TESTING ADVANCED MANUFACTURING IN THE BASQUE REGION. Member of the Executive Committee.

ACMA – the Automotive Component Manufacturers Association of India.

BACC – the Baltic Automotive Components Cluster.

AIFI – the Association of Indian Forging Industry.

FVEM – the Vizcaya confederation of metal companies.

CCMI – the Confederation of Chinese Metalforming Industry.

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Because we believe that business ethics must go beyond good intentions and that to ensure they do we must put in place the rules, bodies, channels and procedures needed to guarantee that all of us comprising the group conduct ourselves correctly. Because we know that our strong reputation is one of the company's most important assets.

## 6.1 Corporate governance principles [419-1]



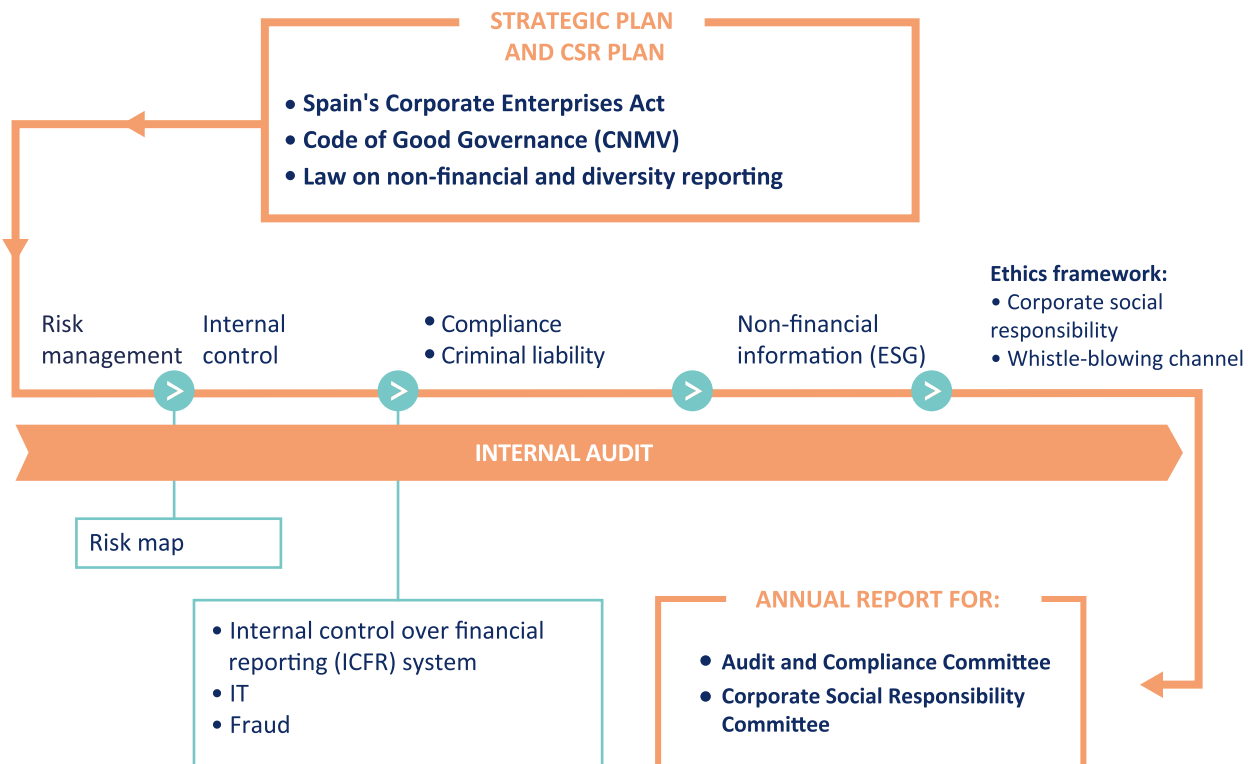
### WE BOAST A HIGH-QUALITY AND FUNCTIONING STRUCTURE

CIE Automotive has articulated a corporate governance model to effectively protect the corporate interest. It complies with the leading international standards and Spain's Good Governance Code for Listed Companies. In 2018, it continued to bring its risk management system to a new level and consolidated its role in Forética's Transparency, Integrity and Good Governance Cluster.

This governance regime is articulated around a body of in-house rules and regulations, comprising the Bylaws, the rules governing its governance bodies (the Board of Directors and its committees and the Annual General Meeting), the corporate policies regulating stakeholder relations and a series of internal rules, most notable among which the internal codes of conduct:

- Internal Code of Professional Conduct
- Internal Securities Markets Code of Conduct
- Criminal Risk Prevention Manual

The principles dictating how the system works are defined in the official Corporate Governance Policy. In addition, the process map, updated in 2017, devotes a process specifically to compliance and implements the following universe of procedures:



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The Board of Directors defines and regularly reviews the group’s organisational structure at the highest level; it delegates the duty of ensuring that the areas below this structure have the human and capital resources they need in the executive team.

In the pursuit of transparency, both the rules and regulations formulated by the group and its Annual Corporate Governance Reports and Director Remuneration Policy are available for consultation by stakeholders on the corporate website [www.cieautomotive.com](http://www.cieautomotive.com), in keeping with the technical and legal formalities and specifications stipulated by Spain’s securities market regulator, the CNMV, in Circular 3/2015 (of 23 June 2015).

The company received ten fines for non-compliance with laws or regulations in the social and economic arenas for €210,000 in 2018.

## Member of Forética’s Transparency, Integrity and Good Governance Cluster



CIE Automotive has been a member of the Transparency, Integrity and Good Governance Cluster created by the business platform, Forética, since 2016. During its third year, this forum continued to attempt to set the standard in the areas of transparency, governance and business ethics and to have Spain embrace the key trends and debates taking place around the world in these fields from a business perspective, collaborating to this end with governments and opinion leaders.

During the first half of the year, the forum analysed the implications of and ways of adapting to Royal Decree-Law 18/2017 on non-financial and diversity reporting. During the second half, the cluster

focused on analysing in greater depth the influence of environmental, social and governance (ESG) matters on decision-making, how these matters are being reported and the role they play in generating opportunities and mitigating risks, including their ability to reinforce business stability by creating opportunities and becoming a selection criterion for investors and the market.

CIE Automotive’s involvement with Forética also extends to participation in its Climate Change Cluster and Social Impact Cluster. It also enables it to participate in seminars of vital interest to the company.

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### 6.2. Governance bodies



#### OUR BOARD OF DIRECTORS IS PROFESSIONAL AND DIVERSE

CIE Automotive's key governance bodies are the Annual General Meeting, the Board of Directors and its Committees and the Steering Committee. Among the new developments materialising in 2018, it is worth highlighting the approval of the Director Remuneration Policy and the start-up of a new Strategy and Operations Committee.

#### ■ THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is highest decision-making body at which CIE Automotive's shareholders exercise their influence. Its duties and powers are regulated in [AGM Regulations](#). Shareholders of record within at least five days of the scheduled meeting date are entitled to attend. The quorum for calling the AGM to order is that stipulated in article 196 of the Spanish Corporate Enterprises Act. The members of the Board of Directors are obliged to attend the Meeting under article 10 of the AGM Regulations.

In 2018, the Annual General Meeting took place on 24 April and was attended by 300 shareholders, in person or via proxy, representing 94.92% of the company's share capital.

*«The 2018, AGM took place on 24 April and was attended by 300 shareholders, representing 95% of the company's shares.»*

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## ■ 2018 AGM RESOLUTIONS [102-37]

- Approval of the financial statements of CIE Automotive, S.A. and of its consolidated group and grant of discharge to the Board of Directors for 2017.
- Approval for a final dividend of €0.28 per share (before withholdings), which was paid out on 3 July 2018, following the payment of an interim dividend against 2017 profits, similarly of €0.28 per share, on 5 January 2018.
- Extraordinary in-kind distribution of Global Dominion Access, S.A. shares against reserves.
- Authorisation of the Board of Directors for the derivative acquisition of own shares, directly or through group companies, in accordance with articles 146 and 509 of the Spanish Corporate Enterprises Act, and reduction of share capital to cancel own shares, delegating powers for the execution thereof in the Board of Directors.
- Designation of PricewaterhouseCoopers as the auditor of the company's separate and consolidated financial statements.
- Appointment of Mr. Santos Martínez-Conde Gutiérrez Barquín as proprietary director of the company.
- Approval of the Director Remuneration Policy.
- Approval of a long-term incentive plan based on the company's share price performance for the CEO.
- Advisory shareholder vote on the Annual Report on Director Remuneration at CIE Automotive, S.A.
- Authorisation of the Board of Directors, or any of its members, to set up and endow a foundation or association.
- Delegation of powers to execute the forementioned resolutions.
- Approval of the meeting minutes.

[For further information about the AGM.](#)

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## ■ BOARD OF DIRECTORS

[102-18, 102-22, 102-23, 102-24, 102-26, 102-27, 405-1]

CIE Automotive's Board of Directors is its highest governing body and is made up of 13 members. Its duties are stipulated in the Bylaws and in the [Board Regulations](#). Its members are prestigious professionals who have demonstrated their competence and credibility over the course of their careers.

Of the company's 13 directors, two are executive, two are independent and nine are proprietary. That means that 18% of the non-executive members are independent. Moreover, these independent directors sit on the Appointments and Remuneration Committee and the Audit and Compliance Committee.

Female directors (two) account for 15% of the board seats. By nationality, 11 of the directors are Spanish and two are Indian.

The roles of the Chairman and CEO are clearly defined in the company's Board Regulations and fall to different people, even though both sit on the Board of Directors. The Chairman relinquished his executive duties at the end of 2017, staying on as proprietary director and non-executive chair, thus reinforcing CIE Automotive's governance practices.

In 2018, the Board of Directors met on six occasions and all the meetings were presided by its Chairman.



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## BOARD OF DIRECTORS (as of 31 December 2018)

	Position	Class of director	Strategy and Operations Committee	Appointments & Remuneration Committee	Audit & Compliance Committee	CSR Committee
Mr. Antonio María Pradera Jáuregui	Chairman	Proprietary	Chairman			
ELIDOZA PROMOCION DE EMPRESAS, S.L., represented by Ms. Goizalde Egaña Garitagoitia	Vice Chairwoman	Proprietary				Chairwoman
Mr. Jesús María Herrera Barandiaran	Chief Executive Officer	Executive	Director			
Mr. Ángel Ochoa Crespo	Director	Independent		Chairman	Director	
Mr. Carlos Solchaga Catalán	Director	Independent		Director	Chairman	
Mr. Francisco José Riberas Mera	Director	Proprietary	Director	Director		
Mr. Juan María Riberas Mera	Director	Proprietary				
Mr. Fermín del Río Sanz de Acedo	Director	Executive	Director			
MAHINDRA & MAHINDRA, Ltd. represented by Mr. Shriprakash Shukla	Director	Proprietary				
MAHINDRA & MAHINDRA, Ltd. represented by Mr. Vankipuram Parthasarathy	Director	Proprietary				
CORPORACIÓN FINANCIERA ALBA, S.A., represented by Mr. Santos Martínez-Conde Gutiérrez Barquín	Director	Proprietary	Director			Director
ADVALIA CAPITAL, S.A., represented by Ms. María Teresa Salegui Arbizu	Director	Proprietary			Director	Director
QMC DIRECTORSHIPS, S.L., represented by Mr. Jacobo Llanza Figueroa	Director	Proprietary				

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The Board of Directors organises its work through committees:

### ■ Strategy and Operations Committee

Permanent committee set up in December 2017 and operational since 2018. Its duties include assessing and making proposals to the Board of Directors about business growth, development and diversification strategies; bringing new investment opportunities before the Board of Directors; and studying and proposing recommendations or improvements to the strategic plans and plan updates submitted to the Board of Directors from time to time. This committee met once in 2018.

### ■ Audit and Compliance Committee

Its purview is to oversee the financial reporting process and ensure the independence and effectiveness of the internal audit function. Its duties include revising the internal control and risk management systems, selecting, appointing and replacing the auditor and taking receipt of information from the auditor, whose independence it must safeguard. This committee held five meetings in 2018.

### ■ Appointments and Remuneration Committee

Among other duties, this committee is tasked with formulating and reviewing the criteria for selecting director candidates, evaluating the directors' performance, proposing and monitoring the director remuneration system, in particular the amounts of their annual pay, and overseeing new director selection procedures. It met four times in 2018.

### ■ Corporate Social Responsibility Committee

Created in 2015, this committee is made up of three members and its job is to promote CIE Automotive's corporate governance and CSR strategy, among other duties. It met once in 2018.

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Absent: Mr Carlos Solchaga Catalán, Mr Shriprakash Shukla and Mr Vankipuram Parthasarathy.

## Director CVs and qualifications



### Antonio María Pradera Jáuregui CHAIRMAN (PROPRIETARY)

A road engineering graduate from Madrid's Polytechnic University, Mr. Pradera began his career in 1979 as a director at Banco Bilbao, where he worked until 1985. In 1988, he was named executive director of Nerisa, where he stayed until 1993, when he moved to SEAT as director of strategy. He played an important role in the creation of INSSEC in 1995, where he served as chief executive until 2010. He served as the Executive Chairman of CIE Automotive from 2012 until 2017, working in the strategy and financial design departments; he also chaired Global Dominion Access, S.A. Since May 2015, he has been a director at Tubacex and since June 2015, a director at Corporación Financiera Alba. On 31 December 2017, he stepped down from his executive duties at CIE Automotive, thus reinforcing the company's corporate governance practices.



### Goizalde Egaña Garitagoitia VICE CHAIRWOMAN (PROPRIETARY)

A graduate of economic and business science from Deusto University in San Sebastián, where she also completed post-graduate studies in Business Competitiveness and Regional Development and an executive financial management programme. She began her career in the finance department of Compañía Ibérica de Encuadernaciones S.A. (CINENSA) in 1989 and later joined the team of auditors at Attest Consulting (1990 - 1992). She served on the board of INSSEC and is currently a director at Global Dominion Access, S.A.



### Jesús María Herrera Barandiaran CHIEF EXECUTIVE OFFICER (EXECUTIVE)

A graduate of business studies and economics from the Basque University, Mr. Herrera also holds a Master of International Expansion (from Euroforum). He joined CIE Automotive as CFO in 1991, also heading up the HR function for CIE Orbelan. In 1995, he was named deputy manager and in 1998 he was promoted to general manager. In 2000, he took over management of CIE Brazil and in 2002, of CIE Plasfil. That same year he was named global director of CIE Plástico, a position he held until 2005, when he took up the general manager spot at CIE America. He has been the CEO of Autometal S.A. since 2010 and in 2011 he was named COO for the entire Group; just a year later he would be named general manager of CIE Automotive. Lastly, in 2013, the Board of Directors appointed him CEO of CIE Automotive. He is also a director at Global Dominion Access, S.A.

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**Ángel Ochoa Crespo**  
**DIRECTOR (INDEPENDENT)**

A graduate of business administration from the Basque University, Mr. Ochoa also holds a Master of International Business Administration (MIBA) from the United States International University of San Diego. He boasts 24 years' experience in the financial sector, having held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico. He has also sat on the boards of several open-ended collective investment schemes (SICAVs). He is currently the financial advisor in the investment area and partner at the firm Angel Ochoa Crespo EAFI. He also chairs ISLOPAN, S.A.



**Carlos Solchaga Catalán**  
**LEAD INDEPENDENT DIRECTOR (INDEPENDENT)**

A graduate of economic and business science from Madrid's Complutense University, Mr. Solchaga has also completed post-graduate studies at the Alfred P. Sloan School at the Massachusetts Institute of Technology (MIT). In 1980, he was elected member of the Spanish Parliament as deputy for the PSOE and was subsequently re-elected in 1982, 1986, 1989 and 1993, ultimately presiding the Socialist Party's Parliamentary Group in 1993-94. Other noteworthy appointments: member of the Basque regional government prior to approval of the Euskadi Autonomous Statute (1979-80); president of the IMF's Interim Committee (1991-1993), Minister of Industry and Energy (1982-1985); and Minister of the Economy and Finance (1985-1993) in Spain. He is currently an international consultant and a president of the firm Solchaga & Recio Asociados. Other current appointments include: chairman of the Euroamerica Foundation; president of the Arquitectura y Sociedad Foundation, chairman of the Advisory Board of the Roca Junyent law firm, member of the Scientific Board of the Elcano Royal Institute and member of the board of Pharma Mar, S.A.



**Francisco José Riberas Mera**  
**DIRECTOR (PROPRIETARY)**

A dual law (1987) and business studies graduate (1988) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997 since which time he has been that firm's Executive Chairman, forging the group it is today. He also sits on the boards of other Gestamp companies and investees of the family holding company, Acek, including Grupo Gonvarri, Acek Energías Renovables and Inmobiliaria Acek. He is a member of other boards such as Telefónica, Global Dominion Access and Sideacero. Lastly, he is the president of IEF (acronym in Spanish for the Family Business Institute) and active at the Endeavor Foundation.

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**Juan María Riberas Mera**  
**DIRECTOR (PROPRIETARY)**

A law and business studies graduate (dual degree) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career at Grupo Gonvarri in 1992 in the business development area, a group where he later assumed the role of CEO. In 2005, he was one of the backers behind the creation of ACEK Renewables, taking on the position of executive chairman in 2007. Since 2010 he has been serving as chairman of Gonvarri Steel Industries and co-chairman of ACEK, the family-owned holding company. He is also a trustee of the Juan XXIII Foundation.



**Fermín del Río Sanz de Acedo**  
**DIRECTOR (EXECUTIVE)**

A business studies graduate (San Sebastian). He began his career as tax advisor in 1975 and is the founder of Norgestión (a consultancy specialised in mergers & acquisitions, tax law and finance). He provided services to this firm until 2008. He has also headed up ADEGI (the Guipuzcoa business association) and been a member of CONFEBASK, the Basque committee of business owner associations. He chaired Autometal S.A. in the past and currently sits on the boards of Fegemu S.A., Viveros San Antón, S.A. and Global Dominion Access S.A.



**Santos Martínez-Conde y Gutiérrez-Barquín**  
**DIRECTOR (PROPRIETARY)**

Santos holds a Bachelor of Engineering (roads, canals and bridges), a Master of Business Administration from ICADE and a Diploma in Nuclear Technology from ICAI. He has built his career in a number of engineering and financial sector firms: Sener, Técnica Naval e Industrial, S.A. (1979-1980), Técnicas Reunidas, S.A. (1980-1987), Bestinver, S.A. (1987-1990), Corporación Borealis, S.A. (1990-1994) and Banco Urquijo, S.A. (1994-1998). He has served on the boards of numerous listed and unlisted companies across a wide range of business sectors. He is the

CEO of Corporación Financiera Alba, S.A. and currently sits on the boards of Banca March, S.A., Acerinox, S.A., Indra Sistemas, S.A., Bolsas y Mercados Españoles, SHMSF, S.A. (BME), Artá Partners, S.A., de Artá Capital SGEGR, S.A., Deyá Capital SCR, S.A. and Deyá Capital IV SCR, S.A.

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**Shriprakash Shukla**  
**DIRECTOR (PROPRIETARY)**

A technology graduate from the Indian Institute of Technology at Banaras Hindu University, Mr. Shukla also holds an MBA from the Indian Institute of Management of Ahmedabad. He has built his career at multiple companies, including Dunlop India, Swisscom Essar (currently Vodafone Essar) and Reliance Infratel, where he served as executive chairman before joining the Mahindra group. He currently runs the latter group's Aerospace & Defence subsidiary, chairs Mahindra Sanyo Special Steels and sits on the Executive Committee of Mahindra&Mahindra. Previous posts at this group included director of strategy and of brand management. Lastly, he is affiliated with prestigious industrial forms in several countries.



**Vankipuram Parthasarathy**  
**DIRECTOR (PROPRIETARY)**

A commerce graduate from Gujarat University, Mr. Parthasarathy also holds an AMP from Harvard Business School. He began his career at Xerox, where he reached the position of associate director. In 2000, he joined Mahindra&Mahindra, Ltd., where he has held various executive positions. He is currently the CFO and CTO of Mahindra&Mahindra, Ltd. as well as sitting on the group's Executive Committee and on the boards of 14 subsidiaries (four of which are listed). He has won a number of accolades in the areas of finance, M&A and IT.



**María Teresa Salegui Arbizu**  
**DIRECTOR (PROPRIETARY)**

A graduate of economic and business science from Deusto University. Ms. Salegui began her career at the transport firm La Guipuzcoana (1988-2002), where she worked as general manager, a position she also held at DHL Express Iberia (2002-2004). She is currently the chairwoman of Addvalia Capital and Perth Espacio y Orden, as well as sitting on the boards of several companies, including One Facility Management and Baztango.



**Jacobo Llanza Figueroa**  
**DIRECTOR (PROPRIETARY)**

A graduate of economic and business science from the University of Paris. Jacobo built his career in investment banking, starting out in 1989 in a number of positions at Banque Indosuez and Bancapital, before going on to create and run AB Asesores Moneda in 1992, an AB Asesores group company. Following the sale of this firm to Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, where he worked as managing director of equities & derivatives for Latam, Eastern Europe, Africa and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently a Managing Partner, as well as CEO of Alantra Asset Management. He also sits on the board of Tubos Reunidos.

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## ■ DIRECTOR PERFORMANCE EVALUATION [102-28]

As a listed company, CIE Automotive is committed to applying the most stringent corporate governance principles. Against this backdrop, in 2017 it engaged an outside firm to assist it in evaluating the board's performance that year.

In general terms the quantitative results of that exercise evidenced a reasonable level of satisfaction with the board's performance, scoring lower on average for 'ability to improve' than similar companies.

That evaluation was presented to the Appointments and Remuneration Committee in June 2018, emphasising the following areas for improvement:

- Increasing director participation.
- Sending meeting information to the directors sooner and facilitating access to prior meeting minutes.
- Fostering director independence and diversity.
- Increasing communication between the board committees and facilitating access to the various bodies' meeting minutes.

CIE Automotive worked on all of these areas in 2018.

The Chairman of the Board of Directors, in his newly non-executive capacity, has assumed responsibility for overseeing the company's corporate governance, reaching out personally to the directors to encourage familiarity with all aspects of relevance to performance of their duties.

At the recommendation of the Appointments and Remuneration Committee, the Board of Directors has evaluated several options for facilitating the provision of information and access to all of the directors, ultimately selecting *Diligent*, a tool that offers a complete solution that allows governing bodies to mitigate risks and coordinate optimally.

Diligent Boards is the cornerstone of the Governance Cloud ecosystem and manages board meetings agendas, documents, annotations and debates within a secure and user-friendly portal. The platform goes beyond digital management of the board's

documentation, encompassing all aspects end-to-end, including the board committees, contacts established, votes case or reports issues, to name a few.

As for the board's composition in terms of both independence and diversity, the company is cognisant of the corporate governance recommendations in this arena and, as a function of optimal shareholder rotation vis-a-vis CIE Automotive's business interests, will continue to work towards complying with them.

As for this year's evaluation exercise, the Chairman is conducting the assessment with the help of the Compliance Department. The results will not be available by the time of issuing this report.

## ■ CONFLICTS OF INTEREST [102-25]

The company's directors were not party to any conflicts of interest in 2018.



## MANAGEMENT BOARD

The Management Board directly oversees management of the Business Units and coordination with the Corporate Areas with authority across all of CIE Automotive, including the Network Services.

Besides, there is a Steering Committee that meets periodically and is made up of the heads of the various Business Units and Corporate Areas.



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## ■ DIRECTOR REMUNERATION POLICY [102-35, 102-36, 102-37]

At the AGM last April, CIE Automotive's shareholders approved the new [Director Remuneration Policy](#). The goal of that policy is to ensure that director remuneration is proportionate in terms of the dedication and responsibilities assumed, in keeping with compensation levels at comparable companies in Spain and abroad, and aligned with the long-term interests of the shareholders as a whole.

### KEY PRINCIPLES OF THE REMUNERATION POLICY

Remunerating directors proportionately for their dedication and the responsibilities they assume, in keeping with the compensation paid by comparable companies in terms of market capitalisation, size, ownership structure and international presence.

Ensuring their remuneration makes a direct contribution to delivery of CIE Automotive's strategic objectives.

Ensuring the ability to attract, motivate and retain the best professionals.

In drawing up this policy, the company took into consideration the nature of the relationship between the directors and the firm insofar as it was decided not to remunerate the proprietary directors (other than the Chairman, who devotes considerably more time to the post). That being said, that decision is currently under review and it is conceivable that the policy will be adjusted in subsequent years to reconsider this specific matter.

*«The new Director Remuneration Policy was approved at the April AGM.»*

The new policy distinguishes between the remuneration system applicable to directors in their capacity as board members and the remuneration system applicable to executive directors for discharging their executive duties. For full-time executive directors, the remuneration policy is structured similarly to that applied to the rest of the company's executives.

(For more information, refer to [Director Remuneration Policy](#))

In 2018, the average remuneration for directors and executives, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, broken down by gender was the following:

	Nr. of people	Men	Women	Men Average remuneration in euros	Women average remuneration in euros
Directors*	5	5	0	1,102,548	-
Executives	10	7	3	675,351	495,932

\*Directors with remuneration: two executive, two independent and the chairman.

Elsewhere, the Board of Directors decided to facilitate the participation of 67 non-director executives in CIE Automotive's shareholder ranks by means of a five-year scheme. The goal is to motivate, retain and stimulate the most important members of the management team by aligning their interests with delivery of the company's strategic objectives during the next five years.

Please refer for a bigger detail to Notes 26. Employee benefit expense and 34. Related-party transactions, of the [Consolidated Annual Accounts](#) for the year ended 31 December 2018.

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## 6. We are driven by good governance

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[102-16, 102-17, 102-25, 102-33, 102-34, 103-1, 103-2, 103-3, 205-2, 205-3, 406-1]



#### WE MAKE SURE OUR CORPORATE VALUES ARE UPHELD

CIE Automotive builds ethical conduct and the effective implementation of its corporate values into all of its activities by means of a body of internal rules and regulations, most important among which its *Internal Code of Professional Conduct*, enacted by means of a series of corporate policies.

The Code of Conduct, approved in December 2015, is intended to guide the actions of all of the directors, executives, employees and factory workers. Failure to comply with it is penalised.

#### CIE AUTOMOTIVE'S RULES OF CONDUCT

Lawfulness.
Transparency, integrity and confidentiality with respect to information.
Compliance with tax obligations and the proper use of public funds.
Correct engagement with the various stakeholders.
Protection of workplace health and safety.
Repudiation of any form of corrupt or fraudulent behaviour.
Loyalty and transparency in the event of conflicts of interest.
Respect for intellectual and industrial property rights.
Protection of personal data.

#### ■ CORPORATE POLICIES

This Code of Conduct acts as an umbrella for a series of corporate policies, approved at the board level and binding upon all members of the organisation, including the [Anti-Corruption and Anti-Fraud Policy](#) and the [Human Rights Policy](#).

[More information about the corporate policies.](#)

Responsibility for oversight of due compliance with the Code of Conduct and the various emanating corporate policies is vested in the Corporate Social Responsibility Committee, which reports to the Board of Directors.

This committee in turn delegates the task of overseeing compliance with the law in all of the Group's operating markets and with the body of ethics rules created by CIE Automotive in the Compliance Department.

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## ■ WHISTLE-BLOWING CHANNEL [406-1]

In order to guarantee compliance with the Code of Conduct, CIE Automotive gives all of the people forming part of the organisation the opportunity to make ethics enquiries and notify unusual activity or breaches of the Company's rules of ethics, integrity or conduct by means of a whistle-blowing channel which can be accessed by e-mail, post or internet:

- Whistle-blowing channel e-mail inbox: [whistleblowerchannel@cieautomotive.com](mailto:whistleblowerchannel@cieautomotive.com)
- Postal correspondence addressed to the Compliance Department:  
Alameda de Mazarredo 69, 8th floor. 48009 Bilbao (Bizkaia), Spain.
- Information and communication channel on the intranet and on the corporate website.

Whistle-blower anonymity is duly guaranteed. In 2018, CIE Automotive received 16 complaints through this channel. In all instances, the opportune actions were taken to analyse, monitor and remedy or close the cases. The complaints were mainly related with instances of workplace harassment, a lack of professional ethics and management problems. There have been no complaints for corruption, discrimination neither for human rights violations.

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## 6. We are driven by good governance

### 6.4. Risk management [102-15, 102-29, 102-30, 205-2]



#### WE ARE READY FOR A CHANGING ENVIRONMENT

CIE Automotive has an Enterprise Risk Management system (ERM) in order to identify, assess, monitor and reduce to tolerable levels the risks that could jeopardise delivery of CIE Automotive's objectives and create uncertainty in the market. The ERM is framed by the corporate Risk Management and Control Policy, which is the responsibility of the Board of Directors, which delegates oversight of its correct implementation and functioning in the Audit and Compliance Committee.

CIE Automotive's ERM provides it with reasonable assurance that all significant risks - strategic, operational, financial/reporting (refer to the Internal Control over Financial Reporting (ICFR) Policy) and ESG risks - are prevented, identified, evaluated and monitored continuously. Those risks are approved at the board level and managed in keeping with defined risk appetite and tolerance thresholds.

Underpinned by strong and sustained commitment on the part of the Company's senior executives and management team, coupled with robust strategic planning, the goal is to create a controlled risk environment in which risks are actively managed; the premise is that adequate risk will create value and give rise to new opportunities.

The ERM is based on the following main principles:

- Creation of a constructive vision of the concept of risk.
- Committed and competent risk management professionals.
- Use of a shared language.
- Transparent communication throughout the entire organisation.

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## RISK MAP

Each year, the company’s senior executives and management team are responsible for evaluating the risks identified in the ERM and drawing up the risk map for the entire organisation:

- From the standpoint of residual risk: considering the controls already in place at CIE Automotive in order to mitigate the potential impact of their materialisation;
- Based on the probability of occurrence (past and future) and impact (along three dimensions: economic, organisational and reputational). The probability of occurrence is measured as follows:
  - **High:** Materialisation of the risk would affect the organisation imminently (in the short term).
  - **Medium:** Materialisation of the risk would affect the organisation within two to five years’ time (medium term).
  - **Low:** Materialisation of the risk would affect the organisation in more than five years’ time (long term).

This process is coordinated by the Compliance Department which presents the results of this annual exercise to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports its approval to the Board of Directors.

The result of the risk assessment exercise undertaken in 2018 evidences the alignment between the risk map and the company’s strategy and the effectiveness of the internal control system, as none of the key risks identified, including corruption and fraud related risks, materialised during the year.

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## KEY RISKS

### ■ RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND SIGNIFICANT POTENTIAL IMPACT:

#### ■ Management of M&A-led growth:

In keeping with the Business Plan, the current pace of organisational growth implies adapting the management model. To this end, CIE Automotive is working hard to embed its business model and corporate culture at newly acquired companies.

#### ■ Human skills to enable CIE Automotive's growth:

Management of the current pace of growth requires consolidation and development of its top asset, its people. To this end, the working conditions of the existing team have been improved and those conditions are in turn proving effective in attracting new talent to the organisation.

#### ■ Compliance with the Code of Conduct:

Related with the above risks, large-scale growth poses the risk of failure to comply with the organisation's rules of conduct, if not managed properly. For that reason, it is increasingly important to correctly distribute the Code of Conduct and provide related training.

#### ■ Change in market trends:

The automotive market is exposed to abrupt changes for which the organisation must be ready. Emerging trends include new technologies (e.g., electric vehicles and evolution of the diesel engine) and the advent of Industry 4.0. CIE Automotive needs to remain flexible and anticipate new trends.

#### ■ Cybersecurity:

A security failure in the IT systems would have immediate repercussions for the entire firm and affect its ability to function normally. Regulations are being tightened, such as the new General Data Protection Regulation which came into effect in May 2018, and the penalties for potential breaches are significant enough to have a material adverse impact on the company's earnings. As a result, CIE Automotive is working hard to fine-tune its IT systems and provide continuous training to system users in order to prevent materialisation to the extent possible.

### ■ RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND LOW POTENTIAL IMPACT:

#### ■ Succession plan for key management personnel and Training and promotion policy:

The organisation believes it is necessary to increase the number of professionals familiar with the 'CIE culture' in order to support the company's continuous growth, to which end it has been working decisively in recent years on identifying its stock of high-potential professionals with a view to ensuring generational renewal and ongoing business development.

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## ■ RISKS WITH LOW PROBABILITY OF OCCURRENCE AND SIGNIFICANT POTENTIAL IMPACT:

### ■ Reputation risk:

Stakeholder relations could be affected by adverse comments in any media with the potential to significantly impact the intangible asset that is none other than the image and credibility built up as a result of its track record and good corporate citizenship. Against this backdrop, CIE Automotive has reinforced its marketing and communication strategy and bolstered the channels for communicating openly with its stakeholders in order to mitigate and/or eliminate the risk associated with not being able to respond immediately and categorically to potential accusations.

## Response and monitoring plans for CIE Automotive’s key risk factors

### People, the organisation’s future

In recent years, the lack of a succession plan for key management personnel and a shortfall of human resources to tackle CIE Automotive’s growth, organic and M&A-driven, coupled with a deficit of training and candidates for promotion, have emerged among the key risks facing the company.

To reduce and minimise these risks, the corporate HR Department, in collaboration with senior management and in coordination with the various geographic units, have set in motion a project encompassing the following initiatives:

- Annual hiring plans targeted at new graduates with personalised follow-up by each Business Unit.
- Tailored plans for monitoring high-potential employees.
- General and tailored training plans. The number of training hours provided has been rising steadily in recent years, reaching 34.1 hours annually per employee in 2018.
- Succession plans for key positions. The key positions for delivery of CIE Automotive’s strategic objectives have been identified and successors or strategies have been matched to each to ensure that the organisation would not be affected if any of them were to leave unexpectedly.
- Career development programme for executives and middle managers at each Business Unit.

*(For more information, go to Section 5.3 Team)*

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## Compliance with the Code of Conduct

In 2016 and 2017, the organisation completed the process of distributing the Code of Conduct globally and having it acknowledged by all employees; in 2018 it took advantage of the global deployment of its CSR Workshops to reiterate the importance of compliance, reminding employees that CIE Automotive has a whistle-blowing channel that is jointly managed by the HR, Compliance and Legal Affairs Departments and permits any group employee to present complaints about matters related to code breaches.

*(For more information, go to Section 3.3 Stakeholder relations, specifically the section on the Global rollout of the CSR Workshops)*

## Change in market trends

The automotive sector is exposed to disruptive changes for which CIE Automotive must be prepared. The organisation is working on maintaining a flexible mindset with respect to new trends and on readiness to adapt for customers' existing or future needs.

*(For more information, go to Section 4.2 2016-2020 Business Plan)*

## Cybersecurity

Cybersecurity, understood as protection of IT assets by handling threats that could jeopardise the information that is processed, stored and distributed over interconnected IT systems, has emerged as one of the biggest risks facing companies today.

In 2018, CIE Automotive embarked on a project to protect those assets using process re-engineering and social engineering based on benchmark international standards with the aim of managing IT security in real time and ensuring the traceability of all security management processes.

*(For more information, go to Section 5.2 Customers)*

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## CYBERSECURITY LINES OF INITIATIVE

<p><b>SECURITY OPERATIONS CENTRE (SOC)</b></p>	<ul style="list-style-type: none"> <li>• Validation of and recommendations for security policies to be implemented.</li> <li>• 24x7 service monitoring.</li> <li>• Early detection of alerts.</li> <li>• Security incident monitoring.</li> <li>• Compliance support</li> <li>• Performance of audits to verify security status.</li> <li>• Control of user conduct that violates the good practices manual.</li> </ul>
<p><b>SECURITY INFORMATION AND EVENT MANAGEMENT (SIEM)</b></p>	<ul style="list-style-type: none"> <li>• Critical Event Detection: Platform for detecting high-risk events in corporate environments: successful aversion of the security systems in place such as malicious e-mails that reach employee and VIP mailboxes and malware introduced via USB or other compromised corporate devices.</li> <li>• Cyber Threat Intelligence: aggregation and analysis of information from a multitude of sources to generate intelligence with respect to the information generated by the IT infrastructure and enable the detection of high-risk events in corporate networks. There is scope for integration with existing security tools in order to execute mitigating actions in real time</li> </ul>
<p><b>INCIDENT RESPONSE SERVICE</b></p>	<ul style="list-style-type: none"> <li>• Incident management service triggered by significant crises.</li> </ul>

CIE Automotive also has a procedure for systematically assessing and prioritising risks at the manufacturing plant level which has been implemented globally. That effort involves the full management team at each productive facility and follows the process map, defining for each facility the types of risks to which they are exposed and evaluating them as a function of their probability of occurrence and impact were they to materialise; in short, establishing a risk priority schedule. Minimisation or even elimination, to the extent feasible, thus becomes just another objective to be considered within each facility’s management plan.

In addition, the factories already undertake various risk analysis exercises using tools such as:

- FMEA (Failure Modes and Effects Analysis) with respect to products and productive processes.
- Identification and evaluation of environmental impacts.
- Assessment of workplace health and safety risks.
- Legal compliance assessments.
- SWOT analysis.

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## ■ CRIMINAL RISK PREVENTION MODEL

In 2018, CIE Automotive consolidated the Corporate Crime Prevention Model approved in 2015. The SAP GRC suite is being used to ensure the model is working as intended. Moreover, there is a **Support Unit** with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the corporate Corporate Crime Prevention Model.

The company relies on this model as a measure to combat money laundering, in addition to training in the Code of Conduct and the application of the corporate policies.

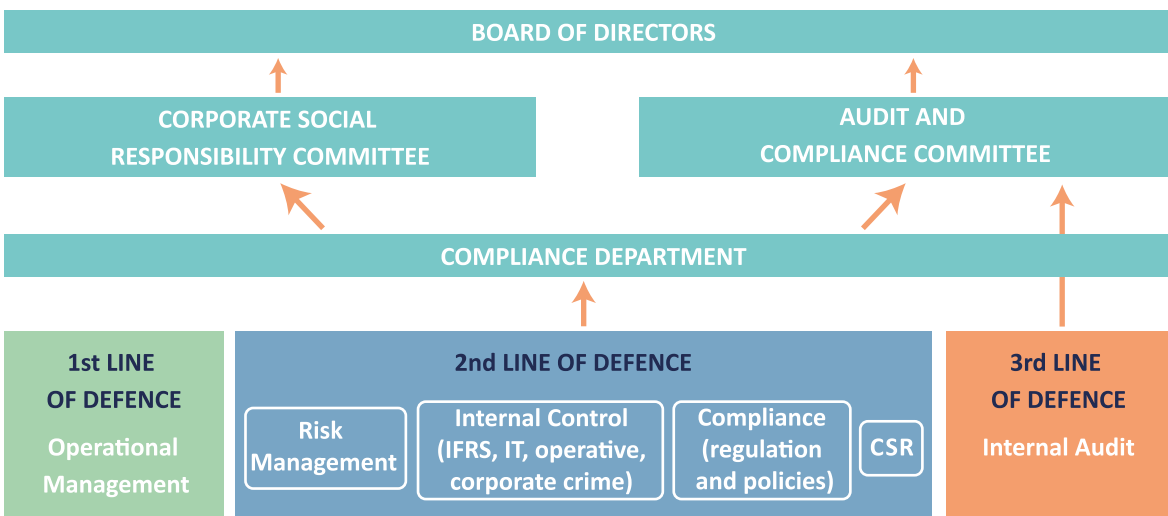
## ■ IMPROVING INDICATORS

As established in its 2016-2020 Business Plan, CIE Automotive is working to specify risk identifiers. These indicators not only address financial reporting (ICFR) risks but also compliance risks related to criminal, tax and other legislation, strategic risks and ESG risks.

Supervision and control of these indicators is performed using the SAP GRC Risk Management module.

## ■ INTERNAL CONTROL SYSTEM

CIE Automotive's internal control system is based on the three lines of defence model:



The Compliance Department is responsible for continuously reviewing and updating the internal control system and ensuring compliance with external regulations and with the policies and procedures in place for mitigating the main legal, corruption and fraud risks. It is also in charge of the Corporate Crime Prevention Model and establishing and developing CIE Automotive's ethics framework.

*(For more information, go to Section 6.3 Business ethics)*

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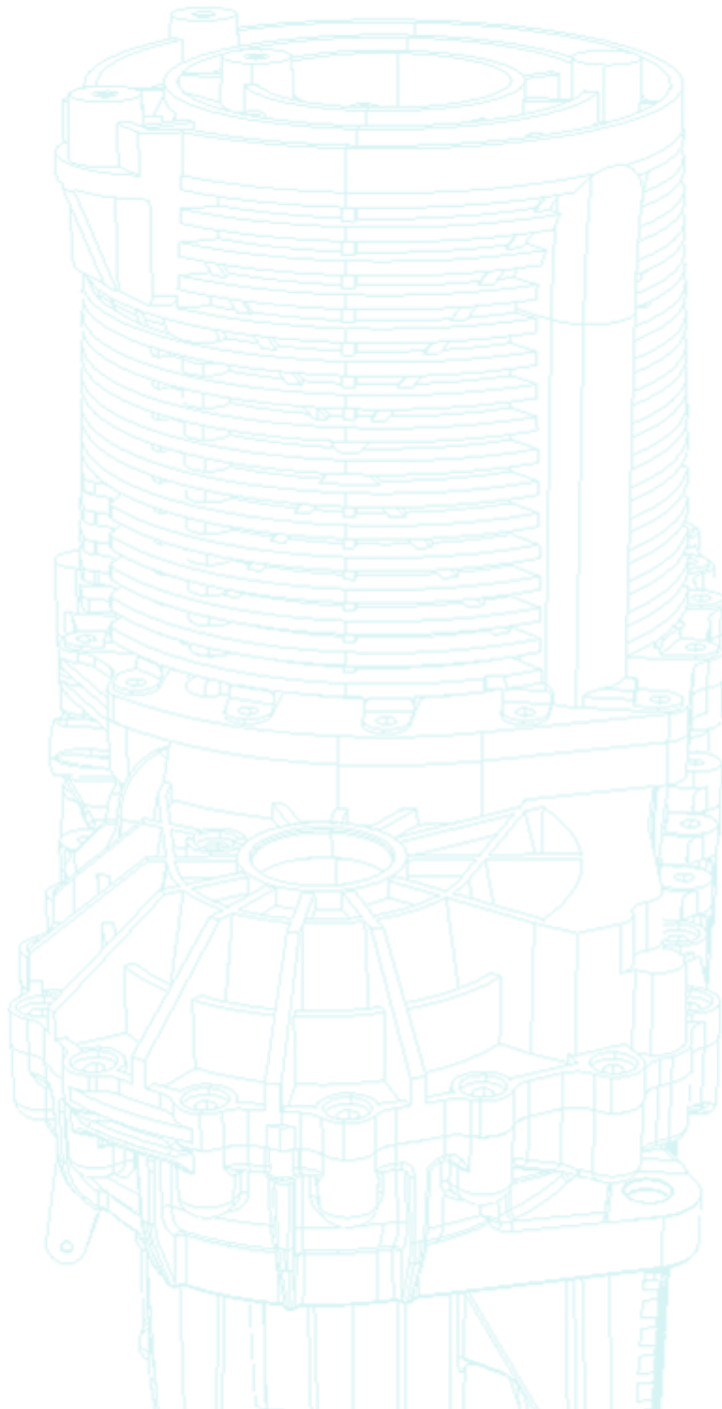
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**«At year-end 2018, thanks to the SAP GRC, all CIE Automotive factories were monitoring due performance of their internal controls.»**

As of 31 December 2018, all CIE Automotive factories were using an IT tool for ensuring performance of the internal controls. That tool is the SAP GRC (Governance, Risk and Compliance) suite, which permits the automated and manual analysis of the level of performance of the controls conducted at the factory level and tracks incidents and any resulting action plans, enabling traceability.

Thanks to this procedure, CIE Automotive is supervising compliance with more than 70 financial reporting (ICFR) controls per facility, over half of which automatically.

Elsewhere, the Internal Audit Department, as part of its annual plan, which is approved by the Audit and Compliance Committee, reviews the internal control system enabled by the SAP GRC tool and assesses all of the operational controls and risks related to the processes included in CIE Automotive's process map with the aim of enhancing the effectiveness and efficiency of those controls.



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## 7. About this report

### 7.1 Methodology

[102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54]

This document constitutes the Non-Financial Information Statement and forms part of the Director's Report. It responds to the requirements that the Act 11/2018 imposes on art. 49.5 CCom, as shown in the table of traceability of contents of the document with the requirements of the Law, which is shown in section 7.5 of this document.

The document provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, social, environmental and governance dimensions over the course of the reporting period across the 17 countries in which it operates.

To correctly interpret the economic and financial data contained in this report, the reader should recall that CIE Automotive divested from Dominion in July 2018 (a transaction that is described in the report and obliged the restatement of the 2017 financial statements in order to facilitate a like-for-like comparison).

The non-financial information, which is independently assured, is presented following the GRI Guidelines published in 2016, an updated version of the G4 Guidelines (with a 'Core' 'in-accordance' option). The drafting of the report also took into consideration

compliance with the principles established in the AA1000 AccountAbility Principles Standard (2008).

To round out the information about the group's activities throughout the year, a number of other statutory reports are available for download on the

Annual Financial Statements, Annual Corporate Governance Report and Annual Report on Board Remuneration, along with all of the presentations published about different aspects of the group. Some of this information is included in the sections devoted to specific stakeholder groups.

#### INFORMATION FLOWS AND DEPARTMENTS INVOLVED

This annual report is the result of the work of everyone at CIE Automotive. Input and oversight was provided by all the heads of the organisation's various departments and areas.

The Compliance Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group CSR Committee and

#### HOW THE REPORT WAS PREPARED

In preparing this report and identifying the vital topics to be addressed in it, CIE Automotive started from the materiality assessment conducted with its stakeholders in 2017 and the surveys of 140 of the organisation's executives from Brazil, the US, Mexico, India and China during the CSR Workshops held in 2018.

Throughout the entire process of collecting and presenting its information, CIE Automotive bears in mind the principles of transparency, materiality, comparability, timeliness, clarity and reliability needed to assure the quality of the information reported.

The assurance exercise was undertaken by the independent consultancy firm PricewaterhouseCoopers, the same entity that audits the group's financial statements. The Audit and Compliance Committee is tasked with ensuring its independence.

The techniques used to measure and calculate the data provided, along with any estimates made, are explained in the corresponding tables or chapters of the report as necessary to facilitate reader comprehension.



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## 7.2. Contact data

[102-1,102-2, 102-3, 102-5, 102-20, 102-53]

<b>Registered name</b>	CIE Automotive S.A.
<b>Registered office</b>	Alameda Mazarredo, 69 - 8º 48009 Bilbao
<b>Telephone number:</b>	Spain: +34 946 054 835
<b>Website</b>	<a href="http://www.cieautomotive.com">www.cieautomotive.com</a>
<b>Share capital</b>	€32,250,000
<b>No. of shares</b>	129,000,000
<b>Par value</b>	€0.25/share
<b>Business activity</b>	Manufacture of automotive components.
<b>Markets</b>	CIE Automotive is present in 17 countries and its shares are listed on the Bilbao, Madrid and Bombay stock exchanges.

### DEDICATED CHANNELS FOR EACH STAKEHOLDER GROUP:

Annual Report: Compliance Department  
[compliance@cieautomotive.com](mailto:compliance@cieautomotive.com)

CSR and Society: Susana Molinuevo  
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## 7. About this report

### 7.3. Sustainable Development Goals

As a member of the United Nations Global Compact, CIE Automotive has pledged to contribute to the delivery of the 2030 Agenda for Sustainable

Development approved by the UN in 2015. To this end, it has incorporated the Sustainable Development Goals into its business strategy.



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In line with its business activities, CIE Automotive focuses its efforts on meeting seven of the SDGs (2, 3, 4, 8, 9, 12, 17). It provides an account of its progress on those goals in this report:



## 2. ZERO HUNGER

End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

5.8 Community



## 3. HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.

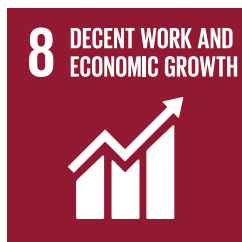
5.3 The team



## 4. QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5.8 Community



## 8. DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.

5.3 The team



## 9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

5.5 Innovation and technology



## 12. RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

3. We are guided by our Identity  
5.1 CSR Management  
5.7 Environmental disclosures



## 17. PARTNERSHIPS TO DELIVER GOALS

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

5.1 CSR Management  
5.5 Innovation and technology  
5.8 Community

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### 7.4. GRI Standard Content Index [102-55]

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MAJOR THEMES: ORGANIZATIONAL PROFILE				
General disclosure				
GRI disclosure	External Assurance	Section	Subsection	Page
102-1 Name of the organization	Yes	7.2. Contact data	-	144
102-2 Activities, brands, products and services	Yes	3.2. Business model 5.3 The team 5.5 Innovation and technology 7.2. Contact data	Multi-technology Career development - -	30 72 83 144
102-3 Location of headquarters	Yes	7.2. Contact data	-	144
102-4 Location of operations	Yes	3.2. Business model	Multiple locations	26, 27
102-5 Ownership and legal form	Yes	7.2. Contact data	-	144
102-6 Markets served	Yes	3.2. Business model	-	26
102-7 Scale of the organization	Yes	2.1 2018 in review 5.3 The team	Performance by region -	10 61
102-8 Information on employees and other workers	Yes	5.3 The team 5.3 The team	Information on employees Decent work	63 64
102-9 Supply chain	Yes	5.6 Suppliers	-	87
102-10 Significant changes to the organization and its supply chain	Yes	2.1 2018 in review 5.6 Suppliers	Capex and acquisition -	9 87
102-11 Precautionary Principle or approach	Yes	5.7 Environmental management	-	98
102-12 External initiatives	Yes	5.1 CSR management	-	52
102-13 Membership of associations	Yes	5.8 Community	Institutional relations	109, 115

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## MAJOR THEMES: STRATEGY

### General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
<b>102-14</b> Statement from senior decision-maker	Yes	1. Chairman and CEO's statement	-	3
<b>102-15</b> Key impacts, risks and opportunities	Yes	6.4. Risk management	-	134

## MAJOR THEMES: ETHICS AND INTEGRITY

### General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
<b>102-16</b> Values, principles, standards and norms of behavior	Yes	3.1. Mission, vision and values 6.3. Business ethics	- -	24 132
<b>102-17</b> Mechanisms for advice and concerns about ethics	Yes	3.3. Stakeholder engagement - 6.3. Business ethics	- -	32 132

## MAJOR THEMES: GOVERNANCE

### General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
<b>102-18</b> Governance structure	Yes	5.1 CSR management	Policy and how it works	52
		6.2. Governance bodies	Board of Directors	122
<b>102-19</b> Delegating authority	Yes	5.1 CSR management	Policy and how it works	54
<b>102-20</b> Executive-level responsibility for economic, environmental and social topics	Yes	5.1 CSR management	Policy and how it works	54
		7.2. Contact data	-	144
<b>102-21</b> Consulting stakeholders on economic, environmental and social topics	Yes	3.3. Stakeholder engagement	Materiality assessment	34

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### General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-22 Composition of the highest governance body and its committees	Yes	6.2. Governance bodies	Board of Directors	122
102-23 Chair of the highest governance body	Yes	6.2. Governance bodies	Board of Directors	122
102-24 Nominating and selecting the highest governance body	Yes	6.2. Governance bodies	Board of Directors	122
102-25 Conflicts of interest	Yes	6.2. Governance bodies 6.3. Business ethics	Conflicts of interest -	129 132
102-26 Role of highest governance body in setting purpose, values and strategy	Yes	6.2. Governance bodies	Board of Directors	122
102-27 Collective knowledge of highest governance body	Yes	5.1 CSR management 6.2. Governance bodies	Policy and how it works Board of Directors	54 122
102-28 Evaluating the highest governance body's performance	Yes	6.2. Governance bodies	Director performance evaluation	129
102-29 Identifying and managing economic, environmental and social impacts	Yes	6.4. Risk management	-	134
102-30 Effectiveness of risk management processes	Yes	6.4. Risk management	-	134
102-31 Review of economic, environmental and social topics	Yes	3.3. Stakeholder engagement 5.1 CSR management	Materiality assessment	34 52
102-32 Highest governance body's role in sustainability reporting	Yes	5.1 CSR management	Policy and how it works	54
102-33 Communicating critical concerns	Yes	6.3. Business ethics	-	132
102-34 Nature and total number of critical concerns	Yes	6.3. Business ethics	-	132

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GRI disclosure	External Assurance	Section	Subsection	Page
<b>102-35</b> Remuneration policies	Yes	6.2. Governance bodies	Director Remuneration Policy	131
<b>102-36</b> Process for determining remuneration	Yes	6.2. Governance bodies	Director Remuneration Policy	131
<b>102-37</b> Stakeholders' involvement in remuneration	Yes	6.1 Corporate governance principles	2018 AGM resolutions	121
		6.2. Governance bodies	Director Remuneration Policy	131

## MAJOR THEMES: STAKEHOLDER ENGAGEMENT

### General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
<b>102-40</b> List of stakeholder groups	Yes	3.3. Stakeholder engagement	-	32
<b>102-41</b> Collective bargaining agreements	Yes	5.3 The team	Collective bargaining	61, 71
<b>102-42</b> Identifying and selecting stakeholders	Yes	3.3. Stakeholder engagement	-	32
<b>102-43</b> Approach to stakeholder engagement	Yes	3.3. Stakeholder engagement	-	32
<b>102-44</b> Key topics and concerns raised	Yes	3.3. Stakeholder engagement	Materiality assessment	34

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## MAJOR THEMES: REPORTING PRACTICE

### General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
<b>102-45</b> Entities included in the consolidated financial statements	Yes	3.2. Business model	Multiple locations	27
<b>102-46</b> Defining report content and topic Boundaries	Yes	3.3. Stakeholder engagement 7.1. Methodology	Materiality assessment -	34 143
<b>102-47</b> List of material topics	Yes	3.3. Stakeholder engagement	Materiality assessment	34
<b>102-48</b> Restatements of information	Yes	7.1. Methodology	-	143
<b>102-49</b> Changes in reporting	Yes	7.1. Methodology	-	143
<b>102-50</b> Reporting period	Yes	7.1. Methodology	-	143
<b>102-51</b> Date of most recent report	Yes	7.1. Methodology	-	143
<b>102-52</b> Reporting cycle	Yes	7.1. Methodology	-	143
<b>102-53</b> Contact point for questions regarding the report	Yes	7.2. Contact data	-	144
<b>102-54</b> Claims of reporting in accordance with the GRI Standards	Yes	7.1. Methodology	-	143
<b>102-55</b> GRI content index	Yes	7.4. GRI content index	-	147
<b>102-56</b> External assurance	Yes	7.6 External assurance	-	189

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## MAJOR THEMES: ECONOMIC DIMENSION

### Economic Performance

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	2.1 2018 in review	-	7
		5.3 The team	-	61
		5.8 Community	-	109
<b>103-2</b> The management approach and its components	Yes	2.1 2018 in review	-	7
		5.3 The team	-	61
		5.8 Community	-	109
<b>103-3</b> Evaluation of the management approach	Yes	2.1 2018 in review	-	7
		5.3 The team	-	61
		5.8 Community	-	109
<b>201-1</b> Direct economic value generated and distributed	Yes	2.1 2018 in review	Value generated and distributed	15
		5.6 Supplier	-	87
		5.8 Community	Value generated and distributed	110
<b>201-3</b> Defined benefit plan obligations and other retirement plans	Yes	5.3 The team	Obligations to employees	68
<b>201-4</b> Financial assistance received from government	Yes	2.1 2018 in review	Tax information	14

### Market Presence

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.1 CSR management	-	52
		5.3 The team	-	61
<b>103-2</b> The management approach and its components	Yes	5.1 CSR management	-	52
		5.3 The team	-	61
<b>103-3</b> Evaluation of the management approach	Yes	5.1 CSR management	-	52
		5.3 The team	-	61
<b>202-1</b> Ratios of standard entry level wage by gender compared to local minimum wage	Yes	5.3 The team	-	61
			Decent work	64
			Zero tolerance of discrimination	70
<b>202-2</b> Proportion of senior management hired from the local community	Yes	5.3 The team	Decent work	64

## MAJOR THEMES: ECONOMIC DIMENSION

### Indirect Economic Impacts

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.8 Community	-	109
<b>103-2</b> The management approach and its components	Yes	5.8 Community	-	109
<b>103-3</b> Evaluation of the management approach	Yes	5.8 Community	-	109
<b>203-2</b> Significant indirect economic impacts	Yes	5.8 Community	-	109

### Procurement Practices

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.6 Suppliers	Supply chain management	96
<b>103-2</b> The management approach and its components	Yes	5.6 Suppliers	Supply chain management	96
<b>103-3</b> Evaluation of the management approach	Yes	5.6 Suppliers	Supply chain management	96
<b>204-1</b> Proportion of spending on local suppliers	Yes	5.6 Suppliers	Supply chain management	96

### Anti-corruption

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.1 CSR management 6.3. Business ethics	- -	52 132
<b>103-2</b> The management approach and its components	Yes	5.1 CSR management 6.3. Business ethics	- -	52 132

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### Anti-corruption

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-3</b> Evaluation of the management approach	Yes	5.1 CSR management 6.3. Business ethics	- -	52 132
<b>205-2</b> Communication and training about anti-corruption policies and procedures	Yes	3.3 Stakeholder engagement 6.3. Business ethics 6.4. Risk management	Global roll out of the CSR Workshops - Criminal risk prevention model	35 132 134
<b>205-3</b> Confirmed incidents of corruption and actions taken	Yes	6.3. Business ethics	-	132

## MAJOR THEMES: ENVIRONMENTAL DIMENSION

### Materials

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Consumption of water and material resources	99
<b>103-2</b> The management approach and its components	Yes	5.7 Environmental management	Consumption of water and material resources	99
<b>103-3</b> Evaluation of the management approach	Yes	5.7 Environmental management	Consumption of water and material resources	99
<b>301-1</b> Materials used by weight or volume	Yes	5.7 Environmental management	Consumption of water and material resources	99, 101
<b>301-2</b> Recycled input materials used	Yes	5.7 Environmental management	Consumption of water and material resources	99, 101



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## MAJOR THEMES: ENVIRONMENTAL DIMENSION

### Energy

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>103-2</b> The management approach and its components	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>103-3</b> Evaluation of the management approach	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>302-1</b> Energy consumption within the organization	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>302-3</b> Energy intensity	Yes	5.7 Environmental management	Energy efficiency and emissions	104

### Water

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Consumption of water and material resources	99
<b>103-2</b> The management approach and its components	Yes	5.7 Environmental management	Consumption of water and material resources	99
<b>103-3</b> Evaluation of the management approach	Yes	5.7 Environmental management	Consumption of water and material resources	99
<b>303-1</b> Water withdrawal by source	Yes	5.7 Environmental management	Consumption of water and material resources	99, 100

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## MAJOR THEMES: ENVIRONMENTAL DIMENSION

### Emissions

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>103-2</b> The management approach and its components	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>103-3</b> Evaluation of the management approach	Yes	5.7 Environmental management	Energy efficiency and emissions	104
<b>305-1</b> Direct (Scope 1) GHG emissions	Yes	5.7 Environmental management	Energy efficiency and emissions	104, 106
<b>305-2</b> Energy indirect (Scope 2) GHG emissions	Yes	5.7 Environmental management	Energy efficiency and emissions	104, 106
<b>305-4</b> GHG emissions intensity	Yes	5.7 Environmental management	Energy efficiency and emissions	104, 108
<b>Effluents and waste</b>				
<b>306-2</b> Waste by type and disposal method	Yes	5.7 Environmental management	Waste management	102, 103
<b>Environmental Compliance</b>				
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.7 Environmental management	-	98
<b>103-2</b> The management approach and its components	Yes	5.7 Environmental management	-	98
<b>103-3</b> Evaluation of the management approach	Yes	5.7 Environmental management	-	98
<b>307-1</b> Non-compliance with environmental laws and regulations	Yes	5.2 Customers 5.7 Environmental management	Total quality Non-compliance with environmental laws and regulations	58 108

## MAJOR THEMES: ENVIRONMENTAL DIMENSION

### Supplier Environmental Assessment

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.6 Suppliers	Supplier certification	89
<b>103-2</b> The management approach and its components	Yes	5.6 Suppliers	Supplier certification	89
<b>103-3</b> Evaluation of the management approach	Yes	5.6 Suppliers	Supplier certification	89
<b>308-1</b> New suppliers that were screened using environmental criteria	Yes	5.6 Suppliers	Supplier certification	89

## MAJOR THEMES: SOCIAL DIMENSION

### Employment

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
<b>103-2</b> The management approach and its components	Yes	5.3 The team	-	61
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	-	61
<b>401-1</b> New employee hires and employee turnover	Yes	5.3 The team	Information on employees	63
<b>401-3</b> Parental leave	Yes	5.3 The team	Decent work	64

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## MAJOR THEMES: SOCIAL DIMENSION

### Labor management relations

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	Collective bargaining	71
<b>103-2</b> The management approach and its components	Yes	5.3 The team	Collective bargaining	71
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	Collective bargaining	71
<b>402-1</b> Minimum notice periods regarding operational changes	Yes	5.3 The team	Collective bargaining	71

### Occupational Health and Safety

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
<b>103-2</b> The management approach and its components	Yes	5.3 The team	-	61
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	-	61
<b>403-1</b> Workers representation in formal joint management-worker health and safety committees	Yes	5.3 The team	Collective bargaining	71
<b>403-2</b> Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Yes	5.3 The team	Absenteeism by region Health and safety Accidents	65 75 76
<b>403-3</b> Workers with high incidence or high risk of diseases related to their occupation	Yes	5.3 The team	Health and safety Accidents	75 76
<b>403-4</b> Health and safety topics covered in formal agreements with trade unions	Yes	5.3 The team	Collective bargaining	71

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## MAJOR THEMES: SOCIAL DIMENSION

### Training and Education

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	Job training	73
103-2 The management approach and its components	Yes	5.3 The team	Job training	73
103-3 Evaluation of the management approach	Yes	5.3 The team	Job training	73
404-1 Average hours of training per year per employee	Yes	5.3 The team	Job training	73
404-2 Programs for upgrading employee skills and transition assistance programs	Yes	5.3 The team	Career development Job training	75 73
404-3 Workers with high incidence or high risk of diseases related to their occupation	Yes	5.3 The team	Decent work	64

### Diversity and Equal Opportunity

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
103-2 The management approach and its components	Yes	5.3 The team	-	61
103-3 Evaluation of the management approach	Yes	5.3 The team	-	61
405-1 Diversity of governance bodies and employees	Yes	5.3 The team 5.3 The team 6.2. Governance bodies	Employment at CIE Automotive Zero tolerance of discrimination Board of Directors	62 70 122
405-2 Ratio of basic salary and remuneration of women to men	Yes	5.3 The team	Zero tolerance of discrimination	70

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## MAJOR THEMES: SOCIAL DIMENSION

### Non-discrimination

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	6.3. Business ethics	-	132
<b>103-2</b> The management approach and its components	Yes	6.3. Business ethics	-	132
<b>103-3</b> Evaluation of the management approach	Yes	6.3. Business ethics	-	132
<b>406-1</b> Incidents of discrimination and corrective actions taken	Yes	6.3. Business ethics	-	132

### Freedom of association and Collective Bargaining

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	Collective bargaining	71
<b>103-2</b> The management approach and its components	Yes	5.3 The team	Collective bargaining	71
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	Collective bargaining	71
<b>407-1</b> Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Yes	5.3 The team	Collective bargaining	71

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## MAJOR THEMES: SOCIAL DIMENSION

### Child Labor

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92
<b>103-2</b> The management approach and its components	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92
<b>408-1</b> Operations and suppliers at significant risk for incidents of child labor	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92

### Forced or Compulsory Labor

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92
<b>103-2</b> The management approach and its components	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92
<b>409-1</b> Operations and suppliers at significant risk for incidents of forced or compulsory labor	Yes	5.3 The team	Zero tolerance stance on child and forced labour	71
		5.6 Suppliers	CSR in the supply chain	92

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## MAJOR THEMES: SOCIAL DIMENSION

### Human Rights Assessmen

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
		5.1 CSR management	-	52
<b>103-2</b> The management approach and its components	Yes	5.3 The team	-	61
		5.1 CSR management	-	52
<b>103-3</b> Evaluation of the management approach	Yes	5.3 The team	-	61
		5.1 CSR management	-	52
<b>412-1</b> Operations that have been subject to human rights reviews or impact assessments	Yes	5.3 The team	-	61
			Zero tolerance stance on child and forced labour	71
<b>412-2</b> Employee training on human rights policies or procedures	Yes	5.1 CSR management	-	52
		5.3 The team	Job training	73

### Local Communities

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.8 Community	-	109
			-	109
<b>103-2</b> The management approach and its components	Yes	5.8 Community	-	109
			-	109
<b>103-3</b> Evaluation of the management approach	Yes	5.8 Community	-	109
			-	109
<b>413-1</b> Operations with local community engagement, impact assessments and development programs	Yes	5.8 Community	-	109



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## MAJOR THEMES: SOCIAL DIMENSION

### Supplier Social Assessment

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.6 Suppliers	-	87
<b>103-2</b> The management approach and its components	Yes	5.6 Suppliers	-	87
<b>103-3</b> Evaluation of the management approach	Yes	5.6 Suppliers	-	87
<b>414-1</b> New suppliers that were screened using social criteria	Yes	5.6 Suppliers	Standardised and objective selection	88
			CSR in the supply chain	92

### Public Policy

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	5.8 Community	Institutional relations	115
<b>103-2</b> The management approach and its components	Yes	5.8 Community	Institutional relations	115
<b>103-3</b> Evaluation of the management approach	Yes	5.8 Community	Institutional relations	115
<b>415-1</b> Political contributions	Yes	5.8 Community	-	109
			Institutional relations	115

## TEMA MATERIAL: DIMENSIÓN SOCIAL

### Socioeconomic Compliance

GRI disclosure	External Assurance	Section	Subsection	Page
<b>103-1</b> Explanation of the material topic and its boundary	Yes	6.1. Corporate governance principles	-	118
<b>103-2</b> The management approach and its components	Yes	6.1. Corporate governance principles	-	118
<b>103-3</b> Evaluation of the management approach	Yes	6.1. Corporate governance principles	-	118
<b>419-1</b> Non-compliance with laws and regulations in the social and economic area	Yes	6.1. Corporate governance principles	-	118

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# 7.5 Non-financial statement - Compliance traceability table - GRI

### ASPECT: BUSINESS MODEL

**Contents:** Brief description of the undertaking’s business model, including disclosures related to: their business environment; their organisation and structure; the markets where they operate; their objectives and strategies; the main trends and factors that may affect their future development.

GRI standard	Section	Subsection	Page	Comments
102-1	7.2. Contact data	-	144	-
102-2	3.2. Business model	Multi-technology	30	-
	5.3 The team	Career development	72	-
	5.5. Innovation and technology	-	83	-
	7.2. Contact data	-	144	-
102-3	7.2. Contact data	-	144	-
102-4	3.2. Business model	Multiple locations	26, 27	-
102-6	3.2. Business model	-	26	-
102-7	2.1 2018 in review	Performance by region	10	-
	5.3 The team	-	61	-
102-14	1. Chairman and CEO’s statement	-	3	-

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## ASPECT: POLICIES

**Contents: A description of the policies** pursued by the undertaking in relation to those matters, including:

- 1) the due diligence processes implemented in order to identify, evaluate, prevent and mitigate significant risks and adverse impacts.
- 2) monitoring and control processes, including controls over which measures have been taken.

GRI standard	Section	Subsection	Page	
103	3.1. Mission, vision and values	-	24	-
	3.3 Stakeholder engagement	-	32	
	5.3 The team	-	61	
	5.6. Suppliers	-	87	
	5.8 Community	-	109	
	6.3. Business ethics	-	132	

## ASPECT: SHORT-, MEDIUM- AND LONG-TERM RISKS

**Contents: The principal risks** related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and:

- 1) how the undertaking **manages** those risks,
- 2) explaining the **processes used to identify and assess those risks**, using broadly recognised national, EU-based or international frameworks for each issue.
- 3) Reporters must include **information about any impacts identified**, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.

GRI standard	Section	Subsection	Page	Comments
102-15	6.4. Risk management	-	134	-
102-30	6.4. Risk management	-	134	-
413-1	5.8 Community	-	109	-
407-1	5.3 The team	Collective bargaining	71	-
408-1	5.3 The team	Zero tolerance stance on child and forced labour	71	-
	5.6. Suppliers	CSR in the supply chain	92	-
409-1	5.3 The team	Zero tolerance stance on child and forced labour	71	-
	5.6. Suppliers	CSR in the supply chain	92	-

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## ASPECT: KPIS

**Contents:** Non-financial key performance indicators relevant to the undertaking's particular business that are comparable, useful, relevant and consistent.

- 1) In order to facilitate comparability of non-financial disclosures, over time and among undertakings, reporters should rely particularly on non-financial KPIs that are generally applicable and meet the European Commission's guidelines in this respect and specifically **the Global Reporting Initiative standard**. Reporters should specify which national, EU-based or international reporting framework they rely on in each instance.
- 2) **Undertakings must provide relevant key performance indicators for each section of their non-financial statements.**
- 3) These indicators should be useful taking into account their specific circumstances. The KPIs should be consistent with metrics actually used by the group in its internal management and risk assessment processes.
- 4) Regardless, the information provided should be accurate, comparable and verifiable.

GRI standard	Section	Subsection	Page	Comments
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102-54	7.1. Methodology	-	143	-
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## ASPECT: ENVIRONMENTAL MATTERS

**Contents:** Environment | Overall

- 1) Detailed information about **the current and foreseeable impacts of the undertaking's activities on the environment** and, as appropriate, on health and safety, and environmental assessment and certification processes.
- 2) The **resources dedicated to preventing environmental risks.**
- 3) Application of the **principle of prevention, the amount of provisions and guarantees for environmental risks.**

GRI standard	Section	Subsection	Page	Comments
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103	5.2 Customers	Global certification map	58	-
	5.7. Environmental management	-	98	

102-11	5.7. Environmental management	-	98	-
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308-1	5.6. Suppliers	Supplier certification	89	-
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## Contents: Pollution

### 1) Measures to prevent, reduce or repair the carbon emissions that seriously impact the environment.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Energy efficiency and emissions	104	-

### 2) Taking into consideration any form of air pollution specific to the business, including noise and light pollution.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Light and noise pollution	108	-

## Contents: Circular economy, prevention and waste management

### 1) Circular economy.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Circular economy	102	-
301-2	5.7. Environmental management	Consumption of water and material resources	99, 101	-

### 2) Waste: Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Waste management	102	-
306-2	5.7. Environmental management	Waste management	102, 103	-

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### 3) Initiatives undertaken to eliminate food waste.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Waste management	102	-

### Contents: Sustainable use of resources

#### 1) Water consumption and supply, in keeping with local limitations.

GRI standard	Section	Subsection	Page	Comments
303-1	5.7. Environmental management	Consumption of water and material resources	99, 100	-

#### 2) Consumption of raw materials and measures taken to use them more efficiently.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Consumption of water and material resources	99	-
301-1	5.7. Environmental management	Consumption of water and material resources	99, 101	-
301-2	5.7. Environmental management	Consumption of water and material resources	99, 101	-

#### 3) Direct and indirect energy consumption, measures taken to enhance energy efficiency and use renewable sources.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Energy efficiency and emissions	104	-
302-1	5.7. Environmental management	Energy efficiency and emissions	104	-
302-3	5.7. Environmental management	Energy efficiency and emissions	104	-

**Contents: Climate change**

1) The **important aspects of the greenhouse gas emissions generated** as a result of the undertaking's activity, including through use of the goods and services it produces.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Climate change	99	-
305-1	5.7. Environmental management	Energy efficiency and emissions	104, 106	-
305-2	5.7. Environmental management	Energy efficiency and emissions	104, 106	-
305-4	5.7. Environmental management	Energy efficiency and emissions	104, 106	-

2) The **measures adopted to adapt for the consequences of climate change.**

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Climate change Environmental offsetting Improving indicators	99 99 99	-

3) Any medium- and long-term GHG emission-cutting targets voluntarily adhered to and the measures implemented to that end.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Climate change Environmental offsetting Improving indicators	99 99 99	-

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**Contents: Biodiversity protection**
**1) Measures taken to preserve or restore biodiversity.**

GRI standard	Section	Subsection	Page	Comments
103	-	-	-	CIE Automotive has all its facilities in urban environments or industrial parks, so it is considered that the impact on biodiversity is not significant. Therefore, this content is not considered material for the Group and related information is not included in this report.

**2) Impacts caused by the undertaking's activities or operations on protected areas.**

GRI standard	Section	Subsection	Page	Comments
304-2	-	-	-	CIE Automotive has all its facilities in urban environments or industrial parks, so it is considered that the impact on biodiversity is not significant. Therefore, this content is not considered material for the Group and related information is not included in this report.

**ASPECT: SOCIAL AND EMPLOYEE MATTERS**
**Contents: Employment**
**1) Total number and breakdown of employees by gender, age, country and job category.**

GRI standard	Section	Subsection	Page	Comments
103	5.3 The team	Employment at CIE Automotive	62	-
102-8	5.3 The team	Information on employees	63	-
405-1	5.3 The team 6.2. Governance bodies	Zero tolerance of discrimination Board of directors	70 122	-

## 2) Total number and breakdown by contract category.

GRI standar	Section	Subsection	Page	Comments
102-8	5.3 The team	Decent work	64	-

## 3) Average headcount during the year by indefinite/temporary/part-time contracts by gender, age and job category.

GRI standar	Section	Subsection	Page	Comments
102-8	5.3 The team	Decent work	64	CIE Automotive's KPIs are basically geographically based, this is why the company provides the total of fixed/indefinite and temporary contracts by region and it does not offer them by gender, age, job category or contract type (FTE or part-time).  However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.
405-1	5.3 The team 6.2. Governance bodies	Zero tolerance of discrimination Board of directors	70 122	

## 4) Number of dismissals by gender, age and job category.

GRI standar	Section	Subsection	Page	Comments
401-1	5.3 The team	Information on employees	63	CIE Automotive's KPIs are basically geographically based, this is why the company provides the total of dismissals by gender and region and it does not offer them by age or job category.  However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.

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5) Average salaries and trend broken down by gender, age, job category or equivalent metric.

GRI standar	Section	Subsection	Page	Comments
405-2	5.3 The team	Zero tolerance of discrimination	70	<p>CIE Automotive's KPIS are basically geographically based, this is why the company provides the average salaries by gender and region and it does not offer them by age or job category.</p> <p>However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.</p>

6) **Wage gap**, remuneration per equivalent job or company average.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Gender pay gap	70	-

7) **Average remuneration for directors and executives**, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, **broken down by gender**.

GRI standar	Section	Subsection	Page	Comments
103	6.2. Governance bodies	Director Remuneration Policy	131	-
102-35	6.2. Governance bodies	Director Remuneration Policy	131	-

8) Implementation of policies regarding the **right to disconnect from work**.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Employee assistance measures	67	<p>CIE Automotive does not currently have a policy regarding the right to disconnect from work.</p> <p>However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.</p>

9) Employees with **disabilities**.

GRI standar	Section	Subsection	Page	Comments
405-1	5.3 The team	Employment at CIE	62	-
		Automotive Zero tolerance of discrimination	70	

**Contents:** Organisation of work

1) Organisation of working hours.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Emploee assistance measures	67	-

2) **Absenteeism** in hours.

GRI standar	Section	Subsection	Page	Comments
403-2	5.3 The team	Absenteeism by region	65	-

3) **Measures** designed to facilitate work-life balance and sharing of caring responsibilities.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Employee assistance measures	67	-

**Contents:** Workplace health and safety

1) Health and safety conditions in the workplace.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Health and safety	75	-

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<b>403-4</b>	5.3 The team	Collective bargaining	71	-
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2) **Workplace accidents**, specifying frequency and severity and work-related illnesses, broken down by gender.

GRI standar	Section	Subsection	Page	Comments
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<b>403-2</b>	5.3 The team	Health and safety Accidents	75 76	-
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<b>403-3</b>	5.3 The team	Health and safety Accidents	75 76	-
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**Contents:** Management-employee relations

1) How **management-employee dialogue** is organised, including procedures for informing and consulting employees and negotiating with them.

GRI standar	Section	Subsection	Page	Comments
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<b>103</b>	5.3 The team	Collective bargaining	71	-
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<b>407-1</b>	5.3 The team	Collective bargaining	71	-
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2) Percentage of **employees covered by collective bargaining agreements** by country.

GRI standar	Section	Subsection	Page	Comments
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<b>102-41</b>	5.3 The team	Collective bargaining	61, 71	-
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3) **Assessment** of collective bargaining agreements, particularly with respect to workplace health and safety.

GRI standar	Section	Subsection	Page	Comments
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<b>403-1</b>	5.3 The team	Collective bargaining	71	-
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## Contents: Training

1) Training policies in place.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Career development	72	-

2) Total **training hours** by job category.

GRI standar	Section	Subsection	Page	Comments
404-1	5.3 The team	Job training	73	CIE Automotive's KPIS are based on the total of trained workers and on total training hours per trained worker, this is why the company does not offer the total number of training hours by job category.  However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.

## Contents: Accessibility for persons with disabilities

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Zero tolerance of discrimination	70	-

## Contents: Equality

- 1) **Measures taken** to foster equal treatment of and opportunities for men and women.
- 2) **Equality plans** (Chapter III of Organic Law 3/2007, of 22 March 2007, on effective gender equality), **measures taken to foster employment, anti-sexual/gender harassment protocols, integration of and accessibility for persons with disabilities.**
- 3) **Anti-discrimination policies** and diversity management policies.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Zero tolerance of discriminatio	70	-

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## ASPECT: HUMAN RIGHTS

**Contents: Human rights due diligence procedures**, processes and arrangements for preventing human rights abuses and any measures taken to mitigate, manage and repair possible abuses that have materialised.

GRI standard	Section	Subsection	Page	Comments
103	5.3 The team	-	61	-
102-16	3.1. Mission, vision and values 6.3. Business ethics	- -	24 132	- -
102-17	3.3 Stakeholder engagement 6.3. Business ethics	- -	32 132	- -
412-2	5.1 CSR management 5.3 The team	- Job training	52 73	- -
412-1	5.3 The team	- Zero tolerance stance on child and forced labour	61 71	- -

**Contents: Claims** of humans rights abuses.

GRI standard	Section	Subsection	Page	Comments
406-1	6.3. Business ethics	-	132	-

**Contents: Promotion of and compliance with** the provisions contained in the **International Labour Organisation's fundamental conventions** on the freedom of association and the right to collective bargaining.

GRI standard	Section	Subsection	Page	Comments
407-1	5.3 The team	Collective bargaining	71	-

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### Contents: The elimination of workplace discrimination

GRI standard	Section	Subsection	Page	Comments
103	5.3 The team	Zero tolerance of discrimination	70	-
406-1	6.3. Business ethics	-	132	-

### Contents: The elimination of forced or compulsory labour

GRI standard	Section	Subsection	Page	Comments
409-1	5.3 The team	Zero tolerance stance on child and forced labour	71	-
	5.6. Suppliers	CSR in the supply chain	92	-

### Contents: The effective abolition of child labour

GRI standard	Section	Subsection	Page	Comments
408-1	5.3 The team	Zero tolerance stance on child and forced labour	71	-
	5.6. Suppliers	CSR in the supply chain	92	-



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## ASPECT: CORRUPTION AND BRIBERY

### Contents: Measures taken to prevent corruption and bribery

GRI standard	Section	Subsection	Page	Comments
103	5.1 CSR management	-	52	-
	6.3. Business ethics	-	132	-
	6.4. Risk management	-	134	-
102-16	3.1. Mission, vision and values	-	90	-
	6.3. Business ethics	-	132	-
102-17	3.3 Stakeholder engagement	-	32	-
	6.3. Business ethics	-	132	-
205-2	3.3 Stakeholder engagement	Global rollout of the CSR Workshops	35	-
205-3	6.3. Business ethics	-	132	-

### Contents: Measures taken to combat money laundering

GRI standard	Section	Subsection	Page	Comments
205-2	6.3. Business ethics	-	132	-
	6.4. Risk management	Criminal risk prevention model	134	-

### Contents: Contributions to non-profit entities.

GRI standard	Section	Subsection	Page	Comments
413-1	5.8 Community	-	112	-

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## ASPECT: SOCIETY

**Contents:** Commitment to sustainable development

1) **Impact** of the undertaking's activities on society in terms of **employment and local development**.

GRI standard	Section	Subsection	Page	Comments
103	5.8 Community	-	109	-
203-2	5.8 Community	-	109	-
413-1	5.8 Community	-	109	-

2) **Impact** of the undertaking's activities on society in terms of **local communities and territories**.

GRI standard	Section	Subsection	Page	Comments
203-2	5.8 Community	-	109	-
413-1	5.8 Community	-	109	-

3) **Engagement** with local community representatives; communication channels in place.

GRI standard	Section	Subsection	Page	Comments
102-42	3.3 Stakeholder engagement	-	32	-
102-43	3.3 Stakeholder engagement	-	32	-
413-1	5.8 Community	-	109	-

#### 4) Membership of associations and sponsorships.

GRI standard	Section	Subsection	Page	Comments
102-12	5.1 CSR management	-	52	-
102-13	5.8 Community	Institutional relations	109, 115	-

#### Contents: Outsourcing and suppliers

- 1) Inclusion in the **purchasing policy** of social, gender equality and environmental matters.
- 2) Contemplation in **relations with suppliers and subcontractors** of their social and environmental records.

GRI standard	Section	Subsection	Page	Comments
102-9	5.6. Suppliers	-	87	-
103	5.6. Suppliers	-	87	-
308-1	5.6. Suppliers	Supplier certification	89	-
414-1	5.6. Suppliers	Standardised and objective selection CSR in the supply chain	88	-
			92	-

#### 3) Supervision and audit systems and their outcomes.

GRI standard	Section	Subsection	Page	Comments
103	5.6. Suppliers	Supplier audits	92	-

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## Contents: Consumers

### 1) Consumer health and safety measures.

GRI standard	Section	Subsection	Page	Comments
103	5.2 Customers	Total quality	57	CIE Automotive complies with all consumers health and safety requirements. Therefore, this content is not considered material for the Group and related information is not included in this report.

### 2) Consumer claims, complaints and remediation systems.

GRI standard	Section	Subsection	Page	Comments
103	5.2 Customers	Confidentiality	58	-

## Contents: Tax information

### 1) Profits by country Income taxes paid.

GRI standard	Section	Subsection	Page	Comments
103	2.1 2018 in review	Tax information	14	-
	5.8 Community	Value generated and distributed	110	
201-1	2.1 2018 in review	Value generated and distributed	15	-
	5.6 Suppliers	-	87	
	5.8 Community	Value generated and distributed	110	

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2) Government grants received.

GRI standard	Section	Subsection	Page	Comments
201-4	2.1 2018 in review	Tax information	14	-

## ASPECT: OTHER MEANINGFUL INFORMATION

**Contents:** Other company profile information

GRI standard	Section	Subsection	Page	Comments
102-5	7.2. Contact data	-	144	-
102-10	2.1 2018 in review	Capex and acquisitions	9	-
	5.6. Suppliers	-	87	-

**Contents:** Corporate Governance

GRI standard	Section	Subsection	Page	Comments
102-18	5.1 CSR management	-	52	-
	6.2. Governance bodies	Board of directors	122	-
102-19	5.1 CSR management	Policy and how it works	54	-
102-20	5.1 CSR management	Policy and how it works	54	-
	7.2. Contact data	-	144	-
102-21	3.3 Stakeholder engagement	Materiality assessment	34	-
102-22	6.2. Governance bodies	Board of directors	122	-
102-23	6.2. Governance bodies	Board of directors	122	-

<b>102-24</b>	6.2. Governance bodies	Board of directors	122	-
<b>102-25</b>	6.2. Governance bodies 6.3. Business ethics	Conflicts of interest -	129 132	-
<b>102-26</b>	6.2. Governance bodies	Board of directors	122	-
<b>102-27</b>	5.1 CSR management 6.2. Governance bodies	Policy and how it works Board of directors	54 122	-
<b>102-28</b>	6.2. Governance bodies	Director performance evaluation	129	-
<b>102-29</b>	6.4. Risk management	-	134	-
<b>102-30</b>	6.4. Risk management	-	134	-
<b>102-31</b>	3.3 Stakeholder engagement 5.1 CSR management	Materiality assessment -	34 52	-
<b>102-32</b>	5.1 CSR management	Policy and how it works	54	-
<b>102-33</b>	6.3. Business ethics	-	132	-
<b>102-34</b>	6.3. Business ethics	-	132	-
<b>102-37</b>	6.2. Governance bodies	2018 AGM Resolutions Director Remuneration Policy	121 131	-

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## Contents: Stakeholder participation

GRI standard	Section	Subsection	Page	Comments
102-40	3.3 Stakeholder engagement	-	32	-
102-42	3.3 Stakeholder engagement	-	32	-
102-44	3.3 Stakeholder engagement	Materiality assessment	34	-

## Contents: Other useful information on the preparation of the document

GRI standard	Section	Subsection	Page	Comments
102-45	3.2. Business model	Multiple locations	27	-
102-46	3.3 Stakeholder engagement	Materiality assessment	34	-
	7.1. Methodology	-	143	-
102-47	3.3 Stakeholder engagement	Materiality assessment	34	-
102-48	7.1. Methodology	-	143	-
102-49	7.1. Methodology	-	143	-
102-50	7.1. Methodology	-	143	-
102-51	7.1. Methodology	-	143	-
102-52	7.1. Methodology	-	143	-

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<b>102-53</b>	7.2. Contact data	-	144	-
<b>102-55</b>	7.4. GRI content index	-	147	-
<b>102-56</b>	7.6 External assurance	-	189	-

**Contents: GRI 201: Economic performance 2016**

GRI standard	Section	Subsection	Page	Comments
<b>201-1</b>	2.1 2018 in review	Value generated and distributed	15	-
	5.6 Suppliers	-	87	
	5.8 Community	Value generated and distributed	110	
<b>201-3</b>	5.3 The team	Obligations to employees	68	-

**Contents: GRI 202: Market presence 2016**

GRI standard	Section	Subsection	Page	Comments
<b>202-1</b>	5.3 The team	-	61	-
		Decent work	64	
		Zero tolerance of discrimination	70	
<b>202-2</b>	5.3 The team	Decent work	64	-

**Contents:GRI 204: Procurement practices 2016**

GRI standard	Section	Subsection	Page	Comments
<b>204-1</b>	5.6. Suppliers	Supply chain management	96	-



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## Contents: GRI 307: Environmental compliance 2016

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## Contents: GRI 404: Training and education 2016

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**Contents:GRI 415: Public Policy 2016**

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**Contents:GRI 419-1: Social and economic area compliance 2016**

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**CIE AUTOMOTIVE, S.A.**

Independent Verification Report  
31 December 2018



Free translation from the original in Spanish. In the event of a discrepancy, the Spanish language version prevails.

## INDEPENDENT VERIFICATION REPORT

To the shareholders of CIE Automotive, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Consolidated Non-Financial Statement ("NFS") for the year ended 31 December 2023 of CIE Automotive, S.A. and its subsidiary companies (hereinafter CIE, the entity or the Group) which forms part of CIE's Consolidated Directors' Report (hereinafter CDR).

The content of the NFS includes additional information to that required by current non-financial reporting regulations which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table included in the section 7.5 titled "Traceability of compliance with the Law on Non-financial information and Diversity" in the accompanying NFS.

### Responsibility of the Board of Directors

The preparation of the NFS included in CIE's Consolidated Directors' Report and the content thereof are the responsibility of the Board of Directors of CIE Automotive, S.A. The NFS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") described in accordance with the Real Decreto 1/2013, in line with the details provided for each number in the table included in the section 7.5 titled "Traceability of compliance with the law on Non-financial information and Diversity" and in the table included in the section 7.4 titled "GRI Table" in said NFS.

This responsibility also includes the design, implementation and maintenance of internal control considered necessary to allow the NFS to be free of material impropriety, due to fraud or error.

The directors of CIE are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained.

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

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**Primo de Rivera y Saavedra Auditores, S.L.**, Torre PwC, P<sup>ta</sup> de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 91 4864 400 / +34 904 021 171. Fax: +34 915 185 400, [www.pwc.es](http://www.pwc.es) 1

Nº de Matr. de Colegiación: 1467. Colegiación: COAC. Colegiado: 1467. Colegiación: COAC. Colegiado: 1467. Colegiación: COAC. Colegiado: 1467.

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### Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to FY 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited guarantee engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable guarantee engagement. Accordingly, the assurance provided is substantially lower.

Our work has consisted of posing questions to Management and several CIE's units that were involved in the preparation of the NPS, in the review of the processes for compiling and validating the information presented in the NPS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with CIE personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the NPS for 2018 based on the materiality analysis carried by CIE, considering the content required in the current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NPS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NPS for 2018.

Verification, by means of tests, through sample testing, of the information relating to the content of the NPS for 2018 and its adequate compilation using data supplied by CIE's information sources.

- Obtainment of a management representation letter from the Directors and Management.

### Basis for a conclusion with qualifications

As explained in the section "Traceability of compliance with the law on Non-financial Information and Diversity" of the NPS, the Group has included information regarding the average number of contracts, dismissals, remunerations and training, although not all of the breakdowns required by article 49 of the Commercial Code such as breakdown of sex, age, category and type of working day in the average of contracts, age and category in the dismissals, age and category in remunerations and category in the hours of training.

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**Conclusion with qualifications**

Based on the procedures performed and on the evidence we have obtained, except for the effects of the matters described in the paragraph "Basis for a conclusion with qualifications", no additional aspects have come to our attention that would lead us to believe that the NIS of CIE Automotive, S.A. and its subsidiaries for the year ended 31 December 2018 has not been prepared, in all relevant aspects, in accordance with the terms of current mercantile legislation and following the criteria of GRI standards in accordance with the Essential Option as described for each area in the table included in section 7.3 called "Traceability of compliance of the Law on Non-financial Information and Diversity" and in the table included in the section 7.4 titled "GRI Table" of the above mentioned NIS.

**Use and distribution**

This report has been drawn up in response to the requirements laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Pablo Barral

22 February 2019

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***CIE Automotive***

