

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF CIE AUTOMOTIVE, S.A. ON THE RESOLUTION REFERRED TO IN ITEM SEVENTEEN OF THE AGENDA OF THE ANNUAL GENERAL MEETING ON THE PROPOSAL TO AUTHORIZE THE SHARE CAPITAL INCREASE AND DISAPPLY PREEMPTION RIGHTS.

1. PRELIMINARY POINT

The Board of CIE Automotive, S.A. (The "**Company**") has agreed to convene the Annual General Meeting (the "**General Meeting**") on April 28 and 29, 2022, at first and second call, respectively, and to submit to its consideration (as item seventeen of the agenda) –superseding the resolution passed by the General Meeting on May 8, 2019– authorizing the Board, with express powers of substitution, to issue debentures convertible into new shares, and warrants, setting the criteria to determine the terms and types of conversion and authorizing the Board to increase share capital as necessary and to disapply the preemption right (as of the date on which the shares are admitted to trading), although this last power will be limited at 20% of the number of shares forming the share capital on the authorization date in accordance with section 511 of Royal Legislative Decree 1/2010, of July 2, enacting the consolidated Companies Act (the "**Companies Act**").

2. PURPOSE OF THE REPORT

The purpose of this report is to justify the proposed resolution, the text of which will be included below, in compliance with the law.

3. JUSTIFICATION OF THE PROPOSAL

Even though the authorization granted by the General Meeting on May 8, 2019 for five (5) years has not yet expired, the Board believes it to be appropriate and aligned with the highest standards of corporate governance to revoke that authorization to grant it again in line with, in terms of delegating the authority to disapply the preemption right for convertible or exchangeable securities, the limit recently introduced by Law 5/2021, of April 12, amending the consolidated text Companies Act, passed by Royal Legislative Decree 1/2010, of July 2, and other financial regulations, in respect of encouraging the long-term investment of shareholders in listed companies.

Without prejudice to the above and as on previous occasions, the Board believes that the proposed resolution submitted for approval by the General Meeting is justified by the fact that it is appropriate for the Company to have this mechanisms provided for by corporate regulations in force. This allows the Board (within the limits and subject to the terms and conditions established by the shareholders in the General Meeting) to have swift access without delay or additional costs to the necessary or opportune

financial conditions to develop the business and its strategic plan, and that these are appropriate in terms of the volume and source of funds, including possibly primary markets for promissory notes, debentures, bonds and other fixed-income securities. With that purpose, under section 511 Companies Act and section 319 of the Commercial Registry Regulations, which enable the General Meeting to delegate to the Board the authority to issue the securities under the proposal, the proposed resolution made under item seventeen of the agenda is submitted for the consideration of the General Meeting.

Section 401 Companies Act does not set limits for issuing debentures that apply to listed public limited companies (*sociedades anónimas*). In addition, in line with section 511 Companies Act, it is proposed that the Board is given the authority to issue securities that are convertible or exchangeable into shares, with the authority to decide whether to disapply the preemption right subject to the limits established, and to decide on the corresponding capital increase necessary to address the convertible or exchangeable securities that may arise from each issuance, with the resulting amendment of Article 4 of the Bylaws.

Amount of issuances

The proposed resolution establishes the maximum amount for the issuance for which authorization is sought. The Board finds it appropriate that the limit of the authorization requested of the General Meeting be broad enough to allow the necessary capture of funds in capital markets in order to develop the financing policy of the Company and its Group, if appropriate. The maximum securities (whether bonds, debentures, promissory notes or other fixed-income securities) that can be issued under this delegation is ONE BILLION EUROS (1,000,000,000 EUROS). This limit does not refer to the issuance amount but the outstanding balance of the securities in circulation that are issued under this delegation. The Board finds it appropriate to include a maximum limit for the debt at any time represented by the Company securities that may be issued under this authorization, which will be a total of ONE BILLION EUROS (1,000,000,000 EUROS).

Issuance of convertible or exchangeable debentures. Disapplication of preemption rights.

The Board has included in the proposed delegation to issue securities that are convertible or exchangeable into shares that the Board will also have the authority to decide with each issuance whether to disapply the preemption right, and to decide on the corresponding capital increase necessary to address the convertible or exchangeable securities that may arise from each issuance, with the resulting amendment of Article 4 of the Bylaws.

The delegation of the authority to disapply the preemption right for shareholders or holders of convertible or exchangeable rights is granted to the Board so that it may decide whether it is necessary to disapply it for better capture financial resources in the global markets or if the company interests so require.

In any event, if the Board decided to disapply the preemption right from a specific issuance of convertible or exchangeable securities, this would be subject to the new limit provided for in section 511 Companies Act. The limit is that the maximum number of shares that can be converted into convertible or exchangeable securities according to the initial conversion rate, if fixed, or its minimum conversion rate, if variable, added to that of the shares issued by directors under the delegation provided for in section 506, may not exceed 20% of the number of shares forming the share capital on the date of authorization. Likewise, at the same time as the issuance, the Board will issue a specific justifying report, which may be accompanied by an independent expert report if considered necessary, and will be made available to shareholders and reported on at the first General Meeting held after the issuance is agreed.

Issuance through subsidiaries

Sometimes, it may appropriate to issue such securities through a subsidiary, with the guarantee of CIE Automotive, S.A.

As a result, it is considered helpful that the General Meeting of shareholder authorizes the Board to guarantee, on the Company's behalf and within the limits indicated above, the new issuances of fixed-income securities made during the valid period to be made by subsidiaries, in order to give the Board maximum flexibility to structure the issuances of fixed-income securities in the most appropriate way in view of the circumstances.

Admission to trading

The securities issued under this delegation may be admitted to trading on the secondary market of choice, whether official or unofficial, organized or not, national or foreign, including regulated markets and multilateral trading systems or others.

Delegation

If the proposed resolution is passed, all powers will be given to the Board with the express power of substitution, to best support the goal of offering maximum flexibility to such operations.

4. FULL TEXT OF THE PROPOSED RESOLUTION SUBMITTED TO THE GENERAL MEETING

The full text of the proposed resolution submitted to the General Meeting is as follows:

"SEVENTEEN. Superseding the resolution passed by the General Meeting on May 8, 2019, authorizing the Board, will express powers of substitution, to issue debentures convertible into new shares in the Company, and warrants. Setting the criteria to determine the terms and types of conversion and the authorizing the Board to increase share capital as necessary, and to disapply the preemption right (as of the date that the shares are admitted to trading), although this last authorization is limited to 20% of share capital on the date of authorization.

Superseding the resolution passed by the General Meeting on May 8, 2019, to delegate to the Board, in accordance with section 511 Companies Act and section 319 of the Commercial Registry Regulations and the general rules on issuing debentures, and the Bylaws, the authorization to issue the negotiable instruments indicated below in accordance with the following conditions:

1. **Securities issued.** *The negotiable securities covered by this delegation may be bonds, debentures, promissory notes and other fixed-income securities other than those indicated, and securities exchangeable for shares in the Company or any other company, whether part of its group or not, and shares convertible into shares, including warrants (the "Securities").*
2. **Delegation period.** *The Securities may be issued once or on various occasions within a maximum period of five (5) years from the date on which this resolution is passed.*
3. **Maximum delegation amount.** *The total maximum amount of issuances of Securities agreed as part of this delegation will be ONE BILLION EUROS (1,000,000,000 Euros) or its equivalent in foreign currency. Therefore, the total amount of debt represented by Securities issued as part of this delegation at any time may not be higher than the aforementioned limit of ONE BILLION EUROS (1,000,000,000 Euros).*
4. **Scope of the delegation.** *The delegation to issue Securities will extend, as broadly as permitted by law, to the establishing of various aspects and conditions of each issuance (par value, issue type, reimbursement price, currency of the issuance, form of representation, interest rate, amortization, subordination clauses, issuance guarantees, location of issuance, applicable law, if appropriate, establishing of internal rules of the syndicate of debenture*

holders and appointment of the commissioner, where simple debentures and bonds are issues, admission to trading and others) and all arrangements necessary or appropriate, including in accordance with securities market regulations that apply, to execute the specific issuances agreed under this delegation.

5. **Terms and types of conversion or swap.** *Where convertible or exchangeable securities are issued, the following criteria are established for the purpose of determining the terms and types of conversion or swap:*

- (a) *The conversion or swap rate will be fixed, and convertible or swappable securities will be valued by the par amount and the shares at the fixed exchange rate determined in the Board resolution, or at the rate that can be set on the date or dates indicated in the Board resolution, and depending on the market price of the shares on the date(s) or period(s) taken as a benchmark in the resolution. In any event, the share price may not be less than the higher of (i) the mathematical average of the closing price of the Company's shares on the secondary market during the period to be established by the Board, of no more than three months and no less than fifteen days, before the date of the Board meeting that, using this delegation, approves the issuance of the bonds or debentures, and (ii) the closing price of shares on the same secondary market the day before the Board meeting that, using this delegation, approves the issuance of the debentures or bonds.*
- (b) *In accordance with section 415 Companies Act, the convertible securities cannot be issued at less than their par value. Likewise, in accordance with section 415 Companies Act, they cannot be converted into shares when their par value is less than these ones.*
- (c) *Where converted or swapped, the fractions of shares to be handed over to the holder of the securities will be rounded down automatically to the next whole number, and each holder will receive the difference in cash.*
- (d) *At the same time as approving the issuance of convertible or swappable securities under this authorization granted in this resolution, the Board will issue a report developing and detailing, based on the aforementioned criteria, the terms and types of conversion that specifically apply to the issuance, and justifying the financial conditions of the issuance and the suitability of the conversion rate and its adjustment formulas to avoid diluting the financial stake of*

shareholders. This report will be accompanied by the corresponding report by a financial auditor in accordance with section 414 and 417.2.b) Companies Act if required under section 510 of the same Act.

6. **Rights of holders of convertible securities.** Holders of convertible or exchangeable securities will have the rights afforded to them by legislation in force, especially that of protection through the corresponding anti-dilution clauses.
7. **Capital increase and disapplication of the preemption right for convertible or exchangeable securities.** The delegation to the Board to issue convertible or exchangeable securities will entail:
 - (a) The authority to increase capital by the amount necessary to meet conversion requests for those securities. That authority may only be exercised insofar as the Board, adding the capital increased to cover issuances of those securities and remaining capital increases agreed under the authorization granted by the General Meeting does not exceed the limit of half the share capital under section 297.1.b) Companies Act.
 - (b) In accordance with section 511 Companies Act, the authority to disapply the preemption right for shareholders or holders of securities if required in the interests of the Company, and particularly when necessary to capture the financial resources in international markets for techniques based on bookbuilding. In any event, if the Board decides to remove the preemption right for a specific issuance of convertible or exchangeable securities made under this authorization, (i) the maximum number of shares into which the securities can be converted considering the initial conversion rate, if fixed, or the minimum conversion rate, if variable, plus that of the shares issued by the directors under the delegation granted in section 506 Companies Act, may not exceed 20% of the number of shares forming the share capital on the authorization date and (ii) the resolution to issue the securities passed based on the delegation must be accompanied by the corresponding justifying report by the directors—where appropriate, accompanied by an independent expert report—and made available to shareholders and reported in the first General Meeting held after the issuance resolution.
 - (c) The authority to develop and detail the terms and types of conversion or exchange established in paragraph 5 above, in particular, of

determining the moment of conversion or exchange, which may be restricted to a pre-determined period, the holding of the conversion or exchange right for the debentures, which may be given to the Company or the debenture holders, how the debenture holder is satisfied (through conversion, exchange or even a combination of both, which can be their choice at the point of execution or even establishing that the debentures issued must be convertible) and, in general, any details and conditions necessary or appropriate for the issuance.

8. **Admission to trading.** *The Company will request, where appropriate, admission to trading on secondary, official and unofficial markets, organized or not, national or foreign, whether regulated markets, multilateral trading systems or others, of the securities issued by the Company under this delegation, authorizing the Board as broadly as necessary by law to carry out the actions and make the arrangements necessary to admit them to trading with the competent bodies of the various stock markets, whether national or foreign. If a later request is made to remove from trading, it will be made following the same formalities as the admission request, to the extent that they apply. In such instance, the interests of the shareholders or debenture holders who objected or abstained from voting on the resolutions will be safeguarded in accordance with the law in force. Likewise, the Company is subject to the stock market rules existing now and in future, particularly on purchasing, minimum periods and exclusion from trading.*
9. **Guarantee of securities issuances by subsidiaries.** *The Board is likewise authorized to guarantee on behalf of the Company, within the aforementioned limits, new issuances of securities carried out by subsidiary companies for as long as this resolution is valid.*
10. **Substitution powers.** *The Board is expressly authorized to delegate the powers mentioned in this resolution, under section 249.2 Companies Act.*

The directors have prepared a report justifying this proposal."

5. PREPARATION AND PUBLICATION OF THE REPORT

The report was prepared and unanimously approved by the Board in its meeting on February 25, 2022, and must be made available to the public (particularly to the shareholders at the next General Meeting) by posting it on the Company's website, in accordance with the law, the Bylaws and regulations in force.

Bilbao, February 25, 2022