CIE Automotive, S.A.

Audit Report,
Annual Accounts at 31 December 2019
and Management Report for 2019

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

Opinion

We have audited the annual accounts of CIE Automotive, S.A. (the Company), which comprise the balance sheet as at December 31, 2019, 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, 2019, 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.

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.

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.

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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 €1,075,394 thousand, €1,223,935 thousand and €16,673 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 verified not only the calculations made but also the projected annual cash flows of those group companies, based on the plans and budgets approved by Group Management, against those actually obtained in 2019, 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 experts 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.

Other information: Management Report

Other information comprises only the management report for the 2019 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 management report. Our responsibility regarding the management 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 management report and if not, reporting this matter.

b) A general level applicable to other information included in the management 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 management 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 management report, and that the other information contained in the management report is consistent with that contained in the annual accounts for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

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.

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

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 28, 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on May 8, 2019 appointed us as auditors for 2019.

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.

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.

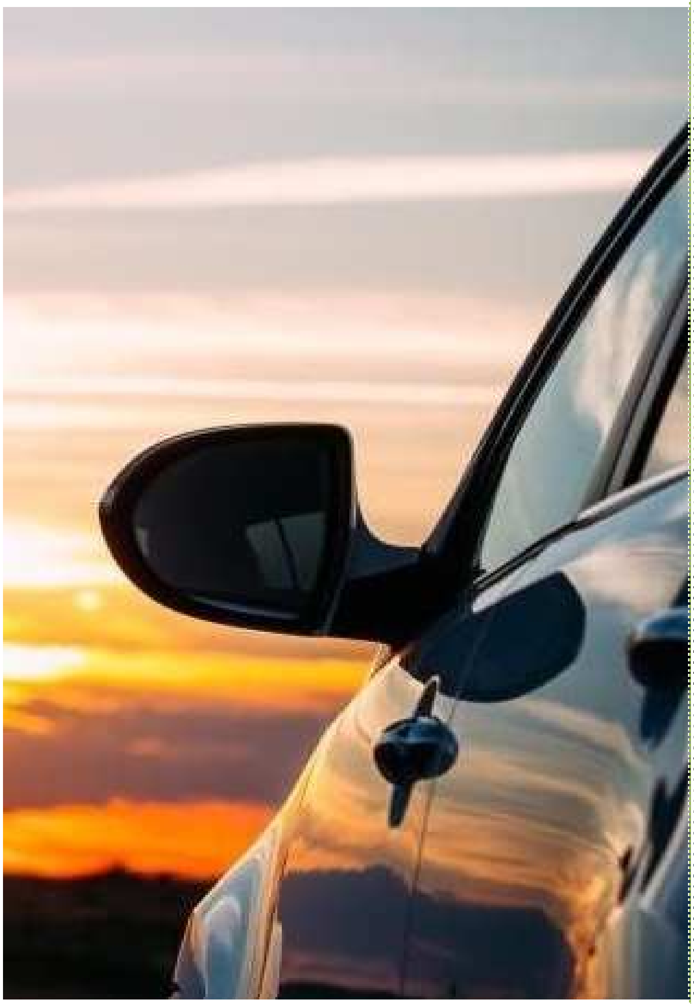
PricewaterhouseCoopers Auditores, S.L. (S0242)

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

February 28, 2020

CIE Automotive

2019



MANAGING HIGH VALUE ADDED PROCESSES

Annual Accounts and Directors' Report for the year ended December 31, 2019

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BALANCE SHEET AT DECEMBER 31, 2019
(Thousand euro)

	Note	At December 31 2019	2018
NON-CURRENT ASSETS			
Intangible assets	**5**	**19,547**	**22,072**
Property, plant and equipment	**6**	**1,317**	**1,500**
Non-current investments in group companies and associates	**7-8**	**2,299,329**	**1,538,692**
Equity instruments		1,075,394	319,635
Credits to companies		1,223,935	1,219,057
Non-current financial investments	**7**	**34,223**	**39,057**
Equity instruments		81	81
Credits to third parties		34,122	38,958
Other financial assets		20	18
Deferred tax assets	**17**	**17,159**	**14,910**
Total non-current assets		**2,371,575**	**1,616,231**
CURRENT ASSETS			
Trade and other receivables	**7-9**	**31,792**	**21,105**
Receivables from Group companies and associates		31,403	21,014
Other receivables		42	21
Current tax assets		347	70
Current investments in group companies and associates	**7-8**	**16,673**	**25,894**
Credits to companies		16,673	25,894
Current financial investments	**7**	**18,443**	**17,215**
Credits to third parties		1,603	388
Other financial assets		16,840	16,827
Prepaid expenses		**199**	**64**
Cash and cash equivalents	**7-11**	**2,627**	**5,381**
Total current assets		**69,734**	**69,659**
TOTAL ASSETS		**2,441,309**	**1,685,890**

BALANCE SHEET AT DECEMBER 31, 2019
(Thousand euro)

	Note	At December 31 2019	2018
EQUITY			
Capital and reserves		**437,578**	**413,185**
Share capital	12	32,250	32,250
Share premium	12	152,171	152,171
Reserves	13	188,774	(59,106)
Profit /(loss) for the year	14	112,113	327,860
Interim dividend	14	(47,730)	(39,990)
Valuation adjustments	**10**	**(9,026)**	**(8,039)**
Hedging transactions		(9,026)	(8,039)
Total equity		**428,552**	**405,146**
NON-CURRENT LIABILITIES			
Non-current provisions	**16**	**33,009**	**21,058**
Long-term payables	**7-10-15**	**1,276,698**	**804,411**
Bank borrowings		1,256,802	786,534
Derivatives		19,896	17,877
Group companies and associates, non-current	**7-15**	**220,345**	**198,966**
Other non-current payables	**7-15**	**10,432**	**1,406**
Other non-current payables		10,432	1,406
Total non-current liabilities		**1,540,484**	**1,025,841**
CURRENT LIABILITIES			
Current provisions	**16**	**1,263**	**1,326**
Short-term employee benefits		1,263	1,326
Current borrowings		**407,027**	**195,069**
Bank borrowings	7-15	107,827	104,069
Commercial paper program	7-15	299,200	91,000
Group companies and associates, current	**7-15**	**1,850**	**2,130**
Other short term liabilities	**5-7-15**	**-**	**2,500**
Other short term liabilities		-	2,500
Trade and other payables	**7-15**	**62,133**	**53,878**
Trade payables		5,699	3,923
Other payables		47,730	39,990
Fixed asset suppliers		384	124
Accrued wages and salaries		4,467	6,480
Current tax liabilities		3,853	3,361
Total current liabilities		**472,273**	**254,903**
TOTAL EQUITY AND LIABILITIES		**2,441,309**	**1,685,890**

CIE Automotive

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019
(Thousand euro)

CONTINUING OPERATIONS	Note	Year ended December 31 2019	2018
Revenue	**18**	**176,173**	**103,845**
Services rendered and other income		176,173	103,845
Other operating income	**18**	**140**	**210**
Non-trading and other operating income		140	210
Employee benefit expense	**18**	**(14,570)**	**(18,253)**
Wages and salaries		(13,736)	(17,436)
Social security		(834)	(817)
Other operating expenses	**18**	**(16,159)**	**(7,977)**
Taxes		(79)	(58)
Other expenses		(16,080)	(7,919)
Depreciation and amortization	**5-6**	**(3,491)**	**(3,476)**
OPERATING PROFIT		**142,093**	**74,349**
Finance income	20	1,729	569
Finance expense	20	(24,679)	(25,274)
Change in fair value of financial instruments	20	(554)	(7,386)
Net exchange differences	20	(42)	(179)
FINANCIAL RESULTS		**(23,546)**	**(32,270)**
PROFIT BEFORE TAX		**118,547**	**42,079**
Income tax	19	(6,434)	(13,410)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**112,113**	**28,669**
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**1-8**	-	**299,191**
PROFIT/(LOSS) FOR THE YEAR		**112,113**	**327,860**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE
(Thousand euro)

	Note	2019	2018
Profit for the year	**14**	**112,113**	**327,860**
Income and expense recognised directly in equity			
Cash flow hedges	10	(1,299)	(3,027)
Tax effect	17	312	425
		(987)	**(2,602)**
TOTAL RECOGNISED INCOME AND EXPENSE		**111,126**	**325,258**

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019
(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
Closing balance, 2017	**32,250**	**(4,526)**	**152,171**	**335,675**	**78,932**	**(36,049)**	**(5,437)**	**553,016**
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 acquisition	-	4,526	-	3,207	-	-	-	7,733
Closing balance, 2018	**32,250**	**-**	**152,171**	**(59,106)**	**327,860**	**(39,990)**	**(8,039)**	**405,146**
Total recognised income and expense	-	-	-	-	112,113	-	(987)	111,126
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	247,880	(327,860)	39,990	-	(39,990)
Interim dividend (Note 14)	-	-	-	-	-	(47,730)	-	(47,730)
Closing balance, 2019	**32,250**	**-**	**152,171**	**188,774**	**112,113**	**(47,730)**	**(9,026)**	**428,552**

CIE Automotive

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019
(Thousand euro)

	Note	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	21		
Profit for the year before tax		118,547	42,079
Adjustments		(58,920)	(18,706)
Changes in working capital		(10,089)	(4,802)
Other cash flows from operating activities		69,376	198
Cash flows from/(used in) operating activities		**118,914**	**18,769**
CASH FLOWS FROM INVESTING ACTIVITIES	22		
Payments for investments		(756,678)	(47,279)
Proceeds from disposals		4.231	19,897
Cash flows from/ (used in) investing activities		**(752,447)**	**(27,382)**
CASH FLOWS FROM FINANCING ACTIVITIES	23		
Proceeds from and payment of financial liabilities		710,759	65,591
Dividends and payments on other equity instruments		(79,980)	(64,436)
Cash flows from /(used in) financing activities		**630,779**	**(1,155)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(2,754)**	**(7,458)**
Cash and cash equivalents at beginning of period		5,381	12,839
Cash and cash equivalents at end of period	11	2,627	5,381

1. General information

CIE Automotive Group and activity

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 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 global automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are located in Europe: Spain, Germany, France, Portugal, the Czech Republic, Romania, Italy, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

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

Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U.; 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 December 31, 2019, together with the information concerning them, is disclosed in the Appendix I to these annual accounts.

These annual accounts were prepared by the Board of Directors on February 28, 2020.

Acquisition of CIE Golde

In September 2018 CIE Automotive, S.A. released 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 were agreed with Inteva and the formalization of a binding agreement was subject to the finalisation of the consultation process Inteva needs to carry out with its France and European Union works council. After the completion of this process and the obtaining of the pertinent authorizations from the antitrust authorities in April 2019, on May 6, 2019, the Group proceeded to complete the acquisition.

The price of the operation amounted to USD 755 million (enterprise value) which after cash and working capital adjustments involved a payment at that date of USD 809.3 million, equivalent to €724.7 million, pending the definitive calculation of cash and working capital figures in opening balances. Throughout the second half of the year, the calculations have been completed and the agreements with the selling party have been closed. On December 31, 2019 the outstanding amount amounts to USD 19 million (€17 million) that has been paid in January 2020. After this last payment, there is no outstanding amount to be paid.

The acquired roof system business, which has been renamed as CIE Golde, is formed by twelve manufacturing facilities and six R&D centers in seven different countries (USA, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

The integration of CIE Golde enables CIE Automotive Group to reinforce its commitment for the comfort systems in the automotive, adapting to sector trends, and becoming one of the three leading global manufacturers of car roof systems, significantly increasing its footprint in the sunroof system, and well positioned in Asia, one of the markets with the greatest potential.

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 took place on July 3, 2018.

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, led to an accounting gain recorded in the financial statements of €299.2 million; and that was recorded under the heading "Profit/(loss) for the year from discontinuing operations after tax" on the date of effective distribution of the dividend.

Consolidated Annual Accounts of CIE Automotive Group

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

On February 28, 2020, the Company authorized the issuance of the consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries for the year ended December 31, 2019, which presented profit for the year attributable to owners of the parent of €287,475 thousand and equity, including profit for the year and non-controlling interests, of €1,234,974 thousand (2018: €396,754 thousand and €1,048,886 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 2019 and 2018 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.

FINANCIAL STATEMENTS FOR THE YEAR 2019 (In thousand euros)

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 September 17, and Royal Decree 602/2016 of December 2, 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 2018 annual accounts were approved at the Annual General Meeting held on May 8, 2019.

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) groups 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 CGU groups' 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 2019 nor 2018.

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 group.

The rates used to discount the cash flow projections classified by each CIE Automotive Group's CGUs group, were as follows:

CGU	2019	2018
Brazil	11.10%	12.40%
North America	7.09% - 10.16%	6.77% - 10.28%
Asia	7.27% - 11.89%	7.02% - 12.86%
Mahindra CIE Europe	4.88% - 6.96%	5.00% - 5.48%
Rest of Europe	5.32% - 11.63%	5.45% - 12.20%

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The discount rate 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 each of the CGUs group.

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 EBITDA figures (operating profit plus depreciation) vary as follows:

	% of revenue	
	2019	**2018**
Automotive	2.82% - 50.19%	3.97%-40.24%

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 six-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 1% and 7%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. In order to calculate the residual value, a normalised annual flow is discounted, taking into account the discount rate applied on the projections, less the growth rate taken into account.

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 used 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% not favourable from management estimates, deferred assets would decrease and income tax would increase by approximately €0,02 million (2018: €0.6 million), and if these variation were favourable these deferred assets would increase and income would decrease by approximately €1,7 million (2018: €0.8 million).

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.

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.

As of December 31, 2019 and 2018 no shared-based payments benefits to employees exist.

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 groups 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 groups 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:

	Estimated useful life years
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 groups). 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 2019are 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.
- 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.
- CIE Automotive Goiain, S.L.U.
- CIE Automotive Boroa, S.L.U. (incorporated in 2019)
- CIE Roof Systems, S.L.U. (incorporated in 2019)

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 December 31, 2019 the 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 arise to the corresponding change against the Group´s equity.

Likewise, 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.

Finally, the General Meeting of shareholders, held on April 30, 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. This incentive was liquidated in 2018.

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 December 31, 2019, 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 €230/€188 million (2018: increased/decreased by €140/€114 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 2019 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €18,739/€15,332 thousand higher/lower, respectively (2018: €12,751/€10,432 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 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 2019 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, the Group's profit after tax for the year would have been €1,056 thousand lower/higher (2018: €632 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 €1,093/1,277 thousand, respectively (2018: €1,359/2,048 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.

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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 December 31, 2019 and 2018 as follows:

Thousand euro	31.12.2019	31.12.2018
Cash and cash equivalents	514,691	248,895
Other current financial assets	104,223	160,804
Undrawn lines of credit	501,105	542,726
Liquidity buffer	**1,120,019**	**952,425**
Bank borrowings	2,120,967	1,340,015
Other current financial liabilities	19,914	17,924
Cash and cash equivalents	(514,691)	(248,895)
Other current financial assets	(104,223)	(160,804)
Net debt	**1,521,967**	**948,240**

Additionally, as of December 31, 2019, Shanghai Golde Automotive Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method, has a net treasury of €33.3 million.

Group´s treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2020 will allow facing all year payments without increasing net financial debt.

Group´s treasury department monitors Group´s liquidity needs previsions 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.

Group's amounts payables to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2019: €25 million; 2018: €14 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 December 31, 2019 of €501 million of undrawn credit lines and loans (2018: €543 million) at the consolidated CIE Automotive Group level.

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The following table shows a breakdown of working capital in the Group's consolidated balance sheet at December 31, 2019 as compared with December 31, 2018, stating the relative significance of each item:

Thousand euro	31.12.2019	31.12.2018
Inventories	416,120	405,739
Trade and other receivables	356,918	292,424
Other current assets	25,751	21,026
Current tax assets	56,373	47,191
Current operating assets	**855,162**	**766,380**
Other current financial assets	55,100	112,141
Cash and other cash equivalents	514,691	248,895
CURRENT ASSETS	**1,424,953**	**1,127,416**
Trade and other payables	858,894	721,022
Current tax liabilities	64,215	59,909
Current provisions	66,736	31,133
Other current liabilities	184,663	110,356
Current operating liabilities	**1,174,508**	**922,420**
Short-term bank borrowings	524,755	282,312
Other current financial liabilities	19	47
CURRENT LIABILITIES	**1,699,282**	**1,204,779**
TOTAL WORKING CAPITAL	**(274,329)**	**(77,363)**

At December 31, 2019 the working capital is €274 million negative, mainly related to the recurrent issuance of paper program in the Ireland Stock Market which serves as diversification of financing; therefore, the Group Management confirms that there is no risk as of December 31, 2019.

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 with whom in many cases automatically renews its credit lines.

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, as well as to optimize accounts payable with the support of banking arrangements to mobilise funds and 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 2020 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 result of the above, it may be confirmed that there is no liquidity risk at the Company.

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

Group'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 management unit 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 historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

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 which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

4.2. Hedge accounting

The Group determines the effectiveness of the hedge 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, 2019 and December 31, 2018, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment.

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.

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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 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.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50. The acquisitions of the year 2019 have impacted slightly in the Group's gearing ratio, not assuming a relevant deviation and, therefore, not modifying the defined strategy. The gearing ratios at December 31, 2019 and 2018 are as follows:

Thousand euro	2019	2018
Borrowings	2,120,967	1,340,015
Financial liabilities	19,914	17,924
Less: Cash, cash equivalents and financial assets	(618,914)	(409,699)
Net debt	**1,521,967**	**948,240**
Equity	1,234,974	1,048,886
Total capital used	**2,756,941**	**1,997,126**
Gearing ratio	**0.55**	**0.47**

At December 31, 2019 and 2018, 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
Cost				
Balance at January 1, 2018	**17,763**	**-**	**27,718**	**45,481**
Additions	478	1,000	-	1,478
Balance at December 31, 2018	**18,241**	**1,000**	**27,718**	**46,959**
Additions	773	-	-	773
Balance at December 31, 2019	**19,014**	**1,000**	**27,718**	**47,732**
Accumulated amortisation				
Balance at January 1, 2018	**(16,060)**	**-**	**(5,544)**	**(21,604)**
Additions	(411)	(100)	(2,772)	(3,283)
Balance at December 31, 2018	**(16,471)**	**(100)**	**(8,316)**	**(24,887)**
Additions	(426)	(100)	(2,772)	(3,298)
Balance at December 31, 2019	**(16,897)**	**(200)**	**(11,088)**	**(28,185)**
Carrying amount				
Balance at January 1, 2018	**1,703**	**-**	**22,174**	**23,877**
Balance at December 31, 2018	**1,770**	**900**	**19,402**	**22,072**
Balance at December 31, 2019	**2,117**	**800**	**16,630**	**19,547**

The main addition of the year 2018 corresponded 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).

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a) Goodwill

The goodwill arose 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) groups by management unit and operating market. Goodwill is allocated to the Brazilian and European operations as was the case at INSSEC.

The recoverable amount of a CGU group is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond this six-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 groups 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 2019 or 2018.

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 groups 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 2019 or 2018.

b) Fully-amortised intangible assets

At December 31, 2019 there are fully-amortized items of intangible assets still in use with an original cost of €15,720 thousand (2018: €15,353 thousand).

6. Property, plant and equipment

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

2019	Balance at 01.01.2019	Additions	Disposals	Balance at 31.12.2019
COST				
Buildings	758	-	-	758
Other facilities and furniture	1,808	-	(3)	1,805
Other fixed assets	3,147	13	-	3,160
PPE under construction	8	-	-	8
	5,721	**13**	**(3)**	**5,731**
ACCUMULATED DEPRECIATION				
Buildings	(417)	(23)	-	(440)
Other facilities and furniture	(759)	(142)	-	(901)
Other fixed assets	(3,045)	(28)	-	(3,073)
	(4,221)	**(193)**	**-**	**(4,414)**
CARRYING AMOUNT	**1,500**			**1,317**

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2018	Balance at 01.01.2018	Additions	Transfers	Balance at 31.12.2018
COST				
Buildings	758	-	-	758
Other facilities and furniture	1,808	-	-	1,808
Other fixed assets	3,137	10	-	3,147
PPE under construction	8	-	-	8
	5,711	**10**	**-**	**5,721**
ACCUMULATED DEPRECIATION				
Buildings	(394)	(23)	-	(417)
Other facilities and furniture	(617)	(142)	-	(759)
Other fixed assets	(3,017)	(28)	-	(3,045)
	(4,028)	**(193)**	**-**	**(4,221)**
CARRYING AMOUNT	**1,683**			**1,500**

a) Impairment losses

During 2019 and 2018, the Company neither recognised new impairment losses nor reversed previously recognised impairment losses on any individual item of property, plant and equipment.

b) Fully-depreciated assets

At December 31, 2019, there are fully-depreciated items of property, plant and equipment still in use with an original cost of €3,385 thousand (2018: €3,377 thousand).

c) Assets held under operating lease

The income statement recognises operating lease expenses related to employee vehicle leases in the amount of €282 thousand (2018: €280 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 December 31, 2019 and 2018, the Company had no material contractual commitments for the acquisition of property, plant and equipment.

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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 does not include balances with public administrations, are as follows:

	Equity instruments		Credits		Derivatives and others	
Thousand euro	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial assets						
Non-current						
- Balances with group companies						
. Investments in group companies (Note 8.a)	1,075,394	319,635	-	-	-	-
. Credits to group companies (Note 8.c)	-	-	1,223,935	1,219,057	-	-
- Other investments (Note 7.4)	81	81	-	-	-	-
- Credits to third parties (Note 7.5)	-	-	34,122	38,958	-	-
- Other financial assets	-	-	-	-	20	18
	1,075,475	**319,716**	**1,258,057**	**1,258,015**	**20**	**18**
Current						
- Trade and other receivables (Note 9)	-	-	31,445	21,035	-	-
- Credits to group companies (Note 8.c)	-	-	16,673	25,894	-	-
- Credits to third parties (Note 7.5)	-	-	1,603	388	-	-
- Other financial assets (Note 7.6)	-	-	-	-	16,840	16,827
- Cash and other cash equivalents (Note 11)	-	-	-	-	2,627	5,381
	-	**-**	**49,721**	**47,317**	**19,467**	**22,208**

	Debts and payables		Derivatives and others	
Thousand euro	**2019**	**2018**	**2019**	**2018**
Financial liabilities				
Non-current				
- Borrowings received (Note 15)	1,256,802	786,534	-	-
- Other current financial liabilities (Derivatives) (Note 10)	-	-	19,896	17,877
- Borrowings from group companies (Note 15)	220,345	198,966	-	-
- Other debts (Note 15)	10,432	1,406	-	-
	1,487,579	**986,906**	**19,896**	**17,877**
Current				
- Borrowings received (Note 15)	107,827	104,069	-	-
- Commercial paper program (Note 15)	299,200	91,000	-	-
- Borrowings from group companies (Note 15)	1,850	2,130	-	-
- Trade and other payables (Note 15)	58,280	50,517	-	-
- Other debts (Note 15)	-	2,500	-	-
	467,157	**250,216**	**-**	**-**

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

On the other hand, financial liabilities are "Debit and payables", except Derivatives.

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7.2. Classification by maturity

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

	Financial assets						
	2020	**2021**	**2022**	**2023**	**2024**	**Subsequent years**	**Total**
Investments in group companies and associates:							
Credits to group companies	16,673	-	-	-	-	1,223,935	1,240,608
Other financial investments:							
Trade and other receivables	31,445	-	-	-	-	-	31,445
Credits to third parties	1,603	-	25,022	-	-	9,100	35,725
Other financial assets	16,840	-	-	-	-	20	16,860
	66,561	**-**	**25,022**	**-**	**-**	**1,233,055**	**1,324,638**

	Financial liabilities						
	2020	**2021**	**2022**	**2023**	**2024**	**Subsequent years**	**Total**
Borrowings from group companies and associates	1,850	-	-	-	-	220,345	222,195
Other financial liabilities:							
Bank borrowings	107,827	102,393	151,707	176,007	684,357	142,338	1,364,629
Commercial paper program	299,200	-	-	-	-	-	299,200
Derivatives	-	-	-	8,019	11,877	-	19,896
Other liabilities	-		-	-	-	10,432	10,432
Trade and other payables	58,280		-	-	-	-	58,280
	467,157	**102,393**	**151,707**	**184,026**	**696,234**	**373,115**	**1,974,632**

(*) 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 (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

The Company at December 31, 2019 and 2018 has under this heading the investment in Fundación CIE I+D+I as funding trustee, having given an initial (and unchanged) endowment of €60 thousand.

7.5. Credits to third parties

	Balante at 01.01.18	**Additions**	**Profit/(Loss) adjustment**	**(Collections)**	**Balance at 31.12.18**	**Additions**	**Profit/(Loss) adjustment**	**(Collections)**	**Balance at 31.12.19**
Credits to employees (Notes 18.c and 25)	303	30,740	(1,397)	(2,237)	27,409	-	489	(2,876)	25,022
Advances (Note 26)	-	13,000	-	(1,300)	11,700	-	-	(1,300)	10,400
Other	200	37	-	-	237	103	-	(37)	303
	503	**43,777**	**(1,397)**	**(3,537)**	**39,346**	**103**	**489**	**(4,213)**	**35,725**

7.6. Other current financial assets

The Company records a short-term maturity account receivable with INSSEC DOS which balance at December 31, 2019 and 2018 stood at €16,800 thousand.

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8. Investments and credits to group companies

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

The main group companies owned directly by the Company (not listed) are as follows:

Name and registered office	Legal structure	Activity	% of total voting rights held directly 2019	2018
Group companies and jointly-controlled entities				
CIE Berriz, S.L. (Bizkaia)	S.L.	Holding company	100%	100%
CIE Automotive Boroa, S.L.U. (Bizkaia)	S.L.U.	Holding company	100%	-
CIE Roof Systems, S.L.U. (Bizkaia)	S.L.U.	Holding company	100%	-
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 2019 and 2018 have been as follows:

2019

On March 28, 2019, the Group sold the company Bionor Berantevilla, S.L.U., as well as the assets belonging to Biosur Transformación, S.L.U. for an amount of €18.7 million.

In March 2019, the Group has signed an agreement for the acquisition, through its Indian subsidiary Mahindra CIE Automotive, Ltd, of all the shares of the company, also of Indian nationality, Aurangabad Electricals, Ltd. (hereinafter AEL) for an amount of 8,737 million rupees (approximately 111 million euros).

On April 9, 2019, once the conditions have been fulfilled, the Group has closed the acquisition by paying 8,137 million rupees, equivalent to €103.8 million. A contingent liability of 600 million rupees is also recorded (€7.6 million), corresponding to the fair value of future income from subsidies that AEL will receive under the incentive program that local authorities approved in 2013.

The activity of AEL consists in the manufacture of components and sub-assemblies for the automotive sector (for two- and four-wheel vehicles) in high pressure aluminium injection and gravity injection technologies.

On April 5, 2019, CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U., both direct subsidiaries of CIE Automotive, S.A., were created.

On May 6, 2019 the Group, through its subsidiaries CIE Roof Systems, S.L.U. and CIE Automotive USA, Inc, has proceeded to acquire 100% shares of Inteva's roof business, with an acquisition cost of €741.7 million (Note 1).

On June 21, 2019 the Group has carried out the acquisition of 100% of the shares of the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. and Cortes de Precisión de México S. de R.L. de C.V. with the objective of taking advantage of all the productive assets of the acquired companies, so that they complement the productive activities of the Group in Mexico and allow the physical and commercial expansion in the future. The enterprise value was USD 65.5 million (approximately €58 million).

In September 2019, once the suspensive conditions have been fulfilled, the acquisition has been completed. The acquisition cost, after the adjustment for the indebtedness, has been USD 42.4 million (approximately €37.3 million), fully paid at the acquisition date.

The acquired facilities are located in Celaya (Guanajuato) and provide Tier 1 companies in the automotive sector.

On July 18, 2019, the Mexican nationality company CIE Plásticos de México, S.A. de C.V. was established; which main activity is the manufacture of plastic parts and components for vehicles.

In October 2019, the merge of the companies BillForge Pvt Ltd. and Mahindra CIE Automotive Ltd. was carried out, being the last one the absorbing one.

2018

a) Automotive

In January 2018, the acquisition of 100% of the shares of the Brazilian company Zanini Industria de Autopeças, Ltda. (currently named as Autometal ML Cromaçao, Pintura e Injeçao 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 (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 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.

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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 December 31, 2019 and 2018, are as follows:

Company	Equity		Operating profit	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 18)
	Capital	Reserves				
2019:						
CIE Berriz, S.L. (Bizkaia)	60,101	226,028	24,833	19,849	251,874	70,000
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	4,498	1,482	1,164	8,528	1,142
Advanced Comfort Systems France, S.A.S. (Francia)	3,100	28,054	2,567	2,058	57,132	-
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	2,577	(500)	(1,493)	4,804	-
CIE Automotive Boroa, S.L.U. (Bizkaia)	368,535	-	6,908	7,040	737,060	-
CIE Roof Systems, S.L.U. (Bizkaia)	10	15,986	2,086	(5,125)	15,996	-
					1,075,394	**71,142**
2018:						
CIE Berriz, S.L. (Bizkaia)	60,101	298,064	35,416	(2,036)	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	-
					319,635	**1,279**

b) Movements in investments in CIE Automotive Group companies

The movements in 2019 and 2018 are summarized below:

	Balance at 01.01.18	Additions/ (Disposals)	Balance at 31.12.18	Additions/ (Disposals)	Balance at 31.12.19
Investments in group companies and jointly controlled entities					
CIE Berriz, S.L.	251,874	-	251,874	-	251,874
Global Dominion Access, S.A. (Nota 1)	105,562	(105,562)	-	-	-
Autokomp Ingeniería, S.A.U.	218	1,883	2,101	2,703	4,804
Advanced Comfort Systems Ibérica, S.L.U.	8,528	-	8,528	-	8,528
Advanced Comfort Systems France, S.A.S.	57,132	-	57,132	-	57,132
CIE Automotive Boroa, S.L.U.	-	-	-	737,060	737,060
CIE Roof Systems, S.L.U.	-	-	-	15,996	15,996
	423,314		**319,635**		**1,075,394**

The additions for the year 2019 correspond to the creation of the companies CIE Automotive Boroa, S.L.U and CIE Roof Systems, S.L.U for €737,060 and €15,996 thousand, respectively. The additions for the year 2018 corresponded to contributions from partners made in the company Autokomp Ingeniería, S.A.U. for €2,703 thousand and €1,883 thousand, respectively.

Disposal of Solutions and Services (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 investment was presented as "Non-current Assets held for sale".

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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 was recorded in 2018 under the heading "Profit/(loss) for the year from discontinuing operations after tax" on the date of effective distribution of the dividend.

As of December 31, 2019 and 2018, the Company does not maintain provisions for impairment of its holdings.

c) Credits 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 €1,223,935 thousand is recognized as non-current loans at the 2019 year end (2018: €1,219,057 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 €16,673 thousand (2018: €25,894 thousand) (Note 7).

The detail of the non-current credits to other group companies at December 31, 2019 and 2018 is as follows:

	31.12.19	31.12.18
Alcasting Legutiano, S.L.U.	1,565	7,135
Autokomp Ingeniería, S.A.U.	59,605	61,172
Biosur Transformación, S.L.U.	-	1,791
CIE Berriz, S.L.	967,736	922,165
CIE Automotive Goiain, S.L.U.	7,510	-
CIE Mecauto, S.A.U.	5,601	11,115
CIE Praga Louny, a.s.	4,658	5,695
CIE Galfor, S.A.U	37,539	62,079
Participaciones Internacionales Autometal Dos, S.L.U.	118,762	131,840
Plasfil Plásticos da Figueira, S.A.	7,276	7,950
Componentes de Automoción Recytec, S.L.U.	10,216	4,354
Other	3,467	3,761
	1,223,935	**1,219,057**

9. Trade and Other receivables

	2019	2018
Current loans and receivables		
- Receivables from group companies and associates	31,403	21,014
- Other receivables	42	21
	31,445	**21,035**

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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:

	31.12.19	31.12.18
Century Plastics, LLC	7,904	6,269
Machine, Tool and Gears, Inc.	8,425	5,569
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	1,523	1,279
Pintura y Ensambles de México, S.A. de C.V.	967	1,256
CIE Celaya, S.A.P.I. de C.V.	1,540	2,073
Advanced Comfort Systems Shanghai Co. Ltd.	1,053	1,003
Autometal, S.A.	2,320	983
Nugar, S.A. de C.V.	3,285	-
Other	4,386	2,582
	31,403	**21,014**

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 December 31, 2019 and 2018. 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 'Credits 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

	Liabilities	
	2019	2018
Interest rate swaps:		
- Cash-flow hedges	11,877	10,578
Equity Swap:		
- Non cash-flow hedges	8,019	7,299
	19,896	**17,877**

Derivatives are classified as a current asset or liability.

After being tested for effectiveness, all of the Company's hedging derivatives were considered effective at December 31, 2019 and 2018 (Note 3.6).

Equity swap

On August 6, 2018, the Company 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 €8,019 thousand negative at December 31, 2019 (€7,299 thousand negative at December 31, 2018).

On August 6, 2014, the Company has arranged a derivative related to the share market price of CIE Automotive, S.A. 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, was liquidated in 2018 for an amount of €16,374 thousand.

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Swaps (interest rate and other)

The notional amounts of the outstanding interest rate swap contracts at December 31, 2019 amount to €380 million (2018: €403 million), the part of the balance was designated as a hedging instrument.

In 2019 fixed interest rates, without margin, vary between 0.16% and 0.93% (2018: 0.15% 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 December 31, 2019 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

11. Cash and cash equivalents

	2019	2018
Cash	694	3,614
Cash equivalents	1,933	1,767
	2,627	**5,381**

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

12. Share capital and share premium

a) Share capital

The share capital of CIE Automotive, S.A. at December 31, 2019 and 2018 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 Madrid stock market. The companies that hold a direct or indirect interest of more than 10% are as follows:

	31.12.2019	31.12.2018
Acek Desarrollo y Gestión Industrial, S.L.	(*) 14.909%	(*) 14.909%
Corporación Financiera Alba, S.A.	10.129%	10.129%
Elidoza Promoción de Empresas, S.L.	10.000%	10.000%

(*) 5.508% directly and indirectly through Risteel Corporation, B.V., the remaining 9.401% both in 2019 and 2018.

The stock price of CIE Automotive, S.A. listed in the Madrid Stock Exchange was €21.08 at December 31, 2019 (last listed session of the period).

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

As of December 31, 2019 and 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 in 2018 generated a capital gain of €3,207 thousand recognized in the reserves of the company.

Similarly, the mandate conferred at the Annual General Meeting of May 8, 2019, 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 May 8, 2024.

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13. Reserves and retained earnings

a) Reserves

	2019	2018
Legal and statutory reserves:		
- Legal reserve	6,450	6,450
	6,450	**6,450**
Other reserves:		
- Voluntary reserves	116,021	(131,859)
- Merger reserve	66,303	66,303
	182,324	**(65,556)**
	188,774	**(59,106)**

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 2019 and 2018, 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 2019 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 8 May 2019 in respect of 2018 profit is shown below:

	2019	2018
Available for distribution		
Profit for the period	112,113	327,860
	112,113	**327,860**
Distribution:		
Interim dividend	47,730	39,990
Final dividend	47,730	39,990
Voluntary reserves	16,653	247,880
	112,113	**327,860**

b) Dividends paid

On December 4, 2019, the Board of Directors approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total payout of €47,730 thousand. Payment has made effective on January 3, 2020.

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.

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The provisional accounting statement at October 31, 2019, 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:

Provisional cash-flow statement	Amount
Profit forecast:	
- Available net profit of year 2019	107,069
To deduct:	
- Legal reserve	-
Maximum amount to distribute	107,069
Amount distribution proposal	95,460
Treasury forecast for one year	139,113
Interim dividend	(47,730)

On May 8, 2019, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2018 profit (individual), approving the distribution of a complementary dividend of €0.31 (gross) per share entitled to a dividend, which has meant a total of €39,990 thousand. The disbursement has been effective on July 3, 2019.

On December 12, 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.

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.

On December 12, 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 January 5, 2018.

15. Debts and payables

	2019	2018
Non-current debts and payables		
- Bank borrowings (Notes 7 and 15.a)	1,256,802	786,534
- Derivatives (Note 10)	19,896	17,877
CIE Automotive Group companies and associates, non-current (Note 15.c)	220,345	198,966
Other non-current payables		
- Other non-current payables (Note 15.d)	10,432	1,406
	1,507,475	**1,004,783**
Current debts and payables		
- Bank borrowings (current portion of non-current borrowings) (Notes 7 and 15.a)	107,827	104,069
- Commercial paper program (Note 15.b)	299,200	91,000
- Payables to CIE Automotive Group companies (Note 15.c)	1,850	2,130
- Other short term liabilities	-	2,500
- Trade payables	5,699	3,923
- Fixed asset suppliers	384	124
- Accrued wages and salaries	4,467	6,480
- Dividend payable (Note 14)	47,730	39,990
	467,157	**250,216**

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a) Bank loans and credit facilities

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

	Balance at December 31	More than 1 year	More than 5 years
At December 31, 2019			
Total borrowings	1,364,629	1,114,464	142,338
Effect of interest rate swaps (Note 10)	(380,000)	(373,333)	-
Exposure	**984,629**	**741,131**	**142,338**
At December 31, 2018			
Total borrowings	890,603	786,534	-
Effect of interest rate swaps (Note 10)	(402,500)	(380,000)	-
Exposure	**488,103**	**406,534**	-

Non-current borrowings mature as follows:

	2019	2018
Between 1 and 2 years	102,393	112,559
Between 3 and 5 years	1,012,071	588,808
Over 5 years	142,338	85,167
	1,256,802	**786,534**

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 of 0.85% (2018: between 0.70% and 0.85%).

The Company has the following undrawn credit lines:

	2019	2018
Maturing within one year	90,345	128
Maturing in more than one year	238,154	334,250
	328,499	**334,378**

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.

During 2019 the Company repaid € 511.6 million under these financing agreements (2018: €408.6 million) and raised new funding in the amount of €982.2 million (2018: €453.2 million).

On July 28, 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. The subsequent novations related to this financing were the following:

- On April 13, 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 July 14, 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 June 6, 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 April 27, 2018, the Parent Company signed a forth 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.
- On April 12, 2019, the parent company has signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024. The impact of registering this novation at its amortized cost has not been significant.

The drawn amount as of December 31, 2019 amounts to €480 million (2018: €400 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio of the Consolidated Group.

On July 14, 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 as of December 31, 2019 amounts to €77 million (2018: €81 million).

On June 23, 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 December 31, 2019 the undrawn balance amounts to €33 million (2018: €47 miilion) and bears a fixed interest.

In July 2018, the Company signed a contract with the European Investment Bank (EIB) of €80 million, fully drawn at December 31, 2019, which matures on April 15, 2031. At December 31, 2018 this loan was fully undrawn.

In April 2019, the Company subscribed a loan for an amount of €400 million and whose maturity was three months and it has been fully paid as of December 31, 2019.

Throughout the year 2019, CIE Automotive, S.A. has formalized loans with different Spanish financial institutions for an amount of €420 million, all denominated in euros.

In addition, all these borrowings are subject to compliance with certain ratios that are customary in the market for these types of contracts. At December 31, 2019 and 2018, 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 July 19, 2018, the Company 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 July 18, 2019, the program has been renewed increasing the maximum amount to €300 million. On December 31, 2019 the drawn balance amounts to €299 million (2018: €91 million).

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c) Payables to group companies

The payables with 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, €220,345 thousand (2018: €198,966 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 December 31, 2019 and 2018 is as follows:

	31.12.19	**31.12.18**
CIE Udalbide, S.A.U.	4,310	5,869
Egaña 2, S.L.	6,536	4,844
Gameko Fabricación de Componentes, S.A.	17,640	20,436
Inyectametal, S.A.	19,690	15,656
Mecanizaciones del Sur-Mecasur, S.A.	3,691	6,053
Nova Recyd, S.A.U.	6,912	6,246
Orbelan Plásticos, S.A.	4,179	4,316
CIE Plasty CZ, s.r.o.	7,322	4,354
CIE Compiegne, S.A.S.	15,898	12,588
Recyde, S.A.U.	4,207	4,496
CIE Zdanice, s.r.o.	17,313	16,044
CIE Unitools Press CZ, a.s.	6,401	2,822
Grupo Componentes Vilanova, S.L.	1,004	2,008
Bionor Berantevilla, S.L.U.	-	7,348
CIE Legazpi, S.A.U.	2,723	17,415
Industrias Amaya Tellería, S.A.U.	30,032	27,903
MAR SK, s.r.o.	16,441	12,745
Advanced Comfort Systems France, S.A.S.	9,007	6,952
Advanced Comfort Systems Ibérica, S.A.U.	6,000	8,000
CIE Roof Systems, S.L.U.	26,756	-
Other less significant balances	14,283	12,871
	220,345	**198,966**

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 €1,850 thousand (2018: €2,130 thousand).

d) Other long-term debts

At December 31, 2019 this heading includes loans to finance investment projects received from public financing institutions, and the granted loan in December 2019 with COFIDES, which at December 31, 2019 held a balance of €10,276 thousand, being fully classified in the long term (2018: €3,750 thousand, €1,250 thousand classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

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The breakdown of trade payables settled during 2019 and 2018 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of July 5, is as follows:

	Days	
	2019	**2018**
Average payment period to suppliers	56	51
Paid operations ratio	60	52
Outstanding operations ratio	49	48

	Thousand euros	
	2019	**2018**
Total payments	9,376	11,150
Total outstanding payments	5,699	3,923

16. Provisions

As of December 31, 2019 and 2018 the Company has provisions relating the hedge of various non-operating risks and other contingencies.

17. Deferred taxes

The analysis of deferred taxes is as follows:

	2019	**2018**
Deferred tax assets:		
- Deductible temporary differences	5,252	4,171
- Tax credits (capex)	11,907	10,739
	17,159	**14,910**
Deferred tax liabilities:		
- Taxable temporary differences	-	-
Deferred taxes (net)	**17,159**	**14,910**

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 2019 and 2018 is as follows:

	2019	**2018**
Opening balance	14,910	20,114
(Charged)/credited to the income statement (Note 19)	1,937	(5,629)
Tax recognised directly in equity	312	425
Closing balance	**17,159**	**14,910**

The movements in deferred tax assets in 2019 and 2018 are as follows:

Deferred tax assets	**Hedges**	**Provisions & other**	**Tax credits (capex)**	**Total**
Balance at January 1, 2018	**2,071**	**10,915**	**7,128**	**20,114**
(Charged)/credited to the income statement	-	(9,240) (*)	3,611	(5,629)
(Charged)/credited to equity	425	-	-	425
Balance at December 31, 2018	**2,496**	**1,675**	**10,739**	**14,910**
(Charged)/credited to the income statement	-	769	1,168	1,937
(Charged)/credited to equity	312	-	-	312
Balance at December 31, 2019	**2,808**	**2,444**	**11,907**	**17,159**

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

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Deferred taxes charged to equity were as follows:

	2019	2018
Cash flow hedges	312	425
	312	**425**

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 December 31, 2019 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	274
2011	1,027
2012	10
2013	16,094
2018	12,433
2019 (Estimation)	264
	30,102

The amounts recorded in the previous table take into account the exit of the company Bionor Berantevilla, S.L.U. from the Tax Group, which has taken the tax bases pending compensation, in the proportion in which it helped its generation. Additionally, the competent Tax Administration regularized the amount of the negative tax base generated in fiscal year 2010. Finally, in fiscal year 2018 the definitive negative base declared increased with respect to the initially estimated.

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 €7,224 thousand. Of the mentioned tax-loss carryforwards correspond to CIE Automotive, S.A. a total of €13,780 thousand, which represents a deferred tax asset of €3,307 thousand.

At December 31, 2019, the Company does not maintain tax loses pending compensation generated previous to its integration to the fiscal Group.

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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	123
2019 (forecast)	107
	17,413

From the aforementioned tax credits, an amount of €5,103 thousand derive 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.

18. Income and expense

a) Revenue

Revenue breaks down as follows:

	2019	2018
Rendering of services	84,229	84,420
Dividend income (Note 8.a)	71,142	1,279
Interest on loans	20,802	18,146
	176,173	**103,845**

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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 €84,229 thousand (2018: €84,420 thousand), based on the locations of the receiving companies, is as follows:

Mercado	2019	2018
Spain	29 %	28 %
America	60 %	51 %
Rest of the world	11 %	21 %
	100 %	**100 %**

a.2) Dividends received from CIE Automotive Group companies

The General Meeting of Partners of the dependent CIE Berriz, S.L. held on December 23, 2019 approved the distribution of dividends charged to available reserves for €70,000 thousand. These dividends have been collected by the Company in 2019. Likewise, a dividend has been received from the subsidiary Advanced Comfort Systems, Ibérica, S.L.U. for its distribution of results in the amount of €1,142 thousand.

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

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

At December 31, 2019 the Company accrued interest income on credits to CIE Automotive Group companies for an amount of €20,802 thousand (2018: €18,146 thousand).

b) Other operating income

The breakdown of this heading is as follows:

	2019	2018
Operating grants	15	14
Income from sundry services	125	196
	140	**210**

c) Employee benefit expense

	2019	2018
Wages and salaries	13,730	17,278
Termination benefits	21	158
Social security costs		
- Social security	819	817
	14,570	**18,253**

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

	Headcount	
	2019	**2018**
Executives	9	10
University graduates and specialists	51	50
	60	**61**

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

	2019			2018		
	Woman	Men	Total	Woman	Men	Total
Directors	2	11	13	2	11	13
Executives	4	4	8	4	5	9
University graduates and specialists	22	28	50	22	29	51
	28	**43**	**71**	**28**	**45**	**73**

Likewise, there were no persons employed in 2019 and 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, 2019 amount to €25,0 million (2018: €27.3 million) (Note 7).

d) Other operating expenses

Other operating expenses is broken down as follows:

	2019	2018
Travel expenses	1,262	1,312
Repairs and maintenance	1,139	1,029
Independent professional services and other services	4,577	2,874
Leases	369	360
Insurance premiums	751	336
Other	8,061	2,066
	16,159	**7,977**

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.

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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:

2019

	Income statement			Income and expense recognised directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			112.113			-
Income tax			6.434			-
Permanent differences	4.292	(123.712)	(119.420)	-	-	-
Temporary differences:						
- originated in current year	7.050	-	7.050			-
- originated in previous year	-	(3.840)	(3.840)	-	-	-
			2.337			**-**
Taxable income/(loss)			**2.337**			**-**

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)	-	-	-
			(35,504)			**-**
Taxable income/(loss)			**(35,504)**			**-**

(*) Tax-free capital gains.

The calculation of tax income is disclosed in the following table:

	2019	2018
Individual taxable income tax base	2,337	(35,504)
Tax Group losses to be offset	-	-
Tax Group taxable base	**2,337**	**(35,504)**
Current tax payable	561	(9,231)
Tax base not compensated	-	466
Current tax	**561**	**(8,765)**

The breakdown of income tax expense is as follows:

	2019	2018
Current tax	561	(8,765)
Deferred tax (Note 17)	(769)	9,240
Tax credits (Note 17)	(1,168)	(3,611)
	(1,376)	**(3,136)**
Correction of prior-year income tax	(60)	34
Income tax withholdings (retained abroad)	108	104
Register of provisions and other	7,762	16,408
Total	**6,434**	**13,410**

No corporate income tax was payable to the Tax Administration in 2019 and 2018 (Note 15).

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The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are 2015, 2016, 2017, 2018 and 2019.

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 2019 or 2018.

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 (January 1, 2011).

The corporate income tax legislation applicable to the Company in 2019 is that relating to Bizkaia Regional Regulation 11/2013, December 5; modified by the Foral Regulation 2/2018, of March 12, which among other modifications 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 from 26% for 2018 to 24% for 2019 and following years.

20. Finance income/expense

	2019	2018
Finance income:		
Other finance income	1,729	569
	1,729	**569**
Finance expense:		
Borrowings from group companies (Note 26)	(2,575)	(2,927)
Third-party borrowings	(21,992)	(20,599)
Other finance expense	(112)	(1,748)
	(24,679)	**(25,274)**
Change in fair value of financial instruments:		
Gains/(losses) recognised regarding financial instruments	(554)	(7,386)
	(554)	**(7,386)**
Net exchange differences	**(42)**	**(179)**
Finance income/expense	**(23,546)**	**(32,270)**

21. Cash flows from operating activities

	2019	2018
Profit for the year before tax	**118,547**	**42,079**
Adjustments for:		
- Depreciation (Notes 5 and 6)	3,491	3,476
- Change in provisions	5,987	(35,027)
- Finance income (Note 20), dividend income and interest income from CIE Automotive Group companies (Note 18)	(93,673)	(19,994)
- Finance expense (Note 20)	24,679	25,274
- Exchange rate differences (Note 20)	42	179
- Change in fair value of financial instruments (Note 20)	554	7,386
	(58,920)	**(18,706)**
Changes in working capital:		
- Trade and other receivables	(10,400)	(10,988)
- Trade and other payables	311	6,186
	(10,089)	**(4,802)**
Other cash flows from operating activities:		
- Interests paid	(21,296)	(19,227)
- Dividends received	71,142	1,279
- Interests received	19,530	18,146
	69,376	**198**
Cash flows from operating activities	**118,914**	**18,769**

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22. Cash flows from investing activities

	2019	2018
Payments for investments:		
- Group companies and associates (Note 8.b)	(755,759)	(1,883)
- Intangible assets (Note 5)	(773)	(1,478)
- Property, plant and equipment (Note 6)	(13)	(10)
- Other financial assets	(133)	(43,908)
	(756,678)	**(47,279)**
Proceeds from disposals:		
- Property, plant and equipment (Note 6)	3	-
- Other financial assets	4,228	19,897
	4,231	**19,897**
Cash flows from investing activities	**(752,447)**	**(27,382)**

23. Cash flows from financing activities

	2019	2018
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 15)	982,240	453,155
- Commercial paper program (Note 15)	208,200	91,000
- Net change in other debts (Note 15)	6,750	-
- Net change of the credits to/from Group companies and associates (*)	25,186	-
- Repayment and depreciation of:		
- Bank borrowings (Note 15)	(511,617)	(408,593)
- Net change in other borrowings (Note 15)	-	(2,500)
- Net change in loans to/from Group companies and associates (*)	-	(67,471)
	710,759	**65,591**
Payment of dividends and remuneration of other equity instruments:		
- Sale/(Acquisition) of treasury shares (Note 12.c)	-	7,733
- Payment of dividends (Note 14.b)	(79,980)	(72,169)
	(79,980)	**(64,436)**
Cash flows from financing activities	**630,779**	**1,155**

(*) 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 December 31, 2019 and 2018 (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 €6,782 thousand (2018: €5,513 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 2019 year end, there is no balance receivable (at present value) arising from other transactions with these related parties (2018: €152 thousand classified as current assets).

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

b) Compensation and loans to Key Management personnel

The total compensation accrued by key management personnel in 2019, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €5,296 thousand (2018: €5,299thousand).

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, 2019 is €8,547 thousand (2018: €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 2019 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.

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 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 2019 and 2018 is provided below:

	2019	2018
Services rendered:	**176,173**	**103,845**
- Dividends received (Note 18)	71,142	1,279
- Services (Note 18)	84,229	84,420
- Financial services (Note 18)	20,802	18,146
Interest:		
- Financial (Note 20)	(2,575)	(2,927)

Closing balances at the 2019 and 2018 year ends derived from the transactions described above are set out in Notes 7, 8, 9 and 15.c) above.

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2019 and 2018 is provided in Note 8.c) and Note 15.c).

As of December 31, 2019, there are advances made to related parties for an amount of €10,400 thousand (2018: €11,700 thousands) (Note 7.5).

In 2019, no provision was required for the impairment of loans granted to Group companies (neither in 2018).

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 2019 or 2018.

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 €301 thousand in 2019 (2018: €201 thousand). Other services rendered by PricewaterhouseCoopers, S.L. have amounted to €143 thousand in 2019 (2018: €49 thousand), and mainly refer to agree upon procedures related to covenant compliance, review of the Spanish SCIIFF 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, 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 2019 there is no accrued amount for this concept.

In addition, fees charged during the year by other firms that use the PricewaterhouseCoopers trademark for other services rendered to the Company amounting €79 thousand (2018: €348 thousand).

29. Events after the balance sheet date

On September 25, 2019, the Group announced the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts to €77.1 million. Somaschini has 3 production plants, two in Bergamo (Italy) and another one in Indiana (USA). The company specializes in the manufacture of gear systems, whose applications include sectors such as transportation and automotive, as well as industry or robotics.

After the fulfilment of the usual conditions in this type of transactions, the Group has carried out the acquisition of Somaschini in January 2020.

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive Direct	Indirect
CIE Berriz, S.L. (*)	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.	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%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Biosur Transformación, S.L.U. (2)	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (domant) (2)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (without activity) (2)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. (2)	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*) (2)	CIE Berriz, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (2)	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U. (2)	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L. (2)	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U. (2)	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100.00%

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive Direct	Indirect
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 Goiain, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba		100.00%
Autometal, S.A (*)	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 Cromaçao 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	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 Ensambles 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%
Maquinados de Precisión de México S. de R.L de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Cortes de Precisión de México S. de R.L de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Plásticos México, S.A. de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	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 estate company	USA	-	100.00%
Newcor, Inc (*)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real estate company	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive Direct	% effective Shareholding of CIE Automotive Indirect
Clifford Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Golde South Africa, LLC (1) (4)	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Golde Auburn Hills, LLC (1) (5)	CIE Automotive, USA 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 (*) (2)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Limited (2)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Dudley Limited (2)	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%
Mahindra Forgings Europe AG (*)	CIE Galfor, S.A.U.	Holding company	Germany	-	56.32%
Gesenkschmiede 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%
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.	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	56.30%
Bill Forge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Mexico	-	56.32%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	56.32%
Aurangabad Electricals, Ltd. (*)(1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	56.32%
Aurangabad Deutschland GmbH (1)	Aurangabad Electricals, Ltd.	Manufacture of automotive components	India	-	56.32%
Gescrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	16.90%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of automotive components	Orense	100.00%	-
Advanced Comfort Systems France, S.A.S. (*)	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.	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of automotive components	China	-	100.00%
Autokomp Ingeniería, S.A.U. (*)	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%
CIE Automotive Boroa, S.L.U. (1)	CIE Automotive, S.A.	Finance services	Bizkaia	100.00%	-
CIE Roof Systems, S.L.U. (1)(*)	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	

				% effective Shareholding of CIE Automotive	
Company	**Parent Company**	**Activity**	**Registered office**	**Direct**	**Indirect**
Golde Holding, BV (1)(6)(*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Tianjin Co., Ltd. (1) (7)	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde Wuhan Co., Ltd. (1) (8)	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde Shandong Co., Ltd. (1) (9)	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde USA, LLC (1) (10) (*)	CIE Roof Systems, S.L.U.	Holding company	USA	-	100.00%
Inteva Products Barbados, Ltd. (1)(*)	Golde USA, LLC	Holding company	Barbados	-	100.00%
Golde Shanghai Co., Ltd. (1) (11)	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
Golde Changchun Co., Ltd. (1) (12)	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd. (1) (13)	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
Golde Netherlands, BV (1) (14) (*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Bengaluru India PvT Ltd. (1) (15)	Golde Netherlands, BV	Technology center	India	-	100.00%
Roof Systems Gemany, Gmbh (1)	Golde Netherlands, BV	Technology center / Manufacture of automotive components	Germany	-	100.00%
Golde Oradea, SRL (1)(13)	Golde Netherlands, BV	Manufacture of automotive components	Romania	-	100.00%
Golde Lozorno, Spol. (1)(14	Golde Netherlands, BV	Manufacture of automotive components	Slovakia	-	100.00%
Golde Mexico Holdings, LLC (1) (18) (*)	Golde Netherlands, BV	Holding company	USA	-	100.00%
Automotive Mexico Body Systems, S de R.L. de C.V. (1)	Golde Mexico Holdings, LLC	Manufacture of automotive components	Mexico	-	100.00%
SIR S.A.S. (1)(*)	Golde Netherlands, BV	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. (1) (19) (*)	SIR S.A.S.	Manufacture of automotive components	China	-	50.00%
Golde Automotive Parts (Ningde) Co., Ltd. (1)(20)	Shanghai Golde Automotive Parts Co., Ltd.	Manufacture of automotive components	China	-	50.00%

(1) Companies added to consolidation scope in 2019 together with their subsidiaries.
(2) Discontinued companies at December 31, 2019
(3) Merged in 2019 with BillForge Pvt. Ltd.
(4) Previously Inteva South Africa, LLC.
(5) Previously US Roof, LLC.
(6) Previously Inteva Holding, BV
(7) Previously Inteva Tianjin Co., Ltd.
(8) Previously Inteva Wuhan Co., Ltd.
(9) Previously Inteva Yantai Co., Ltd.
(10) Previously Inteva Products USA, LLC.
(11) Previously Inteva Products Vehicle Systems Shanghai Co, Ltd.
(12) Previously Inteva Products Changchun Co., Ltd.
(13) Previously Inteva Products Shanghai Innovation Co, Ltd.
(14) Previously Inteva Products Netherlands 2, BV
(15) Previously Roofs Center India PvT Ltd.
(16) Previously Inteva Products Salonta, SRL
(17) Previously Inteva Products Slovakia, Spol
(18) Previously Inteva Products Mexico Holdings, S.L.
(19) Previously Shanghai Inteva Automotive Parts Co., Ltd.
(20) Previously Inteva Automotive Parts (Ningde) Co., Ltd.
(*) Parent of all investees listed subsequently in the table.

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2019
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	31.12.2019	31.12.2018
Property, plant and equipment	1,523,483	1,231,674
Intangible assets	1,802,685	1,016,506
Goodwill	1,765,521	996,902
Other intangible assets	37,164	19,604
Non-current financial assets	49,123	48,663
Investments in associates	66,195	5,801
Deferred tax assets	170,446	181,049
Other non-current assets	24,969	20,978
Non-current assets	**3,636,901**	**2,504,671**
Inventories	416,120	405,739
Trade debtors and other accounts receivable	439,042	360,641
Trade and other receivables	356,918	292,424
Other current assets	25,751	21,026
Current tax assets	56,373	47,191
Other current financial assets	55,100	112,141
Cash and cash equivalents	514,691	248,895
Current assets	**1,424,953**	**1,127,416**
Disposal group assets classified as held-for-sale	**5,132**	**31,759**
TOTAL ASSETS	**5,066,986**	**3,663,846**

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2019
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	**31.12.2019**	**31.12.2018**
Capital and reserves attributable to the parent company´s shareholders	841,568	679,931
Share capital	32,250	32,250
Share premium	152,171	152,171
Retained earnings	874,406	687,348
Interim dividend	(47,730)	(39,990)
Cumulative exchange differences	(169,529)	(151,848)
Non-controlling interests	393,406	368,955
TOTAL EQUITY	**1,234,974**	**1,048,886**
Deferred income	**9,791**	**11,266**
Non-current provisions	231,958	144,383
Non-current borrowings	1,596,212	1,057,703
Other non-current finance liabilities	19,895	17,877
Deferred tax liabilities	129,027	95,290
Other non-current liabilities	141,861	65,577
Non-current liabilities	**2,118,953**	**1,380,830**
Current borrowings	524,755	282,312
Trade creditors and other payables	923,109	780,931
Trade and other payables	858,894	721,022
Other current financial liabilities	64,215	59,909
Current tax liabilities	19	47
Current provisions	66,736	31,133
Other current liabilities	184,663	110,356
Current liabilities	**1,699,282**	**1,204,779**
Disposal group liabilities classified as held-for-sale	**3,986**	**18,085**
TOTAL LIABILITIES	**3,822,221**	**2,603,694**
TOTAL EQUITY AND LIABILITIES	**5,066,986**	**3,663,846**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

	Year ended December 31	
Thousand euro	**2019**	**2018**
OPERATING REVENUE	**3,566,781**	**3,206,576**
Revenue	3,461,052	3,029,495
Other operating income	114,227	159,621
Change in inventories of finished goods and work in progress	(8,498)	17,460
OPERATING EXPENSES	**(3,139,704)**	**(2,841,290)**
Consumption of raw materials and secondary materials	(2,047,839)	(1,836,655)
Employee benefit expense	(623,235)	(557,838)
Depreciation and amortization	(167,282)	(163,736)
Other operating income/(expenses)	(301,348)	(283,061)
OPERATING PROFIT	**427,077**	**365,286**
Finance income	16,891	9,500
Finance costs	(55,651)	(60,392)
Net exchange differences	6,824	1,438
Share of profit/(loss) of associates	7,753	2,641
PROFIT BEFORE TAX	**402,894**	**318,473**
Income tax	(89,784)	(90,139)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**313,110**	**228,334**
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	**941**	**209,151**
PROFIT FOR THE YEAR	**314,051**	**437,485**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(26,576)	(40,731)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**287,475**	**396,754**
Basic and diluted earnings per share from continuing operations (in euro)	2.22	1.48
Basic and diluted earnings per share from discontinued operations (in euro)	0.01	1.60

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

CIE AUTOMOTIVE, S.A.

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.

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the Group

CIE Automotive 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 - 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 a supplier of 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 and 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.

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

To execute its mission and realise its vision, CIE Automotive has articulated a series of corporate policies, some of which were updated in October 2019. Those policies are binding upon all members of the organisation.

Corporate social responsibility (CSR)

- Purchasing
- Supplier CSR commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

Governance

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy
- Director selection and board diversity policy
- Policy for engaging and interacting with the account auditor

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.

2. EVOLUTION OF THE BUSINESS

The Company CIE Automotive, S.A., as the parent company of the CIE Group, has as main income the render of services to the different subsidiaries of the Group, the interests received from the financing provided to the Group's subsidiaries and the income from dividends received from these subsidiaries.

The main variation of the turnover of CIE Automotive, S.A. in the year it originated in a dividend received from its subsidiary CIE Berriz, S.L. for an amount of €70 million.

As for the rest of operating income and expenses, they have experienced a variation of €2.3 million, mainly related to expenses necessary to carry out the activity of the Company.

The main variation of the financial result, which amounts to €8.7 million of lower expenditure compared to the year 2018, has its origin in the lower expense recognized in the year due to the variation in the value of equity swap in the year 2019.

Finally, it should be noted that in the year 2018 an income is presented in the line of results of interrupted activities for an amount of € 299.2 million that originated after the distribution of the extraordinary dividend for which the company disposed of its participation in the Global Dominion Access, S.A.

2.2 Summary of the year

2019 has been a year of acquisitions:

CIE Golde: Inteva's roofing system division. The acquisition of this company, whose name has been changed to CIE Golde, closed in May 2019, is the largest completed to date. It is the world's third-largest roof maker, a niche well positioned in Asia, one of the most promising markets.

Aurangabad Electricals Limited (AEL): In March, CIE Automotive bought this Indian company, the country's leading producer of injection moulded aluminium parts. This acquisition, undertaken by MCIE, will strengthen the company's presence in the two-wheel segment in Asia and complement its existing offering in that market by providing its customers with a more complete technology range.

Maquinados de Precisión de México: CIE Automotive expanded its capacity for making machined parts with the acquisition of two companies in Mexico, Maquinados de Precisión de México (Mapremex) and Cortes de Precisión de México (Copremex).

Lastly, in September, CIE Automotive announced the acquisition of Somaschini, a deal which closed in January 2020. With factories in Italy and the US, this merger will help create a top player in gearing systems with a presence in multiple regions - Europe, North America and Asia - and segments - cars, commercial vehicles, tractors, off-road vehicles, etc.

3. 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

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 would also apply 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:

- 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.

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 December 31, 2019, 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 €230/€188 million (2018: increased/decreased by €140/€114 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 2019 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €18,739/€15,332 thousand higher/ lower, respectively (2018: €12,751/€10,432 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 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 2019 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 €1,056 thousand lower/higher (2018: €632 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 €1,093/€1,277 thousand, respectively (2018: €1,359/€2,048 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.

Group´s treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2020 will allow facing all year recurrent payments without increasing net financial debt.

Group´s treasury department monitors Group´s liquidity needs previsions 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 (2019: €25 million; 2018: €14 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 December 31, 2019 of €501 million of undrawn credit lines and loans (December 31, 2018: €543 million).

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 with whom in many cases automatically renews its credit lines.

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 is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and 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 2020 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 result of the above, it may be confirmed that there is no liquidity risk at the Group.

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 management unit 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 historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

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.

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 which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

4. TRADING WITH TREASURY SHARES

As of December 31, 2019 and 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 April 24, 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 April 24, 2023.

5. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2019 and 2018 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of July 5, is as follows:

	Days	
	2019	**2018**
Paid operations ratio	56	51
Outstanding operations ratio	60	52
Average payment period to suppliers	49	48

	Thousand euros	
	2019	**2018**
Total payments made	9,376	11,150
Total outstanding payments	5,699	3,923

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.

6. STOCK EXCHANGE INFORMATION

IBEX35

After the entry of CIE Automotive into the IBEX 35 in June 2018, the CIE Automotive share demonstrated unprecedented volatility in a year in which it marked its all-time high with a price of 36.30 euros per share, prior to distribution of the extraordinary dividend for which the Solutions and Services segment was distributed. In 2019, the maximum share price was 26.08 and a minimum of 19.31 euros per share, in a year marked by the negative growth of global markets. At the end of the year, the share was trading at 21.08 euros per share after collecting the discount associated with the payment of dividends carried out in January, which represents a value of 21.44 euros prior to said discounts, comparable to the same data of closing 2018.

The behaviour of the CIE Automotive shares does not correspond to the performance of the group quarter to quarter, nor to the potential of the new companies acquired throughout the year, nor to the strength of its business model based on diversification and financial discipline, which has allowed it to overcome the past crisis and maintain double-digit growth in the last 15 years. Proof of this gap between the advance fulfillment of CIE's strategic commitments and the value quotation is that, the objective price of the consensus of the analysts – which do recognize the potential of the company - was € 28.90 per share, compared to €21.08 per share of the closing price of the year.

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 2019 of €0.37 per share. The disbursement was effective on January 3, 2020.

7. EVENTS AFTER THE BALANCE SHEET DATE

On September 25, 2019, the Group announced the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts to €77.1 million. Somaschini has 3 production plants, two in Bergamo (Italy) and another in Indiana (USA). The company specializes in the manufacture of gear systems, whose applications include sectors such as transportation and automotive, as well as industry or robotics.

After the fulfilment of the usual conditions in this type of transactions, the Group has carried out the acquisition of Somaschini in January 2020.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED JOINT-STOCK COMPANIES

IDENTIFYING INFORMATION OF ISSUER

Ending date of reporting period: [31/12/2019]

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
MAHINDRA & MAHINDRA LTD	0.00	7.44	0.00	0.00	7.44
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	0.00	3.54	0.00	0.00	3.54

ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	5.51	9.40	0.00	0.00	14.91
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L	10,00	0,00	0,00	0,00	10,00
ADDVALIA CAPITAL, S. A	5,00	0,00	0,00	0,00	5,00

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 CORPORATI ON, B.V.	9.40	0.00	9.40

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

ALANTRA EQMC ASSET MANAGEMENT, S.G.I.I.C. S.A. and ALANTRA ASSET MANAGEMENT, S.G.I.I.C, S.A. have concluded an agreement for the concerted exercise of the voting rights of the shares of the company owned by the investment entities managed by them (EQMC EUROPE DEVELOPMENT CAPITAL FUN PLC; MERCER INVESTMENT FUND (sub-fund of MERCER QIF COMMON CONTRACTUAL FUND) ; 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 may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. FERMIN DEL RIO SANZ DE ACEDO	0.02	0.00	0.00	0.00	0.02	0.00	0.00
Mr. ANTONIO MARIA PRADERA JAUREGUI	0.00	10.00	0.00	0.00	10.00	0.00	0.00
Mr. JESUS MARIA HERRERA BARANDIARAN	1.35	0.00	0.00	0.00	1.35	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	10.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	26.37

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 may be transferred through financial instruments
Mr. 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 Mr. 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
Mr. 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.
Mr. 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.

Mr. 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.
Mr. 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.
Mrs. 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.
Mrs. 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.
Mr. FRANCISCO JOSÉ RIBERAS MERA	Mr. 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.
Mr. 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.
Mr. 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	Mr. JACOBO LLANZA FIGUEROA	Mr. JACOBO LLANZA FIGUEROA	Jacobo Llanza Figueroa is CEO of Alantra Asset Management, SGIIC, S.A.
Mr. 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.

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 8 May General Shareholders Meeting will be in force up to and including 8 May 2019. 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	37.39

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:

	Attendance data				
Date of General Shareholders Meeting	Percentage of physical presence	Percentage by proxy	Percentage of distance voting		Total
			Electronic voting	Other	
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
08/05/2019	63.55	4.40	0.00	0.00	67.95
Of which floating capital	11.73	4.40	0.00	0.00	16.13

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
Mr. SANTOS MARTÍNEZCONDE GUTIÉRREZ BARQUÍN		Proprietary	DIRECTOR	24/04/2018	24/04/2018	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. JUAN MARÍA RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. FERMIN DEL RIO SANZ DE ACEDO		Executive	DIRECTOR	21/12/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. ANTONIO MARIA PRADERA JAUREGUI		Proprietary	CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. CARLOS SOLCHAGA CATALÁN		Independent	LEAD INDEPENDENT DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. JESUS MARIA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	21/01/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. ÁNGEL MANUEL OCHOA CRESPO		Independent	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. FRANCISCO JOSÉ RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ADDVALIA CAPITAL, S.A.	Mrs. MARIA TERESA SALEGUI	Proprietary	DIRECTOR	26/04/2007	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING

	ARBIZU					
Mr .VANKIPURAM PARTHASARATHY		Proprietary	DIRECTOR	04/10/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
QMC DIRECTORSHIPS, S.L.	Mr. JACOBO LLANZA FIGUEROA	Proprietary	DIRECTOR	12/05/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ELIDOZA PROMOCION DE EMPRESAS, S.L.	Mrs. GOIZALDE EGAÑA GARITAGOITIA	Proprietary	VICE CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. SHRIPRAKASH SHUKLA		Proprietary	DIRECTOR	25/06/2015	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
No data					

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

EXECUTIVE DIRECTORS		
Name or company name of Board member	Position held	Profile
Mr. 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.
Mr. 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
Mr. 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.
Mr. 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.
Mr. ANTONIO MARIA PRADERA JAUREGUI	Mr. 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.
Mr. FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Francisco J. Riberas Mera was born in Madrid, June 1st, 1964. He holds a degree in law (1787) and in Economics and Business Administration (1988) from the University Pontificia de Comillas (ICADE E-3), Madrid. In 1989 he began his professional career working in Business Management at Gonvarri Group. He then became Director of Corporate Development, and was subsequently named CEO. In 1997 he promoted the creation of Gestamp, assuming his role of Executive Chairman and shaping along these years what Gestamp is today. He is member of the Board of Telefónica, CIE Automotive and General de Alquiler de Maquinaria (GAM). Furthermore, Riberas is also board member in other companies of Gestamp and of the family holding, ACEK, such as Gonvarri Group, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. Moreover, Riberas is Chairman of the Family Business Institute and he also takes part of Endeavor foundation, among others.
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.
Mr. VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	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.
QMC DIRECTORSHIPS, S.L.	ALANTRA ASSET MANAGEMENT, SGIIC, 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.
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.
Mr. SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	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 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.

NON-EXECUTIVE PROPRIETARY DIRECTORS

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
Mr. 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.
Mr. ÁNGEL MANUEL OCHOA CRESPO	Ángel Manuel Ochoa holds a degree in Business Studes 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.

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
No data			

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 2019	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	25.00	25.00	25.00	25.00
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
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. The Company considers that the composition of its board of directors reflects the objectives pursued in the diversity policy, considering a balanced and diverse presence of directors 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. 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. 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. Additionally, depending on the needs of the Board of Directors, other criteria may be taken into consideration. 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. 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.

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.

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 MARÍA 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?
Mr. FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal Comercio de Sucatas México, S.A.	DIRECTOR	NO
Mr. FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México S.A. de C.V.	DIRECTOR	NO
Mr.FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México Servicios S.A. de C.V.	DIRECTOR	NO
Mr.FERMIN DEL RIO SANZ DE ACEDO	Autometal, S.A.	CHAIRMAN	NO
Mr.ANTONIO MARIA PRADERA JAUREGUI	Autokomp Ingeniería S.A.U.	CHAIRMAN	NO
Mr.ANTONIO MARIA PRADERA JAUREGUI	Autometal, S.A.	DIRECTOR	NO
Mr.ANTONIO MARIA PRADERA JAUREGUI	CIE Berriz, S.L.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	CIE Galfor, S.A.U.; CIE Legazpi, S.A.U.; Autokomp Ingeniería S.A.U.	DIRECTOR	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Mahindra CIE Automotive, LTD	DIRECTOR	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Mahindra Forgings Europe, AG	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Plasfil Plásticos da Figueira, S.A.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	CIE Berriz México Servicios Administrativos, S.A. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	CIE Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Forjas de Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Maquinados Automotrices y Talleres Industriales Celaya S.A. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Percaser de México, S.A. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Pintura Estampado y Montaje, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Pintura y Ensambles de México, S.A. de C.V.	CHAIRMAN	NO

Mr.JESUS MARIA HERRERA BARANDIARAN	Servicat Servicios Contables Administrativos y Técnicos, S.A. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	GAT México, S.A. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Newcor, Inc	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Automotive USA, Inc	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Autometal de México, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Nova Recycd, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Gameko Componentes de Automoción, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Mecanizaciones del Sur Mecasur, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Transformaciones Metalurgicas Norma, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Inyectametal, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Orbelan Plásticos, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Industrias Amaya Tellería, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Udalbide, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Recyde, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Mecauto, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Alurecy, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recytec, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Alcasting Legutiano, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Autometal, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recylan, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Denat 2007, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Egaña 2, S.L.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Advanced Comfort Systems Ibérica, S.L.	DIRECTOR	NO

Mr. JESUS MARIA HERRERA BARANDIARAN	Biodiesel Mediterráneo, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Reciclado Ecológico de Residuos, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Grupo Componentes Vilanova, S.L.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Biosur Transformación, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Reciclado de Residuos Grasos, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Leaz Valorización, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIF ROOF SYSTEMS, S.L.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE GOIAIN, S.L.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE BOROA, S.L.	CHAIRMAN	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
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S.A.	CHIEF EXECUTIVE OFFICER
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	ACERINOX, S.A.	DIRECTOR
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	INDRA SISTEMAS, S.A.	DIRECTOR
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE SISTEMAS Y MERCADOS FINANCIEROS, S.A.	DIRECTOR
Mr. JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	DIRECTOR
Mr. ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	DIRECTOR
Mr. ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
Mr. CARLOS SOLCHAGA CATALAN	PHARMA MAR, S.A.	DIRECTOR
Mr. FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	CHAIRMAN
Mr. FRANCISCO JOSÉ RIBERAS MERA	TELEFÓNICA, S.A.	DIRECTOR
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	DIRECTOR
Mr. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN
Mr. FRANCISCO JOSÉ RIBERAS MERA.	GAM GENERAL DE ALQUILER DE MAQUINARIA, S.A.	DIRECTOR
Mr. FERMÍN DEL RIO SANZ DE ACEDO	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR
Mr. JESUS MARIA HERRERA BARANDIARAN	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR
Mr. JUAN MARÍA RIBERAS MERA	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR
Mrs. GOIZALDE EGAÑA GARITAGOITIA	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR

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)	6.782
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 and Mexico.
MR. AITOR ZAZPE GOÑI	Director of plastics Europe, roof systems and Human Resources
MR. JUSTINO UNAMUNO URCELAY	Director of foundries, CIE Europe and China and Director of metal, Europe
MS. SUSANA MOLINUEVO APELLÁNIZ	Director of internal audit, corporate social responsibility and compliance
MR. JOSÉ LUIS CASTELO SÁNCHEZ	Director of stamping, Mexico
MRS. IRACHE PARDO VILLANUEVA	Director of finance and treasury and Corporate Purchasing Officer
MS. MARÍA MIÑAMBRES GARCIA	Director of corporate controlling and tax
MR. ANDER ARENAZA ALVAREZ	Director of aluminum and machining Europe and CEO Mahindra CIE Automotive Limited
MS. LOREA ARISTIZÁBAL ABÁSOLO	Director of corporate development and investor relations
Total Remuneration of the senior executives	5.999

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 2019 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. I.

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 2019, an external expert assessment has not been commissioned (the assignment was in relation to the year 2018 and was carried out in the first two months of 2019). Throughout 2019 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 of Directors 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.

The board of directors has not had the help of an external consultant in its evaluation for the financial year.

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	0

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	0

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

Number de meetings of the Auditing and Compliance Committee	6
Number of meetings of the Strategy and Operations Committee	0
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Corporate Social Responsibility Committee	5

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	84,61
Number of meetings attended by all the directors personally or as proxies with specific instructions	2
% votes issued in person and by proxy with specific instructions vs. total votes during the year	93,58

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 Directions 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)	222	297	519
Amount paid for other work apart from the audit / amount paid for the audit (thousands of euros)	58.39	18.51	26.15

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	18	18

	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 (%)	51.43	51.43

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.

There are not such significant agreements

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	MEMBER	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIR	Independent
ADDVALIA 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:

a) To regularly review risk policies and propose changes and updates to the Board of Directors.
b) To approve policy in relation to hiring the auditor.
c) To report to the General Shareholders Meeting on questions falling within its purview raised by shareholders at the Meeting.
d) To supervise the effectiveness of the Company's and the Group's internal controls and its risk control systems, including tax risks.
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 Directions 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.
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.
j) 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.
k) 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.
l) 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.
m) Any other tasks that may be assigned by the Company's Board of Directors.

The most relevant activities during the year were:
(a) 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.
(b) 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 2018.
(c) Monitoring the external audit procedures.
(d) Assessing the internal audit procedures and, more particularly, those relating to the Internal Control System for procedures for drawing up financial reports.
(e) Verifying the accounting status of liquid assets in relation to approving an interim dividend against the profit and loss account for 2019.
(f) Approving the Company's tax strategy.
(g) Analysing the Company's risk map.
(h) 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	22/02/2019

Strategy and Operations Committee		
Name	Office	Type
MR. SANTOS MARTÍNEZ CONDE GUTIÉRREZ BARQUÍN	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
MR. FRANCISCO JOSE RIBERAS MERA	MEMBER	Proprietary

% 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:

a) To evaluate and propose to the Board of Directors strategies for growing, developing, or diversifying the business of the Company and the Group.
b) 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.
c) To review and propose recommendations or enhancements to the strategic plans and updates to those plans to the Board of Directors at all times.
d) Any other tasks that may be assigned by the Company's Board of Directors.

Without prejudice that no formal meeting has been held during the reference year, the members of the Committee have analyzed outside the Committee´s area the strategic transactions carried out by the Company

Appointments and Remuneration Committee		
Name	Office	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIR	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	MEMBER	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.

In relation to the basic functions attributed to it by the Board of Directors Regulations, the main actions of the committee in relation to the year ended 31 December 2019 were:

(a) Analyzing the Corporate governance annual report, the Board of directors remuneration annual statement and the Annual Financial Report within the framework of its competencies
(b) Reporting on the remuneration of the members of the board of directors.
(c) Monitoring the evaluation of board members.
(d) Informing about the typology of each of the members of the board of directors.
(e) Reporting on the process of finding new independent members of the 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.

During the financial year the most significant activities have been the following:
(i) Reporting on the Corporate governance annual report, the Board of directors remuneration annual statement and the Annual Financial Report within the framework of its competencies;
(ii) Reporting on the Consolidated Financial Statement and circumstances relating to its contents.
(iii) Develop the 2020-2025 CSR Strategic Plan
(iv) Monitoring the operation of the Code of Ethics and any incidents that arose during the year reported using the Ethical Reporting Channel; and
(v) Evaluating corporate social responsibility policies and steps that were taken during the year, as well as making suggestions for modifications to existing policies.

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 2019		Financial year 2018		Financial year 2017		Financial year 2016	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	1	33.33	1	33.33	1	33.33	2	50.00
Strategy and Operations Committee		0.00	0.00	0.00	N.A.	N.A.	N.A.	N.A.
Appointments and Remuneration Committee		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporate Social Responsibility Committee	2	66.66	2	66.66	2	66.66	2	66.66

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-deadministracion). The committees have drawn up the corresponding reports on their activities during 2019, 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	MCIE GROUP	Commercial	Sales of finished or not finished goods	176.569
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Purchases of finished or not finished goods	22.078
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Reception of services	1.799
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Delivery of services	17
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Reception of services	8
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Sales of finished or not finished goods	5.555
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Sales of finished or not finished goods	14.979
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Purchases of finished or not finished goods	466

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.	Others	10.400
MANAGEMENT TEAM	CIE AUTOMOTIVE, S.A.	SOME DIRECTORS OF THE GROUP	Financing agreements: loans	25.022

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)
SAMAP	Sales	3.673
OMR Bagia Automotive Systems India Ltd	Sales	279
BG LI-IN Electricals Limited	Sales	17
OMR Bagla Automotive Systems Indis Ltd	Purchases	198
Bagla Electricals & Electronics Pvt Ltd	Purchases	2
Bagla Electricals & Electronics Pvt Ltd	Reception of services	5
BG Fastering & Engineering Industries Pvt Ltd	Purchases	137
SAMAP	Delivery of services	3.039
Rishikumar Bagla-Director	Sales	50
Rishikumar Bagla-Director	Reception of services	5

Vinayak A Pol – Executive Director	Reception of services	78
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Reception of services	3.485
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Delivery of services	16
Banca March, S. A.	Financial expenses	201

D.6. Indicate the mechanisms established to detect, determine, and resolve potential conflicts of interest between the Company and/or it 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: Market risks (exchange rate, price and interest rates), liquidity, credit and price variation of raw materials
- 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 businessactivity.

- Operational risks: risks relating to contracting and customer relations, product quality, and environmental, purchasing and subcontracting risks.
- Non-operational risks: risks related to prevention, safety and health at work, human resources, specific taxation applicable to business, the reliability of accounting and financial information and the management of financial resources and debt and ASG risks (Environmental, Social and of Governance)

.

For more information on the risks and the measures taken to manage these risks, please see the Non-Financial Reporting Statement - 2019 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:

The result of the 2019 risk assessment shows the alignment of the risk map with the CIE Automotive strategy, as well as the effectiveness of the internal control system in the operational field, since none of the risks have materialized during the year key identified.

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 2019 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, where ASG (Environmental, Social and Governance) risks are monitored

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

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 corporative 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' 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 2019 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 depends on the CAC, which coordinates the Internal Audit teams of Europe (with Russia and Morocco within its reach), North America, Brazil and Asia, whose members are dedicated exclusively 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

There is no relevant information to highlight regarding the SCIIF implemented in the group that has not been broken down in the previous sections of this section.

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 2019.

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 [X] 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 [X] 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 [X]

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 [X]

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 [X] 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 [X] 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 [X]   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 [X]   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 [X]

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 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 [X]

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 [X]   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 recommendation is partially complaint.

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 [X]

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 latters' number should be reduced accordingly.

Compliant [ ]   Partially compliant [ ]   Explain [ ]   Not applicable [X]

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 [X]   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 [X]   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 [X]

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 [X] 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 [X]

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 [X] Explain [ ]

The Company considers that it is not necessary to comply with the minimum recommended frequency (6 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 [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 [X] 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 quindecies 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 [X] 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 [X] Partially compliant [ ] Explain [ ]

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Compliant [ ] Explain [ ] Not applicable [X]

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 [X] 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 [X] 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 and the Strategy and Operations Committee, the Company does not comply with the recommendation corresponding to paragraphs a) and b), 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 theleast 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 [X] 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 [X] 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 [X] 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 [X] 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 [X]   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 [X]   Not applicable [ ]

The CEO earns an annual 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 [X]   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 understanding that there are other ex-post mechanisms that cover that risk more effectively.

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 [X]   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 [X] 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 [X] 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 [X] 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 [X] 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:

On 15 October 2015, the company joined the Global Compact, an international initiative that promotes the implementation of 10 universally accepted principles to advance corporate social responsibility (CSR) in the areas of human rights, labour standards, the environment and anti-corruption in corporate activities and business strategy.

This annual corporate governance report was approved by the Company's board at its meeting held on:

February 28, 2020

Indicate whether any directors voted against or abstained in relation to the approval of this report.

[ ] Yes

[√] No

CIE Automotive, S.A.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting" (ICSFR) for the 2019 financial year

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.

Auditor´s Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of CIE Automotive, S.A. for the 2019 financial year

To the Board of Directors of CIE Automotive, S.A.:

In accordance with the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and our engagement letter dated December 17, 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2019 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 5/2013 of the National Securities Market Commission dated June 12, 2013, which has been modified by Circular 7/2015 of the National Securities Market Commission dated 22 December 2015 and the Circular 2/2018 of the National Securities Market Commission dated 12 June 2018 ("the Circulars of the NSMC").

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the entity.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and "the Circulars of the NSMC", for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by José Antonio Simón Maestro

28 February 2020

CIE Automotive, S.A. and subsidiaries

Audit Report,
Consolidated Annual Accounts at 31 December 2019
and Management Report for 2019

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

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, 2019, 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, 2019, 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.

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.

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.

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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 €1,766 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 consolidated 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 verified 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 2019, 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 experts 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
Recoverability of deferred tax assets	
The Group recognises deferred tax assets amounting to €170 million as non-current assets at year-end (Notes 2.21.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 2.21.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 2019 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 experts, 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
Business combinations	
Business combinations are complex processes that require the involvement of the Group's senior management in the phases of identifying the acquired business and negotiating the purchase. They are also agreements triggering significant accounting impacts on the Group's consolidated balance sheet and consolidated income statement for the current year and future years insofar as they require the identification, valuation and accounting recognition of the assets acquired and liabilities and commitments assumed. And, finally, business combinations also involve determining possible goodwill, the future evaluation of which will require estimates with significant effects for the Group. The recognition at fair value of the assets acquired and liabilities assumed requires the use of different valuation methodologies that require judgments and complex estimates which are not always verifiable using external market sources and the collaboration, if warranted, of the Group's external experts. In 2019 the Group carried out major business acquisitions that resulted in the inclusion and measurement of assets and liabilities, in respect of those directly assumed and those related to future payment commitments on these acquisitions. The effects of these business combinations are disclosed in Notes 1.3 and 33 to the accompanying consolidated annual accounts. The valuation criteria and judgments and estimates made have a significant impact on the Group's consolidated annual accounts for 2019.	Every business combination carried out in the year have required us to carry out an analysis of the identification and valuation of the assets acquired and liabilities assumed. In this connection, we carried out an individual review of the business combinations carried out in the year, obtaining a full understanding of the terms and conditions of the purchase agreements, including the considerations transferred, and the accounting statements related to the acquisitions and we reviewed the assignments of value and valuations of the assets acquired and obligations recognised, provided by the Group, and the final process used to determine residual goodwill. In our analysis, we compared, where available, the variables included in the valuations applied by the Group with market variables at the acquisition date and checked the conclusions obtained against results of the audit tests performed subsequently on the financial statements included in the Group. For the business combinations, we carried out tests on: • Adequacy of the methodology used to value the assets. • Estimates and projections of flows and the discount rates applied to value the intangible assets recognised. • The valuations of tangible and intangible assets, checking the independent external valuation experts´s reports. • The liabilities recognised, analysing their valuation and estimates of the provisions taken into account based on the information available at the operation date. • Adequate disclosures of the information in the accompanying consolidated annual accounts.

Key audit matters	How our audit addressed the key audit matter
	As a result of our analysis, we have been able to verify the consistency of the criteria applied by the Group and the amounts recognised in accounting for the business combinations carried out in 2019 and the suitability of the information disclosed in the accompanying consolidated annual accounts.

Other information: Consolidated Management Report

Other information comprises only the consolidated management report for the 2019 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 management report. Our responsibility for the information contained in the consolidated management 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 management report or, if appropriate, that the consolidated management 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 management 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 management 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 management report, and that the other information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

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 aforementioned 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.

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

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 28, 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on May 8, 2019 appointed us as auditors for 2019.

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.

Services provided

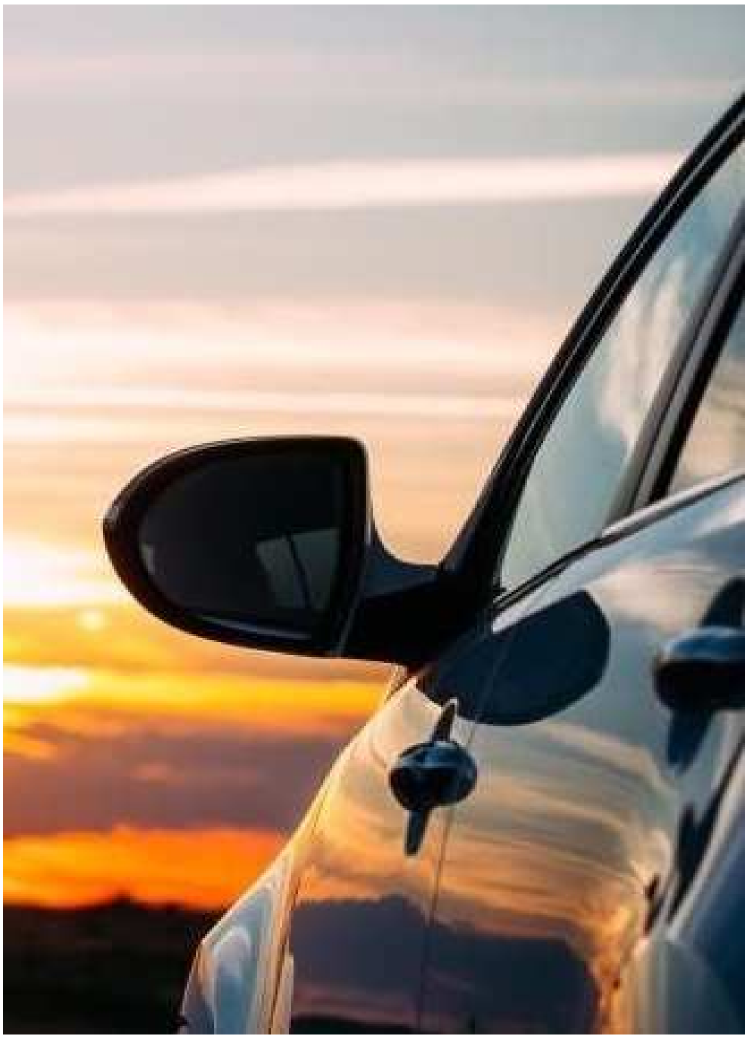
Services provided to the Group for services other than the audit of the accounts are detailed in Note 35 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

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

February 28, 2020

2019



MANAGING HIGH VALUE ADDED PROCESSES

Consolidated Annual Accounts and Consolidated Directors' Report for the year ended December 31, 2019

CONTENTS

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2019

Thousand euro	Note	31.12.2019	31.12.2018
Property, plant and equipment	6	1,523,483	1,231,674
Intangible assets		1,802,685	1,016,506
Goodwill	7	1,765,521	996,902
Other intangible assets	7	37,164	19,604
Non-current financial assets	8	49,123	48,663
Investments in associates	8	66,195	5,801
Deferred tax assets	21	170,446	181,049
Other non-current assets	-	24,969	20,978
Non-current assets		**3,636,901**	**2,504,671**
Inventories	10	416,120	405,739
Trade debtors and other accounts receivable		439,042	360,641
Trade and other receivables	9	356,918	292,424
Other current assets	-	25,751	21,026
Current tax assets	-	56,373	47,191
Other current financial assets	8	55,100	112,141
Cash and cash equivalents	11	514,691	248,895
Current assets		**1,424,953**	**1,127,416**
Disposal group assets classified as held-for-sale	**12**	**5,132**	**31,759**
TOTAL ASSETS		**5,066,986**	**3,663,846**

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2019

Thousand euro	Note	31.12.2019	31.12.2018
Capital and reserves attributable to the Parent company´s shareholders		841,568	679,931
Share capital	13	32,250	32,250
Share premium	13	152,171	152,171
Retained earnings	14	874,406	687,348
Interim dividend	14	(47,730)	(39,990)
Cumulative exchange differences	14/15	(169,529)	(151,848)
Non-controlling interests	17	393,406	368,955
TOTAL EQUITY		**1,234,974**	**1,048,886**
Deferred income		**9,791**	**11,266**
Non-current provisions	23	231,958	144,383
Non-current borrowings	18	1,596,212	1,057,703
Other non-current financial liabilities	8	19,895	17,877
Deferred tax liabilities	21	129,027	95,290
Other non-current liabilities	20	141,861	65,577
Non-current liabilities		**2,118,953**	**1,380,830**
Current borrowings	18	524,755	282,312
Trade creditors and other payables		923,109	780,931
Trade and other payables	19	858,894	721,022
Current tax liabilities	20	64,215	59,909
Other current financial liabilities	8	19	47
Current provisions	23	66,736	31,133
Other current liabilities	20	184,663	110,356
Current liabilities		**1,699,282**	**1,204,779**
Disposal group liabilities classified as held-for-sale	**12**	**3,986**	**18,085**
TOTAL LIABILITIES		**3,822,221**	**2,603,694**
TOTAL EQUITY AND LIABILITIES		**5,066,986**	**3,663,846**

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

		Year ended December 31	
Thousand euro	**Note**	**2019**	**2018**
OPERATING REVENUE		**3,566,781**	**3,206,576**
Revenue	24	3,461,052	3,029,495
Other operating income	24	114,227	159,621
Change in inventories of finished goods and work in progress	10/24	(8,498)	17,460
OPERATING EXPENSES		**(3,139,704)**	**(2,841,290)**
Consumption of raw materials and secondary materials	10	(2,047,839)	(1,836,655)
Employee benefit expense	26	(623,235)	(557,838)
Depreciation, amortisation and impairment	5/6/7	(167,282)	(163,736)
Other operating expenses	25	(301,348)	(283,061)
OPERATING PROFIT		**427,077**	**365,286**
Finance income	27	16,891	9,500
Finance costs	27	(55,651)	(60,392)
Net exchange differences	27	6,824	1,438
Share of profit/(loss) from associates	8	7,753	2,641
PROFIT BEFORE TAX		**402,894**	**318,473**
Income tax	28	(89,784)	(90,139)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**313,110**	**228,334**
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	**12**	**941**	**209,151**
PROFIT FOR THE YEAR		**314,051**	**437,485**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**17**	(26,576)	(40,731)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**287,475**	**396,754**
Basic and diluted earnings per share from continuing operations (in euro)	29	2.22	1.48
Basic and diluted earnings per share from discontinued operations (in euro)	29	0.01	1.60

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

		Year ended December 31	
Thousand euro	**Note**	**2019**	**2018**
PROFIT FOR THE YEAR		**314,051**	**437,485**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	8	(1,395)	(2,983)
Currency translation differences	15/17	(18,874)	(34,233)
Currency translation differences from the disposal of Dominion	1	-	26,678
Other comprehensive income for the year		(2,636)	1,265
Tax impact	21	1,225	454
Total entries that may be reclassified to profit or loss		**(21,680)**	**(8,819)**
Actuarial gains and losses	22/23	(10,097)	(310)
Tax impact	21	1,023	110
Total items that may not be reclassified to profit or loss		**(9,074)**	**(200)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**283,297**	**428,466**
Attributable to Parent company owners	**14**	**258,757**	**381,062**
Continuing operations		257,816	162,133
Discontinued operations	12	941	218,929
Attributable to non-controlling interests	**17**	**24,540**	**47,404**

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

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
Balance at December 31, 2017	**32,250**	**(4,526)**	**152,171**	**(45,989)**	**(137,967)**	**854,567**	**(36,049)**	**522,456**	**1,336,913**
Impact on translation to IFRS 9 updates	-	-	-	-	-	(7,113)	-	(1,568)	(8,681)
Balance at January 1, 2018	**32,250**	**(4,526)**	**152,171**	**(45,989)**	**(137,967)**	**847,454**	**(36,049)**	**520,888**	**1,328,232**
TOTAL COMPREHENSIVE INCOME for 2018	**-**	**-**	**-**	**(1,939)**	**(13,753)**	**396,754**	**-**	**47,404**	**428,466**
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)
Balance at December 31, 2018	**32,250**	**-**	**152,171**	**(47,928)**	**(151,848)**	**735,276**	**(39,990)**	**368,955**	**1,048,886**

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

Thousand euro	Share Capital (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
Balance at December 31, 2018	**32,250**	**152,171**	**(47,928)**	**(151,848)**	**735,276**	**(39,990)**	**368,955**	**1,048,886**
TOTAL COMPREHENSIVE INCOME for 2019	**-**	**-**	**(11,037)**	**(17,681)**	**287,475**	**-**	**24,540**	**283,297**
Distribution of 2018 profit	-	-	-	-	(79,980)	39,990	-	(39,990)
Interim dividend 2019	-	-	-	-	-	(47,730)	-	(47,730)
Other movements	-	-	-	-	(9,400)	-	(89)	(9,489)
Balance at December 31, 2019	**32,250**	**152,171**	**(58,965)**	**(169,529)**	**933,371**	**(47,730)**	**393,406**	**1,234,974**

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

		Year ended December 31	
Thousand euro	**Note**	**2019**	**2018**
Cash generated from continuing operations	31	**643,581**	**475,829**
Interest paid		(45,529)	(38,755)
Interest collected		16,388	4,967
Taxes paid		(58,786)	(66,941)
Cash generated from operating activities from discontinued operations	12	(5,464)	36,606
CASH FLOWS FROM OPERATING ACTIVITIES		**550,190**	**411,706**
Acquisition of subsidiaries, net of cash acquired	33	(799,644)	(730)
Acquisition of property, plant and equipment	6	(223,356)	(207,390)
Acquisition of intangible assets	7	(4,122)	(3,542)
Acquisitions to non-controlling interests	1	-	(61,060)
Proceeds from the sale of property, plant and equipment and intangible assets	31	5,917	4,105
Proceeds from dividends distributed by associates		501	-
Acquisition/disposal of financial assets	8	86,425	(100,656)
Proceeds from the disposal of the biofuel business	12	18,669	-
Cash generated from investing activities from discontinued operations	12	12	(55,034)
CASH FLOWS FROM INVESTING ACTIVITIES		**(915,598)**	**(424,307)**
Sale/(Acquisition) of Treasury Shares	13	-	7,733
Proceeds from borrowings	18	1,120,597	468,762
Loan repayments	18	(559,364)	(475,484)
Income (net of reimbursements) from high-rotation borrowings	18	(31,937)	78,459
Income (net of reimbursements) from commercial paper program	18	208,200	91,000
Grants received (net)		(134)	2,896
Variation of other debts (net)	20	654	(7,964)
Lease payments	6	(22,639)	-
Dividends paid to shareholders of the Parent company	14	(79,980)	(72,169)
Other payments/income to/from non-controlling interests		(56)	-
Cash generated from financing activities from discontinued operations	12	-	(118,249)
CASH FLOWS FROM FINANCING ACTIVITIES		**635,341**	**(25,016)**
Exchange gains/(losses) on cash and cash equivalents		**(4,589)**	**(1,249)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**265,344**	**(38,866)**
Cash and equivalents at beginning of the period		250,582	289,448
Cash and equivalents at end of the period	**11**	**514,691**	**248,895**
Cash and equivalents at end of the period classified as discontinuing operations	**12**	**1,235**	**1,687**

The accompanying Notes to the annual accounts set out on pages 8 to 89 form an integral part of these Consolidated Annual Accounts.

1. General information

1.1 CIE Automotive Group and activity

The CIE Automotive Group was carrying out its activities in two core business lines: the Automotive sector and the Solutions and Services segment (Smart Innovation). As of December 31, 2019, and after the disposal of the Solutions and Services segment (Smart Innovation) on 2018, the Group operates only in the Automotive segment.

The 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 global automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are located in Europe: Spain, Germany, France, Portugal, the Czech Republic, Romania, Italy, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

The Parent company's registered office is located at 'Alameda Mazarredo 69, 8th floor', Bilbao.

Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U.; 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 2019, together with the information concerning them, is set out in the Appendix to these Consolidated Financial Statements.

All subsidiaries under the control of the CIE Automotive Group have been consolidated using the full consolidation method.

The subsidiaries consolidated under the equity method are disclosed in Note 8.

Acquisition of CIE Golde

In September 2018 CIE Automotive, S.A. released 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 were agreed with Inteva and the formalization of a binding agreement was subject to the finalisation of the consultation process Inteva needs to carry out with its France and European Union works council. After the completion of this process and the obtaining of the pertinent authorizations from the antitrust authorities in April 2019, on May 6, 2019, the Group proceeded to complete the acquisition.

The price of the operation amounted to USD 755 million (enterprise value) which after cash and working capital adjustments involved a payment at that date of USD 809.3 million, equivalent to €724.7 million, pending the definitive calculation of cash and working capital figures in opening balances. Throughout the second half of the year, the calculations have been completed and the agreements with the selling party have been closed. On December 31, 2019 the outstanding amount amounts to USD 19 million (€17 million) that has been paid in January 2020. After this last payment, there is no outstanding amount to be paid.

The acquired roof system business, which has been renamed as CIE Golde, is formed by twelve manufacturing facilities and six R&D centers in seven different countries (USA, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

The integration of CIE Golde enables CIE Automotive Group to reinforce its commitment for the comfort systems in the automotive, adapting to sector trends, and becoming one of the three leading global manufacturers of car roof systems, significantly increasing its footprint in this market, and well positioned in Asia, one of the markets with the greatest potential.

Disposal of the Solutions and Services (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 took place on July 3, 2018.

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, led to an accounting profit recorded in the Consolidated Financial Statements of €239 million; which was 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 amounted to €27 million (€13 million of them attributable to non-controlling interests), and on the consolidated statement of equity of the Group, it led to an outflow of non-controlling shares of €170 million.

Changes in the scope of consolidation

2019

In January 2019, the companies CIE Automotive Goiain, S.L.U. and Advanced Comfort Systems Wuhan Co. Ltd., of Spanish and Chinese nationalities respectively, and which were created at the end of the 2018 fiscal year, have been incorporated into the scope of consolidation. The main activity of these companies is the transformation of automotive parts through forging technology and the manufacture of roof systems for vehicles, respectively. The impacts of these incorporations have not been significant.

On March 28, 2019, the Group sold the company Bionor Berantevilla, S.L.U., as well as the assets belonging to Biosur Transformación, S.L.U. for an amount of €18.7 million (Note 12).

In March 2019, the Group has signed an agreement for the acquisition, through its Indian subsidiary Mahindra CIE Automotive, Ltd, of all the shares of the company, also of Indian nationality, Aurangabad Electricals, Ltd. (hereinafter AEL) for an amount of 8,737 million rupees (approximately 111 million euros).

On April 9, 2019, once the conditions have been fulfilled, the Group has closed the acquisition by paying 8,137 million rupees, equivalent to €103.8 million. A contingent liability of 600 million rupees is also recorded (€7.6 million), corresponding to the fair value of future income from subsidies that AEL will receive under the incentive program that local authorities approved in 2013 (Note 33).

The activity of AEL consists in the manufacture of components and sub-assemblies for the automotive sector (for two- and four-wheel vehicles) in high pressure aluminium injection and gravity injection technologies.

On April 5, 2019, CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U., both direct subsidiaries of CIE Automotive, S.A., were created.

As explained before, on May 6, 2019 the Group, through its subsidiaries CIE Roof Systems, S.L.U. and CIE Automotive USA, Inc, has proceeded to acquire 100% shares of Inteva's roof business, with an acquisition cost of €741.7 million (Note 33).

On June 21, 2019 the Group has carried out the acquisition of 100% of the shares of the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. and Cortes de Precisión de México S. de R.L. de C.V. with the objective of taking advantage of all the productive assets of the acquired companies, so that they complement the productive activities of the Group in Mexico and allow the physical and commercial expansion in the future. The enterprise value has been USD 65.5 million (approximately €58 million).

In September 2019, once the suspensive conditions have been fulfilled, the acquisition has been completed. The acquisition cost, after the adjustment for the indebtedness, has been USD 42.4 million (approximately €37.3 million), fully paid at the acquisition date (Note 33).

The acquired facilities are located in Celaya (Guanajuato) and provide Tier 1 companies in the automotive sector.

On July 18, 2019, the Mexican nationality company CIE Plásticos de México, S.A. de C.V. was established; which main activity is the manufacture of plastic parts and components for vehicles.

In October 2019, the merge of the companies BillForge Pvt Ltd. and Mahindra CIE Automotive Ltd. was carried out, being the last one the absorbing one. This transaction had no impact on the consolidated financial statement.

2018

a) Automotive

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

On June 29, 2018, an additional 5% of the sharehold of the subsidiary Mahindra CIE Automotive, Ltd. was 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., acquired the 100% of the participation of the company Centro Near Servicios Financieros, S.L. Subsequently, a capital share increase was carried out, for which a minority shareholder has subscribed the 49.99% of shares. This transaction had a positive financial impact of €2 million in the line of non-controlling interests.

Subsequent to this operation, the company was 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 acquired a 100% share of Go Specialist, S.L. via its subsidiary Dominion Industry and Infraestructures, S.L. The acquisition price 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.

Preparation of the Consolidated Annual Accounts

These Consolidated Annual Accounts had been authorised for issue by the Board of Directors on February 28, 2020 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

These Consolidated Annual Accounts for the year ended December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the recommendations issued by the Interpretation Committee for IFRS (IFRIC) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at December 31, 2019.

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) 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 Group'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 2019 and 2018 does not include unusual items that require a detail or a conciliation of balances except for the restated comparative financial statements.

Certain International Financial Reporting Standards are effective from January 1, 2019, prompting the Group to adapt its Consolidated Annual Accounts. The updated standards for the year are detailed in Note 2.2.

The Consolidated Annual Accounts are not affected by any aspect that may contravene applicable presentation basis.

2.2 Changes in accounting policies

IFRS 16 Leases

On January 1, 2019, IFRS 16 "Leases" has come into force, which replaces IAS 17. As indicated in the Consolidated Annual Accounts of the Group at December 31, 2018, the Group has decided to adopt it without restating comparative years, so it has been applied prospectively. Therefore, the impacts that arise from the application of this standard are recognized in the opening balance as of January 1, 2019.

With the adoption of IFRS 16, the Group has recognized the lease liabilities in relation to the leases that had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities have been valued at the present value of the remaining lease payments, discounted using the incremental rate of indebtedness of the lessee in each of the countries where the Group operates on January 1, 2019.

Following the application by the Group of the latest regulatory updates to this standard, the impact of the application of this rule has applied for an initial recognition of approximately €64 million of rights of use of the assets and the liabilities for lease agreements, which include €49.6 million of non-cancelable leases (Note 32) disclosed in the Consolidated Annual Accounts of December 31, 2018, as well as other rents of goods of lower value and which related contracts were in force on the same date, discounted by the market debt cost per business operating unit or geography. Due to the transition option adopted by the Group, there has been no equity impact, since it equals the value of assets and liabilities at the transition date.

Likewise, the impact of pre-tax profits for the period ended December 31, 2019 has not been significant, resulting in an increase of gross operating profit (EBITDA) by €20 million, increasing depreciation expenses by €23 million and increasing financial expenses by €3 million, including the existing leases at December 31, 2018, as well as the ones added in 2019 and the ones arisen as business combinations (Note 6).

Transition method

When applying IFRS 16 for the first time, the Group has used the following practical approaches permitted by the standard:

1) The use of a single discount rate for a lease agreement portfolio with reasonably similar characteristics.
2) The confidence in the previous assessments on whether leases are onerous.
3) The accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases, as well as the exclusion of the initial direct costs in the valuation of the asset by right of use on the date of initial application and the use of prospective information.
4) The retroactive action and the use of prospective information to determine the lease term when the contract contains options to extend or rescind the lease.

2.3 Summary of standards, amendments to standards and interpretations published

a) Standards, amendments and mandatory interpretations for all years beginning on January 1, 2019

These are the amendments that according to IFRS-IASB have entered into force as of January 1, 2019:

The impact of the adoption of these standards and the new accounting policies is broken down in Note 2.2. Except as indicated in this section, the standards had no significant effect on the Group's accounting policies.

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".

IFRS 16 defines a lease as a contract, or part of a contract, that grants the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. Tenants recognize a lease liability that reflects future lease payments and a "right to use the asset" for almost all lease agreements. This is a significant change compared to IAS 17, according to which lessees were required to make a distinction between a finance lease (recognized in the balance sheet) and an operating lease (outside the balance sheet). IFRS 16 grants lessees optional exemptions for certain short-term leases and leases in which the underlying asset is of low value.

Regarding the accounting of the lessor, it was decided not to incorporate substantial changes, maintaining requirements similar to those of the IAS 17 previously in force.

The impacts of this standard in the Consolidated Annual Accounts of the Group have been included in Notes 2.2 and 6.

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 Group does not maintain events that have been impacted by the 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 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.

This update has impacted as a reclassification between Provisions and Deferred tax liabilities for an amount of €22.4 million in the comparative financial statements of December 31, 2018 (Notes 21 and 23).

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.

This modification had no impact on the Group's Consolidated Annual Accounts.

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.

This modification had no impact on the Group's Consolidated Annual Accounts.

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": The tax consequences of dividends on financial instruments classified as equity must be recognized in accordance with the past transactions or events that generated the distributable profits.
- 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.

b) Standards, amendments and mandatory interpretations for all years beginning on January 1, 2020

There are amendments under IFRS-IASB that have entered into force as of January 1, 2020:

IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of materiality (or relative significance)"

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.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

IFRS 9 (Modification), IFRS 7 (Modification) and IAS 39 (Modification) "Reform of reference interest rates"

These modifications provide certain exemptions in relation to the reform of the reference interest rate (IBOR). Those exemptions are related to hedge accounting and have the effect that IBOR reform generally should not cause the cessation of hedge accounting. However, any inefficiency of coverage must continue to be recorded in the income statement.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

c) Standards, modifications and interpretations of existing standards that cannot 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 will apply 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.

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. This amendment to IFRS 3 is pending approval by the European Union.

IAS 1 (Modification) "Classification of liabilities as current or non-current"

These modifications clarify that the liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting year. The classification is not affected by the entity's expectations or events after the closing date of the fiscal year (for example, the receipt of a waiver or a breach of the agreement). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. The effective date of these modifications is January 1, 2022, although early adoption is allowed.

These changes are not expected to have an effect on the Group's Consolidated Annual Accounts in the future.

2.4 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, in case of an investment in favourable conditions, the difference is recognised directly in profit and loss account.

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 December 31 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 2.9.a)). Note 2.10 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.

2.5 Management units' financial information

Management units 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 management units. The maximum decision-making body is the Executive Steering Committee.

Financial information is disclosed in Note 5.

2.6 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, mainly, for some of the Mexican companies (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.

As of December 31, 2019 and December 31, 2018, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment (Note 3.2).

2.7 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.

(In thousand euro)

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:

	Estimated useful lives:
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. 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:

	Useful life (*)	Annual rate %
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 2.10).

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).

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term.

2.8 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 account.

2.9 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) groups, 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 level of each CGU group (Note 2.10).

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of each CGU group 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, Group 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) Licences

The 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 licenses during their estimated useful life.

After the acquisition of CIE Golde (Notes 1 and 33), the Group has recorded an intangible fixed asset related to licenses that said business had in force at the acquisition date for its fair value, which amounted to €11,784 thousand. Its useful life has been estimated according to the period in which said licenses / patents will report economic benefits to the Group, which has been estimated in 13 years.

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.

e) Portfolio of clients

The Group records the value associated with clients contracts acquired in the context of 2019 business combinations related to CIE Golde and AEL for an amount of €6.6 million (Notes 1 and 33).

The client portfolio has been initially valued at fair value in accordance with the valuation methodology "EMMI- Excess Method of Multi-period Income", which is based on the current value of the cash flows of the business, deducted the amount for contributive assets. Upon recognition, the Group amortizes these assets linearly in the estimated period in which the cash flows will occur, which is generally between 5 and 10 years.

2.10 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.

2.11 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.

2.12 Financial assets

Investments and financial assets

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 de-recognition 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 chose 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

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 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 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.

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.

2.14 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.

2.15 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 historical experience of the percentage of defaults in relation to its volumes of accounts receivable and another series of variables.

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 receivables as all associated risks are transferred to the financial institution in question.

2.16 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.

2.17 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.

2.18 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 2.21.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.

2.19 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.

2.20 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.

2.21 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.
- 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.
- CIE Automotive Goiain, S.L.U.
- CIE Automotive Boroa, S.L.U. (incorporated in 2019)
- CIE Roof Systems, S.L.U. (incorporated in 2019)

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, CIE Automotive USA Investments, Golde Auburn Hills, LLC y Golde South Africa, LLC (these last two incorporated in 2019).

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 2.7); 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 2.18).

Moreover, 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.

2.22 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.

2.23 Share-based payments

At December 31, 2019 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), whose fair value amounts to €1,840 thousand at December 31, 2019 (€2,155 thousand at December 31, 2018).

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 arise to the corresponding change against the Group´s equity.

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 expenses in the period when the conditions must be fulfilled.

2.24 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.

2.25 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 it satisfies an obligation of execution by transferring a good or service committed to a customer. An asset is transferred when (or as) the customer gains control of that asset.

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.

b) Rendered services

The Group in the 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 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.

2.26 Leases

Contracts may contain lease and non-lease components. The group assigns the consideration in the contract to the lease and non-lease components based on their independent prices. However, for real estate leases in which the group is a lessee, it has decided not to separate the lease and non-lease components, counting them as a single lease component.

The terms of the lease are negotiated on an individual basis and contain a wide variety of terms and conditions. The lease agreements do not impose any other covenant other than the real guarantees on the leased assets that are maintained by the lessor. Leased assets cannot be used as collateral for the purpose of financial debt.

Until financial year 2018, leases of property, plant and equipment were classified as financial or operating leases, see Notes 2.2 and 6 for more details. As of January 1, 2019, leases are recognized as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially valued on a current value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including fixed payments in essence), less any lease incentive to collect.
- Variable lease payments that depend on an index or rate, initially valued according to the index or rate on the start date.
- Amounts that the Group is expected to pay for residual value guarantees.
- The price of a purchase option if the Group is reasonably certain that it will exercise that option.
- Penalty payments for termination of the lease, if the term of the lease reflects the exercise by the group of that option.

Lease payments to be made under reasonably certain extension options are also included in the valuation of the liability.

Lease payments are discounted using the implicit interest rate in the lease. If that rate cannot be easily determined, which is generally the case for leases in the Group, the lessee's incremental rate of indebtedness is used, being the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value to the asset for right of use in a similar economic environment with similar terms, guarantees and conditions.

To determine the incremental rate of indebtedness, the Group:

- When possible, uses recent third-party financing received by the individual tenant as a starting point, adjusted by the changes in financing conditions since third party financing was received,
- Uses an approach that begins with a risk-free interest rate adjusted by the credit risk for leases held by the Group, which do not have recent third-party financing, and
- Makes specific adjustments for the lease, such us term, country, currency and guarantee.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and financial cost. The financial cost is charged to income during the lease period so that they produce a constant periodic interest rate on the remaining balance of the liability for each period.

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. Although the Group revalued its land and buildings that are presented in fixed assets, the Group has decided not to do so for the buildings.

Payments associated with short-term leases of machinery and vehicles and all leases of low-value assets are recognized on a linear basis as an expense in results. Short-term leases are leases with a lease term of 12 months or less. Reduced value assets include computer equipment and small items of office furniture.

2.27 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.

2.28 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.

2.29 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 would also apply 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 December 31, 2019, 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 €228/€189 million (2018: increased/decreased by €140/€114 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 2019 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €18,739/€15,332 thousand higher/ lower, respectively (2018: €12,751/€10,432 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 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 2019 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 €1,056 thousand lower/higher (2018: €632 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 €1,093/€1,277 thousand, respectively (2018: €1,359/€2,048 thousand increase/decrease, respectively).

(In thousand euro)

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 December 31, 2019 and 2018 as follows:

Thousand euro	Note	31.12.2019	31.12.2018
Cash and cash equivalents	11	514,691	248,895
Other financial assets	8	104,223	160,804
Undrawn lines of credit	18	501,105	542,726
Liquidity buffer		**1,120,019**	**952,425**
Bank borrowings	18	2,120,967	1,340,015
Other financial liabilities	8	19,914	17,924
Cash and cash equivalents	11	(514,691)	(248,895)
Other financial assets	8	(104,223)	(160,804)
Net financial debt		**1,521,967**	**948,240**

Additionally, as of December 31, 2019, Shanghai Golde Auto Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method (Note 8), has a net treasury of €33.3 million.

The evolution of the Net Financial Debt in 2019 and 2018 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
Net Financial debt 1 January 2018	**289,448**	**103,950**	**(1,224,889)**	**(8,842)**	**(840,333)**
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)
Net Financial debt 31 December 2018	**248,895**	**160,804**	**(1,340,015)**	**(17,924)**	**(948,240)**
Cash flow	204,188	(86,425)	(737,496)	-	(619,733)
Exchange rate adjustments	(4,589)	(643)	(4,260)	-	(9,492)
Changes in consolidation scope (Note 33)	66,197	30,584	(33,230)	-	63,551
Other non-monetary movements	-	(97)	(5,966)	(1,990)	(8,053)
Net Financial debt 31 December 2019	**514,691**	**104,223**	**(2,120,967)**	**(19,914)**	**(1,521,967)**

Group´s treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2020 will allow facing all year recurrent payments without increasing net financial debt.

Group´s treasury department monitors Group´s liquidity needs previsions 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.

(In thousand euro)

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 (2019: €25 million; 2018: €14 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 December 31, 2019 of €501 million of undrawn credit lines and loans (December 31, 2018: €543 million) (Note 18).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at December 31, 2019 as compared with December 31, 2018:

Thousand euro	Note	31.12.2019	31.12.2018
Inventories	10	416,120	405,739
Trade and other receivables	9	356,918	292,424
Other current assets		25,751	21,026
Current tax assets		56,373	47,191
Current operating assets		**855,162**	**766,380**
Other current financial assets	8	55,100	112,141
Cash and other cash equivalents	11	514,691	248,895
Current assets		**1,424,953**	**1,127,416**
Trade and other payables	19	858,894	721,022
Current tax liabilities	20	64,215	59,909
Current provisions	23	66,736	31,133
Other current liabilities	20	184,663	110,356
Current operating liabilities		**1,174,508**	**922,420**
Current financial borrowings	18	524,755	282,312
Other current financial liabilities	8	19	47
Current liabilities		**1,699,282**	**1,204,779**
TOTAL WORKING CAPITAL		**(274,329)**	**(77,363)**

At December 31, 2019 the working capital is €274 million negative, mainly due to the recurrent issuance of commercial papers on the Irish stock exchange as an alternative to bank financing; therefore, the Group Management confirms that there is no risk as of December 31, 2019.

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 with whom in many cases automatically renews its credit lines.

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 is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and 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 2020 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 result of the above, it may be confirmed that there is no liquidity risk at the Group.

In Notes 18 and 20 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 management unit 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 historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 2.12.

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 2.12).

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 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.

After 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) <u>Fair value hedges of a recognised asset or liability or a firm commitment</u>

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, 2019 and December 31, 2018, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment.

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.

(In thousand euro)

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 December 31, 2019 and December 31, 2018:

2019 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	8-26	-	25,022	**25,022**
Derivatives	8	10	-	**10**
Total assets at fair value		**10**	**25,022**	**25,032**
Derivatives	8	(19,914)	-	(19,914)
Debts for business acquisitions	33	-	(7,499)	(7,499)
Total liabilities at fair value		**(19,914)**	**(7,499)**	**(27,413)**
2018 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	8-26	-	27,258	**27,258**
Derivatives	8	131	-	**131**
Total assets at fair value		**131**	**27,258**	**27,389**
Derivatives	8	(17,924)	-	(17,924)
Total liabilities at fair value		**(17,924)**	**-**	**(17,924)**

There were no transfers between levels during 2019 and 2018.

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.

(In thousand euro)

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, 2019, there are loans granted to Group employees valued at fair value and amounting to €25,022 thousand (2018: €27,258 thousand) (Notes 8 and 26). Likewise, there is a contingent liability valued at fair value resulting from the acquisition of AEL which, at December 31, 2019 amounts to €7,499 thousand (600 million rupees) (Notes 1 and 33).

The Group 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.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50. The acquisitions of the year 2019 have impacted slightly in the Group's gearing ratio, not assuming a relevant deviation and, therefore, not modifying the defined strategy.

The gearing ratios at December 31, 2019 and 2018 are as follows:

Thousand euro	Note	2019	2018
Borrowings	18	2,120,967	1,340,015
Financial liabilities	8	19,914	17,924
Less: Cash and cash equivalents and financial assets	8/11	(618,914)	(409,699)
Net debt	**3.1.b)**	**1,521,967**	**948,240**
Equity		1,234,974	1,048,886
Total capital used		**2,756,941**	**1,997,126**
Gearing ratio		**0.55**	**0.47**

At December 31, 2019 and 2018, 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 2.9.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 CGU groups 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 2019 (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 tax territories. 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 €5.9 million (2018: €6.3 million) and if these changes evolved favourably, these deferred tax assets would increase and the income tax would decrease by approximately €5.9 million (2018: €6.3 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.

Regarding 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 €4,216 thousand (2018: €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 about pension obligations of the Group.

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 2.9.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 2.21.b), 4.1.c), 21 and 28.
- Estimation of the useful lives of property, plant and equipment (Note 2.7).
- 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 (Note 2.23).

5. Management units 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 management units.

(In thousand euro)

Management has determined the management units 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 a geographical markets perspective in which it operates.

The Group produces 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.

The Group analyses the business on the basis of its management units, distinguishing basically geographical markets where productive plants are located, which are the following:

- North America: it includes, basically Group companies located in Mexico and United States.
- Brazil: it includes basically Group companies located in Brazil.
- Asia: includes the Indian companies, as well as the companies located in the People's Republic of China.
- Mahindra CIE 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.

a) <u>Management units information for continued operations</u>

Results per management units are as follows:

	December 31, 2019						December 31, 2018					
Thousand euro	**NORTH AMERICA**	**BRAZIL**	**ASIA**	**MAHINDRA CIE EUROPE**	**REST OF EUROPE**	**TOTAL**	**NORTH AMERICA**	**BRAZIL**	**ASIA**	**MAHINDRA CIE EUROPE**	**REST OF EUROPE**	**TOTAL**
Revenue	917,025	325,512	757,981	527,707	932,827	**3,461,052**	763,262	323,649	540,340	557,665	844,579	**3,029,495**
Other operating expenses and income (excluding depreciation and amortisation)	(715,453)	(266,521)	(641,100)	(457,414)	(786,205)	**(2,866,693**	(589,178)	(276,841)	(455,418)	(482,706)	(696,330)	**(2,500,473)**
Depreciation, amortisation and impairment	(43,635)	(13,231)	(33,410)	(22,432)	(54,574)	**(167,282)**	(39,342)	(15,379)	(19,745)	(20,757)	(68,513)	**(163,736)**
Operating profit	**157,937**	**45,760**	**83,471**	**47,861**	**92,048**	**427,077**	**134,742**	**31,429**	**65,177**	**54,202**	**79,736**	**365,286**
EBITDA	**201,572**	**58,991**	**116,881**	**70,293**	**146,622**	**594,359**	**174,084**	**46,808**	**84,922**	**74,959**	**148,249**	**529,022**

Transactions between Group companies are performed under market conditions.

(In thousand euro)

Other management units items included in the income statement are as follows:

	December 31, 2019						December 31, 2018					
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Depreciation and amortisation:	**(43,635)**	**(13,231)**	**(33,410)**	**(22,432)**	**(54,574)**	**(167,282)**	**(39,342)**	**(15,379)**	**(19,745)**	**(20,757)**	**(68,513)**	**(163,736)**
Property, plant and equipment	(42,911)	(12,450)	(32,690)	(22,238)	(50,748)	(161,037)	(38,804)	(14,724)	(19,088)	(20,462)	(65,357)	(158,435)
Intangible assets	(724)	(781)	(697)	(194)	(3,547)	(5,943)	(538)	(655)	(657)	(295)	(3,109)	(5,254)
Impairment	-	-	(23)	-	(279)	(302)	-	-	-	-	(47)	(47)

The reconciliation of the Operating profit to the Profit attributable to owners of the parent is as follows:

Thousand euro	Note	31.12.2019	31.12.2018
Operating results		**427,077**	**365,286**
Financial income (expense)	27	(31,382)	(42,394)
Share in profits of associates	8	7,753	2,641
Gains /(losses) on the fair value of derivative financial instruments	8/27	(554)	(7,060)
Corporate income tax	28	(89,784)	(90,139)
Discontinued operations	12	941	209,151
Attributed to non-controlling interests	17	(26,576)	(40,731)
Profit attributable to the Parent company		**287,475**	**396,754**

Management units' assets and liabilities at year end and investments made during the year:

	December 31, 2019					
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Investments in associates	4,202	2,489	59,470	-	34	66,195
Rest of assets	1,327,217	430,376	1,496,844	630,726	1,115,628	5,000,791
Total assets	**1,331,419**	**432,865**	**1,556,314**	**630,726**	**1,115,662**	**5,066,986**
Total liabilities	**662,326**	**145,168**	**431,610**	**345,744**	**2,237,373**	**3,822,221**
Fixed Asset additions (**)	61,297	19,194	46,086	24,488	76,413	227,478
Disposal of assets net of depreciation and amortisation	186	(578)	(1,158)	(198)	(2,653)	(4,401)
Net investments for the year	**61,483**	**18,616**	**44,928**	**24,290**	**73,760**	**223,077**

	December 31, 2018							
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	AUTOMOTIVE TOTAL	Solutions and Services (*)	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
Total assets	**844,487**	**356,469**	**777,450**	**678,018**	**1,007,422**	**3,663,846**	**-**	**3,663,846**
Total liabilities	**477,499**	**143,390**	**228,735**	**399,242**	**1,354,828**	**2,603,694**	**-**	**2,603,694**
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)
Net investments for the year	**60,645**	**22,673**	**30,186**	**21,270**	**73,732**	**208,506**	**5,281**	**213,787**

(*) Assets and liabilities of activities discontinued as of April 24, 2018. Additions and withdrawals of fixed assets considered up to the date of discontinuation.

(**) Fixed assets additions do not include IFRS 16 effects.

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.

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).

(In thousand euro)

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:

	Revenue		Non-current assets	
Thousand euro	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Spain	198,955	222,632	393,628	334,380
Rest of Europe	1,261,579	1,179,612	900,763	695,286
Brazil	325,512	323,649	251,571	240,993
North America	917,025	763,262	796,101	582,803
Asia	757,981	540,340	1,009,074	415,696
TOTAL	**3,461,052**	**3,029,495**	**3,351,137**	**2,269,158**

6. Property, plant and equipment

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

	December 31, 2019							
Thousand euro	**31.12.2018**	**FIRST APPLICATION OF IFRS 16 (Note 6.e)**	**01.01.2019**	**ADDITIONS/ (VARIATIONS) IN CONSOLIDATION (Note 33)**	**ADDITIONS**	**DISPOSALS**	**TRANSFERS AND OTHER MOVEMENTS (*)**	**31.12.2019**
Land and buildings	530,735	-	530,735	45,506	9,387	(1,399)	17,263	601,492
Plant and machinery	1,903,906	-	1,903,906	166,543	63,264	(15,363)	110,153	2,228,503
Other fixed assets	276,359	-	276,359	19,742	29,415	(4,806)	(17,922)	302,788
Down-payments and assets under construction	122,852	-	122,852	13,326	121,290	(1,957)	(113,005)	142,506
Right of use of Assets - IFRS 16 (Note 6.e)	-	63,575	63,575	40,871	9,975	(40)	296	114,677
COST	**2,833,852**	**63,575**	**2,897,427**	**285,988**	**233,331**	**(23,565)**	**(3,215)**	**3,389,966**
Land and buildings	(187,152)	-	(187,152)	(11,649)	(12,677)	297	(661)	(211,842)
Plant and machinery	(1,177,694)	-	(1,177,694)	(96,929)	(115,311)	12,257	5,907	(1,371,770)
Other fixed assets	(232,489)	-	(232,489)	(11,191)	(12,906)	5,236	3,898	(247,452)
Right of use of Assets - IFRS 16 (Note 6.e)	-	-	-	-	(20,143)	-	(2,971)	(23,114)
DEPRECIATION	**(1,597,335)**	**-**	**(1,597,335)**	**(119,769)**	**(161,037)**	**17,790**	**6,173**	**(1,854,178)**
Plant and machinery	(4,843)	-	(4,843)	(8,177)	(302)	1,334	(317)	(12,305)
IMPAIRMENT	**(4,843)**	**-**	**(4,843)**	**(8,177)**	**(302)**	**1,334**	**(317)**	**(12,305)**
CARRYING AMOUNT	**1,231,674**		**1,295,249**					**1,523,483**

	December 31, 2018						
Thousand euro	**31.12.2017**	**ADDITIONS/ (VARIATIONS) IN 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
COST	**2,971,631**	**10,821**	**209,634**	**(75,102)**	**(27,662)**	**(255,470)**	**2,833,852**
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)
DEPRECIATION	**(1,688,711)**	**(6,845)**	**(163,904)**	**72,205**	**9,261**	**180,659**	**(1,597,335)**
Plant and machinery	(11,762)	-	(519)	421	373	6,644	(4,843)
IMPAIRMENT	**(11,762)**	**-**	**(519)**	**421**	**373**	**6,644**	**(4,843)**
CARRYING AMOUNT	**1,271,158**						**1,231,674**

(*) Basically it includes the effect of exchange fluctuations of PPE currency of foreign subsidiaries and transfers from assets under construction to finished 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.

(In thousand euro)

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at December 31, 2019 and 2018:

	2019			2018		
Million euro	COST	ACCUMULATED DEPRECIATION/ PROVISIONS	CARRYING AMOUNT	COST	ACCUMULATED DEPRECIATION/ PROVISIONS	CARRYING AMOUNT
AMERICA	1,111	(489)	622	953	(411)	542
EUROPE	1,748	(1,141)	607	1,510	(1,018)	492
ASIA	531	(236)	295	371	(173)	198
TOTAL	**3,390**	**(1,866)**	**1,524**	**2,834**	**(1,602)**	**1,232**

b) Assets not used in operations

At December 31, 2019 and 2018 no significant items of property, plant and equipment were out of service.

c) Property, plant and equipment subject to restrictions on title

At December 31, 2019, there are items of property, plant and equipment (land and buildings) with a carrying amount of €4.6 million (2018: €6.3 million) pledged to guarantee debts with financial institutions with outstanding balances at year-end 2019 of €1.1 million (2018: €2.4 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) Leases

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

	December 31, 2019						
	RIGHT OF USE OF ASSETS				LIABILITIES FOR LEASES		
Thousand euro	LAND AND BUILDINGS	OTHER FIXED ASSETS	ACCUMULATED AMORTIZATION	TOTAL ASSETS	LONG TERM	SHORT TERM	TOTAL LIABILIIES
December 31, 2018	-	-	-	-	-	-	-
First application of IFRS 16	51,070	12,505	-	**63,575**	49,546	14,029	**63,575**
January 1, 2019	**51,070**	**12,505**	**-**	**63,575**	**49,546**	**14,029**	**63,575**
Additions to consolidation scope (Note 33)	37,189	3,682	-	**40,871**	33,492	10,361	**43,853**
Additions	2,884	7,091	-	**9,975**	7,226	2,749	**9,975**
Disposals	-	(40)	-	**(40)**	(10)	(31)	**(41)**
Depreciation expense / Payments made	-	-	(20,143)	**(20,143)**	-	(22,639)	**(22,639)**
Debt update expenses	-	-	-	**-**	2,742	34	**2,776**
Long term/Short term transfers	-	-	-	**-**	(17,981)	17,981	**-**
Tranfers and other (*)	2,164	(1,868)	(2,971)	**(2,675)**	(1,184)	941	**(243)**
December 31, 2019	**93,307**	**21,370**	**(23,114)**	**91,563**	**73,831**	**23,425**	**97.256**

(*) It mainly includes the effect of the Exchange rate derived from foreign subsidiaries' property, plant and equipment.

(In thousand euro)

The discount rates, estimated based on the cost of financing each of the Cash Generating Unit (CGU) groups operated by the Group, have been as follows:

	2019	2018
Brazil	9.00%	13.75%
North America	4.25%	3.74%
Asia	5.00% - 8.50%	5.00% - 11.00%
Mahindra CIE Europe	1.25%	1.25%
Rest of Europe	1.25%	1.25%

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing cost in 2019 or 2018 involving significant amounts.

7. Goodwill and other intangible assets

Set out below is an analysis of the main intangible asset classes showing movements in assets:

December 31, 2019						
Thousand euro	BALANCE AT 31.12.2018	ADDITIONS/ (CHANGES) IN THE SCOPE OF CONSOLIDATION (Note 33)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	BALANCE AT 31.12.2019
Goodwill on consolidation	996,902	782,748	-	-	(14,129)	1,765,521
R&D (development)	50,787	-	1,391	(8,713)	(1,212)	42,253
Computer applications	40,981	1,783	2,001	(88)	1,500	46,177
Patents, licenses, trademarks and similar	-	11,784	-	-	-	11,784
Prepayments and other	5,070	6,716	730	-	(898)	11,618
TOTAL COST	**1,093,740**	**803,031**	**4,122**	**(8,801)**	**(14,739)**	**1,877,353**
TOTAL ACCUMULATED AMORTISATION	**(77,234)**	**(1,416)**	**(5,943)**	**8,803**	**1,124**	**(74,668)**
CARRYING AMOUNT	**1,016,506**					**1,802,685**

December 31, 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
TOTAL COST	**1,494,652**	**12,650**	**6,715**	**(2,627)**	**(6,556)**	**(411,094)**	**1,093,740**
TOTAL ACCUMULATED AMORTISATION	**(124,837)**	**(88)**	**(9,551)**	**2,541**	**(1,686)**	**56,387**	**(77,234)**
CARRYING AMOUNT	**1,369,815**						**1,016,506**

(*) Basically includes the effect of exchange fluctuations of intangible assets and goodwill currency of foreign subsidiaries.
(**) The cumulative amortization additions from the exercise 2018 of discontinued activities until their discontinuation (Notes 1 and 12) amounted to €4,297 thousand.

(In thousand euro)

The additions/(changes) in goodwill (Note 33) is broken down as follows:

Thousand euro	31.12.2019	31.12.2018 (*)
Automotive	782,748	5,366
Solutions and Services (Smart Innovation)	-	4,196
TOTAL	**782,748**	**9,562**

(*) It only includes acquisitions prior to the classification of the Solutions and Services (Smart Innovation) discontinuation (Note 33).

a) Testing for impairment losses on goodwill

Goodwill has been assigned to the Group's cash-generating units (CGUs) groups on the basis of the criterion of grouping together under each CGU group 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 group level is set out below:

Thousand euro	31.12.2019	31.12.2018
Brazil	91,144	92,303
North America	325,688	184,146
Asia	683,335	191,467
Mahindra CIE Europe	332,106	332,106
Rest of Europe	333,248	196,880
TOTAL	**1,765,521**	**996,902**

The recoverable amount of CGU groups is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond the six-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 CGU group 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 group.

The discount rates applied to cash flow projections were as follows:

	2019	2018
Brazil	11.10%	12.40%
North America	7.09% - 10.16%	6.77% - 10.28%
Asia	7.27% - 11.89%	7.02% - 12.86%
Mahindra Europe	4.88% - 6.96%	5.00% - 5.48%
Rest of Europe	5.32% - 11.63%	5.45% - 12.20%

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 each CGU group.

(In thousand euro)

The main changes in discount rates compared to those used in the previous year are mainly determined by the variations in risk-free rates.

Budgeted EBITDA (operating profit plus depreciation / amortisation and possible impairment) is determined by Group Management in their strategic plans, taking into account operations with a similar structure to current structure and based on prior experience. These EBITDA's (operating result plus amortisation and depreciation) vary as follows:

	% of revenue	
	2019	**2018**
Automotive	2.82% - 50.19%	3.97% - 40.24%

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 six-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 1% and 7%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. In order to calculate the residual value, a normalised annual flow is discounted, taking into account the discount rate applied on the projections, less the growth rate taken into account.

c) Results of the analysis

The Group has verified that goodwill did not suffer any impairment loss in either 2019 or 2018, 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 group in both years. Note 4 includes the sensitivity analysis with respect to the goodwill impairment calculation.

The recoverable amount in cash generation units are determined based on calculations of the value in use, requiring the utilisation of certain estimates. To calculate the value in use in 2019 and 2018, 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.

(In thousand euro)

8. Financial assets and derivatives

Movements in the Group's financial assets are as follows:

DECEMBER 31, 2019									
						FAIR VALUE ADJUSTMENT			
	31.12.2018	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 33)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	PROFIT OR LOSS	EQUITY	RESULTS IN ASSOCIATES	31.12.2019
Valued at their amortized cost									
Deposits	102,640	22,775	7,461	(90,112)	(1,099)	166	-	-	41,831
Current credits	19,060	7,809	541	(290)	(175)	-	-	-	26,945
Non-Current credits	15	-	-	-	-	-	-	-	15
Down-payments (Note 34)	11,700	-	-	(1,300)	-	-	-	-	10,400
Total loans and receivables at amortized cost	**133,415**	**30,584**	**8,002**	**(91,702)**	**(1,274)**	**166**	**-**	**-**	**79,191**
Valued at fair value									
Non-Current credits (Note 26)	27,258	-	-	(2,725)	-	489	-	-	25,022
Asset derivatives – interes rate swaps	131	-	-	-	4	-	(125)	-	10
Liability derivatives – Equity Swap	(7,299)	-	-	-	-	(720)	-	-	(8,019)
Liability derivatives – interest rate swaps	(10,625)	-	-	-	-	-	(1,270)	-	(11,895)
Non-Current credits and derivatives	**9,465**	**-**	**-**	**(2,725)**	**4**	**(231)**	**(1,395)**	**-**	**5,118**
Investment in associates	**5,801**	**55,500**	**-**	**-**	**(2,859)**	**-**	**-**	**7,753**	**66,195**
TOTAL	**148,681**	**86,084**	**8,002**	**(94,427)**	**(4,129)**	**(65)**	**(1,395)**	**7,753**	**150,504**

(*) It basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers.

(In thousand euro)

DECEMBER 31, 2018

	31.12.2018	IFRS 9 UPDATE ADJUSTMENT (Note 2.12)	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 33)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	DISCONTINUED OPERATIONS (Note 12)
Valued at their amortized cost							
Deposits	49,108	(2,995)	70	82,873	(6,984)	(2,165)	(17,396)
Current credits	38,167	(200)	-	6,799	-	(6,844)	(18,862)
Non-Current credits	2,860	-	(2,845)	-	-	-	-
Down-payments (Note 34)	-	-	-	13,000	(1,300)	-	-
Total loans and receivables at amortized cost(***)	**90,135**	**(3,195)**	**(2,775)**	**102,672**	**(8,284)**	**(9,009)**	**(36,258)**
Valued at fair value							
Non-Current credits (Note 26)	-	-	-	30,740	(2,085)	-	-
Asset derivatives – interes rate swaps	649	-	-	-	-	(588)	-
Asset derivatives – Equity Swap	16,361	-	-	-	(16,374)		-
Asset derivatives – foreing exchange swap	-	-	-	-	-	(322)	-
Liability derivatives – Equity Swap	-	-	-	-	-	-	-
Liability derivatives – interest rate swaps	(8,842)	-	-	-	-	612	641
Non-Current credits and derivatives	**8,168**	**-**	**-**	**30,740**	**(18,459)**	**(298)**	**641**
Investment in associates	**15,018**	**-**	**-**	**481**	**-**	**5,940**	**(18,599)**
TOTAL	**113,321**	**(3,195)**	**(2,775)**	**133,893**	**(26,743)**	**(3,367)**	**(54,216)**

	FAIR VALUE ADJUSTMENT					
	CONTINUED OPERATIONS		DISCONTINUED OPERATIONS			
	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS	EQUITY	RESULTS IN ASSOCIATES(**)	31.12.2018
Valued at their amortized cost						
Deposits	(96)	-	225	-	-	102,640
Current credits	-	-	-	-	-	19,060
Non-Current credits		-	-	-	-	15
Down-payments (Note 34)		-	-	-	-	11,700
Total loans and receivables at amortized cost(***)	**(96)**	**-**	**225**	**-**	**-**	**133,415**
Valued at fair value						
Non-Current credits (Note 26)	(1,397)	-	-	-	-	27,258
Asset derivatives – interes rate swaps	-	70	-	-	-	131
Asset derivatives – Equity Swap	13	-	-	-	-	-
Asset derivatives – foreing exchange swap	322	-	-	-	-	-
Liability derivatives – Equity Swap	(7,299)	-	-	-	-	(7,299)
Liability derivatives – interest rate swaps	-	(3,022)	-	(14)	-	(10,625)
Non-Current credits and derivatives	**(8,361)**	**(2,952)**	**-**	**(14)**	**-**	**9,465**
Investment in associates	**-**	**-**	**-**	**30**	**2,931**	**5,801**
TOTAL	**(8,457)**	**(2,952)**	**225**	**16**	**2,931**	**148,681**

(*) 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 amounted to €290 thousand.

(***) Previously corresponded to financial assets held to maturity.

(In thousand euro)

a) Debt instruments

Term deposits and loans accrue interests at a market interest rate of the country where the financial asset is held.

The maximum exposure to credit risk at the date of presentation of consolidated interim 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 and other)

  The most significant notional principals on interest rate swaps (variable to fixed) outstanding at December 31, 2019 amount to €384 million and USD5 million (2018: €403 million and USD40 million), which are classified as hedging instruments.

- Equity swap

  On August 6, 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A. The underlying asset of the operation amounted to 2 million shares with an initial value of €25.09 per share. This underlying's valuation amounts to €8,019 thousand at December 31, 2019 (€7,299 thousand at December 31, 2018), and is due in 2023.

  On August 6, 2014 the Parent company arranged a derivative associated with the listed share price of CIE Automotive, S.A. The underlying asset of the operation amounted to 1.25 million shares with an initial value of €11.121 per share. This instrument was liquidated in 2018 for an amount of €16,374 thousand.

c) Investments in associates

The companies consolidated under the equity method, which are not significant, are as follows:

	Effective interest %	
	31.12.2019	31.12.2018
Advanced Comfort Systems Wuhan Co, Ltd.[3]	-	100%
Belgium Forge, N.V. [1]	100%	100%
Galfor Eólica, S.L.	14%	14%
Gescrap - Autometal Comercio de Sucatas, Ltda.	30%	30%
Gescrap Autometal de México, S.A. de C.V. and its associates	30%	30%
Gescrap India PvT, Ltd.	17%	17%
Shanghai Golde Automotive Parts Co., Ltd. [2]	50%	-
Golde Automotive Parts (Ningde) Co., Ltd. [2]	50%	-
CIE Automotive Goiain, S.L.U. [3]	-	100%

(1) In liquidation/dormant.
(2) Integrated in 2019 (Note 33).
(3) Integrated in 2018 and currently fully consolidated.

The main movement for 2019 is due to the acquisition of the CIE Golde group, the Group has registered a participation amounting to €55.5 million by the company Shanghai Golde Automotive Parts Co., Ltd. on the date of the acquisition. This amount includes an implicit goodwill amounting to €49.4 million (Note 33).

(In thousand euro)

	2019		2018	
	Value of the investment	Share in profit/(loss)	Value of the investment	Share in profit/(loss)
Gescrap - Autometal Comercio de Sucatas, Ltda.	2,489	1,054	2,066	1,488
Gescrap Autometal de México, S.A. de C.V. and its associates	4,202	920	3,221	1,165
Shanghai Golde Automotive Parts Co., Ltd.	59,470	5,844	-	-
Otros (*)	34	(65)	514	(12)
Total	**66,195**	**7,753**	**5,801**	**2,641**

(*) Not significant companies or in liquidation.

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	2019	2018
Trade receivables	340,882	283,282
Other receivables	27,581	19,892
Less: Provision for impairment of receivables	(11,545)	(10,750)
Total	**356,918**	**292,424**

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.

At December 31, 2019 trade and other receivables discounted and advanced by financial institutions amount to €25.1 million (2018: €14.1 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 December 31, 2019 this balance amounts to €222.2 million (2018: €230.0 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 2.15).

Given the characteristics of the Group's customers, balances receivable due in less than 60 days have historically entailed no expected loss 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	2019	2018
Between 2 and 4 months	3,206	5,519
Between 4 and 12 months	5,691	8,967
More than 12 months	5,796	6,495
Total	**14,693**	**20,981**

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 2.12.

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

(In thousand euro)

Movements on the Group provision for impairment of trade receivable in 2019 and 2018 are as follows:

Thousand euro	Note	2019	2018
Opening balance		**10,750**	**13,547**
Initial implementation of IFRS 9		-	8,627
Changes in consolidation scope	33	2,929	22
Additions (*)	25	784	2,276
Recoveries (*)	25	(2,131)	(578)
Receivables written-off		(787)	(1,607)
Discontinued operations (**)		-	(11,537)
Closing balance		**11,545**	**10,750**

(*) It included in 2018 €126 thousand for additions and €43 thousand of negative impact of recoveries classified in the consolidated profit-and-loss account consolidated as discontinued operations.

(**) It 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	31.12.2019	31.12.2018
Euro	73,398	86,974
US dollar	65,271	71,461
Brazilian real	32,414	27,272
Indian rupee	69,042	63,162
Chinese yuan	93,089	24,502
Other	7,668	9,911
TOTAL	**340,882**	**283,282**

10. Inventories

Thousand euro	31.12.2019	31.12.2018
Goods held for resale	9,097	14,812
Raw materials and supplies	181,820	179,319
Work in progress and semi-finished goods	86,257	89,689
Finished goods	129,807	113,340
Prepayments to suppliers	9,139	8,579
TOTAL	**416,120**	**405,739**

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:

2019

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance January 1, 2019	194,131	203,029	397,160
Changes in consolidation scope (Note 33)	29,019	18,368	47,387
Purchases /Changes in provisions in continued operations	2,015,216	3,147	2,018,363
Other movements (*)	390	18	408
Closing balance at 31 December 2019	(190,917)	(216,064)	(406,981)
COST OF SALES	**2,047,839**	**8,498**	**2,056,337**

(In thousand euro)

2018

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance January 1, 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 December 31, 2018	(194,131)	(203,029)	(397,160)
COST OF SALES	**1,836,655**	**(17,460)**	**1,819,195**

(*) Corresponds mainly to the effect of exchange rate fluctuations on the companies located abroad.

(**) It 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	2019	2018
Opening balance		**19,189**	**26,719**
Changes in consolidation scope	33	3,956	21
Additions (*)	25	8,287	10,468
Discontinued activities (**)		-	(9,198)
Cancellation of balances/Transfers		(6,154)	(8,821)
Closing balance		**25,278**	**19,189**

(*) It included in 2018 €390 thousand of additions classified in the consolidated income statement as discontinued operations.

(**) It 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 December 31, 2019 and 2018 break down as follows:

Thousand euro	31.12.2019	31.12.2018
Cash and banks	188,515	85,439
Current bank deposits	326,176	163,456
TOTAL	**514,691**	**248,895**

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	31.12.2019	31.12.2018
Euro	37,104	31,690
US dollar	267,875	130,169
Chinese yuan	127,341	36,745
Brazilian real	44,928	33,684
Indian rupee	3,791	4,361
Russian ruble	1,732	5,979
Mexican peso	4,071	4,024
South African rand	24,804	-
Other	3,045	2,243
TOTAL	**514,691**	**248,895**

12. Disposal groups classified as held-for-sale and discontinued operations

a) Automotive

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 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.

At the time of its reclassification, the Group 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 December 31, 2018, the Group was already 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 recognized the following adjustments resulting from valuing the business at its realizable value (fair value less costs of disposals):

- €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.

On March 28, 2019, the sale of the company Bionor Berantevilla, S.L.U. and the assets of Biosur Transformación, S.L.U. had taken place. As the net assets subject to sale were valued at their realizable value, the impact on the Group's consolidated profit and loss account has not been significant. The amount finally paid by the buyer was €18.7 million, of which €13.7 million correspond to the value of the business disposed and €5 million to the cash and working capital net position of the Company Bionor Berantevilla, S.L.U. on the date of transfer.

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 forging business, corresponding to the company Stokes Group Limited. After this decision, the Group 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 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 resulted in an expense of €5.5 million at the time of the discontinuation.

At December 31, 2019, for the specific situation of these businesses held for sale, the Group performed an updated assessment based on the net assets recovery value, which have not suffered significant changes.

b) Solutions and Services (Smart Innovation)

On 24 April 2018, the General Shareholders' Meeting of CIE Automotive, 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 hold in Global Dominion Access, S.A. (Parent company). This dividend, which was 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 thousand euro)

Taking into account the significant relevance that the activities developed by the Dominion subgroup had for the Group, the assets and liabilities of this segment were registered as discontinued operations, and therefore, they were reported as such in accordance with the assumptions and requirements of IFRS 5 "Non-current assets held for sale and discontinued operations" and IFRIC 17 “Distributions of Non-cash Assets to Owners”.

In accordance with these accounting standards, the results generated by the Dominion subgroup until the effective transfer of its shares (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 investment in Global Dominion Access, S.A. were considered to be discontinued operations, so in the comparative income statement for the year ended December 31, 2018, these results were disclosed under the heading “Profit/(loss) for the year from discontinuing operations after tax”.

The following is the discontinued income statement for the years ended on December 31, 2019 and 2018:

	Year ended 31 December	
Thousand euro	**2019**	**2018**
OPERATING REVENUE	**14,263**	**540,483**
Revenue	16,472	537,426
Other operating income	(2,209)	3,057
OPERATING EXPENSES	**(13,970)**	**(565,802)**
Consumption of raw materials and secondary materials	(9,545)	(302,192)
Employee benefit expenses	(2,813)	(145,289)
Depreciation, amortisation and impairment	(453)	(50,216)
Other operating income/(expenses)	(1,159)	(68,105)
OPERATING PROFIT	**293**	**(25,319)**
Financial income	-	979
Financial costs	(26)	(4,416)
Net exchange differences	(17)	439
Share of profit/(loss) of associates	-	282
PROFIT BEFORE TAX	**250**	**(28,035)**
Corporate income tax (Note 28)	884	(1,700)
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	**1,134**	**(29,735)**
GAIN GENERATED IN THE DISPOSAL OF THE DOMINION GROUP (Note 1)	**-**	**238,886**
LOSS GENERATED IN THE DISPOSAL OF THE BUSINESS OF BIOFUELS	**(193)**	**-**
TOTAL PROFIT OF DISCONTINUED ACTIVITIES	**941**	**209,151**

The amount of the turnover corresponding to the discontinued activities, corresponding entirely to the Automotive, is broken down into the following geographical areas or countries:

Thousand euro	**2019**	**2018**
Spain	10,683	22,067
Rest of Europe	5,789	13,496
TOTAL	**16,472**	**35,563**

The 2018 revenue from discontinued operations related to the revenue from Solutions and Services (Smart Innovation) was disaggregated as follows:

Thousand euro	**2018**
Spain	298,359
Rest of Europe	62,524
America	88,992
Asia, Oceania and other	51,988
TOTAL	**501,863**

Additionally, and until the effective distribution of the extraordinary dividend that was made on July 3, 2018, the Group 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 was as follows:

ASSETS (Thousand euro)	24.04.2018	LIABILITIES (Thousand euro)	24.04.2018
Non-current assets	**457,769**	**Deferred revenue**	-
Property, plant and equipment	49,965		
Goodwill	280,454	**Non-current liabilities**	**165,395**
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		
Current assets	**544,773**	**Current liabilities**	**531,522**
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
TOTAL ASSETS	**1,002,542**	**TOTAL LIABILITIES**	**696,917**

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 income statement 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 December 31, 2019 and December 31, 2018:

ASSETS (Thousand euro)	31.12.2019	31.12.2018	LIABILITIES (Thousand euro)	31.12.2019	31.12.2018
Non-current assets	**3,059**	**20,473**	**Deferred revenue**	**1,471**	**2,431**
Property, plant and equipment	2,246	16,630			
Other intangible assets	4	11	**LIABILITIES**	**2,515**	**15,654**
Non-current financial assets	55	61	**Non-current liabilities**	**352**	**1,219**
Deferred tax assets	388	3,416	Deferred tax liabilities	352	441
Other non-current assets	366	355	Other non-current liabilities	-	778
Current assets	**2,073**	**11,286**			
Inventory	163	6,695	**Current liabilities**	**2,163**	**14,435**
Trade and other receivables	67	1,440	Trade and other payables	312	8,998
Other current assets	13	76	Current tax liabilities	200	479
Current tax assets	595	1,388	Current provisions	1,629	4,405
Cash and cash equivalents	1,235	1,687	Other current liabilities	22	553
TOTAL ASSETS	**5,132**	**31,759**	**TOTAL LIABILITIES**	**3,986**	**18,085**

(In thousand euro)

The detail of the cash flow consolidated statements for discontinued activities for the periods ended at December 31, 2019 and 2018, is as follows:

	Year ended December 31	
Thousand euro	**2019**	**2018**
Profit of the year	**1,134**	**(29,736)**
Current and deferred taxes	(884)	1,700
Grants released to income	-	(34)
Depreciation and amortisation	453	16,129
Assets Impairment	-	34,087
(Profit)/loss on the sale of property, plant and equipment	-	(250)
Net movements of provisions	(2,776)	3,399
Net (gains)/losses in fair value of financial instruments	-	(627)
Variation in fair value in assets and liabilities with imputation in income	-	-
Exchange differences	17	(439)
Interest income	-	(352)
Interest expense	26	4,416
Share in losses/(gains) in associates	-	(282)
Adjustements to the profit of the year	**(3,164)**	**57,747**
Inventory	3,574	3,692
Trade and other receivables	(1,931)	6,394
Other assets	(101)	3,493
Trade and other payables	(4,963)	(736)
Working capital variation	**(3,421)**	**12,843**
Cash generated by operations	**(5,451)**	**40,854**
Interests paid	(13)	(3,804)
Interests collected	-	(444)
CASH FLOWS FROM OPERATING ACTIVITIES	**(5,464)**	**36,606**
Acquisition of subsidiaries, net of cash acquired	-	(34,037)
Acquisition of fixed assets	12	(10,898)
Collections from fixed assets disposal	-	458
Collections from Biosur Transformación, S.L.U. assets disposal (*)	5,000	-
Payments for the acquisition of non-controlling interests	-	(745)
Acquisition/disposal of financial assets	-	(9,812)
CASH FLOWS FROM INVESTING ACTIVITIES	**5,012**	**(55,034)**
(Acquisition)/Sale of treasury shares in subsidiaries	-	(36)
Income from granted borrowings	-	51,229
Repayment of loans	-	(4,098)
Net variation of other debts	-	(1,448)
Lease payments	-	-
Other payments/receipts to/from non-dominant shares	-	(210)
Cash out of Dominion (Note 1)	-	(165,896)
Net variation of group accounts from discontinued activities	-	2,210
CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**(118,249)**
Exchange gains/(losses) on cash and cash equivalents	-	(820)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(452)**	**(137,497)**
Cash and equivalents at beginning of the period	1,687	139,184
Cash and equivalents at end of the period	**1,235**	**1,687**

(*) The net collection of cash for the disposal of the biofuel business in 2019 in the Group is as follows:

Collections from the disposal of Biosur Transformación, S.L.U. assets	5,000	-
Collections from the disposal of the company Bionor Berantevilla, S.L.U.	13,669	-
Cash and equivalents collected from the disposal of the biofuel business	**18,669**	**-**

13. Share capital and share premium

December 31, 2019					
Movements in thousands of euro	No. shares (thousands)	Share capital	Treasury shares	Share premium	Total
At 31 December 2018	129,000	32,250	-	152,171	**184,421**
Treasury shares (acquisition)/sale	-	-	-	-	-
At 31 December 2019	129,000	32,250	-	152,171	**184,421**

December 31, 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**

a) Share capital

The share capital of CIE Automotive, S.A. at December 31, 2019 and 2018 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 Madrid stock market. The companies that hold a direct or indirect interest of more than 10% are as follows:

% interest	31.12.2019	31.12.2018
Acek Desarrollo y Gestión Industrial, S.L.	(*) 14.909%	(*) 14.909%
Corporación Financiera Alba, S.A.	10.129%	10.129%
Elidoza Promoción de Empresas, S.L.	10.000%	10.000%

(*) 5.508% directly and indirectly through Risteel Corporation, B.V., the remaining 9.401% (5.508% y 9.401% respectively in 2018).

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €21.08 at December 31, 2019 (last listed session of the period).

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

As of December 31, 2019 and December 31, 2018, after the disposal of treasury shares during the six-month period ended June 30, 2018, no treasury shares are registered within the Parent company's equity. The sale of these treasury shares resulted in an income of €3,207 thousand which was directly taken to the Parent Company's reserves.

Similarly, the mandate conferred at the Annual General Meeting of May 8, 2019, 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 May 8, 2024.

(In thousand euro)

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
At December 31, 2017	**6,450**	**586,720**	**215,408**	**808,578**	**(137,967)**	**670,611**
Impacts of transition to IFRS 9	-	(7,113)	-	**(7,113)**	-	**(7,113)**
At January 1, 2018	**6,450**	**579,607**	**215,408**	**801,465**	**(137,967)**	**663,498**
Distribution of 2017 profit	-	143,239	(215,408)	**(72,169)**	-	**(72,169)**
Income/(expense) recognised directly in equity, net	-	(1,939)	396,754	**394,815**	(13,753)	**381,062**
Extraordinary Dividend (Note 1)	-	(404,751)	-	**(404,751)**	-	**(404,751)**
Changes in consolidation scope and business combinations (Note 33)	-	(29,323)	-	**(29,323)**	(595)	**(29,918)**
Transactions with treasury shares	-	3,207	-	**3,207**	-	**3,207**
Other changes	-	(5,896)	-	**(5,896)**	467	**(5,429)**
At December 31, 2018	**6,450**	**284,144**	**396,754**	**687,348**	**(151,848)**	**535,500**
Distribution of 2018 profit	-	316,774	(396,754)	**(79,980)**	-	**(79,980)**
Income/(expense) recognised directly in equity, net	-	(11,037)	287,475	276,438	(17,681)	**258,757**
Other changes	-	(9,400)	-	(9,400)	-	**(9,400)**
At December 31, 2019	**6,450**	**580,481**	**287,475**	**874,406**	**(169,529)**	**705,877**

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 2019 and 2018, 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

On December 4, 2019, the Board of Directors has approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total payout of €47,730 thousand. Payment has been effective on January 3, 2020.

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

The provisional accounting statement of the parent company at October 31, 2019, 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
Profit forecast:	
- Available net profit for 2019	107,069
To deduct:	
- Legal reserve	-
Maximum amount to distribute	107,069
Amount distribution proposal	95,460
Treasury forecast for one year	139,113
Interim dividend	(47,730)

On May 8, 2019, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2018 fiscal year, approving the distribution of a complementary dividend of €0.31 gross per share entitled to a dividend, which has amounted to a total of €39,990 thousand. The payment has been effective on July 3, 2019.

On December 12, 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.

On April 24, 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 July 3, 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 December 12, 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 January 5, 2018.

In relation to this last interim dividend of the Parent Company and the one agreed on December 12, 2018, 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 2019 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 2018, is as follows:

Thousand euro under Spanish GAAP	2019	2018
Available for distribution		
Profit/(loss) for the year	**112,113**	**327,860**
Distribution		
To Voluntary reserves	16,653	247,880
To Interim dividend	47,730	39,990
To Final dividend	47,730	39,990
PROFIT AND LOSSES	**112,113**	**327,860**

(In thousand euro)

15. Cumulative exchange differences

The cumulative exchange differences at year-end 2019 is €169,529 thousand (2018: €151,848 thousand)

The main variations of the cumulative exchange differences for the year are due to the exchange rate fluctuations of the Brazilian real, the US dollar, the Indian rupee and the Chinese Yuan for an amount of approximately €6 million negative, €6 million positive, €4 million negative and €16 million negative, respectively (2018: €30 million negative, €15 million positive, €8 million negative and €1 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 €580,481 thousand and €284,144 thousand at December 31, 2019 and 2018, 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, January 1, 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	2019	2018
Balance at December 31 of previous period	**368,955**	**522,456**
Impacts of transition to IFRS 9	--	(1,568)
Balance at January 1 of current period	**368,955**	**520,888**
Profit of the year	26,576	40,731
Difference in foreign currency conversion	(1,193)	(7,010)
Currency translation differences from the disposal of Dominion	--	13,208
Other (gross hedges of cash flows, tax effect, etc.)	(843)	475
Net income/(expense) recognized directly in equity	**24,540**	**47,404**
Dividend paid to non-dominant shares	(56)	(210)
Extraordinary Dividend (Note 1)	-	(165,545)
Variations in the perimeter and business combinations (Notes 1 and 33)	-	(29,142)
Other movements	(33)	(440)
Balance at December 31 of current period	**393,406**	**368,955**

The breakdown of non-controlling interests by Company/Subgroup is as follows:

December 31, 2019			
Thousand euro	**% Non-controlling**	**Non-controlling interests**	**Income attributable to non-controlling interest**
Mahindra CIE Subgroup	43.68%	352,746	20,680
Other minor	-	40,660	5,896
Non-controlling interests		**393,406**	**26,576**

December 31, 2018			
Thousand euro	**% Non-controlling**	**Non-controlling interests**	**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
Non-controlling interests		**368,955**	**40,731**

(In thousand euro)

The assets, liabilities and the profit for the year 2019 assigned to the minority shareholders of the sub-group Mahindra CIE by their percentage of share-hold amounts to €599 million, €247 million and €21 million respectively (2018: €585 million, €251 million and €28 million respectively).

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	31.12.2019	31.12.2018
Bank borrowings (a)	1,596,212	1,057,703
Non-current borrowings	**1,596,212**	**1,057,703**
Bank borrowings (a)	200,147	177,257
Commercial paper program (b)	299,200	91,000
Discounted bills pending maturity and prepayments export bills	25,138	14,055
Current borrowings	**524,755**	**282,312**
TOTAL BORROWINGS	**2,120,967**	**1,340,015**

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		1,796,629	1,596,212	205,056
Total borrowings at initial fixed interest rate		(217.958)	(175,423)	(19,562)
Interest rate swaps impact	8	(388,458)	(373,333)	-
Risk at December 31, 2019		**1,190,213**	**(1,047,456)**	**185,494**
Total borrowings		1,234,960	1,057,703	106,158
Total borrowings at initial fixed interest rate		(150,390)	(103,052)	(27,500)
Interest rate swaps impact	8	(417,438)	(388,173)	-
Risk at December 31, 2018		**667,132**	**566,478**	**78,658**

Non-current borrowings have the following maturities:

Thousand euro	31.12.2019	31.12.2018
Between 1 and 2 years	244,770	161,899
Between 3 and 5 years	1,146,386	789,646
Over 5 years	205,056	106,158
TOTAL NON-CURRENT BORROWINGS	**1,596,212**	**1,057,703**

The effective interest rates at the balance sheet dates are the usual market rates (benchmark rate plus a market spread) and there are 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 (2018: between 30 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).

(In thousand euro)

The carrying amount of the Group's borrowings is denominated in the following currencies:

Thousand euro	31.12.2019	31.12.2018
Euro	1,760,853	1,068,193
US dollar	345,783	256,785
Brazilian real	2,611	4,161
Other	11,720	10,876
TOTAL BORROWINGS	**2,120,967**	**1,340,015**

At December 31, 2019 the Group had drawn down bank facilities in the amount of €243 million (2018: €260 million) and has the following undrawn loans and credit lines. The total limit of the aforementioned lines of credit amounts to €744 million (December 31, 2018, €803 million), so it has €501 million (2018: €543 million) of loans and credit lines undrawn at a variable interest rate.

Thousand euro	31.12.2019	31.12.2018
Floating rate		
Expiring within one year	156,036	90,474
Expiring beyond one year	345,069	452,252
TOTAL AVAILABLE LINES OF CREDIT	**501,105**	**542,726**

On July 28, 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. The subsequent novations related to this financing were the following:

- On April 13, 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 July 14, 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 June 6, 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 April 27, 2018, the Parent company signed a forth 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.
- On April 12, 2019, the Parent company has signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024. The impact of registering this novation at its amortized cost has not been significant.

The drawn amount on December 31, 2019 amounted to €480 million (December 31, 2018: €400 million), and its interest rate was indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

On July 14, 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 December 31, 2019 amounted to €77 million (€81 million on December 31, 2018).

At June 23, 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 December 31, 2019 the drawn down balance amounts to €33 million and bears a fixed interest (€47 million on December 31, 2018).

In July 2018, CIE Automotive, S.A. signed a contract with the European Investment Bank (EIB) of €80 million, fully undrawn at December 31, 2019, which matures on April 15, 2031 (in 2018 it was not undrawn).

In April 2019, also CIE Automotive, S.A. subscribed a loan for an amount of €400 million and whose maturity was three months and it has been fully paid as of December 31, 2019.

Throughout the year 2019, CIE Automotive, S.A. has formalized loans with different Spanish financial institutions for an amount of €420 million, all denominated in euros.

On May 11, 2016, the Group, through its US subsidiary CIE Automotive USA Investments, arranged two loans of USD35 million each, with maturity of 3 and 5 years, respectively, at a variable interest rate, linked to LIBOR. The balance at December 31, 2019 amounted to €56.1 million (€61.2 million as of December 31, 2018).

In February 2017, the Mexican companies Pintura, Estampado y 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 €116.3 million as of December 31, 2019 (€114.1 million as of December 31, 2018).

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 December 31, 2019 amounts to €39 million (December 31, 2018: €43.7 million).

On July 5, 2018, the Group 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 December 31, 2019 the drawn amount of such funding is €133.7 million (December 31, 2018: €34.9 million approximately).

All such financing are subject to compliance with certain ratios that are customary in the market for these types of contracts. These ratios are fulfilled at December 31, 2019 and December 31, 2018.

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 2019, the Group has repaid €591 million related to bank credits and loans (2018: €476 million) and loans and additional credit accounts have been arranged to the amount of €1,121 million included those disclosed above (2018: €547 million).

b) Commercial paper program

On July 19, 2018, the Parent company of the Group made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was 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 July 19, 2018, the program has been renewed increasing the maximum amount to €300 million. On December 31, 2019 the drawn balance amounts to €299 million (2018: €91 million).

(In thousand euro)

19. Trade and other payables

Thousand euro	31.12.2019	31.12.2018
Trade payables	759,711	647,061
Other account payables	99,183	73,961
TOTAL	**858,894**	**721,022**

The fair values of these payables do not differ from their carrying amounts.

The breakdown of trade payables settled during 2019 and 2018 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	2019	2018
Average payment period to suppliers	72	72
Paid operations ratio	75	72
Outstanding operations ratio	65	74

Thousand euro	2019	2018
Total payments made	517,579	942,354
Total outstanding payments	242,554	266,925

(*) The payments made by the Dominion subgroup in 2018 amounted to €409 million.

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	31.12.2019	31.12.2018
Capital creditors	12,544	13,080
Long-term payables to tax authorities	18,523	20,730
Other non-current debts	36,963	31,767
Lease liabilities (Note 6.e)	73,831	-
Non-Current	**141,861**	**65,577**
Current tax liabilities	62,770	59,221
Short-term payables to tax authorities	1,445	688
Capital creditors	35,320	28,230
Accrued wages and salaries	80,065	57,548
Other current liabilities	8,522	10,293
Debts for business acquisitions (Notes 1 and 33)	24,461	-
Accruals and deferred income	12,870	14,285
Lease liabilities (Note 6.e)	23,425	-
Current	**248,878**	**170,265**
TOTAL OTHER LIABILITIES	**390,739**	**235,842**

The fair value 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).

(In thousand euro)

Other non-current liabilities

At December 31, 2019 this heading includes loans to finance investment projects received from public financing institutions totalling to €25,035 thousand (2018: €29,325 thousand), being €18,884 thousand (2018: €23,025 thousand) classified as other long term liabilities; and the granted loan in December 2019 with COFIDES, which at December 31, 2019 held a balance of €10,276 thousand, being fully classified in the long term (2018: €3,750 thousand, €1,250 thousand classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

Other non-current liabilities have the following maturities:

Thousand euro	31.12.2019	31.12.2018
Between 1 and 2 years	38,362	19,883
Between 2 and 5 years	49,465	22,672
Over 5 years	54,034	23,022
TOTAL NON-CURRENT OTHER LIABILITIES	**141,861**	**65,577**

21. Deferred taxes

The breakdown of deferred tax assets and deferred tax liabilities is as follows:

Thousand euro	31.12.2019	31.12.2018
Deferred tax assets to be reverted after more than 12 months	139,856	145,113
Deferred tax assets to be reverted within 12 months	30,590	35,936
Total deferred tax assets	**170,446**	**181,049**
Deferred tax liabilities to be reverted after more than 12 months	110,049	74,057
Deferred tax liabilities to be reverted within 12 months	18,978	21,233
Total deferred tax liabilities	**129,027**	**95,290**
NET	**41,419**	**85,759**

The overall movement in the deferred tax account is as follows:

Thousand euro	Note	2019	2018
Opening balance		**85,759**	**145,589**
Initial implementation of the IFRS 9		-	3,440
Implementation of the IFRIC 23 (Notes 2.3 and 23)		-	(22,408)
Additions/changes in consolidation scope	33	(12,898)	1,650
(Charged)/credited to the income statement	28	(34,927)	(740)
(Charged)/credited to equity		2,248	338
Discontinued Operations	12	-	(42,947)
Transfers and reclassifications (*)		1,237	837
Closing balance		**41,419**	**85,759**

(*) Includes movements on deferred items due to foreign currency exchange fluctuations.

(In thousand euro)

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
At December 31, 2017	**2,120**	**88,979**	**75,928**	**64,042**	**231,069**
Initial implementation of the IFRS 9	-	3,440	-	-	3,440
At January 1, 2018	**2,120**	**92,419**	**75,928**	**64,042**	**234,509**
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)(*)	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)
At December 31, 2018	**2,645**	**80,198**	**42,516**	**55,690**	**181,049**
Additions/changes in consolidation scope (Note 33)	-	3,795	-	-	3,795
(Charged)/credited to the income statement (Note 28)	-	(3,274)	(10,561)	(6,451)	(20,286)
(Charged)/ credited directly to equity	313	1,935	-	-	2,248
Transfers and reclassifications (**)	-	3,369	(886)	1,157	3,640
At December 31, 2019	**2,958**	**86,023**	**31,069**	**50,396**	**170,446**

(*) Tax credits related to R&D investments, in the amount of €150 thousand, are recognised as grants relating to costs, in accordance with IAS 20. (2018: €761 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
At January 1, 2018	**14,890**	**42,618**	**247**	**27,725**	**85,480**
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)
Implementation of the IFRIC 23 (Notes 2.3 and 23)	-	-	-	22,408	22,408
Transfers and reclassifications (**)	2,646	(6,302)	(44)	684	(3,016)
At December 31, 2018	**17,790**	**28,424**	**366**	**48,710**	**95,290**
Changes/additions to consolidation scope (Note 33)	-	9,918	-	6,775	16,693
Charged/(credited) to the income statement (Note 28)	13,003	(5,374)	(343)	7,355	14,641
Transfers and reclassifications (**)	495	466	225	1,217	2,403
At December 31, 2019	**31,288**	**33,434**	**248**	**64,057**	**129,027**

(*) 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.

(In thousand euro)

The deferred tax assets that were capitalised by the consolidated Group at December 31, 2019 and 2018 are as follows:

	2019		2018	
Thousand euro	**Tax losses**	**Tax credits**	**Tax losses**	**Tax credits**
Spain	8,863	47,209	7,217	52,862
Rest of Europe	1,308	2,060	14,411	2,102
Brazil	9,860	-	11,321	-
Mexico	5,081	-	6,827	-
USA	5,957	1,127	2,740	726
TOTAL	**31,069**	**50,396**	**42,516**	**55,690**

The Group has performed a recoverability analysis for which all the activated credits would be recoverable in 10 years.

The applicable legislation in the Basque Territory establishes a temporary limitation of 30 years for the compensation of the deductions and tax losses generated, also establishing that, for those deductions and negative bases existing prior to January 1, 2014, the limit of the 30 years starts counting from January 1, 2014.

For Spanish laws, Brazil and the most significants 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 €93 million (2018: €60 million) in respect of losses generated by certain Spanish and other foreign companies amounting to €329 million (2018: €195 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 €49 million (2018: €44 million).

22. Commitments with employees

Set out below is a breakdown of employee benefit provisions classified by country:

Thousand euro	31.12.2019	31.12.2018
Germany	80,320	25,869
India	5,967	4,397
Italy	2,719	2,783
Mexico	722	-
TOTAL PENSIONS	**89,728**	**33,049**

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:

1) 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.
2) 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.
3) 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.

(In thousand euro)

The movement of the defined benefit obligation and the long-term benefits to personnel during 2019 and 2018 has been as follows:

December 31, 2019									
					CALCULATION OF ASSESSMENTS				
Thousand euro	31.12.2018	CHANGES/ADDITIONS TO CONSOLIDATION SCOPE (Note 33)	CURRENT SERVICES COST	EXPENSES/ (INCOME) BY INTEREST	(PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS	(PROFIT) / LOSSES FROM EXPERIENCE	PAYMENT OF FEES	TRANSLATION DIFFERENCES	31.12.2019
Post-employment benefits [1]	31,415	282	1,801	731	3,555	245	(2,466)	(49)	35,514
Long-term benefits with staff	1,634	45,873	1,179	643	6,404	(107)	(1,412)	-	54,214
TOTAL PENSIONS	**33,049**	**46,155**	**2,980**	**1,374**	**9,959**	**138**	**(3,878))**	**(49)**	**89,728**

December 31, 2018									
				CALCULATION OF ASSESSMENTS					
Thousand euro	31.12.2018	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	31.12.2019
Post-employment benefits [1]	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
TOTAL PENSIONS	**46,460**	**350**	**519**	**415**	**(117)**	**(1,330)**	**(172)**	**(13,076)**	**33,049**

[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 and Mexico.

The financial-actuarial assumptions used in the actuarial valuations are set out below:

	2019			
	Germany	India	Italy	Mexico
Interest rate	0.94% - 0.98%	6.60% - 7.70%	0.31%	7.02%
Expected performance active plan	N/A	6.60% - 7.70%	N/A	N/A
Future growth of wages	2.30% - 2.50%	5% - 9%	0%	4.54%
Future growth of pensions	1% - 1,8%	0% - 8%	2.63%	N/A
Table of mortality	Dr. K.Heubeck Richttfeln 2018 G - RT 2018 G	IALM 2006-2008 y 2012-2014	RG48	EMSSAH 2009
Retirement age	65 years	58 years for workers, 60 years for others	63 years	65 years
Method of valuation	PUC	PUC	TFR	PUC

	2018		
	Germany	India	Italy
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

(In thousand euro)

The contributions to these plans in the next financial year 2020 would amount to approximately €1,721 thousand.

23. Provisions

The breakdown of the movements in Group provisions in 2019 and 2018 is as follows:

Thousand euro	31.12.2019	31.12.2018
Beginning balance	**175,516**	**218,374**
Additions / (variations) in consolidation scope (Note 33)	123,120	2,950
Additions / (Reversals)	32,358	53,467
Income statement (**)	*22,261*	*53,157*
Equity	*10,097*	*310*
Application and payments	(33,245)	(47,632)
Transfers and other movements (*)	945	(4,025)
Implementation of the IFRIC 23 (Note 2.2)	-	(22,408)
Discontinued activities (Note 12)	-	(25,210)
Ending balance	**298,694**	**175,516**
NON-CURRENT PROVISIONS	**231,958**	**144,383**
CURRENT PROVISIONS	**66,736**	**31,133**

(*) Mainly relate to exchange rate effects in subsidiaries.

(**) The comparative movement of provisions for results for the year 2018 includes €6,429 thousand of income reclassified in 2019 within the line of discontinued activities in the consolidated profit and loss account after its restatement.

Non-current provisions at December 31, 2019 mainly include the following:

- A €39.5 million provision (2018: €32.3 million) corresponding almost entirely to tax contingencies in Brazil, of which €2.2 million are on court deposit pending court rulings at December 31, 2019 (2018: €1.7 million).
- A €1.8 million provision established to guarantee the sale of assets and closure and winding up of companies (2018: €3.1 million).
- A €92.3 provision for other personnel liabilities (2018: €35.8 million), including €85.0 million relating to pension plans (2018: €30.0 million).
- A €98.4 million provision (2018: €73.2 million) to cover the operating risks of the business which it is considered may crystallize in the long term.

Current provisions at December 31, 2019 are basically for the adaptation of productive structures of Group companies as well as short-term liabilities with staff (2019: €7.4 million, including €4.7 million of pensions; 2018: €5.9 million, including €3.0 million of pensions); also the hedging of business' operating risk at various Group companies classified as payable at short term maturity (2019: €51.5 million; 2018: €17.9 million). They include other tax contingency risks and customer complaints at certain subsidiaries (2019: €7.8 million; 2018: €7.3 million).

The total of long and short-term provisions reclassified in discontinued operations on December 31, 2019 amounts to €1.6 million (2018: €4.4 million) (Note 12).

24. Operating income

Thousand euro	Note	2019	2018
Revenue			
- Sale of products and services		3,461,052	3,029,495
Changes in inventories of finished goods and work in progress	10	(8,498)	17,460
Other operating income		114,227	159,621
TOTAL		**3,566,781**	**3,206,576**

"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 €1,516 thousand (€1,628 thousand losses in 2018) (Note 31).

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousand euro) is as follows:

Thousand euro	2019	2018
US dollar	908,020	745,735
Brazilian real	325,512	323,649
Indian rupee	376,319	355,870
Chinese yuan	315,729	140,864
Other	85,863	88,169
TOTAL	**2,011,443**	**1,654,287**

25. Other operating expenses

Thousand euro	Note	2019	2018
Utilities		76,447	55,160
Transport		44,969	36,882
Repairs		62,700	61,120
Provision for impairment of accounts receivable	9	(1,347)	1,615
Provision for inventory impairment (obsolescence)	10	8,287	10,078
Other operating expenses		110,292	118,206
TOTAL		**301,348**	**283,061**

26. Employee benefit expense

Thousand euro	2019	2018
Wages and salaries	478,347	426,756
Social security cost	89,217	75,026
Other welfare expenses	45,349	51,778
Personnel restructuring costs	10,322	4,278
TOTAL	**623,235**	**557,838**

The average Group headcount by category is as follows:

Category	2019	2018
Executives	922	771
University graduates, specialists and administrative employees	7,239	6,050
Semi-skilled workers	18,698	16,400
Total	**26,859**	**23,221**

Likewise, the average number of people employed in the course of the exercise with a disability greater than or equal to 33% is 363 people belonging to the semi-skilled workers category (2018: 366 people belonging to the semi-skilled workers category).

The gender breakdown of the Group's staff and Board of Directors at December 31, 2019 and 2018 is as follows:

	2019			2018		
Category	**Men**	**Women**	**Total (*)**	**Men**	**Women**	**Total (*)**
Members of the Board of Directors (*)	11	2	13	11	2	13
Executives	876	115	991	685	68	753
University graduates, specialists and administrative employees	6,368	1,252	7,620	5,063	992	6,055
Semi-skilled workers	16,221	3,291	19,512	13,707	2,742	16,449
TOTAL	**23,476**	4,660	**28,136**	**19,466**	**3,804**	**23,270**

(*) Two of the members of the Board of Directors act as well as executive directors of the Group.

(In thousand euro)

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 zero interest rate. 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, 2019, amount to €25.0 million (2018: € 27.3 million) (Note 8).

27. Finance income and expenses

Thousand euro	Note	2019	2018
Finance costs:			
-Bank borrowings interest		(55,097)	(53,332)
Interest income:			
- Other interest and finance income	31	16,891	9,500
Net gains/(losses) on foreign currency transactions	31	6,824	1,438
Net gains/(losses) on financial instruments at fair value	31	(554)	(7,060)
TOTAL		**(31,936)**	**(49,454)**

28. Income tax

Thousand euro	2019	2018
Current year tax	53,816	90,338
Net variation deferred tax (Note 21) (*)	35,084	1,501
Total income tax expense	**88,900**	**91,839**
Tax expense of discontinued operations (Note 12) (**)	884	(1,700)
Tax expense	**89,784**	**90,139**

(*) Does not include tax credits related to R&D investments amounting to € 150 thousand recognised as operating grants in accordance with IAS 20 (2018: €761 thousand).

(**) Include €7 thousand of deferred income generated by the discontinued businesses in 2019.

The reconciliation of the Group's accounting profit and taxable profit is as follows:

Thousand euro	2019	2018
Consolidated accounting profit before tax for the year from continuing operations	402,894	318,473
Accounting profit before tax from discontinued operations (Note 12)	250	210,851
Consolidation adjustments	137,151	84,505
Aggregate profit before taxes in consolidated companies	**540,295**	**613,829**
Income not subject to tax and non-deductible expenses (*)	(310,113)	(360,436)
Net temporary differences in individual companies (**)	(45,540)	(1,120)
Offset of tax-loss	(29,958)	(29,973)
Aggregate taxable profit	**154,684**	**222,300**

(*) Dividends distributed among Group companies and other permanent differences totalling €115 million and €148 million, respectively (2018: €39 million and €62 million, respectively).

(**) Net temporary differences in the individual companies basically include the deductibility of the fiscal amortization of the Goodwill in different geographies, the accelerated tax amortization of fixed assets and the differences for accounting and tax purposes in the recognition of expenses and income and in the recognition and reversal of provisions.

(In thousand euro)

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	2019	2018
Aggregate profit before taxes in consolidated companies	540,295	613,829
Tax calculated at domestic tax rates applicable to profits in the respective countries	144,295	179,184
Net Income	(82,150)	(105,157)
Utilisation of tax credits and tax losses	(8,329)	(1,093)
Registration of provisions and other (*)	3,688	17,403
Deferred tax expense/(income) (Note 21)	31,396	1,501
Tax expense	88,900	91,839
Transfer to discontinued operations (Note 12) (*)	884	(1,700)
Income tax expense of continued activities	**89,784**	**90,139**

(*) Registration in fiscal year 2019 of tax provisions as deferred tax after the application of IFRIC 23.

The theoretical tax rates vary in accordance with the various tax domiciles, the most important of which are as follows:

	Nominal rate	
	2019	2018
Basque Region	24%	26%
Navarre	28%	28%
Rest of Spain	25%	25%
Mexico	30%	30%
Brazil	34%	34%
Rest of Europe (average rate)	15% - 33%	15% - 33%
People's Republic of China	15% - 25%	25%
USA	21%	21%
India	25% - 35%	35%

As mentioned in Note 2.21, 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 2019 is the one relating to Bizkaia Regional Regulation 11/2013 (December 5), modified by the Bizkaia Regional Regulation 2/2018 (March 12).

The Directors of the Parent company have calculated the amounts associated with this tax for 2019 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 2019 and 2018, non-current assets have been sold, generating a capital gain amounting to €428 and €933 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).

	2019	2018
Profit attributable to the Parent company's shareholders (thousand euro)	287,475	396,754
Profit /(loss) from discontinued operations attributable to the Parent company's shareholders (thousand euro) (*)	922	205,757
Weighted average number of ordinary shares outstanding (thousand)	129,000	128,888
BASIC EARNINGS	**2.23**	**3.08**
Basic earnings per share from continuing operations (euro per share)	2.22	1.48
Basic earnings per share from discontinued operations (euro per share)	0.01	1.60

(*) The profit / (loss) from discontinued activities of the Group amount (2019: €941 thousand, 2018: € 209,151 thousand) which corresponds to the shareholders of the Parent company is €922 thousand in 2019 and €205,757 thousand in 2018.

30. Dividend per share

On December 4, 2019, the Board of Directors has approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total payout of €47,730 thousand. Payment has been effective on January 3, 2020.

On May 8, 2019, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2018 fiscal year, approving the distribution of a complementary dividend of €0.31 gross per share entitled to a dividend, which has amounted to a total of €39,990 thousand. The payment has been effective on July 3, 2019.

On December 12, 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 January 4, 2019.

On April 24, 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 on July 3, 2018 and their fair value amounted to €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 meant a total of €36,120 thousand. The disbursement was effective on July 3, 2018.

On December 12, 2017, the Board of Directors of CIE Automotive, S.A. 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 €36,049 thousand. Payment was made on January 5, 2018.

(In thousand euro)

31. Cash generated from operating activities

Thousand euro	Note	2019	2018
Profit/(loss) for the year		**314,051**	**437,485**
Taxes	28	53,816	90,338
Deferred tax	21/28	35,084	1,501
Grants released to income		(1,338)	(1,661)
Depreciation of property, plant and equipment	6	161,037	158,435
Amortisation of intangible assets	7	5,943	5,254
Asset impairment charge	6	302	47
(Profit)/loss on disposal of property, plant and equipment (*)		(1,516)	(1,628)
Net change in provisions		(10,984)	128
(Profit)/loss from discontinued operations before taxes	12	(57)	(210,851)
Net (gains)/losses on re-measurement to fair value of financial instruments	27	554	7,060
Exchange differences	27	(6,824)	(1,438)
Interest income	27	(16,891)	(9,500)
Interest expense	27	55,097	53,332
Participation in the loss/(gain) of the associated	8	(7,753)	(2,641)
Adjustments to year´s profit		**266,470**	**88,376**
Inventories		38,578	(41,768)
Trade and other receivables		54,443	8,399
Other assets		(7,971)	12,379
Trade and other payables		(21,990)	(29,042)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)		**63,060**	**(50,032)**
CASH GENERATED FROM OPERATING ACTIVITIES		**643,581**	**475,829**

(*) In the cash flow statement, revenues from the sale fixed assets include:

Thousand euro	Note	2019	2018
Carrying amount	6/7	4,401	2,477
Profit /(loss) on disposal of property, plant and equipment		1,516	1,628
Proceeds from disposal of property, plant and equipment		**5,917**	**4,105**

32. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

Thousand euro	2019	2018
Property, plant and equipment	35,501	37,458

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.

As of December 31, 2018 there were commitments of non-cancelable leases amounting to €49.6 million, which after the entry into force of IFRS 16 "Leases", the leases in question have been recorded according to the criteria established in the rule (Notes 2.2 and 6).

33. Business combinations

2019

a) Aurangabad

On April 9, 2019, the Group, through its Indian nationality subsidiary Mahindra CIE Automotive, Ltd., has carried out the acquisition of 100% of the shares of the company, also of Indian nationality, Aurangabad Electricals, Ltd. for a price of 8,737 million rupees (approximately €111 million), of which 8,137 million rupees (approximately €104 million) have been paid on the date of the acquisition (Note 1).

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarized below:

Fair value in thousand euro	Nota	AURANGABAD
Fixed assets	6/7	47,219
Deferred tax assets	21	1,238
Non-current financial assets	8	231
Other non-current assets	-	2,211
Inventories	10	7,219
Accounts receivables	9	16,149
Other current assets	-	403
Current financial assets	8	11,714
Cash and cash equivalents	-	5,386
Assets acquired		**91,770**
Other financial liabilities	-	23,120
Deferred tax liabilities	21	5,538
Provisions	23	4,967
Accounts payables	-	17,776
Lease liabilities	6	57
Other current liabilities	-	4,476
Liabilities acquired		**55,934**
Net assets acquired		**35,836**

Purchase Price		111,426
Fair value of the net assets acquired	-	(35,836)
Goodwill	**7**	**75,590**

The cash-flow movement of the operation has been:

Thousand euro

Purchase Price	111,426
Outstanding amount at the time of the acquisition	(7,652)
Amount paid	**103,774**
Cash and cash equivalents at the entity acquired	(5,386)
Outflow of cash on the acquisition	**98,388**

The fair value of the fixed assets has been determined according to appraisals carried out by independent experts, whose estimates, which did not include limitations or additional risks to be considered, have been based on purchase or replacement market prices, and account for the residual useful lives of the various assets.

The goodwill resulting from the acquisition has been attributed to the future profitability of the acquired business and the synergies expected after the acquisition by the Group.

The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired have been completely finalized.

The revenue of the business of the business combination amounted to €80 million. If the business combination had taken place on January 1, 2019, these amounts would have amounted to €107 million.

b) CIE Golde

On May 6, 2019 the Group, through its subsidiaries CIE Roof Systems, S.L. and CIE Automotive USA, Inc. has proceeded to the acquisition of car roof design and production business owned by the US group Inteva Products Inc, currently called CIE Golde.

The acquisition cost has amounted to €741.7 million (USD 828 million) and includes the acquisition of 100% of the shares of Golde Holding, BV, Golde USA, LLC, Golde Netherlands, BV, Golde South Africa, LLC and Golde Auburn Hills, LLC. The first three companies are holding companies whose main function is the ownership of shares of the subsidiaries of the CIE Golde Group, while the last two companies are productive and marketing companies. Likewise, it also includes, through the company Golde Netherlands, BV, the acquisition of 50% of Shanghai Golde Automotive Parts Co., Ltd. (SAMAP), and which, based on the current agreements with the partner, it must be consolidated by the equity method.

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, fully consolidated, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarized below:

Fair value in thousand euro	Nota	CIE GOLDE
Fixed assets	6/7	105,374
Deferred tax assets	21	814
Non-current financial assets	8	2,348
Investments in associates	8	55,500
Inventories	10	39,891
Accounts receivables	9	99,644
Other current assets	-	10,348
Current financial assets	8	16,264
Cash and cash equivalents	-	58,124
Assets acquired		**388,307**
Provisions	23	118,153
Accounts payables	-	118,569
Deferred taxes	21	8,431
Lease liabilities	6	41,020
Other current liabilities	-	38,306
Liabilities acquired		**324,479**
Net assets acquired		**63,828**

Purchase Price		741,718
Fair value of the net assets acquired	-	(63,828)
Goodwill	**7**	**677,890**

The cash-flow movement of the operation has been:

Thousand euro	
Purchase Price	741,718
Outstanding amount at the time of the acquisition	(16,962)
Amount paid	**724,756**
Cash and cash equivalents at the entity acquired	(58,124)
Outflow of cash on the acquisition	**666,632**

The investments in associates include an implicit goodwill amounts to 49.4 million euros, based on a fair value estimation made for Shanghai Golde Automotive Parts Co., Ltd .; acquired in the scope of the transaction described above and over which the Group has acquired 50% (Note 8).

The fair value of the fixed assets will be determined according to appraisals carried out by independent experts.

As agreed in the purchase agreement, the price paid in May 2019 included an estimate of the cash and working capital that the acquired companies presented in their financial statements, which would be reviewed and agreed by the parties, making the settlement for the resulting adjustment. During the second half of 2019, both parties have reached an agreement resulting in an additional payment by CIE of USD 19 million (€17 million) that has been fully paid in January 2020. After this last payment, there is no outstanding amount to be paid.

The integration of this roof design and production business allows CIE to strengthen its commitment to comfort systems in the car, adapting to industry trends, and increasing its presence in the growing niche of roof systems. The resulting goodwill, after the valuation of the assets and liabilities at fair value, has been attributed to the future profitability of the acquired business and the synergies that are expected to be obtained after the acquisition by the Group.

The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired, has been completed and no significant changes are expected.

The revenue of the business of the business combination integrated by full consolidation amounted to €410 million.

a) Mapremex

In September, 2019 the Group has carried out the acquisition of 100% of the shares of the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. and Cortes de Precisión de México S. de R.L. de C.V. for a price of USD 42.4 million (approximately €37.3 million) paid on the date of the acquisition.

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarized below:

Fair value in thousand euro	Nota	MAPREMEX
Fixed assets	6/7	24,316
Deferred tax assets	21	1,743
Non-current financial assets	8	27
Inventories	10	918
Accounts receivables	9	256
Other current assets	-	1,444
Cash and cash equivalents	-	2,687
Assets acquired		**31,391**
Other financial liabilities	-	10,110
Deferred tax liabilities	21	2,724
Other non-current liabilities	-	3,157
Accounts payables	-	2,535
Lease liabilities	6	2,776
Other current liabilities	-	2,046
Liabilities acquired		**23,348**
Net assets acquired		**8,043**

Purchase Price		37,311
Fair value of the net assets acquired	-	(8,043)
Goodwill	**7**	**29,268**

The cash-flow movement of the operation has been:

Thousand euro	
Purchase Price	37,311
Cash and cash equivalents at the entity acquired	(2,687)
Outflow of cash on the acquisition	**34,624**

The goodwill has been attributed to the future profitability of the acquired business and the synergies that are expected to be obtained after the acquisition by the Group.

The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired have not been completely finalized.

The revenue of the business of the business combination amounted to €11 million. If the business combination had taken place on January 1, 2019, these amounts would have amounted to €36 million.

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 Cromaçao, Pintura and Injeçao 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
Assets acquired		**6,594**
Provisions	23	2,857
Borrowings		246
Accounts payables		3,935
Other liabilities		3,802
Liabilities acquired		**10,840**
Net assets acquired		**(4,246)**
Purchase price		1,120
Fair value of the net assets acquired		4,246
Goodwill	**7**	**5,366**
Consideration paid on operation		1,120
Cash and cash equivalents at the entity acquired		(390)
Outflow of cash on the acquisition		730

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 Infraestructures, 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(*)	DITECSA(*)
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
Assets acquired		**1,090**	**21**	**4,401**	**2,493**
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
Liabilities acquired		**3,886**	**421**	**1,352**	**1,281**
Net assets acquired		**(2,796)**	**(400)**	**3,049**	**1,212**
Purchase Price		-	1,000	5,164	2,782
Fair value of the net assets acquired		2,796	400	(3,049)	(1,212)
Goodwill	**7**	**2,796**	**1,400**	**2,115**	**1,570**
Consideration paid on operation		-	700	-	250
Cash and cash equivalents at the entity acquired		(85)	-	(2,072)	(243)
Outflow of cash on the acquisition		**(85)**	**700**	**(2,072)**	**7**

(*) 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.

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 2019, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €5,999 thousand (2018: €6,215 thousand).

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, 2019 is €9,511 thousand (2018: €11,271 thousand).

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 €6,782 thousand (2018: €5,513 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 2019 year end, there is a no outstanding amount arising from other transactions with these related parties (2018: €152 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	31.12.2019	31.12.2018
Receivables from related parties	33,934	28,846
Payables from related parties	(6,631)	(7,076)
Loans and credits from related parties	3,608	1,377
Advances to related parties	10,400	11,700
Balances receivable with entities with significant influence	16,800	16,800
Balances payable with entities with significant influence	(34,319)	(14,712)
Dividend payable	(47,730)	(39,990)

Transactions in thousand euro	2019	2018
Services received	6,292	7,240
Services rendered	3,072	68
Financial expenses	201	-
Purchases (*)	22,881	27,046
Sales (*)	201,123	213,893

(*) Both purchases and sales correspond, mainly, 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 2019 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

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 the last quarter of the periods completed within the established 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 2019 total €1,467 thousand (2018: €1,485 thousand). From the total of audit services contracted in 2019, €560 thousand have been rendered in Spain (2018: €555 thousand).

Other services rendered by PricewaterhouseCoopers, S.L. and other firms associated to PricewaterhouseCoopers have amounted to €519 thousand (2018: €790 thousand). Other assessment services different from audit fees rendered by PricewaterhouseCoopers Auditores, S.L. have amounted to €143 thousand in 2019 (2018: €68 thousand), and mainly refer to agreed upon procedures related to covenant compliance, review of financial information related to debt issuance, review of the Spanish SCIIFF report related to Internal Control Management on Financial Information, as well as verification of non-financial indicators.

The fees charged by other firms for financial statements audit services in respect of other investees amount to €856 thousand in 2019 (2018: €250 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 2019 in relation to environmental protection worked amounted to €6.9 million (2018: €2.8 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 September 25, 2019, the Group announced the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts to €77.1 million. Somaschini has 3 production plants, two in Bergamo (Italy) and another in Indiana (USA). The company specializes in the manufacture of gear systems, whose applications include sectors such as transportation and automotive, as well as industry or robotics.

After the fulfilment of the usual conditions in this type of transactions, the Group has carried out the acquisition of Somaschini in January 2020.

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive Direct	Indirect
CIE Berriz, S.L. (*)	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.	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%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Biosur Transformación, S.L.U. (2)	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (dormant) (2)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (without activity) (2)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. (2)	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*) (2)	CIE Berriz, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (2)	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U. (2)	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L. (2)	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U. (2)	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%

				% effective Shareholding of CIE Automotive	
Company	**Parent Company**	**Activity**	**Registered office**	**Direct**	**Indirect**
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 Goiain, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba		100.00%
Autometal, S.A (*)	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 Cromaçao 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	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 Ensambles 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%
Maquinados de Precisión de México S. de R.L de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Cortes de Precisión de México S. de R.L de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Plásticos México, S.A. de C.V. (1)	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	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 estate company	USA	-	100.00%
Newcor, Inc (*)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real estate company	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%
Clifford Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%

Company	Parent Company	Activity	Registered office	% effective Shareholding of CIE Automotive Direct	Indirect
Golde South Africa, LLC(1) (4)	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Golde Auburn Hills, LLC(1) (5)	CIE Automotive, USA 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 (*) (2)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Limited (2)	Stokes Group Limited	Manufacture of automotive components	United Kingdom	-	56.32%
Stokes Forgings Dudley Limited (2)	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%
Mahindra Forgings Europe AG (*)	CIE Galfor, S.A.U.	Holding company	Germany	-	56.32%
Gesenkschmiede 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%
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.	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	56.30%
Bill Forge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Mexico	-	56.32%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	56.32%
Aurangabad Electricals, Ltd. (*)(1)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	56.32%
Aurangabad Deutschland GmbH(1)	Aurangabad Electricals, Ltd.	Manufacture of automotive components	India	-	56.32%
Gescrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	16.90%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of automotive components	Orense	100.00%	-
Advanced Comfort Systems France, S.A.S. (*)	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.	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of automotive components	China	-	100.00%
Autokomp Ingeniería, S.A.U. (*)	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%
CIE Automotive Boroa, S.L.U. (1)	CIE Automotive, S.A.	Finance services	Bizkaia	100.00%	-
CIE Roof Systems, S.L.U. (1)(*)	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	
Golde Holding, BV (1)(6)(*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Tianjin Co., Ltd. (1) (7)	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde Wuhan Co., Ltd. (1) (8)	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde Shandong Co., Ltd. (1) (9)	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde USA, LLC(1) (10) (*)	CIE Roof Systems, S.L.U.	Holding company	USA	-	100.00%
Inteva Products Barbados, Ltd. (1)(*)	Golde USA, LLC	Holding company	Barbados	-	100.00%

				% effective Shareholding of CIE Automotive	
Company	Parent Company	Activity	Registered office	Direct	Indirect
Golde Shanghai Co., Ltd. (1) (11)	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
Golde Changchun Co., Ltd. (1) (12)	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd. (1) (13)	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
Golde Netherlands, BV (1) (14) (*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Bengaluru India PvT Ltd. (1) (15)	Golde Netherlands, BV	Technology center	India	-	100.00%
Roof Systems Gemany, Gmbh (1)	Golde Netherlands, BV	Technology center / Manufacture of automotive components	Germany	-	100.00%
Golde Oradea, SRL (1)(16)	Golde Netherlands, BV	Manufacture of automotive components	Romania	-	100.00%
Golde Lozorno, Spol. (1)(17)	Golde Netherlands, BV	Manufacture of automotive components	Slovakia	-	100.00%
Golde Mexico Holdings, LLC (1) (18) (*)	Golde Netherlands, BV	Holding company	USA	-	100.00%
Automotive Mexico Body Systems, S. de R.L. de C.V. (1)	Golde Mexico Holdings, LLC	Manufacture of automotive components	Mexico	-	100.00%
SIR S.A.S. (1)(*)	Golde Netherlands, BV	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. (1) (19) (*)	SIR S.A.S.	Manufacture of automotive components	China	-	50.00%
Golde Automotive Parts (Ningde) Co., Ltd. (1)(20)	Shanghai Golde Automotive Parts Co., Ltd.	Manufacture of automotive components	China	-	50.00%

(1) Companies added to consolidation scope in 2019 together with their subsidiaries.
(2) Discontinued companies at December 31, 2019
(3) Merged in 2019 with BillForge Pvt. Ltd.
(4) Previously Inteva South Africa, LLC.
(5) Previously US Roof, LLC.
(6) Previously Inteva Holding, BV
(7) Previously Inteva Tianjin Co., Ltd.
(8) Previously Inteva Wuhan Co., Ltd.
(9) Previously Inteva Yantai Co., Ltd.
(10) Previously Inteva Products USA, LLC.
(11) Previously Inteva Products Vehicle Systems Shanghai Co, Ltd.
(12) Previously Inteva Products Changchun Co., Ltd.
(13) Previously Inteva Products Shanghai Innovation Co, Ltd.
(14) Previously Inteva Products Netherlands 2, BV
(15) Previously Roofs Center India PvT Ltd.
(16) Previously Inteva Products Salonta, SRL
(17) Previously Inteva Products Slovakia, Spol
(18) Previously Inteva Products Mexico Holdings, S.L.
(19) Previously Shanghai Inteva Automotive Parts Co., Ltd.
(20) Previously Inteva Automotive Parts (Ningde) Co., Ltd.
(*) 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 a supplier of 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 and 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.

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

To execute its mission and realise its vision, CIE Automotive has articulated a series of corporate policies, some of which were updated in October 2019. Those policies are binding upon all members of the organisation.

Corporate social responsibility (CSR)

- Purchasing
- Supplier CSR commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

Governance

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy

- Director selection and board diversity policy
- Policy for engaging and interacting with the account auditor

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: machining, tube stamping and shaping, forging, plastic, aluminium injection moulding, casting and roof systems. 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 70% and 30% 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.

2. EVOLUTION OF THE BUSINESS

2.1 Financial indicators:

CONSOLIDATED GROUP:

(Thousand euro)	2019	2018 Normalised (*)	2018
Consolidated revenue	3,461,052	3,029,495	3,029,495
Gross operating profit/(loss)-EBITDA	594,359	529,022	529,022
Net operating profit/(loss)-EBIT	427,077	399,195	365,286
Profit/(loss) before taxes cont. act.-EBT	402,894	363,433	318,473
Profit/(loss) for the year cont. act.	313,110	282,012	228,334
Profit/(loss) on discontinued operations	941	(2,111)	209,151
Profit/(loss) attributable to non-controlling interests	(26,576)	(37,129)	(40,731)
Profit/(loss) attributable to Parent company	287,475	242,773	396,754

(*) Comparable amounts for year 2018 exclude the result of the Dominion Group (classified as discontinued operations) for comparability purposes with normalised results of year 2019.

Business performance:

CIE Automotive's revenue increased by 14% in 2019 to €3.46 billion in what was a difficult year for the automotive industry. Global vehicle production contracted by 5.8% as a result of several factors: the slowdown in China, the world's largest producer; the introduction of new emission standards in several markets, obliging the OEMs to assume heavy investments; and the geopolitical uncertainties that persisted all year long, such as Brexit, renewal of the NAFTA agreement and the threat of a trade war between the US and China.

In that climate of uncertainty, in which many automotive players were obliged to issue profit warnings, CIE Automotive delivered strong growth in EBITDA, of 12% to €594.4 million, and EBIT, of 7% to €427.1 million.

As a result, CIE Automotive saw its net profit rise 18% to €287.5 million.

2.2 Summary of the year

2019 has been a year of acquisitions:

CIE Golde: Inteva's roofing system division. The acquisition of this company, whose name has been changed to CIE Golde, closed in May 2019, is the largest completed to date. It is the world's third-largest roof maker, a niche well positioned in Asia, one of the most promising markets.

Aurangabad Electricals Limited (AEL): In March, CIE Automotive bought this Indian company, the country's leading producer of injection moulded aluminium parts. This acquisition, undertaken by MCIE, will strengthen the company's presence in the two-wheel segment in Asia and complement its existing offering in that market by providing its customers with a more complete technology range.

Maquinados de Precisión de México: CIE Automotive expanded its capacity for making machined parts with the acquisition of two companies in Mexico, Maquinados de Precisión de México (Mapremex) and Cortes de Precisión de México (Copremex).

Lastly, in September, CIE Automotive announced the acquisition of Somaschini, a deal which closed in January 2020. With factories in Italy and the US, this merger will help create a top player in gearing systems with a presence in multiple regions - Europe, North America and Asia - and segments - cars, commercial vehicles, tractors, off-road vehicles, etc.

By geographical areas, the summary of the year is the following:

Europe:

This is CIE Automotive’s main market. The Group has 44 manufacturing facilities 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. In this market, it combines the productive plants of the MCIE group, with a strong link to the industrial vehicles, and the historical CIE plants, linked to the passenger vehicles.

European CIE Automotive plants have increased their turnover by 4.2% in a market that has shown negative growth, thanks to the incorporation in 2019 of the roofing business of the Golde. In relation to traditional plants, they have shown a slightly better performance in a market that has suffered a decrease of 4.6%. Regarding margins, traditional market plants maintain their dynamism, with an EBITDA of 15.8% and EBIT of 9.9%, slightly penalized in the current year for the incorporation of new businesses still far from the standards of the Group, while those of Mahindra CIE maintain the normal operation and confidence of its clients reached in the previous year, with margins of an EBITDA of 13.3% and a normalized EBIT of 9.1%.

North America:

CIE Automotive has production centres in 18 locations in Mexico and the US, which serve the North American light vehicle 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 worldwide, has EBITDA margins of 21.9% and an EBIT margin of 17.2%. Despite a negative growth in this market of 4%, the Group has grown organically 1.2%, and, due to the incorporation of new businesses, the total growth has been 13.9%.

Brazil:

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron smelting, aluminum injection and machining, being especially competitive in plastic, body-color and chrome paint technology. In Brazil, one of the key markets in recent decades for its projection, the Group has production centres in 16 plants. The position of CIE Automotive has been consolidated in recent years despite the difficult situation in the country, partly due to the closure of many local suppliers, who have not been able to survive the crisis. Once this uncertainty has been overcome and the uncertainties of the electoral period have been cleared, the company has taken advantage of the strength of the domestic market, obtaining an organic growth of 3.1% above the market (0.9%) and a very significant margin expansion.

Asia:

The highlights of 2019 in the Asian market have been the acquisitions, both in the People's Republic of China and in India. After the acquisition of the businesses, CIE has experienced an increase of 111.4% and 8.6% in both markets, respectively, reinforcing its position in two markets where significant future growth is projected, although the growth of the year has been negative in both. Currently, the Group has 27 plants in Asia (one of them multitechnology), a joint-venture and a technology centre. The Group's presence in India comes from the alliance with the Indian group Mahindra & Mahindra Ltd., which gave rise to the Mahindra CIE group. India is one of the development engines of the region and China, the world's leading car producer. In 2018, CIE Automotive, in its commitment to this market, carried out an additional 5% acquisition of its stake in Mahindra CIE Automotive, Ltd, reaching 56.32% of the participation, for an amount of approximately 61 million euros.

2.3 Predictable evolution of the Group

In 2019, CIE Automotive has achieved the strategic objectives it had planned for 2020, developing its activity in accordance with the lines outlined in the 2016-2020 Strategic Plan.

Market environment

The year 2019 has been a year of negative growth for the global automobile market. The overall production of the vehicles fell below 89 million, 5.8% less than the previous year. The markets most affected by this negative growth have been India and China, which have seen car production decrease by 11.0% and 8.4% respectively. On the other hand, the North American market has fallen by 4% and the European by 4.6%. Only the Brazilian market has shown a slight increase of 0.9%.

Europe was shaped by a year of economic slowdown, the uncertainty sparked by Brexit, and adaptation to the new emissions standards. The North American market contracted, hurt by downsizing by the US OEMs, the fear of a trade war with China and the General Motors strike. On the other side of the globe, in India, a host of circumstances - a credit crunch, new safety regulations and legal insurance requirements, among others - combined to thwart the market, while China, the world's largest car producer, continued to show signs of lethargy. Fortunately, in the midst of what appeared to be a perfect storm in the automotive industry, momentum in Brazil remained positive, marked by strong domestic demand, which offset the weakness observed in its main export market: Argentina.

Trends in the automotive industry

In a convulsive context, actors in the automotive sector face the four trends that will define the evolution of the motor industry in the coming years.

Climate change

In recent years, the automotive industry has managed to cut the emissions generated by the vehicles they make. However, the most recent regulations designed to combat climate change - the most restrictive of which in Europe and China - are obliging the OEMs and their suppliers to take further steps to reduce their environmental footprints.

The auto parts suppliers are committed to delivering the decarbonisation targets laid down in the Paris Agreement, contributing technology and helping design an efficient and effective regulatory environment conducive to job and competitiveness preservation in what is a vital component of the European manufacturing industry.

For decades now, the entire value chain comprising the Spanish automotive sector has been investing heavily in R&D in order to put increasingly cleaner and efficient vehicles on to the market, an effort articulated around the following trends:

- Electrification of a growing number of parts.
- Reduction of engine sizes.
- Lighter weight vehicles.
- More comfortable interior spaces.

Demographic developments

The experts believe that a number of mobility options, notable among which car-sharing formulae, will co-exist in the cities of tomorrow. Although the number of vehicles may diminish, their useful lives will similarly decline, driving higher vehicle turnover. As a result, the forecasts suggest that overall output will remain broadly similar to current levels.

In addition, population growth in some African countries and Iran is expected to drive growth in the vehicle market.

Technology developments

In order to reduce the weight of vehicles, multimaterial solutions, which differ from one vehicle to the next, have been gaining prominence. That requires mastery of a range of technological solutions and a new mix of materials in vehicle construction.

Geopolitical developments

Until now, the globalisation of the automotive sector has been underpinned by free trade. However, long-standing trade agreements are currently under threat from a new surge in protectionism. In this climate, the 'local production, local supply' philosophy makes more sense than ever.

2.4 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. In 2019, the Group has advanced the fulfillment of the objectives set in the 2016-2020 Strategic Plan thanks to the high performance of the 2018 perimeter. The keys to its favourable evolution are broken down, item by item:

- The Ebitda margin stays above 18% and the Profit after tax above 10%
- The ratio NFD/Ebitda remains at levels ≈ 1.4X
- The health of our balance sheet allows us to maintain an operating cash flow generation higher than 55% of Ebitda
- The exit of the perimeter of non-automotive business with lower profitability and the gradual improvement of the return in the automotive business, has led to an improvement of the RONA of about 40% in 4 years, reaching 22%.

To deliver the above targets, CIE Automotive's strategy was underpinned by the following drivers:

- Customer, geographical and product/technology diversification.
- Strategic focus on process efficiency.
- Decentralisation and simplification of the chain of command. Lean structure.
- Reduction in fixed costs.
- 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 Industry 4.0 factories.

Business strategy in 2019

The contraction of the automotive market forced CIE Automotive to adapt its strategy in order to continue to grow profitably and respond to the industry's emerging needs. In a challenging environment marked by strong competition, the key to the company's profitable growth lies with prioritisation of profit and cash generation, while leveraging M&A opportunities, all of which while meeting customer needs without having to resort to lengthy and expensive investments. In 2019, the Group articulated its strategy around two axes:

1. Defending like-for-like profit margins in 2018 perimeter
    - *Containing fixed costs*: CIE Automotive boasts a lean structure which it revises systematically in order to eliminate anything that does not create value.
    - *Maintaining the established customer strategy in a highly complex sector environment*: Despite pressure on prices in the automotive industry, CIE Automotive only accepts projects that offer returns that meet its expectations. It is positioned to do this thanks to its customer diversification, which gives it greater bargaining power.
    - *Improving factory operating efficiency*: CIE Automotive executes efficiency programmes across its factories which entail process analysis and fine-tuning and ongoing alignment of capacity with demand.
2. M&A-led growth to gain market share and boost profitability by taking advantage of attractive opportunities in a fragmented market. In 2019, CIE Automotive acquired three enterprises for around €802 million, increasing its market share in high-potential segments and markets.

Corporate Social Responsibility Strategy

The Group integrates social, labor, environmental, and respect for human rights concerns into its management model and strategy in order to generate shared value for the company and its stakeholders.

During fiscal year 2019, the 2018-2019 CSR Strategic Plan has been implemented, which deepens the systematization and standardization of CSR management throughout the Group, improving measurement, communication and reporting systems, and establishing an ESG (Environmental, Social and Governance) work methodology for each department.

At the end of the year, the objectives set for the biannual period had already been met and there were plans to integrate the CSR into the new 2020-2025 Strategic Plan of the Group. Among the achievements of the year, it is worth highlighting the establishment of a CSR work methodology in the process of integrating new companies.

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 2019. This document, which is part of the Director's report, as prescribed in at.44 Code of Commerce, 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 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

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 favourable 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.

If at December 31, 2019, 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 €228/€189 million (2018: increased/decreased by €140/€114 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 2019 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €18,739/€15,332 thousand higher/ lower, respectively (2018: €12,751/€10,432 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

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 converts 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.

If during 2019 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 €1,056 thousand lower/higher (2018: €632 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 €1,093/€1,277 thousand, respectively (2018: €1,359/€2,048 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 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 2020 will allow facing all year recurrent payments without increasing net financial debt.

Group´s financial department monitors Group´s liquidity needs previsions 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.

Among the debts with short-term credit institutions are recurring credits over time, which come from the recurring discount of customers' commercial paper (2019: €25 million ; 2018: €14 million). This component of bank debt, although accounting appears as current debt, is stable as evidenced by the usual operations of the business, thus providing financing assimilated to non-current debt.

Noteworthy is the existence at December 31, 2019 of €501 million of undrawn credit lines and loans (2018: €543 million) (Note 18).

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 2020 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 result of the above, it can be confirmed that there are no risks in the Group's liquidity situation.

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 management unit 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 historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 2.12.

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 2.12).

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 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 2019.

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.

2019 work lines

CIE Automotive makes strong investments to analyse 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:

- Automatic online measurement projects both cold and hot.
- Use of computer vision to acquire, process and analyse the images of the components during the process.
- Sensorization, capture, analysis and visualization of the parameters of the critical process variables.
- Unitary traceability.

Additionally, by 2020 CIE intends to continue building on the work done in 2019 and launch new pilot projects that boost its digital transformation, which include the Digital Twin and 5G in confined spaces adapted to the automotive industry.

We maintain our presence in the regional, national and international forums: Presidency of the automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of manufacturers of components SERNAUTO, members of the executive commission of the TECNALIA technology centre, we continue participating in the R&D and Industrial forums of CLEPA, EGVIA, etc.

We try to align our R&D in the best possible way 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

As of December 31, 2019 and December 31, 2018, after the disposal of treasury shares during the six-month period ended June 30, 2018, no treasury shares are registered within the Parent company’s equity. The sale of these treasury shares resulted in an income of €3,207 thousand which was directly taken to the Parent Company’s reserves.

Similarly, the mandate conferred at the Annual General Meeting of May 8, 2019, 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 May 8, 2024.

7. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2019 and 2018 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	
	2019	2018
Paid operations ratio	72	72
Outstanding operations ratio	75	72
Average payment period to suppliers	65	74

	Thousand euro	
	2019	2018
Total payments made	517,579	942,354
Total outstanding payments	242,554	266,925

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

IBEX35

After the entry of CIE Automotive into the IBEX 35 in June 2018, the CIE Automotive share demonstrated unprecedented volatility in a year in which it marked its all-time high with a price of 36.30 euros per share, prior to distribution of the extraordinary dividend for which the Solutions and Services segment was distributed. In 2019, the maximum share price was 26.08 and a minimum of 19.31 euros per share, in a year marked by the negative growth of global markets. At the end of the year, the share was trading at 21.08 euros per share after collecting the discount associated with the payment of dividends carried out in January, which represents a value of 21.44 euros prior to said discounts, comparable to the same data of closing 2018.

The behaviour of the CIE Automotive shares does not correspond to the performance of the group quarter to quarter, nor to the potential of the new companies acquired throughout the year, nor to the strength of its business model based on diversification and financial discipline, which has allowed it to overcome the past crisis and maintain double-digit growth in the last 15 years. Proof of this gap between the advance fulfillment of CIE's strategic commitments and the value quotation is that, the objective price of the consensus of the analysts –which do recognize the potential of the company - was € 28.90 per share, compared to €21.08 per share of the closing price of the year.

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 2019 of €0.37 per share. The disbursement was effective on January 3, 2020.

9. EVENTS AFTER THE BALANCE SHEET DATE

On September 25, 2019, the Group announced the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts to €77.1 million. Somaschini has 3 production plants, two in Bergamo (Italy) and another in Indiana (USA). The company specializes in the manufacture of gear systems, whose applications include sectors such as transportation and automotive, as well as industry or robotics.

After the fulfilment of the usual conditions in this type of transactions, the Group has carried out the acquisition of Somaschini in January 2020.

Non-Financial Information Statement (NFIS) 2019

Law 11/2018, of 28 December on Non-financial and Diversity Information

I. Business Model

A brief description of the group's business model, including:
1) Its business environment.
2) Its organisation and structure.
3) The markets in which it operates.
4) Its objectives and strategies.
5) The main factors and trends that may affect its future development.

CIE Automotive is an international industrial group that manages high added-value processes. It applies this concept in its management, with a comprehensive vision in all the phases of the value chain of sectors with good long-term forecasts.

CIE Automotive supplies components and sub-assemblies to the global automotive market using complementary technologies and a range of associated processes. We are growing sustainably and profitably with the aim of positioning ourselves as a benchmark partner by satisfying our customers with comprehensive, innovative, competitive, high value-added solutions.

Cornerstones of the business model

- **Multiple locations:** over 100 production centres in 16 countries and 10 research centres.
- **Commercial diversification:** both OEMS (car manufacturers) and TIER 1 customers.
- **Multi-technology:** offering seven technologies: machining, metal stamping and tube forming, forging, plastics, aluminium injection, roof systems and casting. CIE Automotive has a multi-technological portfolio: Roof Systems, Body, Chassis & Steering; Interior & Exterior Trim; Commercial Vehicles; Engine; Transmission & Gearbox.
- **Investment discipline:** quality and flexibility in facilities, high returns and conversion of EBITDA into operating cash over 55%.
- **Decentralized management:** with geographic areas and one cross-cutting corporate network.

CIE Automotive's values

- **People:** respecting their fundamental rights and providing them with fair working conditions. Fostering their initiative, creativity and originality, their engagement and teamwork, their ability to achieve objectives and add value and their openness to change and to continuous improvement.
- **The environment:** maintaining a preventive approach and working to minimise any adverse impact.
- **Management transparency:** promoting accountability, integrity and commitment to a job well done. Making clear disclosure of all information of relevance to our activities, so that it is known and understood.
- **Stakeholders:** promoting a honest relationships and respecting their rights. CIE Automotive recognises nine groups of stakeholders that interact with the Company and are affected directly or indirectly by the Company's activity: shareholders, professionals, customers, business partners, suppliers, society, public authorities, the sector in which it operates and financiers.
- **Compliance:** heeding national and international regulations.

For further detail on information of interest (points 1) to 5) of the section of the Law), see the Group's corporate website (www.cieautomotive.com), sections:

- ***What we do***: detailing the Company's various technologies, products and customers:
- ***Investors and Shareholders***: to see the **official corporate presentation** and reports the Company produces annually and as required by Spain's National Securities & Exchange Commission (CNMV), such as section 1 of the **Consolidated Annual Accounts for the 2019 financial year** or sections 1 and 2 of the **Director's Report**, included after the Consolidated Annual Accounts, which refers to the Company environment, organisation, structure, development, objectives and strategy.

II. Policies

A description of the policies the Group applies in these matters includes:
1) The due diligence procedures applied to identify, assess, prevent and mitigate significant risks and significant impacts.
2) Procedures for verification and control, including what measures have been adopted.
The results of these policies, which must include relevant non-financial performance indicators to enable:
1) Monitoring and evaluation of progress, and
2) facilitating comparison between companies and sectors, in line with the national, European or international reference frameworks used in each matter.

CIE Automotive has a series of Corporate Policies, formulated by each of the responsible departments and mandatory for all members of the Company. These policies were first approved by the Board of Directors in December 2015, and revised, updated and re-approved for the most part in 2019.

Corporate Social Responsibility (CSR) policies

- Corporate Social Responsibility.
- Purchasing.
- Supplier CSR Commitment.
- Human rights.
- Anti-corruption and fraud.
- Social action.

Good Governance Policies

- Internal Control over Financial Reporting (ICFR).
- Risk and Control Management.
- Corporate Governance.
- Board members' remuneration.
- Tax policy
- Information and Communication Policy for Shareholders and the Markets.
- Shareholder remuneration policy.
- Policy governing the selection of candidates for the post of director and diversity on the Board.
- Procurement policy and relations with the accounts auditor.

The Compliance Department is responsible for continuously reviewing and improving the internal control system and ensuring compliance with external regulations and with the policies and procedures implemented for mitigating the principal legal, corruption and fraud risks. It is also responsible for CIE Automotive's Criminal Risks Prevention Model and establishing and developing its corporate ethical framework.

An analysis of company Compliance Model maturity was carried out in 2019, with the consultancy company Deloitte, to achieve the level of maturity desired by CIE Automotive.

Tasks undertaken

1. Analysing and identifying the entire regulatory landscape and the key aspects as regards regulatory compliance.
2. Understanding the current status of CIE Automotive's Compliance Model.
3. Requesting key information from the Company related to the Compliance Model.
4. Interviews with company senior managers to identify the current situation and their expectations for the target level of maturity.
5. Comparison of the Company's current situation with best market practices (UNE 19601 standard) in various aspects:
    a. **Governance and leadership:** analysis of the assignment of roles and responsibilities in the field of compliance and their relationship with other departments involved. Analysis of the provision of resources to Compliance bodies.
    b. **Rules, procedures and policies:** analysis of the internal rules that, together, create controls to address the key areas of ethical and compliance risk the organisation faces.
    c. **Risk identification and assessment:** analysis of criminal risk identification and assessment, as

well as the development of procedures related to contracting third parties.

d. **Training and communication:** analysis of the training strategy as regards compliance and of the Communications Plan designed for communication of expectations and developments as regards compliance and prevention of criminal risks.
e. **Reporting:** existence of protocols for informing and communicating reports to the relevant control bodies.
f. **Code of Conduct and whistle-blower channel:** the existence of a Code of Conduct and a system for managing incidents and investigations that captures, categorises, prioritises and assigns responsibility for these.
g. **Supervision:** entrusting the supervision and operation of the Compliance Model to a body with autonomous powers of initiative and control.
h. **Compliance of third parties:** the existence of a comprehensive compliance programme for third parties to help manage the various areas of risk throughout the life cycle of the relationships with third parties.

6. Preparation of the diagnostic report and the "target situation" model to which CIE Automotive aspires in the short to medium term.
7. Identification of aspects for improvement and gaps existing in the information currently reported to Senior Management and Executive Team, enabling the Company to reach the target situation in each dimension of the Maturity Model. The actions to be taken between 2019 and 2020 for the dimensions analysed are indicated below:
   a. **Governance and leadership:** defining the roles and responsibilities as regards Compliance corresponding to Senior Management.
   b. **Rules, policies and procedures:** inclusion of new controls within the Criminal Risks Prevention Model, and identification of relevant Group subsidiaries in the field of Criminal Compliance, analysing the differences with the applicable law in Spain, and adapting the control activities for each country.
   c. **Risk identification and evaluation:** new controls have been introduced to mitigate the criminal offences from: computer damage, company secrets, privacy, Inland Revenue fraud, town planning malpractice, smuggling, bribery/influence peddling and corruption in business. Additionally, in line with the Circular from the Office of the General Spanish State Prosecutor 1/2016 and best practices in the field, the methodology for assessing criminal risks is to be detailed, based on the risk management methodology contained in the corporate risk control and management policy.
   d. **Training and communication:** is to be updated and a Training Plan on compliance, ethics and prevention of criminal risks is to be presented. Furthermore, the internal and external communications system relating to ethics and the Compliance Model has been improved through communications to all employees, as well as new recruits, of the compliance policy by giving specific training in the field; internal publications on all updates made to the Compliance Model; or simply information snippets on the Compliance Model, as well as on the Code of Conduct.
   e. **Reporting:** in addition to the usual communications to the Audit and Compliance and Corporate Social Responsibility Committees, as well as to Senior Management and the Executive Team, the Management Plan for each plant is to include a balanced scorecard of non-financial information in 2020, where indicators of levels of compliance model effectiveness will be reported.
   f. **Code of Conduct and whistle-blower channel:** work is to be done to insert resolutive clauses into contracts with third parties, enabling CIE Automotive to terminate these contracts in case of malpractice by the third party in relation to the Compliance Model or the Code of Conduct.
   g. **Supervision:** work is being carried out to improve the indicators for model effectiveness, identified shortcomings and, where appropriate, monitoring of plans in progress on recommendations from previous reports.
   h. **Compliance of third parties:** analysis and study prior to initiating professional or commercial relationships has been improved, so minimising a potential transfers of liability to the Group as a result of the materialisation of a corruption risk.

All the information relating to corporate policies and the Compliance Model is available on the Group's corporate website, as well as in the various reports the Company prepares annually as required by the Spanish National Securities Market Commission, CNMV.

III. Short-, medium- and long-term risks

The principal risks related to those issues linked to Group activities, including, where relevant and proportionate, its commercial relationships, products or services that could have adverse effects in these areas, and:
- How the Group manages those risks.
- Explaining the procedures used to identify and assess them, in line with the national, European or international reference frameworks in each matter.
- Information on the impacts identified must be included, offering a breakdown of these, in particular for the main short-, medium- and long-term risks.

CIE Automotive is exposed to a series of risks inherent in its activity and in the markets in which it operates that, if these materialise, could jeopardise the Company's strategic objectives. To reduce these to tolerable levels, the Group has a **Risk Control and Management Policy** and has been equipped with a Risk Management System (RMS) based on ISO 31000 methodology. This is the responsibility of the Board, which delegates its supervision and proper operation to the Audit and Compliance Committee.

CIE Automotive's RMS enables it to ensure reasonably that all significant risks – strategic, operational, financial (see **Internal Control over Financial Reporting (ICFR) Policy**), compliance, and ESG (Environmental, Social, and Governance) risks – are identified, prevented, assessed and subject to continual monitoring. These risks are approved by the Board and managed in keeping with the defined risk appetite and tolerance.

With firm and sustained commitment of Senior Management and the Executive Team, along with rigorous strategic planning, CIE Automotive aims to achieve an environment that enables work with risks to be performed in a controlled manner, managing those risks actively, in the belief that new opportunities will arise from their appropriate management and contribution of value.

Risk management system principles

- To promote a constructive vision of the concept of risk.
- Commitment and competence of participants.
- To use a common language.
- Transparent communication throughout the organisation.

Risk Map

Annual preparation of the Risk Map, which applies throughout the organisation, is the responsibility of Senior Management and the Executive Team, who assess the risks previously identified from a residual perspective, considering the controls that CIE Automotive already has in place to mitigate the potential effect of those risks, based on their probability of occurrence (past and future) and their impact (in three dimensions: economic, organisational and reputational). The probability of future occurrence is measured as follows:

- **High:** Materialisation of the risk will affect the organisation imminently (in the short term).
- **Medium:** Materialisation of the risk will affect the organisation within two to five years (medium term).
- **Low:** Materialisation of the risk will affect the organisation in over five years (long term).

This process is coordinated by the Compliance Department, which presents the result to the Audit and Compliance Committee for oversight and approval and, subsequently, this Committee informs the Board.

Listed below are the **principal non-financial risks** faced by the Group, which are assessed for the preparation of the Risk Map, categorised according to issues linked to Group activities:

Environmental issues (section V):
- Adverse impact of climate change on the achievement of strategic objectives.

Matters relating to staff (section VI):
- Ensuring the health and safety of people in the Group in the exercising their activities.
- Loss of corporate culture, which is the basis for the success of the Company's business model.
- Non-existence of a succession plan for key personnel.
- Lacking the team to maintain company growth.
- Lack of a training and talent policy.

Human Rights (section VII):
- Failure of Group members to comply with the Code of Conduct.

Corruption and bribery (section VII):
- Fraud and corruption.
- Failure to comply with the legislation in any region where the Company operates.
- Failure to comply with the ten principles of the UN Global Compact, to which the Company has been a signatory since 2015.

Society (section IX):
- Reputational risk deriving from activities not directly linked to company operations.
- Failure to align the supply chain with the Group's Corporate Social Responsibility commitments.
- Changes in market trends.
- Failure to meet customer expectations.
- Management of inorganic growth.
- Cybersecurity.

Principal risks in 2019

Detailed below are the main risks from the Company's Risk Map with **medium probability** of materialising within the Strategic Plan, and with a **medium impact** at an economic, organisational and/or reputational level. It should be noted that no risk has been assessed as having a high probability of materialising, or as having a critical or severe impact.

- **Management of inorganic growth:** In line with the Strategic Plan, the current rate of inorganic growth requires greater control of operations and investments. New additions will require an initial effort to adjust their respective cultures and values to CIE Automotive's way of doing things, management methods and profitability thresholds. Furthermore, having local partners (Joint Ventures and/or partnerships with both public and private companies and organisations) that could be the focus of corruption in fulfilment of international regulations can generate conflict and mistrust that impact business development. For this reason, CIE Automotive is making a great effort to implant its business model and corporate culture in the latest acquisitions.
- **Changes in market trends:** Disruptive changes are occurring in the car sector, requiring preparedness, and the Company needs to be flexible to adapt to customers' current or future needs. New car technologies (such as electric vehicles or the evolution of the diesel engine) are reducing demand for some of our strategic products and introducing other components (electronics, etc.) for which the Company is analysing various alternatives. In addition, the arrival of Factory 4.0 may involve changes that CIE Automotive needs to keep working on, such as impacts on HR management, for example, due to changes in the skills required.
- **Lacking the team to maintain company growth:** Managing the current pace of growth calls for consolidation and development of the Company's best asset; its people. For this reason, not only have working conditions been improved for the current team, beyond that they are capable of attracting talent to the organisation. The human resources structure needs to cover the knowledge, skills, experience or authority to appropriately take on responsibilities, and to avoid saturating project management teams as far as possible.
- **Fraud and corruption:** We are witnessing an upturn in fraud (in any of its categories and regions globally), and CIE Automotive is working on a twin objective: preventing and mitigating possible irregular behaviour and informing the market of the internal mechanisms available to ensure the reliability of financial information. In the current international environment, with multiple locations, the Group's exposure is greater and consequently the possibility of having cases of fraud as well. This is why work is being done to strengthen anti-fraud controls. CIE Automotive has a Criminal Risks Prevention Model, using which it identifies what crimes could occur and establishes the internal controls needed to mitigate or eliminate them.

Response plans and monitoring

The following actions were carried out in 2019 to minimise the main risks identified in 2019, some of which were also considered as main risks in the 2018 Risk Map.

- **Management of inorganic growth:** The Company is performing the following actions with the aim of accelerating and optimising integration of new incorporations to the Group:
  - Participation of the Executive Team in corporate M&A operations.

    - Definition and implementation of a clear management model to enable rapid taking of control of new companies.
    - Increasing the flexibility and availability of internal people key to tackling the influx.
- **Changes in market trends:** The Company is working to achieve flexibility in the face of new trends and to adapt to customers' current and future needs. The main lines of action are as follows:
    - Integrating electric vehicle parts in the portfolio by setting annual commercial targets.
    - Focusing commercial efforts on functions not affected by electrification.
    - Planning the drop in diesel engines and saturating current facilities with petrol engines.
- **Lacking the team to maintain company growth:** The corporate HR department, in collaboration with Senior Management and with the different geographical areas and Business Divisions, has launched a project that includes the following initiatives:
    - Annual recruitment plans for recent graduates, with personalised tracking from each Business Division.
    - Personalised follow-up plans for profiles with high potential.
    - Professional Development Plan (PDP) for executives and middle managers in each of the Business Divisions.
- **Fraud and corruption:** The Group has had a Criminal Risks Prevention Model since 2015. This was updated in October 2019 based on the project carried out in collaboration with the external consultant, Deloitte. The Company relies on this model, along with its internal control system, to ensure compliance with external regulations and with the policies and procedures implemented to mitigate this risk. The main tasks and action plans resulting from the update to the Criminal Risks Prevention Model are detailed in section *II. Policies*.

Risks mitigated during the financial year

Thanks to actions taken during 2019, the likelihood of materialisation of the following risks, considered a priority in 2018, was mitigated and these are not considered to be priorities in the Risk Map for 2019.

- **Failure to comply with the Code of Conduct:** The organisation distributed the Code of Conduct globally in 2016 and 2017 for signing. During 2018 and 2019 it took advantage of the global deployment of the *CIE Automotive CSR Days* to insist on compliance with the Code, reminding that CIE Automotive has a whistle-blower channel that it is the responsibility of the Corporate Social Responsibility Committee, under collegial management of by corporate management of Human Resources departments, Compliance and Legal Advice, meaning that anyone employed in the Group can make complaints about issues related to non-compliance with the indicated guidelines for conduct. This work has resulted in wider distribution and increased awareness and implementation of the Code.
- **Cybersecurity:** Cybersecurity, understood as the protection of information assets by dealing with threats that endanger information that is processed, stored and transported by interconnected IT systems, has become one of the largest risks companies face today. This is why in 2018 CIE Automotive began a project to protect such assets with a process re-engineering and social engineering methodology, based on the principal international reference standards to manage information security in real time, maintaining traceability of all management processes. The services on which work was performed in both 2018 and 2019 were:
    - SOC: Security Operations Centre.
    - SIEM: Security Information and Event Management.
    - Incident Response.

  In addition to these lines of action, work has also been carried out to improve policies for IT system access and use, contingency plans in case of loss of data and facilities and antivirus improvements.
- **Succession plan for key personnel** and **Training and talent policy:** The corporate HR department, in collaboration with Senior Management and with the different geographical areas and Business Divisions, has worked to develop succession plans for those positions key to achieving CIE Automotive's strategic objectives, and proceeded to identify successors or strategies to be followed to ensure that if the Company cannot count on them any longer, it will not be affected. General and personalised training plans have also been augmented, as shown by the fact that the number of training hours have risen continuously in recent years.

- **Reputational risk:** The relationship with stakeholders can be affected by negative comments in any medium and can generate a large impact on the organisation's main intangible assets, which is the image attained due to its track record and good business practice. In this situation, CIE Automotive has reinforced its Marketing and Communications strategy, as well as enhancing the open channels with its stakeholders, to mitigate and/or eliminate the risk associated with not being able to respond immediately and robustly.

Controlling risks in each production centre

CIE Automotive has also defined a methodology for assessing and prioritising risks at production centre level worldwide. This assessment involves each plant's entire management team and is carried out by following the process map, defining the types of risks that can affect each process and evaluating it in binary form, depending on their impacts and occurrence level, in short, establishing a prioritisation of these risks. Minimising or eliminating them, if possible, then becomes one more objective within each production centre's management plan.

Additionally, various forms of risk analysis are already carried out in the plants, such as:

- FMEA (Failure Mode and Effects Analysis) on products and production processes.
- Identification and evaluation of environmental impacts.
- Assessment of health and safety risks to people.
- Assessment of legal compliance.
- SWOT.

Criminal Risks Prevention Model

The Group has had a Criminal Risks Prevention Model since 2015. This was updated in October 2019 based on the project carried out in collaboration with the external consultant, Deloitte. The main tasks and action plans resulting from the update to the Criminal Risks Prevention Model are detailed in section *II. Policies*, of this report. There is a Support Unit, with autonomous powers of initiative and control within the organisation, which is responsible for ensuring compliance with the Criminal Risks Prevention Model. The Company uses this model as a measure to combat money laundering.

Improving indicators

In line with its Strategic Plan 2016-2020, CIE Automotive works to establish indicators that cover not only ICFR risks, but also criminal compliance or tax risks or those of any other kind, such as strategic or ESG (Environmental, Social and Governance) risks.

Impact, supervision and control

The result of the 2019 risk assessment demonstrates the alignment of CIE Automotive's risk map with its strategy, as well as the effectiveness of the internal control system in the operational field, as none of the key risks identified materialised during the financial year.

Supervision and control is performed by means of the Risk Management and Process Control modules of the SAP GRC tool operational in all production centres worldwide. In this, a certain number of controls are included for each risk (in many cases of automatic type), to be applied by the various people responsible. Compliance with these is monitored by the Group Compliance Department and the result is subject to review by the Internal Audit Department within its Annual Audit Plan.

IV. KPIs

Key indicators of non-financial results relevant to the particular business activity and that meet the criteria of comparability, materiality, relevance and reliability.
- With the aim of facilitating comparison of information, both over time and between entities, standards for non-financial key indicators that can be generally applied and that comply with European Commission guidelines and Global Reporting Initiative standards will be used especially and the report must mention the national, European or international framework used for each matter.
- The key indicators of non-financial results must apply to each of the sections of the non-financial information statement.
- These indicators must be useful, taking the specific circumstances into account and they must be consistent with the parameters used in their internal management procedures and risk assessments.
- In any case, the information presented must be precise, comparable and verifiable.

CIE Automotive's 2019 Non-financial Information Statement provides information on the economic, financial, social, environmental and governance activity of CIE Automotive S.A. and its subsidiaries during the financial year in the 16 countries where it has a presence, and integrates into its bounds the Group's latest incorporations: Aurangabad Electricals Limited, Inteva Roof Systems (renamed to CIE Golde) and Mapremex.

Non-financial information is presented following the GRI Standards, 2016 version, as a framework for reporting, and it is audited independently by the auditor PricewaterhouseCoopers, the same company that audits the Group's Annual Accounts. The Audit and Compliance Committee is responsible for ensuring its independence.

This report has been prepared with the collaboration and supervision of all the heads of the various departments and areas:

- The ultimate responsibility for its preparation and coordination lies with the Compliance Department, although it relies on collaboration from the Cross-cutting CSR Committee and the Corporate Controlling Department.
- Ultimate responsibility for its approval and formulation, together with the Director's Report, lies with the Board, which is informed regularly by the Corporate Social Responsibility Committee on the most significant issues in ESG (Environmental, Social and Governance) matters.

This report will develop the **relevant issues identified in the materiality analysis** conducted in 2017 with its stakeholders, as well as in surveys conducted in 2018 during the *CIE Automotive CSR Days* with 140 of the organisation's managers in Brazil, the USA, Mexico, India and China. These are as follows: attracting and retaining talent; ethics; corporate governance; compliance; risk management; customer satisfaction; tax transparency; responsible management of the supply chain; climate change; health and safety of people; human rights; innovation and efficiency; and cybersecurity.

Throughout the information gathering and presentation process, CIE Automotive heeds the principles of transparency, relevance, comparability, frequency, clarity and reliability, necessary to ensure the quality of the information reported.

To complete the information on Group activities throughout the year, see the legal documents available on the corporate website: Annual Accounts and Director's Report, Annual Corporate Governance Report and Annual Report on Board Member Remunerations, as well as all the presentations published on different aspects of the Group or in the other sections intended for the various stakeholders.

V. Environmental issues

1. Global environment

1) Detailed information on current and foreseeable effects of company activities on the environment and, where applicable, on health and safety, environmental assessment or certification procedures.
2) Resources assigned to preventing environmental risks.
3) Application of the precautionary principle, the quantity of provisions and guarantees for environmental risks.

CIE Automotive has a Corporate Environment Department responsible for setting the guidelines and coordinating actions in this area for all Group plants. Information is managed by various means, such as the corporate intranet.

CIE Automotive addresses its environmental commitment by maintaining a preventive approach. Accident risk is covered by the Company's global Civil Liability policy. This is not the case for gradual pollution, which began to be covered in December 2019 for the following Spanish companies:

- CIE Alcasting, with aluminium technology.
- CIE Amaya, with two technologies: aluminium and machining.
- Three IPPC (Integrated Pollution Prevention Control) plants: CIE Galfor (forging technology), CIE Inyectametal y CIE Vilanova (both with aluminium technology).

The limit set for the gradual pollution policy for these five Spanish companies is €3 million. Work is also being performed to minimise the adverse impacts that could result from the Company's activity in manufacturing and distributing components and roof systems for the automotive industry, as contained in the Mission, Vision and Values and in the Quality, Environmental and Risk Prevention Policy.

For this purpose, the Company manufactures its products trying to have as little environmental impact as possible, introduces energy efficiency measures in its processes and facilities, uses water and raw materials rationally and conducts appropriate waste management.

During this financial year, the Company has adapted its production facilities to the conditions required by the environmental legislation in the countries where it is located. As such, it made investments aimed at minimising environmental impacts and protecting and improving the environment and has incurred expenses arising from environmental actions, basically to cover expenditure arising from waste removal, consultancy, measurements and environmental certifications. The amounts, both for investments made and costs accrued during 2019 for protecting and improving the environment totalled €6.9 million.

All CIE Automotive plants have been working in recent years to achieve triple environmental certification: ISO 14001, ISO 45001 (previously OHSAS 18001) and IATF (certification replacing the former ISO/TS 16949).

Certification	2018 certified plants	2019 certified plants
IATF 16949	81	97
ISO 14001	68	80
ISO 45001	41	56

As in 2018, no significant fines were received in 2019 due to breaches of environmental laws and regulations. Fines exceeding €30,000 are considered significant.

2. Pollution

1) Measures to prevent, reduce or repair carbon emissions that seriously affect the environment.
2) Taking any form of atmospheric pollution specific to an activity into account, including noise and light pollution.

CIE Automotive has environmental management systems based on ISO 14001 with which it ensures that the levels in the local regulations in force will not be exceeded. In section *V. Environmental issues* subsections *4. Sustainable use of resources* and *5. Climate change* of this same report, information is provided on the Company's use of energy from renewable sources, highlighting that 100% of the energy consumed in plants in Spain comes from renewable sources.

With the aim of evaluating its environmental impact more precisely, in 2019 the Company worked on developing a new indicator that has been included in the Process Map: the **carbon price**, calculated in EUA (European Emission Allowances). This term refers to considering pollution or the so-called negative externality of emitting greenhouse gases (GHG) as an economic cost or, as its name suggests, a price for carbon emissions. However, CIE Automotive does not participate in the global emissions market and, therefore, it is a dummy cost that does not affect its results.

This value is added to the environmental cost over revenue, incorporated in 2018, which factors in the cost of all things related with environmental management in the production process, from energy and water inputs to outputs with the waste generated and their final management.

Finally, CIE Automotive has its premises on industrial estates, so that the noise that is measured and controlled is not a significant factor in the Company's business. Furthermore, light pollution is not considered material to the group, so information on this is not included in this report.

3. Circular economy and waste prevention and management

Circular economy

CIE Automotive is advancing on several fronts to move closer to the circular economy with the aim of reducing both materials inputs and waste generation, closing the economic and ecological loops or flows of resources.

Suppliers:
- Raw materials: encouraging the purchase of raw materials from recycling processes, especially steel and aluminium, the materials used most intensively in its industrial processes.
- Energy: promoting the purchase of electricity from renewable sources. Now, close to 100% of the energy purchased in Spain is renewable (the energy summary table shows its origin in detail by geographical area).

Internal process:
- Reusing the waste generated in its processes. This is of great importance in processes with aluminium, but also in the steel casting process. In plastic injections, due to technical requirements, internal recycling occurs to a lesser extent.
- Enhancing waste recyclability.

Sales process: Using returnable packaging in collaboration with customers.

Wastes: Measures of prevention, recycling, reuse, other forms of recovery and disposal.

CIE Automotive boosts the recyclability of its wastes by seeking managers capable of providing a second use to them, sending less to landfill. The following table shows total industrial waste for recycling:

Indicator	Definition	Units	2018	2019
GRI 306-2	Hazardous industrial waste managed	t	26,907	25,239
	Non-hazardous industrial waste managed		348,470	339,856
	Total		**375,377**	**365,095**

Additionally, CIE Automotive has a recycling system that enables it to reuse thousands of tons of returns from its various production processes internally, so promoting the circular economy mentioned above.

Recycling systems by technology:

- **Aluminium:** it generates large quantities of returns as runners, sprues, starting parts, etc. from the injection process or swarf from the machining process, which are returned to the internal aluminium casting process.
- **Plastics:** runners and other returns from its injection process.
- **Stamping, forging and machining:** where the Group generates the largest volume of waste when using steel, which as it cannot be integrally recycled within the Group's plants, is sold to various local suppliers for full reuse.

The remaining waste that cannot be recycled internally is sent to waste managers, where they prioritise recycling over dumping in landfills.

Actions to combat food waste.

Although food handling is not part of CIE Automotive's principal activity, all plants that have a canteen service or machines to sell food to workers, whether these are outsourced services or not, are subject to the highest standards of food quality and safety, avoiding any food waste, as far as possible.

4. Sustainable use of resources

Water consumption and water supply in accordance with the local limitations.

CIE Automotive consumes water and its proper management is a priority for the Company, given the need to cool materials from high temperatures. To comply with local limitations for reducing discharges to a minimum and enhancing recycling, the Company has its own water treatment systems and facilities.

Indicator	Definition	Units	2018	2019
GRI 303-1 (i)	Surface	m^3/year	306,015	328,251
GRI 303-1 (ii)	Groundwater		212,896	355,167
GRI 303-1 (iii)	Rainwater		28,199	31,808
GRI 303-1 (v)	Public mains		1,045,628	934,006
GRI 303-1:	**Total**		**1,592,738**	**1,649,232**

Raw material consumption and the measures adopted to improve efficiency in their use.

The Company reviews all its processes continually to achieve responsible use of raw materials. An example of these good practices is the constant effort to reduce the gross weight of the products the Company manufactures, which is a key aspect in improving raw material efficiency. This also avoids generating waste and decreases consumption of energy and other products needed in the manufacturing process.

Indicator	Definition	Units	2018	2019
GRI 301-1	Raw material used	kg	1,472,819,976	1,510,283,589
GRI 301-2	Raw material recovered	kg	460,625,898	411,191,542
		%	31%	27%

Direct and indirect energy consumption, measures taken to improve energy efficiency and use of renewable energies.

CIE Automotive has achieved significant progress in energy efficiency in recent years. This is a priority task because it contributes to reducing the impact of its environmental footprint and represents a significant improvement in competitiveness.

The most demanding technologies, aluminium injection moulding and steel forging, lead this issue, with highly diverse actions ranging from efficiency in using compressed air (with the use of the heat generated by the air compressors themselves and proper management of the distribution network, electric motors, ovens, etc.), to small details such as proper lighting.

Indicator	Definition	Units	2018	2019
GRI 302-1 (D)	Energy, direct consumption (fuels)	GJoules	1,608,941	1,662,755
GRI 302-1 (I)	Energy, indirect consumption (electricity):		3,924,977	3,955,226
	- Electricity		2,216,060	2,093,458
	- Electricity from renewable sources		1,708,917	1,861,768
GRI 302-1	**Total**		**5,533,918**	**5,617,981**

Energy intensity

Indicator	Definition	Units	2018	2019
GRI 302-3 (D)	Energy, direct consumption (fuels)	GJoules/€k	0.53	0.48
GRI 302-3 (I)	Energy, indirect consumption (electricity):		1.30	1.14
	- Electricity		0.73	0.60
	- Electricity from renewable sources		0.56	0.54
GRI 302-3	**Total**		**1.83**	**1.62**

In this area, it is to be emphasised that 100% of the energy consumed in plants in Spain comes from renewable energy sources.

5. Climate change

The important elements of greenhouse gas emissions generated as a result of the Company's activities, including the use of goods and services it produces.
Measures adopted to adapt to the consequences of climate change.

In recent years, the automotive industry has managed to reduce pollutant emissions from vehicles, although the latest regulations to fight climate change, the most restrictive in Europe and China, are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint.

The automotive supplier sector is committed to achieving the decarbonisation objectives of the **Paris Agreement** by providing technology and supporting the design of an efficient and effective regulatory framework to preserve employment and competitiveness for a vital part of European industry.

For decades, the entire value chain that makes up the Spanish automotive sector has been investing heavily in R&D in order to put increasingly clean and efficient vehicles on the market, in accordance with the following trends:

- Electrification of new components.
- Reduction in engine size.
- Lighter vehicles.
- More comfortable interior spaces.

CIE Automotive has an impact on the climate throughout its value chain and, consequently, the Company assumes responsibility with respect to climate change. Therefore, all actions the Group performs in terms of the environment will in one way or another be aimed at minimising this impact.

As the use, utilisation and consumption of raw materials, water and energy by the Company is inevitable, this is managed by means of an annual risk analysis at each of the locations, based on ISO 14001 standards, and under continuous monitoring.

CIE Automotive emissions

Indicator	Definition	Units	2018	2019
GRI 305-1	Direct emissions	CO_2 t	94	96
GRI 305-2	Indirect emissions		365	355
GRI 305	**Total**		**459**	**451**

Below we present the emissions savings due to purchasing energy from renewable sources.

Emissions intensity

Indicator	Definition	Units	2018	2019
GRI 305-2	Indirect emissions	$CO_2{}^{t}$	138	146

Indicator	Definition	Units	2018	2019
GRI 305-4 (D) GRI 305-4 (I)	Direct emissions Indirect emissions	$CO_2{}^{t}$/€k	0.03 0.12	0.03 0.10
GRI 305-4	**Total**		**0.15**	**0.13**

In 2019, CIE Automotive launched a project to calculate its Corporate Environmental Footprint (CEF). This project is being carried out in collaboration with IHOBE (a public environmental management company belonging to the Basque Government in Spain), based on the RECIPE tool, enabling evaluation of each of the Group's production plants.

The CEF evaluation consists of five stages, starting with objective setting and ending with an interpretation of the environmental impact results corresponding to the inputs and outputs that occur within the organisation.

Steps in calculating the CEF:

1. Setting **objectives** for the study.
2. Defining the **scope** of the study.
3. Collecting the **inventory** of resource use and emissions.
4. Evaluating the **impact**.
5. Interpreting **results**.

Seventeen impact categories will be evaluated, from destruction of the ozone layer to transformation of natural soil. A first prototype was run in a plant during 2019, with positive results, and it will start to be applied in different Group plants during 2020.

The reduction targets established voluntarily in the medium and long term for reducing greenhouse gas emissions and the means implemented for this purpose.

In line with the United Nations' 2030 Agenda, CIE Automotive has set environmental targets to be met by each of the plants and regions where it operates, based on Global Reporting Initiative (GRI) standards.

	GRI	Description	Annual target	2030 Agenda target
Energy	302-1	**Energy consumption within the organisation** Reduction of energy consumption (electricity) Reduction of energy consumption (gas)	2%	20%
Energy	305-1	**Direct GHG emissions (scope 1)** Reduction of GHG emissions	2%	
Energy	305-2	**Indirect GHG emissions on generating energy (scope 2)** Increase in electricity from renewable sources	5%	100%
Waste	301-2	**Recycled input materials**		
Waste	306-2	**Waste by type and disposal method** Decrease in the total amount of waste generated Increase in waste for recycling	5% 5%	90%
Water	303-1	**Water withdrawal by source** Reduce water consumption Increase the use of recycled water	2% 2%	

6. Protection of biodiversity

Measures taken to preserve or restore biodiversity.
Impacts caused by activities or operations in protected areas.

CIE Automotive carries out its activity on industrial estates, where impacting biodiversity is not considered to be significant. It is not therefore considered material for the Group and no information in this regard is included in this report.

VI. Social matters relating to staff

1. Employment

Total number and distribution of employees by gender, age, country and professional classification.

Total number and distribution of employees by gender, age and professional classification

2018	Men (M)			Total M	Women (W)			Total W	Total
	<30	30-50	>50		<30	30-50	>50		
Steering Committee	-	3	4	**7**	-	3	-	**3**	**10**
Managers	10	462	211	**683**	4	44	17	**65**	**748**
Graduates	1,469	2,914	680	**5,063**	286	588	118	**992**	**6,055**
Skilled workers	4,449	7,311	1,947	**13,707**	679	1,680	383	**2,742**	**16,449**
Total	**5,928**	**10,690**	**2,842**	**19,460**	**969**	**2,315**	**518**	**3,802**	**23,262**

2019	Men (M)			Total M	Women (W))			Total W	Total
	<30	30-50	>50		<30	30-50	>50		
Steering Committee	-	2	4	**6**	-	4	-	**4**	**10**
Managers	13	618	240	**871**	11	85	15	**111**	**982**
Graduates	1,877	3,721	770	**6,368**	389	722	141	**1,252**	**7,620**
Skilled workers	5,294	8,787	2,221	**16,302**	767	1,961	482	**3,210**	**19,512**
Total	**7,184**	**13,128**	**3,235**	**23,547**	**1,167**	**2,772**	**638**	**4,577**	**28,124**

Total number and distribution of people employed by country

Country	2018	2019
India	6,391	8,772
Mexico	4,545	5,318
Brazil	3,652	3,499
Spain	2,602	2,490
China	755	1,763
USA	1,678	1,652
Germany	834	1,058
Slovakia	243	829
Czech Republic	794	707
Romania	328	616
France	371	346
Portugal	330	317
Italy	280	284
Lithuania	231	242
Morocco	41	132
Russia	111	92
The Netherlands	0	5
Guatemala	1	1
England	75	1
Total	**23,262**	**28,124**

Total number and distribution of employment contract types.

	2018	2019
Permanent contract	19,019	22,738
Temporary contract	4,243	5,386
Total employees	**23,262**	**28,124**
Full-time	23,097	27,933
Part-time	165	191
Total employees	**23,262**	**28,124**

Annual average of permanent, temporary and part-time contracts by gender, age and professional classification.

In **2019**, the **average number of permanent contracts** was 19,357 for men and 3,878 for women; 5,767 for employees under the age of 30 years, 13,960 for employees between 30 and 50 years of age and 3,509 for those over the age of 50. On the other hand, the annual average of permanent contracts was 930 for managers, 6,966 for graduates (specialists and administrative staff included) and 15,339 for skilled workers.

In **2018**, the **average number of permanent contracts** was 15,487 for men and 3,023 for women; 4,580 for employees under the age of 30 years, 11,049 for employees between 30 and 50 years of age and 2,880 for those over the age of 50. On the other hand, the annual average of permanent contracts was 703 for managers, 5,218 for graduates (specialists and administrative staff included) and 12,588 for skilled workers.

In **2019**, the **annual average of temporary contracts** was 4,623 for men and 779 for women; 2,960 for employees under the age of 30 years, 2,083 for employees between 30 and 50 years of age and 360 for those over the age of 50. On the other hand, the annual average of temporary contracts was 74 for managers, 827 for graduates (specialists and administrative staff included) and 4,502 for skilled workers.

In **2018**, the **annual average of temporary contracts** was 3,837 for men and 734 for women; 2,444 for employees under the age of 30 years, 1,805 for employees between 30 and 50 years of age and 322 for those over the age of 50. On the other hand, the annual average of temporary contracts was 70 for managers, 882 for graduates (specialists and administrative staff included) and 3,620 for skilled workers.

In **2019**, the **average number of full-time contracts** was 23,849 for men and 4,569 for women; 8,659 for employees under the age of 30 years, 15,962 for employees between 30 and 50 years of age and 3,797 for those over the age of 50. On the other hand, the annual average of full-time contracts was 1,001 for managers, 7,709 for graduates (specialists and administrative staff included) and 19,708 for skilled workers.

In **2018**, the **average number of full-time contracts** was 19,221 for men and 3,696 for women; 6,898 for employees under the age of 30 years, 12,853 for employees between 30 and 50 years of age and 3,165 for those over the age of 50. On the other hand, the annual average of full-time contracts was 778 for managers, 6,083 for graduates (specialists and administrative staff included) and 16,056 for skilled workers.

In **2019**, the **average number of part-time contracts** was 132 for men and 88 for women; 68 for employees under the age of 30 years, 81 for employees between 30 and 50 years of age and 71 for those over the age of 50. On the other hand, the annual average of part-time contracts for managers was 4, 84 for graduates (specialists and administrative staff included) and 133 for skilled workers.

In **2018**, the **average number of part-time contracts** was 98 for men and 66 for women; 40 for employees under the age of 30 years, 65 for employees between 30 and 50 years of age and 60 for those over the age of 50. On the other hand, the annual average of part-time contracts was 3 for managers, 59 for graduates (specialists and administrative staff included) and 102 for skilled workers.

Number of dismissals by gender, age and professional category.

2018	Men (M)			Total M	Women (W)			Total W	Total
	<30	30-50	>50		<30	30-50	>50		
Managers	0	26	21	**47**	0	2	1	3	**50**
Graduates	118	249	43	**410**	41	57	2	100	**510**
Skilled workers	444	538	138	**1,120**	105	195	35	335	**1,455**
Total	**562**	**813**	**202**	**1,577**	**146**	**254**	**38**	**438**	**2,015**

2019	Men (M)			Total M	Women (W)			Total W	Total
	<30	30-50	>50		<30	30-50	>50		
Managers	1	11	16	**28**	1	3	2	6	**34**
Graduates	113	279	38	**430**	28	62	9	99	**529**
Skilled workers	359	480	157	**996**	74	185	40	299	**1,295**
Total	**473**	**770**	**211**	**1,454**	**103**	**250**	**51**	**404**	**1,858**

Average remuneration and its evolution broken down by sex, age and professional classification or equal value.
Wage gap, remuneration for similar or average job posts in the Company.

The wage gap in CIE Automotive is 5%, with men paid an average annual gross income of €15,450 and women an average of €14,750. In 2018 the wage gap was 13%, with men paid an average annual gross income of €15,641 and women an average of €13,532.

Moreover, workers under the age of 30 years are paid an average annual gross income of €7,786, workers between 30 and 50 years of age are paid €15,805 and those over the age of 50 an average of €29,690. In 2018, workers under the age of 30 years were paid an average annual gross income of €8,335, workers between 30 and 50 years of age were paid €15,941 and those over the age of 50 an average of €28,706.

CIE Automotive managers receive an average annual gross income of €52,771, graduates an average of €18,799 and skilled workers an average of €12,081. In 2018, managers received an average annual gross income of €52,374, graduates an average of €17,756 and skilled workers an average of €13,013.

All the above-mentioned average gross annual remunerations are calculated by adding together all the CIE Automotive employees in the category to be broken down, regardless of their origin or place of work.

The average remuneration of board members and managers, including variable remuneration, allowances, compensations, payment to long-term savings systems and any other receipts, broken down by sex.

CIE Automotive's Remuneration Policy establishes that the remuneration of its board members must match their dedication and the responsibility assumed, and must be in line with what is paid in the market by comparable companies at national and international level, taking the shareholders' long-term interests into consideration.

Basic principles of the remuneration policy

- Appropriately rewarding the dedication and responsibility assumed by the board members, in line with what is paid in the market in companies comparable in capitalisation, size, ownership structure and international presence.
- Ensuring that the remuneration contributes directly to the achievement of CIE Automotive's strategic objectives.
- Ensuring proper attraction, motivation and retention of the best professionals.

The average remuneration of board members and managers in euros, including variable remuneration, allowances, compensations, payment to long-term savings systems and any other receipts, broken down by sex, was as follows:

2018	Total people	Men	Average remuneration €	Women	Average remuneration €
Board Members*	5	5	1,102,548	0	-
Senior Management	10	7	675,351	3	495,932

**Remunerated Board Members: two executives, two independent and the chair.*

2019	Total people	Men	Average remuneration €	Women	Average remuneration €
Board Members*	5	5	1,357,000	0	-
Senior Management	9	5	954,000	4	307,000

**Remunerated Board Members: two executives, two independent and the chairman.*

For further detail, see the Notes *Costs of benefits to employees* and *Transactions with related parties* of CIE Automotive's Consolidated Annual Accounts for the year ended 31 December 2019 of the Annual Report of Board Members' Remuneration 2019 and the Remuneration Policy, both documents available on the corporate website.

Implementation of policies for disconnection from work.

There are seven factories of CIE Automotive's located in five different countries (Germany, France, Slovakia, Brazil and China), that have a policy adopted as regards disconnection from work and, in addition, they ensure that the necessary steps are taken to make sure of digital disconnection (computers, company mobile phones, etc.) outside of business hours, as well as during leave and holidays.

Disabled employees.

CIE Automotive employs 363 people with some kind of disability, 1.3% of its workforce (in 2018 there were 366 people with some kind of disability). As a manifestation of the Group's commitment to diversity in employment, it is a member of the Advisory Board of the organisation for social inclusion *Foro Inserta* in the Basque Country, led by ONCE, the Spanish national organisation for the blind, with the objective of facilitating integration and employability of people with some degree of disability.

2. Work organisation

Organisation of working time.
Measures to facilitate enjoyment of balance and to promote the exercise of joint responsibility by both parents.

Surveys are conducted in all plants annually on organisation of working time and measures for work-life balance.

In 2019, 70% of locations had measures to facilitate enjoyment of balance and to promote the exercise of joint responsibility by both parents.

Some of these measures are: flexibility in work centre arrival and departure times, adaptation of working hours to preserve the family environment, the possibility of teleworking, granting of additional days of paternity and maternity leave in addition to those already established by law, and measures for protecting pregnant women.

Number of hours of absenteeism.

Absenteeism in the Company was 5% in 2019, over 3 million and twenty thousand hours of absenteeism. In 2018 the rate was also 5% (with over 3 million hours of absenteeism).

CIE Automotive uses the most prudent version of this concept by considering any absence from work as absenteeism, which could result from occupational or common accidents, sick leave of long duration or time off for maternity and paternity leave, except for holidays.

3. Health and safety

Occupational health and safety conditions.
Accidents at work, in particular their frequency and severity, occupational diseases; broken down by sex.

The Company maintains a preventive approach to ensuring the health, safety and welfare of its employees: it heeds higher standards than the legal requirements established in each country, it provides training for workers appropriate to their work centre and with their activity and it monitors the effectiveness of improvements through internal audits. Occupational risk prevention is articulated around the Strategic Risk Prevention Plan 2020, adopted in 2017, on the following lines:

- **Indicators:** Continuous improvement of frequency and severity indicators and reduction in the number of accidents.
- **CIE SAFETY:** Implementation of a self-assessment questionnaire in all plants. The target for completion of this questionnaire is 85% and it requires the implementation of specific measures in the annual risk prevention plans to improve the results obtained.
- **ISO 45001 (previously OHSAS 18001):** all production centres (within 2017 bounds) must obtain certification in 2020, and new plants must obtain it within a maximum of three years after their integration.

At the organisation level, CIE Automotive has an external risk prevention service that covers the four prevention specialities and a coordinator in Occupational Risk Prevention in each production plant with over 100 people around the world. Risk prevention is complemented by a corporate department that regularly audits plants, maintains the corporate intranet and serves as a point of contact for matters related to occupational risk prevention.

At plant level, Occupational Risk Prevention personnel verify the suitability of the facilities by means of inspections, conduct emergency drills, give training, participate in investigating incidents and perform awareness-raising activities. Each plant has its own Occupational Risk Prevention plan, drawn up based on a framework system, which is continuously subject to auditing of Group occupational risk management systems. This activity allows the risk prevention measures to be adapted for each plant, on the one hand, and the effectiveness of the package of occupational risk activities to be evaluated, on the other. Individual action plans are established annually to meet the improvement targets set based on performance in the year before. All production centres have an occupational health and safety coordinator.

Accident Rate	Men	Women	Total
2018	461	56	517
2019	517	50	567

	2018	2019
Frequency Rate	9.1	9.7
Severity Rate	0.2	0.17

Occupational diseases	2018	2019
Men	5	16
Women	8	9
Total	13	25

4. Labour relations

Organisation of dialogue between management and staff, including procedures for informing and consulting staff and negotiating with them.

The Company respects freedom of association and the right to collective bargaining, maintaining a dialogue with workers' representatives in its European plants, but also in those countries where the trade union tradition is more limited.

Relations with employees are based on respect and transparency. Communication with workers takes place, mainly, through the balanced scorecard and the corporate intranet. There is also a six-monthly internal communication magazine, "News", where the Company reveals the most significant advances in financial and business, as well as in social and environmental aspects.

To understand employees' concerns, CIE Automotive conducts a work environment survey in each production centre every other year. This frequency can vary depending on the particular situation of each location: new acquisitions, specific situations in the country, negotiation of agreements, among others.

The average result of the 69 surveys undertaken between 2018 and 2019 was 7 out of 10. It should also be emphasised that there are always action plans for improving the survey results and, therefore, the satisfaction of CIE Automotive's employees.

Percentage of workers covered by collective agreements by country.

	2018			2019		
Country	Total workforce	Workforce covered	% coverage	Total workforce	Workforce covered	% coverage
India	6,391	2,380	37%	8,772	2,660	30%
Mexico	4,545	3,101	68%	5,318	3,247	61%
Brazil	3,652	3,524	96%	3,499	3,350	96%
Spain	2,602	2,371	91%	2,490	2,253	90%
China	755	401	53%	1,763	358	20%
USA	1,678	0	-	1,652	0	-
Germany	834	816	98%	1,058	921	87%
Slovakia	243	243	100%	829	230	28%
Czech Republic	794	252	32%	707	205	29%
Romania	328	327	100%	616	616	100%
France	371	370	100%	346	342	99%
Portugal	330	330	100%	317	316	100%
Italy	280	280	100%	284	280	99%
Lithuania	231	0	-	242	0	-
Morocco	41	0	-	132	0	-
Russia	111	0	-	92	0	-
The Netherlands	-	-	-	5	0	-
Guatemala	1	0	-	1	0	-
England	75	0	-	1	0	-
Total	23,262	14,395	62%	28,124	14,778	53%

The balance of collective agreements, particularly as regards occupational health and safety.

Throughout 2019, 36 collective agreements or pacts (geographic, sector or production centre) were signed in several production centres in the following countries: Romania, Spain, France, Czech Republic, Mexico, Brazil and India. Agreements were signed in over 40 production centres in 2018.

As a rule, all agreements include specific references to risk prevention and health and safety matters, constituting one of the most important issues.

5. Training

Policies implemented in the field of training.
Total number of training hours by professional category.

Vocational training is focused on developing the abilities required for effective performance in achieving CIE Automotive's objectives.

	No. of training hours		Total personnel trained	
Professional category	**2018**	**2019**	**2018**	**2019**
Managers	19,144	29,140	606	766
Graduates	262,332	231,994	6,307	6,748
Skilled workers	417,494	504,982	13,578	17,103
Total	**698,970**	**766,116**	**20,491**	**24,617**

	2018	2019
Total people employed	23,262	28,124
Total people trained	20,491	24,617
% people trained	88%	88%
No. training hours	698,970	766,116
No. hours/Total people trained	34.1	31.1
No. hours/Total people employed	30	27

The company management decentralisation promotes also the training, as decisions are taken focusing actions on operational nature. In any case, CIE Automotive has a Training Plan Procedure indicating all the stages to be followed to design such plans: identification of needs, planning, definition, execution, assessment and feedback.

Additionally, an open proposal is presented annually to CIE Automotive plants that contains all the training actions to be carried out in the following financial year, such as sessions aimed at training in advanced management and interpersonal skills for those people with certain capabilities and/or potential (soft skills).

6. Universal accessibility for disabled people

CIE Automotive employs 363 people with some kind of disability around the world, 1.3% of its workforce. As a manifestation of the Group's commitment to diversity in employment, it is a member of the Advisory Board of the organisation for social inclusion *Foro Inserta* in the Basque Country, led by ONCE, the Spanish national organisation for the blind, with the objective of facilitating integration and employability of people with some degree of disability.

7. Equality

Measures adopted to promote equal treatment and opportunities between women and men. Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for effective equality between women and men), measures adopted to promote employment, protocols against sexual harassment and gender discrimination, integration and universal accessibility for people with disabilities. Policy against all forms of discrimination and, where appropriate, on diversity management.

CIE Automotive is in the midst of developing a corporate Equality and Diversity Plan, specifically at the diagnostic phase, in which individual interviews have been conducted with 15 leaders of the organisation, as well as 14 focus groups with global coverage. One of the measures in this Plan will be to establish a protocol against sexual harassment and gender discrimination, among other things.

CIE Automotive provides its workers with a working environment free from discrimination on the basis of gender, race, religion, age, sexual orientation, nationality, marital status or socio-economic status.

To ensure compliance with the Code of Conduct, CIE Automotive makes it possible for all those who form part of the organisation to raise queries and report irregularities or breaches that lack ethics or integrity or violate the established guidelines, through an ethical channel, by e-mail, physical mail or the web. This channel ensures the anonymity of the sender.

VII. Human rights

Application of due diligence procedures as regards human rights. Prevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses. Complaints about cases of human rights violations.

CIE Automotive guides its actions in accordance with its corporate values, based on which it has created internal regulations to ensure the upright behaviour of its members, tools for monitoring and mechanisms for action in the event of non-compliance. The **Professional Code of Conduct** and **Corporate Policies** developing this ethical framework were updated in October 2019.

The Code of Conduct provides members of the organisation with a guide to ethics and principles for action in their work activity.

Everyone who works at CIE Automotive is obliged to know it and comply with it. In addition, the Group encourages its business partners (joint ventures, suppliers, customers, contractors and collaborating companies) to act in a manner consistent with the code and to implement ethical programmes that are consistent with its standards.

CIE Automotive revised the Code of Conduct during the 2019 financial year based on proposals of people in charge in various geographical areas. Among the main changes is that it goes into greater depth on the fight against fraud and corruption and on protection of personal data.

CIE Automotive's guidelines for conduct

- Acting ethically and legally.
- Respect for people and society.
- Health and safety.
- Relationships with Authorities and third parties.
- Transparency, integrity and confidentiality of information.
- Tax obligations and use of public funds.
- Use of resources and assets.
- Protection of information.
- Intellectual and industrial property

Failure to comply with the Code of Conduct by members of CIE Automotive may lead to the application of sanctions in accordance with the applicable law.
The Corporate Social Responsibility Committee, which reports to the Board, is responsible for

supervising proper implementation of the Code of Conduct.

Ethical (whistle-blower) channel

To promote compliance with the Code of Conduct, CIE Automotive has established a procedure for managing reports and queries concerning irregularities or breaches of the Code of Conduct.

Both members of the organisation and its stakeholders can raise queries and report irregularities or breaches that lack ethics or integrity or violate the guidelines established in the Code of Conduct, through the following channels:

- Electronic ethical channel: whistleblowerchannel@cieautomotive.com
- Post addressed to the Compliance Department at the following address: Alameda Mazarredo 69, 8º. C.P. 48009 Bilbao (Bizkaia), Spain.
- Information and a communications channel on the intranet and the corporate website.

One change is that the new Code of Conduct stipulates that all reports or queries can be made anonymously. The Compliance Department processes the reports and queries, which will be studied and handled confidentially. The information on those involved will be managed in accordance with the applicable data protection laws in the country concerned.

Eighteen complaints were received through this ethical channel in 2019. The complaints were mostly related to lack of professional ethics and breach of the Code of Conduct (13 out of a total of 18), and to a lesser extent to corruption (three) and discrimination (two). The appropriate actions were taken in all cases to study, follow up on and resolve or close these complaints. Within these actions were the dismissal of workers who participated in the reported cases of fraud and corruption, as well as mediation of Management and the HR departments concerned to resolve cases of discrimination reported and to prevent their recurrence, by means of enhanced workforce training in company values and the guidelines in the Code of Conduct. However, no complaints were received related to violation of human rights.

Promotion of and compliance with the International Labour Organisation's core conventions relating to respect for freedom of association and the right to collective bargaining.
Elimination of discrimination in employment and occupation.
Elimination of forced or compulsory labour.
Effective abolition of child labour.

CIE Automotive rejects child labour or forced labour and discrimination in employment and occupation. It fosters respect for freedom of association and the right to collective bargaining and complies with the laws of the countries where it operates, in accordance with internationally recognised rights and with its own Human Rights Policy. This policy complies with the International Labour Organisation's core conventions relating to respect for freedom of association and the right to collective bargaining. The total number of people covered by these conventions is shown in section *VI. Matters relating to staff*, subsection *4. Labour relations*.

Although all plant HR managers and directors sign this policy, pledging to abide by and enforce it, a survey is conducted annually to identify plants where there is a risk of these events occurring and appropriate measures are applied if necessary. Of the plants, 100% completed the survey and 100% of plants answered in a satisfactory manner to confirm that no risks were identified in this matter.

The **Purchasing Policy** is distributed to suppliers through the following communications channels: corporative website, General Purchasing Conditions, the Supplier Portal, CSR Days at country level, as well as the publishing of a video hosted on our website and the signing of the CSR Commitment document for suppliers. As such, CIE Automotive can affirm that suppliers representing over 90% of purchases have been informed and have ratified their acceptance of the CSR Commitment.

Therefore, CIE Automotive confirms that there are no operations or suppliers in the entire supply chain with significant risk of cases of child labour, forced labour, unfair treatment, discrimination or any other practices that imply putting profit ahead of social and/or environmental concerns. The absence of complaints received in the whistle-blower channel in 2019 related to the supply chain reflects this.

VIII. Corruption and bribery

Measures adopted to prevent corruption and bribery.
Anti-money laundering measures.

CIE Automotive has an **Anti-corruption and Fraud Policy** that indicates that the relationship with civil servants and public authorities must be based on principles of transparency, integrity, objectivity, fairness and legality. All Group members must comply with the guidelines for conduct of the Code of Conduct, which indicates the corporate values to guide the behaviour of CIE Automotive' professionals, as well as guidelines for behaviour and general lines of action to direct decision-making in the Group. Furthermore, one of the Internal Audit Department's functions is to confirm that Group companies operate in line with the corporate values and always in accordance with the law.

The Company's commitment to the fight against fraud and corruption is evident in its adherence to the ten principles outlined in the United Nations Global Compact. As anticipated in the tenth principle, CIE Automotive is committed to fighting corruption in all its forms, including extortion and bribery, and to developing specific policies in relation to this area.

The Company is politically neutral and does not finance political parties or their representatives or candidates, either directly or indirectly, in Spain or abroad.

In addition, as indicated in sections *II. Policies* and *III. Short-, medium- and long-term risks* of this report, the Group has had a Criminal Risks Prevention Model since 2015, which was updated in October 2019, with a Support Unit with autonomous powers of initiative and control within the organisation, responsible for ensuring compliance with the Model. The Company depends on this model as a measure to combat the money laundering, in addition to training in the Code of Conduct and the implementation of corporate policies.

To ensure compliance with the Code of Conduct, the guidelines of which push for the fight against fraud and corruption, as well as against money laundering, CIE Automotive makes it possible for all those who form part of the organisation to raise queries and report irregularities or breaches that lack ethics or integrity or violate the established guidelines, through an ethical channel by e-mail, physical mail or the web. This channel ensures the anonymity of the sender.

As stated in section *VII. Human rights*, 18 complaints were received in 2019 through the ethical channel, three of which were directly related to fraud and corruption. The appropriate actions were taken in all cases to study, follow up on and resolve or close these complaints. Within these actions was the dismissal of workers who participated in the cases of fraud and corruption reported.

Contributions to foundations and non-profit entities.

CIE Automotive's contributions to foundations and non-profit organisations totalled over €0.5 million in 2019, and over €0.8 million in 2018. The participation of staff employed in them remained at the same levels as 2018, at over 2,700.

For greater detail on the type of social action carried out in each of the geographical areas in which the Group operates, see the **Annual Report 2019**, *Committed social development* section.

IX. Society

1. Company commitments to sustainable development

The impact of company activity on employment and local development.
The impact of company activity on local populations and on the territory.
Relationships with local community representatives and means of dialogue with them.

CIE Automotive contributes to the development of the places where it is present by boosting their business fabric, generating direct and indirect jobs and paying taxes. As well as the direct impact of its business activity, it collaborates with other local organisations in various social activities and actively participates in sector organisations.

Section *VI. Matters relating to staff*, subsection *I. Employment* shows impact on local employment generated by the Group. For greater detail on the type of social action carried out in each of the geographical areas in which the Group operates, see the **Annual Report 2019**, *Committed social development* section.

The location of CIE Automotive's suppliers close to Group plants generates wealth in local communities, reduces logistics costs and tariff barriers and decreases exchange risks. For these reasons, **91.6%** of CIE Automotive's **suppliers** were **local** companies in 2019, 1.2% higher than in 2018. These suppliers account for 79% of total Group purchase volume in 2019.

Training of professionals working in the purchasing function in each geographical area is, therefore, necessary to explain CIE Automotive's demands in terms of quality and sustainability and request this from local suppliers. To that end, training days were held with the management teams in India, China, Mexico and Europe in 2019.

Partnership or sponsorship actions.

Partnership actions

As a leading member of the automotive components sector, CIE Automotive promotes fair, responsible organisation of its activity for the benefit of the sector, of its stakeholders and of society.

Thus, as a member of the Management Board of SERNAUTO (the Spanish Association of Automotive Suppliers), and in line with its environmental commitment, it supports the design of an efficient, effective regulatory framework for reducing polluting emissions, which preserves jobs and the competitiveness of a vital part of the industry at the same time. As such, the legislation needs to set environmentally ambitious, but technically and economically viable targets, and to recognise efficient technologies for reducing emissions, thereby maintaining the principle of technological neutrality.

In addition to belonging to SERNAUTO, the Group also belongs to other associations such as:

- ACICAE: Automotive Cluster of the Basque Country, where he is part of the Presidency of the Board of Directors.
- CLEPA (European Association of Automotive Suppliers), in which it is a member of the R&D Committee.
- EGVIA (European Green Vehicles Initiative Association): European association for the green vehicles initiative.
- TECNALIA: Private Centre for Applied Research, where it is a member of the Board of Directors.
- AIC (Automotive Intelligence Center): automotive centre located in the Basque Country, where it is a founding member and holds the vice-presidency of the Board of Directors.

For further detail on all the associations of which CIE Automotive is a member, see the **Annual Report 2019**, *Institutional relationships* section.

Sponsorship actions

The following are some examples of the main sponsorship actions undertaken by CIE Automotive in 2019:

- *Real Sociedad Fundazioa*.
- *EITB Maratoia* for childhood cancer research.
- *Korrika*.
- Youth hockey team of Valašské Meziříčí (Czech Republic).
- Universal Festival of Instrumental Music of Maracanaú (Brazil).
- COB Ourense.

For further detail on all the sponsorships of CIE Automotive, see the **Annual Report 2019**.

2. Subcontracting and suppliers

The inclusion in the purchasing policy of social, gender equality and environmental issues. Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility.

CIE Automotive's supply chain comprises over 25,000 suppliers, which billed the Company over €1,900 million in 2019. The Group continued to refine its purchasing model during the year, performing quality controls and integrating social and environmental criteria into the management of its suppliers, as well as implementing the model in its most recently acquired companies.

The new **Supplier Portal**, a free on-line platform accessible from the **Supply chain** section of the corporate website, is where current and potential suppliers of products and services to CIE Automotive can register. This new means of interaction pursues a twofold objective: on the one hand, it facilitates the registration of companies interested in working with CIE Automotive, standardising their assessment prior to incorporation into the supplier panel; and on the other hand, it serves as a reference tool for purchasing managers at worldwide.

Implementation of the Supplier Portal was consolidated in Europe in 2019, with the registration of over 90% of production material suppliers, and it was deployed worldwide, where implementation to European standards is expected to be achieved in 2020. The operational process for monitoring and controlling the required global standards, as well as for gradually incorporating non-production material suppliers, is performed by means of internal audits and internal controls.

Standard and objective selection

Once registered in the portal, providers need to respond to four questionnaires on the following topics, each with a specific level of relevance: activity management (35%), environmental management (20%), CSR management (25%) and management of conflict minerals (20%). The questionnaires can be seen in detail on the **corporate website**, and the abolition of any discrimination of the basis of race or gender, among others, is demanded both on the Supplier Portal and in the Global Supply Chain Manual.

After the objective assessment of the answers, a final score is sent to the supplier automatically. If this is positive, this score accredits membership of the supplier panel. If it is not positive, the supplier receives detail on those aspects it needs to work on to improve and CIE Automotive's commitment to collaborate to achieve their implementation.

With this procedure, CIE Automotive ensures standardisation of the purchasing process under criteria of objectivity, impartiality and equal opportunities, which govern its purchasing model and that are reflected in the Global Supply Chain Manual.

This manual, published in December 2017 and last updated in July 2019, details, in a simple, graphical manner, the Company **Mission** and **Purchasing Policy**, the types of products and service purchasing, the purchasing flowchart and the internal procedures associated with it, as well as the CSR demands suppliers must fulfil to work with CIE Automotive.

Supplier approval

The requirements on suppliers depend on their classification according to the product or service they provide. Over 90% of suppliers to CIE Automotive of families considered susceptible to assessment are certified to IATF 16949 (certification replacing the former ISO/TS 16949) or ISO 9001. Environmental certification to ISO 14001 and ISO 45001 (previously OHSAS 18001) are considered a plus.

Over 24% of the total number of production material suppliers provided their environmental certificate ISO 14001 in 2019, a figure the Company wishes to improve on in 2020, being one of the requirements requested on the *Environment* questionnaire on the portal.

The General Purchasing Conditions and the Global Supply Chain Manual confirm the requirement and commitment of the supply chain to comply with and enforce the law applicable in each country as regards ESG (Environmental, Social and Governance). In addition, section 15 of the CSR Commitment for suppliers outlines the demands on them in the exercise of their activity with respect to the environment.

Suppliers who do not have these certifications must generate a work plan for obtaining them or present third-party accreditation attesting to them meeting the standards required by CIE Automotive.

In 2018, the Company defined its environmental requirements on suppliers, implementation of which will be phased in over the next few years. Aware of the difficulties involved in developing these for small and medium-sized enterprises, CIE Automotive provides them with training if required.

Supervision systems and audits and their results.

The assessments are completed through process audits in which the following parameters are evaluated and weighted: planning, suppliers, receipt, training and qualification, process, maintenance, inspection, packaging, storage, continuous improvement and the environment, customer satisfaction, documentation and corporate social responsibility. Several of these sections explicitly mention and audit supplier performance in such important aspects as the environment and occupational safety.

The CSR section also checks that the processes of both existing suppliers and new audited suppliers comply with the ESG (Environmental, Social and Governance) requirements that CIE Automotive declares and promotes in its supply chain.

Four supplier classification levels result from the application of this assessment procedure, depending on the degree of compliance:

- **Unacceptable:** ceases to be a supplier to CIE Automotive, because its level of compliance is below 55%.
- **Conditional:** supplier(s) from which an improvement plan in the form of company management is required, as they only comply with between 55% and 74% of the requirements set out in the assessment.
- **Acceptable:** supplier(s) required to perform some specific actions as they only comply with 75%-89% of the requirements set out in the assessments.
- **Preferred:** supplier(s) with a result after auditing of between 90% and 100%.

Failure to obtain a 100% score in the CSR section immediately assigns a supplier the classification of *Unacceptable*. However, the result of the 687 audits carried out in 2019 (35% more than in 2018) underscored the solidity of the supply chain in that less than 1% of audited suppliers were classified as *Unacceptable*.

3. Consumers

Measures for consumer health and safety.
Claims systems, complaints received and complaint resolution.

CIE Automotive has no direct contact with final consumers in its activity, only with manufacturers in the sector. The Company complies with all the health and safety requirements its customers demand, in addition to sector specific norms such as the IATF standard, full compliance with which is indicated in section *V. Environmental issues*, subsection *1. Global environment*.

The IATF 16949 standard is considered the international standard for quality management systems most widely used in the automotive industry, harmonising the various assessments and certification systems in the global automotive industry supply chain.

In line with the operational model of the automotive sector to which CIE Automotive belongs, the Company manages claims and complaints from its customers (manufacturers) by means of their corporate channels, and it does not have its own systems for managing claims and complaints from final consumers as it has no direct contact with them.

No complaints related to health and safety were received from final consumers in 2019, neither in 2018.

4. Tax information

Profits obtained country-by-country.
Corporate income tax paid.

The information below is presented in the Form 231. Disclosure Statement from the Vizcaya Regional Government, model following Directive (EU) 2016/881 of the Council of 25 May 2016, amending Directive 2011/16/EU with regard to mandatory automatic exchange of information in the field of taxation, regulates the country-by-country report that "multinational enterprise groups" must provide each year and for each tax jurisdiction in which they operate, and that will be useful for globally assessing the transfer pricing risk, where the principle objective is to provide the information necessary to analyse the risk of linked transactions, thus facilitating the work of the tax authorities, which may turn to it to assess other risks related to base erosion and profit shifting.

In adapting to this Directive, the obligation to present country-by-country information is regulated in sections 10 and 11 of Article 43 of Local Regulation 11/2013, of 5 December on Corporation Tax, Article 21bis of Local Government Decree of the Vizcaya Regional Government 203/2013, of 23 December, approving Regulation of Corporation Tax.

	2018		2019	
Tax jurisdiction	**Profit/(Loss) before Corporation Tax**	**Corporation Tax paid (cash basis)**	**Profit/(Loss) before Corporation Tax**	**Corporation Tax paid (cash basis)**
Basque Country	66.4	0	169.5	0.2
Mexico	131.9	33	135.5	22.1
Brazil	21.6	5	48.7	5.7
China	31.3	7.5	48.1	9.7
India	30.7	10.2	42.4	7.6
Spain	29	6.9	36.6	8.0
USA	15.7	0.3	20.4	0.3
Lithuania	5.4	0.2	7.7	0.1
Russia	1	0	6.8	0.0
Italy	7.5	0	6.5	0.8
Romania	(0.3)	0.9	6.1	0.1
Czech Republic	4.4	0.8	5.5	1.1
France	4.5	1.5	5.2	1.8
Slovakia	4.3	0.4	3.4	0.3
Navarre	2.5	0	3.3	0.0
Portugal	2.3	0.4	2.5	0.5
Morocco	0.6	0	1.0	0.0
England	(6.3)	0	0.0	0.0
Barbados	-	-	0.0	0.0
Guatemala	(0.1)	0	(0.1)	0.0
The Netherlands	-	-	(0.5)	0.0
Germany	3.6	0	(8.4)	0.5
Total (€ million)	**356.1**	**66.9**	**540.3**	**58.8**

These data are without consolidation adjustments and under IFRS.

Public subsidies received.

CIE Automotive received €1.4 million euros in operating subsidies in 2019, €0.6 million less than in 2018. Of the total received, €0.7 million was received in Spain, €0.2 million in Russia, Germany and Portugal respectively and €0.1 million in China.

X. Traceability of fulfilment of the Spanish Law on non-financial and diversity information

SPANISH LAW 11/2018 ON NON-FINANCIAL AND DIVERSITY INFORMATION	GRI STANDARDS, 2016 VERSION
I. BUSINESS MODEL	
A brief description of the group's business model, including: 1) its business environment, 2) its organisation and structure, 3) the markets in which it operates, 4) its objectives and strategies, 5) the principal factors and trends that could affect its future evolution.	102-1 Name of the Company 102-2 Activities, brands, products, and services 102-3 Location of headquarters 102-4 Location of operations 102-5 Ownership and legal form 102-6 Markets served 102-7 Scale of the organisation 102-10 Significant changes to the organisation and its supply chain 102-16 Values, principles, standards, and norms of behaviour 102-18 Governance structure 102-20 Executive-level responsibility for economic, environmental and social topics 102-29 Identifying and managing economic, environmental and social impacts 102-30 Effectiveness of risk management processes 102-31 Review of economic, environmental and social topics 102-32 Highest governance body's role in sustainability reporting 102-33 Communicating critical concerns to the highest governance body 102-34 Nature and total number of ethical concerns 102-40 List of stakeholder groups 102-42 Identifying and selecting stakeholders 102-44 Key topics and concerns raised
II. POLICIES	
A description of the policies the Group applies in these matters includes: 1) the due diligence procedures applied to identify, assess, prevent and mitigate significant risks and significant impacts, 2) procedures for verification and control, including what measures have been adopted.	103 Management approach for each field
III. SHORT-, MEDIUM- AND LONG-TERM RISKS	
The principal risks related to those issues linked to Group activities, including, where relevant and proportionate, its commercial relationships, products or services that could have adverse effects in these areas, and: - How the Group manages those risks. - Explaining the procedures used to detect and assess them, in line with the national, European or international reference frameworks in each matter. - Information on the impacts identified must be included, offering a breakdown of these, in particular for the main short-, medium- and long-term risks.	102-15 Key impacts, risks and opportunities 102-30 Effectiveness of risk management processes

IV. KPIs	
Key indicators of non-financial results relevant to the particular business activity and that meet the criteria of comparability, materiality, relevance and reliability. - With the aim of facilitating comparison of information, both over time and between entities, standards for non-financial key indicators that can be generally applied and that comply with European Commission guidelines and Global Reporting Initiative standards will be used especially and the report must mention the national, European or international framework used for each matter. - The key indicators of non-financial results must apply to each of the sections of the non-financial information statement. - These indicators must be useful, taking the specific circumstances into account and they must be consistent with the parameters used in their internal management procedures and risk assessments. - In any case, the information presented must be precise, comparable and verifiable.	102-45 Entities included in the consolidated financial statements 102-46 Defining report content and topic Boundaries 102-47 List of material topics 102-48 Restatements of information 102-49 Changes in reporting 102-50 Reporting period 102-51 Date of most recent report 102-52 Reporting cycle 102-53 Contact point for questions regarding the report 102-56 External assurance
V. ENVIRONMENTAL ISSUES	
1. Global environment	
1) Detailed information on current and foreseeable effects of company activities on the environment and, where applicable, on health and safety, environmental assessment or certification procedures. 2) Resources assigned to preventing environmental risks. 3) Application of the precautionary principle, the quantity of provisions and guarantees for environmental risks.	103 Management approach for each field 102-11 Precautionary principle or approach 307-1 Non-compliance with environmental laws and regulations 419-1 Non-compliance with laws and regulations in the social and economic area
2. Pollution	
1) Measures to prevent, reduce or repair carbon emissions that seriously affect the environment. 2) Taking any form of atmospheric pollution specific to an activity into account, including noise and light pollution.	103 Management approach on Emissions // Biodiversity
3. Circular economy and waste prevention and management	
Circular economy	103 Management approach on Emissions // Circular economy
Wastes: Measures of prevention, recycling, reuse, other forms of recovery and disposal.	103 Management approach on Effluents and wastes 306-2 Waste by type and disposal method
Actions to combat food waste.	103 Management approach on Effluents and wastes // Food waste
4. Sustainable use of resources	
Water consumption and water supply in accordance with the local limitations.	303-1 Water withdrawal by source
Raw material consumption and the measures adopted to improve efficiency in their use.	103 Management approach on Materials 301-1 Materials used by weight or volume 301-2 Recycled input materials
Direct and indirect energy consumption, measures taken to improve energy efficiency and use of renewable energies.	103 Management approach on Energy 302-1 Energy consumption within the organisation 302-3 Energy intensity
5. Climate change	
The important elements of greenhouse gas emissions generated as a result of the Company's activities, including the use of goods and services it produces.	103 Management approach on Emissions 305-1 Direct (Scope 1) GHG emissions 305-2 Indirect (Scope 2) GHG emissions on generating energy 305-4 GHG emissions intensity
Measures adopted to adapt to the consequences of climate change.	103 Management approach on Emissions
The reduction targets established voluntarily in the medium and long term for reducing greenhouse gas emissions and the means implemented for this purpose.	103 Management approach on Emissions
6. Protection of biodiversity	
Measures taken to preserve or restore biodiversity. Impacts caused by activities or operations in protected areas.	103 Management approach on Biodiversity 304-2 Significant impacts of activities, products and services on biodiversity

VI. SOCIAL MATTERS RELATING TO STAFF	
1. Employment	
Total number and distribution of employees by gender, age, country and professional classification.	103 Management approach on Employment 102-8 Information on employees and other workers 405-1 Diversity of governance bodies and employees
Total number and distribution of employment contract types.	102-8 Information on employees and other workers
Annual average of permanent, temporary and part-time contracts by gender, age and professional classification.	102-8 Information on employees and other workers
Number of dismissals by gender, age and professional category.	401-1 New employee hires and employee turnover
Average remuneration and its evolution broken down by sex, age and professional classification or equal value.	405-2 Ratio of basic salary and remuneration of women to men
Wage gap, remuneration for similar or average job posts in the Company.	405-2 Ratio of basic salary and remuneration of women to men 103 Employment + Diversity and Equal opportunities
The average remuneration of board members and managers, including variable remuneration, allowances, compensations, payment to long-term savings systems and any other receipts, broken down by sex.	103 Management approach on Diversity and Equality - giving values of average Board Member remuneration by sex 102-35 Governance: Remuneration policies 102-36 Processes for determining remuneration
Implementation of policies for disconnection from work.	103 Management approach on Employment
Disabled employees.	405-1 Diversity of governance bodies and employees
2. Work organisation	
Organisation of working time. Measures to facilitate enjoyment of balance and to promote the exercise of joint responsibility by both parents.	103 Management approach on Employment
Number of hours of absenteeism.	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities
3. Health and safety	
Occupational health and safety conditions. Accidents at work, in particular their frequency and severity, occupational diseases; broken down by sex.	103 Management approach on Occupational Health and Safety 403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities 403-3 Workers with high incidence or high risk of diseases related to their occupation 403-4 Health and safety topics covered in formal agreements with trade unions
4. Labour relations	
Organisation of dialogue between management and staff, including procedures for informing and consulting staff and negotiating with them. Percentage of workers covered by collective agreements by country.	103 Management approach on Worker-company relations 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
The balance of collective agreements, particularly as regards occupational health and safety.	102-41 Collective bargaining agreements
5. Training	
Policies implemented in the field of training. Total number of training hours by professional category.	103 Management approach on Training and teaching 404-1 Average hours of training per year per employee
6. Universal accessibility for disabled people	103 Management approach on Diversity and Equal Opportunities + Non-discrimination
7. Equality	
Measures adopted to promote equal treatment and opportunities between women and men. Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for effective equality between women and men), measures adopted to promote employment, protocols against sexual harassment and gender discrimination, integration and universal accessibility for people with disabilities. Policy against all forms of discrimination and, where appropriate, on diversity management.	103 Management approach on Diversity and Equal Opportunities + Non-discrimination

VII. HUMAN RIGHTS	
Application of due diligence procedures as regards human rightsPrevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses. Complaints about cases of human rights violations. Promotion of and compliance with the International Labour Organisation's core conventions relating to respect for freedom of association and the right to collective bargaining. Elimination of discrimination in employment and occupation. Elimination of forced or compulsory labour. Effective abolition of child labour.	103 Management Approach on Human rights assessment + Freedom of association and collective bargaining + Child labour + Forced or compulsory labour 102-16 Values, principles, standards and norms of behaviour 102-17 Mechanisms for advice and concerns about ethics 406-1 Incidents of discrimination and corrective actions taken 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk 408-1 Operations and suppliers at significant risk for incidents of child labour 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour
VIII. CORRUPTION AND BRIBERY	
Measures adopted to prevent corruption and bribery. Anti-money laundering measures.	103 Management approach on Anti-corruption 102-16 Values, principles, standards and norms of behaviour 102-17 Mechanisms for advice and concerns about ethics 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken 415-1 Political contributions to parties and/or representatives
Contributions to foundations and non-profit entities.	413-1 Operations with local community engagement, impact assessments and development programmes
IX. SOCIETY	
1. Company commitments to sustainable development	
The impact of company activity on employment and local development. The impact of company activity on local populations and on the territory. Relationships with local community representatives and means of dialogue with them.	102-42 Identifying and selecting stakeholders 102-43 Approach to stakeholder engagement 103 Management approach to Local communities + indirect economic impacts 203-2 Significant indirect economic impacts 204-1 Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation 413-1 Operations with local community engagement, impact assessments and development programmes
Partnership or sponsorship actions.	102-12 External initiatives 102-13 Membership of associations
2. Subcontracting and suppliers	
- The inclusion in the purchasing policy of social issues, gender equality and environmental issues. - Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility.	102-9 Supply chain 103 Environmental assessment of suppliers + Social assessment of suppliers + Acquisition practices 204-1 Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation 308-1 Environmental assessment of suppliers 414-1 Social assessment of suppliers
Supervision systems and audits and their results.	103 Management approach on acquisition practices
3. Consumers	
Measures for consumer health and safety. Claims systems, complaints received and complaint resolution.	103 Management approach on Health and Safety in customers + Marketing and labelling + Customer privacy
4. Tax information	
Profits obtained country-by-country. Corporate income tax paid.	103 Management approach to economic performance + quantitative data on taxes and profits 201-1 Direct economic value generated and distributed
Public subsidies received	201-4 Financial assistance received from government

XI. External verification

CIE Automotive S.A. and subsidiaries

Independent Verification Report
31 December 2019

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 Verification Report

To the sole shareholder 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 (hereinafter "NFS") for the year ended 31 December 2019 of CIE Automotive, S.A (the Parent company) and subsidiaries (hereinafter "CIE" or "CIE Automotive" or "the Group") which forms part of the Group´s Consolidated Management's Report (hereinafter "CMR").

Responsibility of the directors

The preparation of the NFS included in CIE´s CMR and the content thereof are responsibility of the Board of Directors of CIE Automotive, S.A. The NFS has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") selected, described in line with the details provided for each matter in the table included in the section named "Traceability of fulfilment of the Spanish Law on non-financial and diversity information" of the mentioned NFS.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to ensure that the NFS to be free of any immaterial misstatement due to fraud or error.

The directors of CIE Automotive, S.A. 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.

PricewaterhouseCoopers Auditores, S.L., Plaza de Euskadi, 5, 48009 Bilbao, España
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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Our firm applies the International Standard on Quality Control 1 (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.

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out. Our work has been aligned with the requirements set by 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 assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several CIE Automotive´s units that were involved in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with CIE Automotive personnel to ascertain the business model, policies and management approaches applied, 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 contents included in the NFS for 2019, based on the materiality analysis carried by CIE, and described in section IV of the NFS, considering the content required under current commercial legislation.

- Analysis of the procedures used to compile and validate the information presented in NFS for 2019.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFS for 2019.

- Verification, through sample testing, of the information relating to the content of the NFS for 2019 and its adequate compilation using data supplied by the Group´s information sources.

- Obtainment of a management representation letter from the directors and management of the Parent company.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that CIE Automotive´s NFS, for the year ended 31 December 2019 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and following the criteria of the Standards of the Global Reporting Initiative ("GRI Standards") selected, described in line with the details provided for each matter in the table included in the section named "Traceability of fulfilment of the Spanish Law on non-financial and diversity information" of the mentioned NFS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Pablo Bascones

February 28th, 2020

IDENTIFYING INFORMATION OF ISSUER

Ending date of reporting period: [31/12/2019]

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
MAHINDRA & MAHINDRA LTD	0.00	7.44	0.00	0.00	7.44
ALANTRA ASSET MANAGEMENT, SGIIC, S.A	0.00	3.54	0.00	0.00	3.54

ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	5.51	9.40	0.00	0.00	14.91
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L	10,00	0,00	0,00	0,00	10,00
ADDVALIA CAPITAL, S. A	5,00	0,00	0,00	0,00	5,00

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 CORPORATI ON, B.V.	9.40	0.00	9.40

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

ALANTRA EQMC ASSET MANAGEMENT, S.G.I.I.C. S.A. and ALANTRA ASSET MANAGEMENT, S.G.I.I.C, S.A. have concluded an agreement for the concerted exercise of the voting rights of the shares of the company owned by the investment entities managed by them (EQMC EUROPE DEVELOPMENT CAPITAL FUN PLC; MERCER INVESTMENT FUND (sub-fund of MERCER QIF COMMON CONTRACTUAL FUND) ; 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 may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. FERMIN DEL RIO SANZ DE ACEDO	0.02	0.00	0.00	0.00	0.02	0.00	0.00
Mr. ANTONIO MARIA PRADERA JAUREGUI	0.00	10.00	0.00	0.00	10.00	0.00	0.00
Mr. JESUS MARIA HERRERA BARANDIARAN	1.35	0.00	0.00	0.00	1.35	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	10.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	26.37

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 may be transferred through financial instruments
Mr. 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 Mr. 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
Mr. 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.
Mr. 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.

Mr. 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.
Mr. 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.
Mrs. 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.
Mrs. 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.
Mr. FRANCISCO JOSÉ RIBERAS MERA	Mr. 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.
Mr. 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.
Mr. 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	Mr. JACOBO LLANZA FIGUEROA	Mr. JACOBO LLANZA FIGUEROA	Jacobo Llanza Figueroa is CEO of Alantra Asset Management, SGIIC, S.A.
Mr. 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.

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 8 May General Shareholders Meeting will be in force up to and including 8 May 2019. 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	37.39

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:

	Attendance data				
Date of General Shareholders Meeting	Percentage of physical presence	Percentage by proxy	Percentage of distance voting		Total
			Electronic voting	Other	
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
08/05/2019	63.55	4.40	0.00	0.00	67.95
Of which floating capital	11.73	4.40	0.00	0.00	16.13

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
Mr. SANTOS MARTÍNEZCONDE GUTIÉRREZ BARQUÍN		Proprietary	DIRECTOR	24/04/2018	24/04/2018	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. JUAN MARÍA RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. FERMIN DEL RIO SANZ DE ACEDO		Executive	DIRECTOR	21/12/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. ANTONIO MARIA PRADERA JAUREGUI		Proprietary	CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. CARLOS SOLCHAGA CATALÁN		Independent	LEAD INDEPENDENT DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. JESUS MARIA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	21/01/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. ÁNGEL MANUEL OCHOA CRESPO		Independent	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. FRANCISCO JOSÉ RIBERAS MERA		Proprietary	DIRECTOR	27/10/2010	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ADDVALIA CAPITAL, S.A.	Mrs. MARIA TERESA SALEGUI	Proprietary	DIRECTOR	26/04/2007	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING

	ARBIZU					
Mr .VANKIPURAM PARTHASARATHY		Proprietary	DIRECTOR	04/10/2013	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
QMC DIRECTORSHIPS, S.L.	Mr. JACOBO LLANZA FIGUEROA	Proprietary	DIRECTOR	12/05/2005	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
ELIDOZA PROMOCION DE EMPRESAS, S.L.	Mrs. GOIZALDE EGAÑA GARITAGOITIA	Proprietary	VICE CHAIRMAN	24/06/2002	26/04/2016	RESOLUTION GENERAL SHAREHOLDERS MEETING
Mr. SHRIPRAKASH SHUKLA		Proprietary	DIRECTOR	25/06/2015	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
No data					

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

EXECUTIVE DIRECTORS		
Name or company name of Board member	Position held	Profile
Mr. 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.
Mr. 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
Mr. 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.
Mr. 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.
Mr. ANTONIO MARIA PRADERA JAUREGUI	Mr. 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.
Mr. FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	Francisco J. Riberas Mera was born in Madrid, June 1st, 1964. He holds a degree in law (1787) and in Economics and Business Administration (1988) from the University Pontificia de Comillas (ICADE E-3), Madrid. In 1989 he began his professional career working in Business Management at Gonvarri Group. He then became Director of Corporate Development, and was subsequently named CEO. In 1997 he promoted the creation of Gestamp, assuming his role of Executive Chairman and shaping along these years what Gestamp is today. He is member of the Board of Telefónica, CIE Automotive and General de Alquiler de Maquinaria (GAM). Furthermore, Riberas is also board member in other companies of Gestamp and of the family holding, ACEK, such as Gonvarri Group, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. Moreover, Riberas is Chairman of the Family Business Institute and he also takes part of Endeavor foundation, among others.
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.
Mr. VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	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.
QMC DIRECTORSHIPS, S.L.	ALANTRA ASSET MANAGEMENT, SGIIC, 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.
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.
Mr. SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	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 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.

NON-EXECUTIVE PROPRIETARY DIRECTORS

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
Mr. 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.
Mr. ÁNGEL MANUEL OCHOA CRESPO	Ángel Manuel Ochoa holds a degree in Business Studes 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.

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
No data			

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 2019	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	25.00	25.00	25.00	25.00
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
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. The Company considers that the composition of its board of directors reflects the objectives pursued in the diversity policy, considering a balanced and diverse presence of directors 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. 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. 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. Additionally, depending on the needs of the Board of Directors, other criteria may be taken into consideration. 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. 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.

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.

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 MARÍA 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?
Mr. FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal Comercio de Sucatas México, S.A.	DIRECTOR	NO
Mr. FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México S.A. de C.V.	DIRECTOR	NO
Mr.FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México Servicios S.A. de C.V.	DIRECTOR	NO
Mr.FERMIN DEL RIO SANZ DE ACEDO	Autometal, S.A.	CHAIRMAN	NO
Mr.ANTONIO MARIA PRADERA JAUREGUI	Autokomp Ingeniería S.A.U.	CHAIRMAN	NO
Mr.ANTONIO MARIA PRADERA JAUREGUI	Autometal, S.A.	DIRECTOR	NO
Mr.ANTONIO MARIA PRADERA JAUREGUI	CIE Berriz, S.L.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	CIE Galfor, S.A.U.; CIE Legazpi, S.A.U.; Autokomp Ingeniería S.A.U.	DIRECTOR	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Mahindra CIE Automotive, LTD	DIRECTOR	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Mahindra Forgings Europe, AG	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Plasfil Plásticos da Figueira, S.A.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	CIE Berriz México Servicios Administrativos, S.A. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	CIE Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Forjas de Celaya, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Maquinados Automotrices y Talleres Industriales Celaya S.A. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Percaser de México, S.A. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Pintura Estampado y Montaje, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr.JESUS MARIA HERRERA BARANDIARAN	Pintura y Ensambles de México, S.A. de C.V.	CHAIRMAN	NO

Mr.JESUS MARIA HERRERA BARANDIARAN	Servicat Servicios Contables Administrativos y Técnicos, S.A. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	GAT México, S.A. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Newcor, Inc	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Automotive USA, Inc	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Autometal de México, S.A.P.I. de C.V.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Nova Recycd, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Gameko Componentes de Automoción, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Mecanizaciones del Sur Mecasur, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Transformaciones Metalurgicas Norma, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Inyectametal, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Orbelan Plásticos, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Industrias Amaya Tellería, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Udalbide, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Recyde, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE Mecauto, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Alurecy, S.A.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recytec, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Alcasting Legutiano, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Autometal, S.A.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recylan, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Denat 2007, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Egaña 2, S.L.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Advanced Comfort Systems Ibérica, S.L.	DIRECTOR	NO

Mr. JESUS MARIA HERRERA BARANDIARAN	Biodiesel Mediterráneo, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Reciclado Ecológico de Residuos, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Grupo Componentes Vilanova, S.L.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Biosur Transformación, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Reciclado de Residuos Grasos, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	Leaz Valorización, S.L.U.	DIRECTOR	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIF ROOF SYSTEMS, S.L.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE GOIAIN, S.L.	CHAIRMAN	NO
Mr. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE BOROA, S.L.	CHAIRMAN	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
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S.A.	CHIEF EXECUTIVE OFFICER
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	ACERINOX, S.A.	DIRECTOR
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	INDRA SISTEMAS, S.A.	DIRECTOR
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE SISTEMAS Y MERCADOS FINANCIEROS, S.A.	DIRECTOR
Mr. JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	DIRECTOR
Mr. ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	DIRECTOR
Mr. ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
Mr. CARLOS SOLCHAGA CATALAN	PHARMA MAR, S.A.	DIRECTOR
Mr. FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN, S.A.	CHAIRMAN
Mr. FRANCISCO JOSÉ RIBERAS MERA	TELEFÓNICA, S.A.	DIRECTOR
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	DIRECTOR
Mr. ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN
Mr. FRANCISCO JOSÉ RIBERAS MERA.	GAM GENERAL DE ALQUILER DE MAQUINARIA, S.A.	DIRECTOR
Mr. FERMÍN DEL RIO SANZ DE ACEDO	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR
Mr. JESUS MARIA HERRERA BARANDIARAN	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR
Mr. JUAN MARÍA RIBERAS MERA	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR
Mrs. GOIZALDE EGAÑA GARITAGOITIA	GLOBAL DOMINION ACCESS, S.A.	DIRECTOR

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)	6.782
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 and Mexico.
MR. AITOR ZAZPE GOÑI	Director of plastics Europe, roof systems and Human Resources
MR. JUSTINO UNAMUNO URCELAY	Director of foundries, CIE Europe and China and Director of metal, Europe
MS. SUSANA MOLINUEVO APELLÁNIZ	Director of internal audit, corporate social responsibility and compliance
MR. JOSÉ LUIS CASTELO SÁNCHEZ	Director of stamping, Mexico
MRS. IRACHE PARDO VILLANUEVA	Director of finance and treasury and Corporate Purchasing Officer
MS. MARÍA MIÑAMBRES GARCIA	Director of corporate controlling and tax
MR. ANDER ARENAZA ALVAREZ	Director of aluminum and machining Europe and CEO Mahindra CIE Automotive Limited
MS. LOREA ARISTIZÁBAL ABÁSOLO	Director of corporate development and investor relations
Total Remuneration of the senior executives	5.999

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 2019 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. I.

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 2019, an external expert assessment has not been commissioned (the assignment was in relation to the year 2018 and was carried out in the first two months of 2019). Throughout 2019 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 of Directors 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.

The board of directors has not had the help of an external consultant in its evaluation for the financial year.

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	0

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	0

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

Number de meetings of the Auditing and Compliance Committee	6
Number of meetings of the Strategy and Operations Committee	0
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Corporate Social Responsibility Committee	5

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	84,61
Number of meetings attended by all the directors personally or as proxies with specific instructions	2
% votes issued in person and by proxy with specific instructions vs. total votes during the year	93,58

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 Directions 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)	222	297	519
Amount paid for other work apart from the audit / amount paid for the audit (thousands of euros)	58.39	18.51	26.15

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	18	18

	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 (%)	51.43	51.43

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.

There are not such significant agreements

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	MEMBER	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIR	Independent
ADDVALIA 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:

a) To regularly review risk policies and propose changes and updates to the Board of Directors.
b) To approve policy in relation to hiring the auditor.
c) To report to the General Shareholders Meeting on questions falling within its purview raised by shareholders at the Meeting.
d) To supervise the effectiveness of the Company's and the Group's internal controls and its risk control systems, including tax risks.
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 Directions 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.
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.
j) 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.
k) 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.
l) 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.
m) Any other tasks that may be assigned by the Company's Board of Directors.

The most relevant activities during the year were:
(a) 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.
(b) 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 2018.
(c) Monitoring the external audit procedures.
(d) Assessing the internal audit procedures and, more particularly, those relating to the Internal Control System for procedures for drawing up financial reports.
(e) Verifying the accounting status of liquid assets in relation to approving an interim dividend against the profit and loss account for 2019.
(f) Approving the Company's tax strategy.
(g) Analysing the Company's risk map.
(h) 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	22/02/2019

Strategy and Operations Committee		
Name	Office	Type
MR. SANTOS MARTÍNEZ CONDE GUTIÉRREZ BARQUÍN	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
MR. FRANCISCO JOSE RIBERAS MERA	MEMBER	Proprietary

% 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:

a) To evaluate and propose to the Board of Directors strategies for growing, developing, or diversifying the business of the Company and the Group.
b) 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.
c) To review and propose recommendations or enhancements to the strategic plans and updates to those plans to the Board of Directors at all times.
d) Any other tasks that may be assigned by the Company's Board of Directors.

Without prejudice that no formal meeting has been held during the reference year, the members of the Committee have analyzed outside the Committee´s area the strategic transactions carried out by the Company

Appointments and Remuneration Committee		
Name	Office	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIR	Independent
MR. ÁNGEL MANUEL OCHOA CRESPO	MEMBER	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.

In relation to the basic functions attributed to it by the Board of Directors Regulations, the main actions of the committee in relation to the year ended 31 December 2019 were:

(a) Analyzing the Corporate governance annual report, the Board of directors remuneration annual statement and the Annual Financial Report within the framework of its competencies
(b) Reporting on the remuneration of the members of the board of directors.
(c) Monitoring the evaluation of board members.
(d) Informing about the typology of each of the members of the board of directors.
(e) Reporting on the process of finding new independent members of the 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.

During the financial year the most significant activities have been the following:
(i) Reporting on the Corporate governance annual report, the Board of directors remuneration annual statement and the Annual Financial Report within the framework of its competencies;
(ii) Reporting on the Consolidated Financial Statement and circumstances relating to its contents.
(iii) Develop the 2020-2025 CSR Strategic Plan
(iv) Monitoring the operation of the Code of Ethics and any incidents that arose during the year reported using the Ethical Reporting Channel; and
(v) Evaluating corporate social responsibility policies and steps that were taken during the year, as well as making suggestions for modifications to existing policies.

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 2019		Financial year 2018		Financial year 2017		Financial year 2016	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	1	33.33	1	33.33	1	33.33	2	50.00
Strategy and Operations Committee		0.00	0.00	0.00	N.A.	N.A.	N.A.	N.A.
Appointments and Remuneration Committee		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporate Social Responsibility Committee	2	66.66	2	66.66	2	66.66	2	66.66

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-deadministracion). The committees have drawn up the corresponding reports on their activities during 2019, 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	MCIE GROUP	Commercial	Sales of finished or not finished goods	176.569
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Purchases of finished or not finished goods	22.078
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Reception of services	1.799
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Delivery of services	17
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Reception of services	8
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Sales of finished or not finished goods	5.555
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Sales of finished or not finished goods	14.979
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	MCIE GROUP	Commercial	Purchases of finished or not finished goods	466

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.	Others	10.400
MANAGEMENT TEAM	CIE AUTOMOTIVE, S.A.	SOME DIRECTORS OF THE GROUP	Financing agreements: loans	25.022

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)
SAMAP	Sales	3.673
OMR Bagia Automotive Systems India Ltd	Sales	279
BG LI-IN Electricals Limited	Sales	17
OMR Bagla Automotive Systems Indis Ltd	Purchases	198
Bagla Electricals & Electronics Pvt Ltd	Purchases	2
Bagla Electricals & Electronics Pvt Ltd	Reception of services	5
BG Fastering & Engineering Industries Pvt Ltd	Purchases	137
SAMAP	Delivery of services	3.039
Rishikumar Bagla-Director	Sales	50
Rishikumar Bagla-Director	Reception of services	5

Vinayak A Pol – Executive Director	Reception of services	78
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Reception of services	3.485
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Delivery of services	16
Banca March, S. A.	Financial expenses	201

D.6. Indicate the mechanisms established to detect, determine, and resolve potential conflicts of interest between the Company and/or it 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: Market risks (exchange rate, price and interest rates), liquidity, credit and price variation of raw materials
- 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 related to prevention, safety and health at work, human resources, specific taxation applicable to business, the reliability of accounting and financial information and the management of financial resources and debt and ASG risks (Environmental, Social and of Governance)

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For more information on the risks and the measures taken to manage these risks, please see the Non-Financial Reporting Statement - 2019 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:

The result of the 2019 risk assessment shows the alignment of the risk map with the CIE Automotive strategy, as well as the effectiveness of the internal control system in the operational field, since none of the risks have materialized during the year key identified.

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 2019 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, where ASG (Environmental, Social and Governance) risks are monitored

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

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 corporative 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' 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 2019 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 depends on the CAC, which coordinates the Internal Audit teams of Europe (with Russia and Morocco within its reach), North America, Brazil and Asia, whose members are dedicated exclusively 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

There is no relevant information to highlight regarding the SCIIF implemented in the group that has not been broken down in the previous sections of this section.

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 2019.

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 [X] 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 [X] 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 [X]

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 [X]

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 [X] 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 [X] 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 [X]   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 [X]   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 [X]

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 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 [X]

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 [X] 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 recommendation is partially complaint.

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 [X]

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 latters' number should be reduced accordingly.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

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 [X] 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 [X] 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 [X]

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 [X]   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 [X]

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 [X]   Explain [ ]

The Company considers that it is not necessary to comply with the minimum recommended frequency (6 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 [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 [X] 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 quindecies 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 [X] 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 [X] Partially compliant [ ] Explain [ ]

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Compliant [ ] Explain [ ] Not applicable [X]

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 [X] 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 [X] 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 and the Strategy and Operations Committee, the Company does not comply with the recommendation corresponding to paragraphs a) and b), 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 theleast 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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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 managementpolicies.

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 [X] Not applicable [ ]

The CEO earns an annual 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 [X] 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 understanding that there are other ex-post mechanisms that cover that risk more effectively.

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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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:

On 15 October 2015, the company joined the Global Compact, an international initiative that promotes the implementation of 10 universally accepted principles to advance corporate social responsibility (CSR) in the areas of human rights, labour standards, the environment and anti-corruption in corporate activities and business strategy.

This annual corporate governance report was approved by the Company's board at its meeting held on:

February 28, 2020

Indicate whether any directors voted against or abstained in relation to the approval of this report.

[ ] Yes

[√] No

CIE Automotive, S.A.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting" (ICSFR) for the 2019 financial year

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.

Auditor´s Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of CIE Automotive, S.A. for the 2019 financial year

To the Board of Directors of CIE Automotive, S.A.:

In accordance with the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and our engagement letter dated December 17, 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2019 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

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In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 5/2013 of the National Securities Market Commission dated June 12, 2013, which has been modified by Circular 7/2015 of the National Securities Market Commission dated 22 December 2015 and the Circular 2/2018 of the National Securities Market Commission dated 12 June 2018 ("the Circulars of the NSMC").

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the entity.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and "the Circulars of the NSMC", for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by José Antonio Simón Maestro

28 February 2020