CIE Automotive, S.A.

Audit Report,
Annual Accounts at 31 December 2017
and Directors' Report for 2017

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"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, 2017, 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, 2017, 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 €423,314 thousand, €1,156,575 thousand and €15,313 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 discounts rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Company in its analysis are summarised in Note 2.2 to the accompanying annual accounts.

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

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

For cash flows, we checked not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained in 2017, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them using available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's specialist team.

As a result of our analysis 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: Director's Report

Other information comprises only the director's report for the 2017 financial year, the formulation of which is the responsibility of the Company´s directors, and does not form an integral part of the annual accounts.

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

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

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

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is provided in the directors' report, and that the other information contained in the directors' report is consistent with that contained in the annual accounts for the 2017 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

Additional report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 27, 2018.

Appointment period

The General Ordinary Shareholders' Meeting held on May 4, 2017 appointed us as auditors for 2017.

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 27, 2018

CIE AUTOMOTIVE, S.A.

Annual Accounts and Directors' Report
for the year ended 31 December 2017

CIE AUTOMOTIVE, S.A.

CONTENT OF ANNUAL ACCOUNTS

CIE AUTOMOTIVE, S.A.

CONTENT OF ANNUAL ACCOUNTS

CIE AUTOMOTIVE, S.A.

BALANCE SHEET AT 31 DECEMBER 2017
(Thousand euro)

	Note	At 31 December 2017	2016
NON-CURRENT ASSETS			
Intangible assets	5	23,877	26,510
Property, plant and equipment	6	1,683	1,306
Non-current investments in group companies and associates	7-8	1,579,889	1,543,557
Equity instruments		423,314	423,314
Loans to companies		1,156,575	1,120,243
Non-current financial investments	7	80	83
Equity instruments		62	62
Other financial assets		18	21
Deferred tax assets	17	20,114	20,289
Total non-current assets		1,625,643	1,591,745
CURRENT ASSETS			
Trade and other receivables	7-9	10,321	18,759
Receivables from Group companies and associates		10,222	18,176
Other receivables		16	22
Current tax assets		83	561
Current investments in group companies and associates	7-8	15,313	13,839
Loans to companies		15,313	13,839
Current financial investments	7	34,258	26,697
Loans to third parties		503	655
Derivatives	10	16,954	9,242
Other financial assets		16,801	16,800
Prepaid expenses		39	8
Cash and cash equivalents	7-11	12,839	6,322
Total current assets		72,770	65,625
TOTAL ASSETS		1,698,413	1,657,370

CIE AUTOMOTIVE, S.A.

BALANCE SHEET AT 31 DECEMBER 2017
(Thousand euro)

	Note	At 31 December 2017	2016
EQUITY			
Capital and reserves		558,453	547,135
Share capital	12	32,250	32,250
Treasury shares	12	(4,526)	-
Share premium	12	152,171	152,171
Reserves	13	335,675	324,749
Profit /(loss) for the year	14	78,932	63,765
Interim dividend	14	(36,049)	(25,800)
Valuation adjustments	10	(5,437)	(7,884)
Hedging transactions		(5,437)	(7,884)
Total equity		**553,016**	**539,251**
NON-CURRENT LIABILITIES			
Non-current provisions	16	5,478	24,735
Long-term employee benefits		5,478	24,735
Long-term payables	7-15	675,610	766,890
Bank borrowings		675,610	766,890
Group companies and associates, non-current	7-15	198,965	232,659
Other non-current payables	7-15	3,906	6,406
Other non-current payables		3,906	6,406
Total non-current liabilities		**883,959**	**1,030,690**
CURRENT LIABILITIES			
Current provisions	16	35,525	-
Short-term employee benefits			-
Current borrowings		174,494	48,615
Bank borrowings	7-15	166,350	37,666
Derivatives	7-10-15	8,144	10,949
Group companies and associates, current	7-15	5,167	3,449
Other short term liabilities	7-15	2,500	2,500
Other short term liabilities		2,500	2,500
Trade and other payables	7-15	43,752	32,865
Trade payables		2,835	2,203
Group suppliers		14	59
Other payables		36,049	25,824
Fixed asset suppliers		142	497
Accrued wages and salaries		3,670	2,734
Current tax liabilities		1,042	1,548
Total current liabilities		**261,438**	**87,429**
TOTAL EQUITY AND LIABILITIES		**1,698,413**	**1,657,370**

CIE AUTOMOTIVE, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017
(Thousand euro)

CONTINUING OPERATIONS	Note	Year ended 31 December 2017	2016
Revenue	18	137,169	115,613
Services rendered and other income		137,169	115,613
Other operating income	18	1,543	293
Non-trading and other operating income		1,543	293
Employee benefit expense	18	(22,863)	(24,908)
Wages and salaries		(22,134)	(24,243)
Social security		(729)	(665)
Other operating expenses	18	(10,861)	(6,394)
Taxes		(58)	(51)
Other expenses		(10,803)	(6,343)
Depreciation and amortization	5-6	(3,286)	(3,321)
Impairment and profit/(loss) on fixed asset disposals	8	7	-
OPERATING PROFIT		101,709	81,283
Finance income	20	1	4
Finance expense	20	(22,649)	(18,322)
Change in fair value of financial instruments	20	7,215	3,995
Net exchange differences	20	(1,865)	828
FINANCIAL RESULTS		(17,298)	(13,495)
PROFIT BEFORE TAX		84,411	67,788
Income tax	19	(5,479)	(4,023)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		78,932	63,765
DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		78,932	63,765

CIE AUTOMOTIVE, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Note	2017	2016
Profit for the year	**14**	78,932	63,765
Income and expense recognised directly in equity			
Cash flow hedges	10	3,399	(4,315)
Tax effect	17	(952)	1,208
		2,447	(3,107)
TOTAL RECOGNISED INCOME AND EXPENSE		81,379	60,658

CIE AUTOMOTIVE, S.A.

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 (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, 2015	32,250	-	152,171	231,904	92,809	(20,640)	(4,777)	483,717
Total recognised income and expense	-	-	-	-	63,765	-	(3,107)	60,658
Transactions with shareholders and owners:								
- Distribution of profit	-	-	-	50,239	(92,809)	20,640	-	(21,930)
- Interim dividend (Note 14)	-	-	-		-	(25,800)	-	(25,800)
- Other movements (Note 8)	-			42,606	-	-	-	42,606
Closing balance, 2016	32,250	-	152,171	324,749	63,765	(25,800)	(7,884)	539,251
Total recognised income and expense	-	-	-		78,932	-	2,447	81,379
Transactions with shareholders and owners:								
- Distribution of profit	-	-	-	10,926	(63,765)	25,800	-	(27,039)
- Acquisitions of treasury shares	-	(4,526)	-		-	-	-	(4,526)
- Interim dividend (Note 14)	-	-	-		-	(36,049)	-	(36,049)
Closing balance, 2017	32,250	(4,526)	152,171	335,675	78,932	(36,049)	(5,437)	553,016

CIE AUTOMOTIVE, S.A.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(Thousand euro)

	Note	Year ended 31 December 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	21		
Profit for the year before tax		84,411	67,788
Adjustments		(26,688)	(14,806)
Changes in working capital		4,538	(4,796)
Other cash flows from operating activities		48,083	34,951
Cash flows from/(used in) operating activities		110,344	83,137
CASH FLOWS FROM INVESTING ACTIVITIES	22		
Payments for investments		(1,053)	(46,499)
Proceeds from disposals		184	22,675
Cash flows from/ (used in) investing activities		(869)	(23,824)
CASH FLOWS FROM FINANCING ACTIVITIES	23		
Proceeds from and payment of financial liabilities		(45,595)	(40,915)
Dividends and payments on other equity instruments		(57,363)	(42,570)
Cash flows from /(used in) financing activities		(102,958)	(83,485)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,517	(24,172)
Cash and cash equivalents at beginning of period		6,322	30,494
Cash and cash equivalents at end of period	11	12,839	6,322

CIE AUTOMOTIVE, S.A.

NOTES TO THE 2017 ANNUAL ACCOUNTS
(Thousand euro)

1. General information

Composition and principal activities of CIE Automotive Group

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

CIE Automotive Group operates two core business lines:

- Automotive

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

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

- Solutions and Services (Smart Innovation)

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

  Its main facilities are located in Europe (Spain, Germany, France, Italy, UK, Poland and Denmark), Latin America (Mexico, Brazil, Peru, Argentina, Chile, Ecuador, the Dominican Republic and Colombia), the United States and Canada, so on, in Asia (Saudi Arabia, India, Oman, Qatar, UAE, Israel, Vietnam the Phillippines and Japan), and Africa (South Africa and Angola).

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

At present CIE Automotive, S.A. (publicly listed) has a 100% direct stake in: CIE Berriz, S.L.; Autokomp Ingeniería, S.A.U., Advanced Comfort System Ibérica, S.L.U., Advanced Comfort System France, S.A.S and, lastly, 50.01% stake in Global Dominion Access, S.A., which are, mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries and associates at 31 December 2017, together with the information concerning them, is set out in Appendix I to these annual accounts.

These annual accounts were prepared by the Board of Directors on 27 February 2018.

Public offering of subscription and sale of shares in Global Dominion Access, S.A.

The Group's subsidiary Global Dominion Access, S.A. started trading its shares on the Spanish Stock Exchange on 27 April 2016. The offering, addressed to qualified investors and whose brochure was approved by the Spanish Securities Market Commission (CNMV) on 14 April 2016, has been fully subscribed, in collaboration with the responsible banks of this transaction, a price of 2.74 was set for each share.

As a result of the transaction, 54,744,525 new company shares have been issued, representing 33.31% of share capital post IPO (once all shares have been issued) which represented a share capital of 6,843 thousand euros and a share premium of 143,157 thousand euros. In addition, the stabilisation agent made use of the "green shoe" option available to the financial entities involved in the operation, for a maximum of 15% of the shares issued, resulting in the issue of an additional 5,130,938 shares, resulting in a additional capital share of €641 thousand with a premium share of €13,417 thousand.

The funds obtained as a result of the offer are permitting financing the company's growth, identifying new business opportunities in accordance with its strategy. Also, they will contribute to improving the robustness of its balance sheet, helping to position the Company with a clear market advantage in connection with the tender of relevant new projects.

Also in April 2016 and prior to the IPO, CIE Automotive, S.A. has acquired from minority shareholders a total of 15,757,731 shares at a price equal to the one of the public offering, which amounts to €2.74 per share, and preferential subscription rights over a total of 21,040 shares in the subsidiary Global Dominion Access S.A. at a price of €2.4 million. After these operations, CIE Automotive's stake in the Dominion group has gone from 62.95% to 50.01%.

Consolidated annual accounts of CIE Automotive Group

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

On 27 February 2018, the Company authorized the issuance of the consolidated annual accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31 December 2017, which presented profit for the year attributable to owners of the parent of €1,336,913 thousand and equity, including profit for the year and non-controlling interests, of €215,408 thousand (2016: €162,350 thousand and €1,236,306 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 2017 and 2016 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. The list of CIE Automotive Group companies is attached to these annual accounts as Appendix I.

Regulatory Framework

Certain companies of the automotive segment develop their activity in the production and sale of biofuel which is a specific sector with a particular regulatory framework (hydrocarbon sector). Among the obligations that are determined by this regulation include the maintenance of minimum safety stock levels of petroleum products and the annual accreditation of the Spanish Securities & Exchange Commission (CNMV) regarding the ownership of the minimum quantity of certificates of biofuels.

On 5 May 2014 was approved the order for the amount in relation to the assignation of the production capacity by the Secretary of State of Energy for the biofuel production plants. The order was in force up to the 1 of May 2016.

Up to the date of approval of these consolidated annual accounts, no renewal order of this assignation has been published.

2. Basis of presentation

2.1 Fair presentation

The accompanying annual accounts were prepared from the Company's accounting records and are presented in accordance with the Spanish General Accounting Plan, enacted by Spanish Royal Decree 1,514/2007, as amended by Royal Decree 1,159/2010, of 17 September and "Royal Decree 602/2016" of 2 December, in order to give a true and fair view of the Company's equity and financial position at the year end and of its financial performance and cash flows for the year then ended. These annual accounts were authorized for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2016 annual accounts were approved at the Annual General Meeting held on 4 May 2017.

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 to be 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.

(Thousand euro)

Impairment of investments in Group companies and associates

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

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

With respect to the assumptions used to determine the CGUs' EBITDA (operating profit plus depreciation and amortization, used as a starting point to calculate free cash flows) and future growth, the most reasonable scenario has been considered, such that negative distortions of this gross margin are unlikely to arise. Nonetheless simulations applying different growth rates or 10% changes to the EBITDA figures show no risk of impairment neither in 2017 nor 2016.

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

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

CGUs	2017	2016
Automotive segment		
Brazil	11.92%	11.00%
NAFTA	6.85%-10.18%	5.57%-8.58%
Mahindra-CIE	5.37%-13.01%	5.34%-12.85%
Rest of Automotive (Europe)	5.58%-12.01%	5.35%-12.13%
Solutions and Services (Smart Innovation)		
Solutions	4.5% - 14%	6%-12%
T&T Services	6.5% - 17.5%	6.5%-15%
Industry Services	4% - 9%	5.5%-10%
Commercial Services	7%	7%

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

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

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

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

	% of revenue	
	2017	2016
Automotive	3.00%-39.52%	3.5%-40.90%
Solution and Services (Smart Innovation)	3.00%-12.30%	5.0%-10.7%

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

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

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

Fair value of derivatives or other financial instruments

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

Income tax

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

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

If the final outcome (on judgment areas) differs by 10% from management estimates, deferred assets would decrease and income tax would increase by approximately €2.5 million (2016: €1.3 million), if these were not favorable and contrary in an amount of approximately €2 thousand (2016: €10 thousand) if the difference was favorable.

Employee benefits

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

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

In addition, the Company makes estimates to measure the benefits payable in respect of employees benefiting from share-based payments or from additional incentives approved based on the value of the shares (Note 25.d)).

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

2.3 Aggregation

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

2.4 Presentation currency

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

3. Accounting policies

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

3.1. Intangible assets

Goodwill

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

Goodwill is tested annually for impairment.

Goodwill is allocated to cash generating units (CGUs) for the purpose of impairment testing. It is allocated to the CGUs that are expected to benefit from the business combination in which goodwill arose.

(Thousand euro)

Goodwill impairment losses cannot be reversed in future reporting periods.

On 22 December 2015, Royal Decree project was published by which General Accounting Published is amended. This Royal Decree has taken effect from 1 January 2016. Since that date, intangible assets are considered as assets with a defined useful life and must be subject to systematic amortization in the period during which it is expected, reasonably, that the economic benefits inherent to the asset produce income for the company. When the useful life of these assets cannot be reliably estimated they will be amortized in ten years using the straight-live method. On the other hand, goodwill is amortized over its useful life which unless proven otherwise, is presumed to be ten years and it will also be amortized using the straight-live method.

In accordance with the transitional arrangements of Royal Decree, amortization of intangible will be prospective from January 1, 2016 with a charge to profit and loss, or retrospective from the date of acquisition and amortized over ten years with a charge to reserves for which will be given the appropriate comparative information.

The Company decided to apply the prospective method with regard to the goodwill that the Company has recorded under "intangible assets". The regulatory has proved in 2017 and 2016 a €2.8 million recognized in profit and losses account, respectively.

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 four to six 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.

3.2. Property, plant and equipment

Property, plant and equipment is 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 values 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. Derecognitions and disposals are accounted for by eliminating the item's cost and the corresponding accumulated depreciation charge.

3.3. Impairment of non-financial assets

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

3.4. Exchanges of assets

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

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

3.5. Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.6. Derivative financial instruments and accounting hedge

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

The Company designates certain derivatives as either:

a) Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

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

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

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

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

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

3.7. Cash and cash equivalents

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

3.8. Equity

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

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

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

3.9. Financial liabilities

Debts and payables

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

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

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

In the 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 2017 are as follows:

- CIE Berriz, S.L. (Absorbing company in 2017 of Grupo Amaya Tellería, S.L.U. and GAT Staff, S.L.U.)
- 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. (Absorbing company in 2017 of Alfa Deco, S.A.U.)
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Bionor Berantevilla, S.L.U.
- Industrias Amaya Tellería, 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.

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

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

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

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

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

3.11. Employee benefit

a) Profit-sharing and bonus plans

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

b) Termination benefits

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

c) Share-based payments

At 31 December 2017 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 (AppendixI).

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, the General Meeting of shareholders, held on 30 April 2014, approved a long term incentive based on the increase of CIE Automotive S.A. share value, on behalf of a group of senior executives of the Group. The liquidation of this incentive, which due to Group decision will be in cash, will be held in March 2018 (Notes 16 and 25).

The total estimated cost of this incentive is recognised as personnel costs and independent professional's services in the period when the conditions must be fulfilled.

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.

Where 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).

Gains or losses from changes in the fair value of available-for-sale monetary assets denominated in foreign currency are separated into: exchange differences resulting from changes in the amortized cost of the instrument; and other changes in its carrying amount. The foreign exchange gains and losses are recognised in profit or loss and the other changes in carrying amount are recognised in equity.

Foreign exchange gains or losses on non-monetary items such as equity instruments carried at fair value through profit or loss are presented as part of the fair value gain or loss in profit or loss. Foreign exchange gains or losses on non-monetary items such as equity instruments classified as available-for-sale financial assets are included in equity.

3.18. Related-party transactions

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

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

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

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

3.19. Dividend distribution

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

4. Financial risk management

4.1. Financial risk factors

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

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

a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

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

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

If at 31 December 2017, 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 €120/€98 million (2016: increased/decreased by €111/€91 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 2017 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €13,126/€10,739 thousand higher/lower, respectively (2016: €8,364/€6,843 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.

(Thousand euro)

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

- Interest-rate swaps: Through these derivatives, the Group's segments convert the benchmarked variable interest rate 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 2017 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year in reference to these segments would have been €754thousand higher/lower (2016: €830 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 €1.078/€1.518 thousand, respectively (2016: €1,186/€1,455 thousand increase/decrease, respectively) except from the impact on profit for the year. The impact on profit for the year regarding these segments would have been €10/€14 thousand (2016: €29/€8 thousand).

b) Liquidity risk

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

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt of the Group at 31 December 2017 and 2016 as follows:

	2017	2016
Cash and cash equivalents	289,448	372,550
Other current financial assets	89,444	57,088
Undrawn lines of credit	419,433	268,268
Liquidity buffer	**798,325**	**697,906**
Bank borrowings	1,224,889	1,230,983
Other current financial liabilities	8,842	14,898
Cash and cash equivalents	(289,448)	(372,550)
Other current financial assets	(89,444)	(57,088)
Net debt	**854,839**	**816,243**

(Thousand euro)

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 2018 will allow facing all year 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, reducing Spanish and Brazilian banks burden.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2017: €16million; 2016: €23 million).

Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31 December 2017 of €419 million of undrawn credit lines and loans (31 December 2016: €268 million) at the consolidated CIE Automotive Group level.

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31 December 2017 as compared with 31 December 2016, stating the relative significance of each item:

	2017	2016
Inventories	450,218	355,349
Trade and other receivables	610,337	477,886
Other current assets	16,007	11,901
Current tax assets	96,616	62,873
Current operating assets	**1,173,178**	**908,009**
Other current financial assets	89,444	57,088
Cash and other cash equivalents	289,448	372,550
CURRENT ASSETS	**1,552,070**	**1,337,647**
Trade and other payables	1,218,098	957,004
Current tax liabilities	111,488	72,154
Current provisions	64,480	21,474
Other current liabilities	165,989	161,828
Current operating liabilities	**1,560,055**	**1,212,460**
Short-term bank borrowings	242,642	215,084
Other current financial liabilities	8,842	14,898
CURRENT LIABILITIES	**1,811,539**	**1,442,442**
NET WORKING CAPITAL	**(259,469)**	**(104,795)**

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 2018 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

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

In Note 7 financial borrowings and other non-current liabilities are disclosed by maturity.

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

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 7).

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

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

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment, present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

d) Raw material price risk

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

4.2. Hedge accounting

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

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

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

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

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

b) Cash flow hedges

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

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

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

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

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

c) Net investment hedges

At 31 December 2016 the Group had investments with net assets exposed to foreign currency conversion risk, denominated in US dollars through CIE Berriz, S.L. and borrowings denominated in US dollars formalised by Autometal, S.A. At December 31, 2017 such loans have been amortised, as well as the financial instruments associated to them.

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

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

4.3. Valuation method (fair value estimation)

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

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

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

4.4. Capital risk management

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

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

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

(Thousand euro)

During 2017, the Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio at close to 0.50. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
Borrowings	1,224,889	1,230,983
Current financial liabilities	8,842	14,898
Less: cash, cash equivalents and current financial assets	(378,892)	(429,638)
Net debt	854,839	816,243
Equity	1,336,913	1,263,306
Total capital employed	2,191,752	2,079,549
Gearing ratio	**0.39**	**0.39**

At 31 December 2017 and 2016, 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	Goodwill	Total
Cost			
Balance at 31 December 2015	**16,450**	**27,718**	**44,168**
Additions	837	-	837
Balance at 31 December 2016	**17,287**	**27,718**	**45,005**
Additions	535	-	535
Disposals	(59)	-	(59)
Balance at 31 December 2017	**17,763**	**27,718**	**45,481**
Accumulated amortisation			
Balance at 31 December 2015	**(15,264)**	**-**	**(15,264)**
Additions	(459)	(2,772)	(3,231)
Balance at 31 December 2016	**(15,723)**	**(2,772)**	**(18,495)**
Additions	(373)	(2,772)	(3,145)
Disposals	36	-	36
Balance at 31 December 2017	**(16,060)**	**(5,544)**	**(21,604)**
Carrying amount			
Balance at 31 December 2015	**1,186**	**27,718**	**28,904**
Balance at 31 December 2016	**1,564**	**24,946**	**26,510**
Balance at 31 December 2017	**1,703**	**22,174**	**23,877**

a) Goodwill

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

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

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

CIE Automotive Group has verified that neither its goodwill nor its investments in Group companies (Note 8) suffered any impairment loss in either 2017 or 2016.

(Thousand euro)

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

With respect to the assumptions used to project the EBITDA (operating profit plus depreciation and amortization, the starting point for calculating free cash flow) of the CGUs and their future growth, management modelled the most conservative scenario so that underperformance in respect of EBITDA is considered unlikely. Nevertheless, simulations using other growth rates and 10% variations in EBITDA do not indicate the need for impairment charges in either 2017 or 2016.

In accordance with the article 1 of the single transitory Disposition of the Royal Decree 602/2016 the Company opted for implementing prospectively from 1 January 2016 the criteria approved in this Royal Decree. As a consequence, previous year comparative figures were not adapted to the new criteria.

b) Fully-amortised intangible assets

At 31 December 2017, there are fully-amortized items of intangible assets still in use with an original cost of €15.1 million (2016: €14,7 million).

6. Property, plant and equipment

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

2017	Balance at 31.12.2016	Additions	Transfers	Balance at 31.12.2017
COST				
Buildings	758	-	-	758
Other plant and furniture	916	-	892	1,808
Other fixed assets	3,106	-	31	3,137
PPE under construction	413	518	(923)	8
	5,193	518	-	5,711
ACCUMULATED DEPRECIATION				
Buildings	(371)	(23)	-	(394)
Other plant and furniture	(523)	(94)	-	(617)
Other fixed assets	(2,993)	(24)	-	(3,009)
	(3,887)	(141)	-	(4,028)
CARRYING AMOUNT	1,306			1,683

2016	Balance at 31.12.2015	Additions	Transfers	Balance at 31.12.2016
COST				
Buildings	758	-	-	758
Other plant and furniture	909	2	5	916
Other fixed assets	3,007	99	-	3,106
PPE under construction	7	411	(5)	413
	4,681	512	-	5,193
ACCUMULATED DEPRECIATION				
Buildings	(349)	(22)	-	(371)
Other plant and furniture	(469)	(54)	-	(523)
Other fixed assets	(2,979)	(14)	-	(2,993)
	(3,797)	(90)	-	(3,887)
CARRYING AMOUNT	884			1,306

(Thousand euro)

a) Impairment losses

The Company neither recognised new impairment losses nor reversed previously recognised impairment losses on any individual item of property, plant and equipment in either 2017 or 2016.

b) Fully- depreciated assets

At 31 December 2017, there are fully-depreciated items of property, plant and equipment still in use with an original cost of €3.4 million (2016: €3.3 million).

c) Assets held under operating lease

The income statement recognises operating lease expenses related to employee vehicle leases in the amount of €277 thousand (2016: €255 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 coverage provided by these policies is considered to be sufficient.

e) Commitments

At 31 December 2017 and 2016, the Company had no material contractual commitments for the acquisition of property, plant and equipment.

7. Analysis of financial instruments

7.1. Analysis by category

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

	Equity instruments		Loans		Derivatives and others	
	2017	2016	2017	2016	2017	2016
Financial assets						
Non-current						
- Balances with group companies						
. Investments in group companies (Note 8.a))	423,314	423,314	-	-	-	-
. Loans to group companies (Note 8.c))	-	-	1,156,575	1,120,243	-	-
- Other investments (Note 7.4)	62	62	-	-	-	-
- Other financial assets (Note 7.6)	-	-	-	-	18	21
	423,376	423,376	1,156,575	1,120,243	18	21
Current						
- Trade and other receivables (Note 9)	-	-	10,238	18,198	-	-
- Loans to group companies (Note 8.c))	-	-	15,313	13,839	-	-
- Loans to third parties (Note 7.5)	-	-	503	655	-	-
- Other financial assets	-	-	-	-	33,755	26,042
- Cash and other cash equivalents (Note 11)	-	-	-	-	12,839	6,322
	-	-	26,054	32,692	46,594	32,364

	Debts and payables		Derivatives and others	
	2017	2016	2017	2016
Financial liabilities				
Non-current				
- Borrowings received (Note 15)	675,610	766,890	-	-
- Borrowings from group companies (Note 15)	198,965	232,659	-	-
- Other debts (Note 15)	3,906	6,406	-	-
	878,481	1,005,955	-	-
Current				
- Borrowings received (Note 15)	166,350	37,666	-	-
- Borrowings from group companies (Note 15)	5,167	3,449	-	-
- Other current financial liabilities (Derivatives) (Note 10)	-	-	8,144	10,949
- Trade and other payables (Note 15)	42,710	31,317	-	-
- Other debts (Note 15)	2,500	2,500	-	-
	216,727	74,932	8,144	10,949

(Thousand euro)

7.2. Classification by maturity

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

	Financial assets						
	2018	2019	2020	2021	2022	Subsequent years	Total
Investments in group companies and associates:							
Loans to companies	15,313	-	-	-	-	(*)1,156,575	1,171,888
Other financial investments:							
Trade and other receivables	10,238	-	-	-	-	-	10,238
Loans to third parties	503	-	-	-	-	-	503
Derivatives	16,954	-	-	-	-	-	16,954
Other financial assets	16,801	-	-	-	-	18	16,819
	59,809	-	-	-	-	1,156,593	1,216,402

	Financial liabilities						
	2018	2019	2020	2021	2022	Subsequent years	Total
Borrowings from group companies and associates	5,167	-	-	-	-	(*)198,965	204,132
Other financial liabilities:							
Bank borrowings	166,350	60,733	82,987	111,575	356,537	63,778	841,960
Derivatives	8,144	-	-	-	-	-	8,144
Other liabilities	2,500	2,500	1,250	156	-	-	6,406
Trade and other payables	42,710	-	-	-	-	-	42,710
	224,871	63,233	84,237	111,731	356,537	262,743	1,103,352

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

7.3. Credit quality of financial assets

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

7.4. Other investments

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

7.5. Loans to third parties

	Balance at 31.12.2015	(Collections)	Balance at 31.12.2016	(Collections)	Balance at 31.12.2017
Loans to employees (Note 25)	606	(151)	455	(152)	303
Other	200	-	200	-	200
	806	(151)	655	(152)	503

7.6. Other non-current and current financial assets

The Company records a short-term maturity account receivable with INSSEC DOS which balance at 31 December 2017 and 2016 stood at €16,800 thousand.

(Thousand euro)

8. Investments in and loans to group companies

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

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

Name and registered office	Legal structure	Activity	% of total voting rights held directly 2017	2016
Group companies and jointly-controlled entities				
CIE Berriz, S.L. (Bizkaia)	S.L.	Holding company	100%	100%
Global Dominion Access, S.A. (Bizkaia)	S.A.	Holding company/IT and Communication Services	50.01%	50.01%
Autokomp Ingeniería, S.A.U. (Bizkaia)	S.A.U.	Services and installations	100%	100%
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	S.L.U.	Manufacture of automotive components	100%	100%
Advanced Comfort Systems France, S.A.S. (France)	S.A.S.	Manufacture of automotive components	100%	100%

2017

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

Automotive Segment

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

With accounting effects of January 1, 2017, two mergers have been carried out amoung different subsidiaries. On the one hand, Alurecy, S.A.U. and Alfa Deco, S.A.U. have merged, being Alurecy, S.A.U. the absorbing company. On the other hand, CIE Berriz, S.L. has merged with its subsidiaries Grupo Amaya Tellería, S.L.U. and GAT Staff, S.L.U., being the last two the absorbed company.

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

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

On 1 June 2017, the reverse merger of the companies Metalcastello, S.p.a (absorbing company) and Mahindra Gears Global, Ltd. (absorbed company) took place, being an Italian and Mauritian company respectively.

Also in June 2017, the Brazilian company Bioauto Participaçoes, S.A. has been liquidated.

On the same period, the merger of the brazilian companies Autometal, S.A. and Naturoil Combustíveis Renováveis, S.A. has taken place.

On 30 June 2017, the Indian subsidiary Mahindra CIE, Ltd. (absorbing company) merged with the also Indian subsidiaries Mahindra Gears and Transmissions Private Ltd. and Crest Geartech Pvt, Ltd.; and the Mauritian companies Mahindra Forgings Global, Ltd. and Mahindra Forgings International, Ltd. (absorbed companies).

On July 1, 2017, the merger between the companies Rochester Gear, Inc and Deco Engineering, Inc, has taken place, both subsidiaries of Newcor, Inc, being Rochester Gear, Inc, the absorbing company and the one that has survived.

In September 2017 the company BillForge Global DMCC has been liquidated.

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

Solution and Services Segment (Smart Innovation)

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

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

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

On 27 April 2017 the US subsidiary Commonwealth Dynamics Inc has created the Japanese company named Commonwealth Dynamics Co. Ltd. with the same purpose of its direct company. During 2017 it had no activity.

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

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

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

In addition, in 2017, the merger among Dominion Digital, S.L.U., Ampliffica, S.L.U., Tapquo, S.L. and Wiseconversion, S.L. has taken place, being the first of the aforementioned companies the absorbing one. This merger had not impact on the consolidated financial statements.

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

2016

Movements and changes made by entities of the Group in 2016 were as follows:

Automotive Segment

On 2 January 2016, Autometal S.A. sold to Autokomp Ingenierfa, S.A.U. 143,683,928 shares of the company Componentes Automotivos Taubaté Ltda, by the amount of €40,654 thousand, representing 100% of the company's capital.

In 2012 the Group acquired 65% of the US Company Century Plastics, LLC and granted the selling shareholders a put option over the remaining 35% of the company's capital, exercisable in May 2016. At this date, through its US subsidiary, CIE Automotive USA Inc, the Group entered into a contract for the acquisition of the 35%, which until that date had been owned by that company's original shareholders. The operation amounted to USD 68.8 million (approximately €60.8 million) and was paid in cash.

On 17 July 2016, CIE Berriz, S.L. sold to Autokomp Ingeniería, S.A.U. the total amount of shares owned by Nanjing Forgings Automotive Co. Ltd., by the amount of €21,349 thousand, representing 50% of the company's capital.

In August 2016, through CIE Berriz, S.L., the Group acquired all of the share capital of Grupo Amaya Tellería. The purchase price for this transaction amounted to €155 million (€112 million paid upon the transaction close, €13 million of assumed debt with former shareholders, and remaining €30 million due in the first quarter of 2017) and the assumption of Grupo Amaya Tellería's net debt.

In September 2016, CIE Automotive S.A., through its subsidiary in India, Mahindra CIE Automotive, Ltd, signed an agreement for the acquisition of all of the share capital of the Indian company BillForge Pvt. The purchase price agreed amounts to INR13,312 million (approximately €178 million), paid in cash.

Also in September 2016, the Group performed a capital share increase in its indian subsidiary Mahindra CIE Automotive, Ltd. By issuing 54,491,563 new shares, for a total value amounting to INR10,898 million (€145 million approximately at the date of share capital increase), fully subscribed and disbursed in cash. Part of this capital share increase, 22,500 thousand shares, INR4,500 million (approximately €60 million) were subscribed and disbursed by the subsidiary Participaciones Internacionales Autometal Dos, S.L.U. After this capital increase, the share percentage of the Group in the Mahindra CIE amounted to 51.38%.

On 18 October 2016, the merger of the companies CIE Hispamoldes Plastiques, s.a.r.l. d'au. and CIE Automotive Maroc, s.a.r.l. d'au. took place, both Moroccan, and being the last the absorbing company which persists.

On 12 December 2016, the Group liquidated the holding companies RS Automotive, B.V. and Advanced Comfort System International, B.V. After this liquidation, their subsidiary companies Advanced Comfort System Ibérica, S.L.U and Advanced Comfort System France, S.A.S. have come to be held by the Group's Parent Company, CIE Automotive, S.A. The incorporation of these investments in subsidiaries, together with the net assets resulting from their liquidation, had impacted the Company's reserves totalling €42,606 thousand (Note 8.b)).

Additionally, on 31 December 2016, the liquidation of Biocombustibles La Seda, S.L. was approved.

At the same date, and with accounting effect of 31 December 2016, the merger between CIE Autometal de México, S.A. de C.V. (absorbing company) and Inmobiliaria El Puente, S.A. de C.V. (absorbed company) took place.

<u>Solution and Services Segment (Smart Innovation)</u>

On 6 May 2016, the Group, through its US subsidiary Beroa Corporation, LLC, acquired 100% of the shares of the US Company Commonwealth Dynamics Inc. (hereinafter CDI). This transaction entailed the acquisition of 100% control over the following companies:

- Commonwealth Dynamics Inc (USA)
- Commonwealth Constructors Inc (USA)
- Commonwealth Landmark Inc (USA)
- Commonwealth Dynamics Limited (Canada)
- Commonwealth Power Chile, SPA (Chile)
- Commonwealth Power de Mexico S.A. de C.V. (Mexico)
- Commonwealth Power, S.A. (Peru)
- Commonwealth Power Private Limited (India)

This subgroup, based in New Hampshire (EEUU), is a niche company with over 35 years' experience in providing engineering solutions and executing high complexity projects for a wide range of industrial sectors.

Commonwealth Dynamics focuses its activity in countries with a significant industrial presence, such as USA, Chile, Mexico, Peru and India and its customers include most leading companies in those countries.

The transaction price amounted to USD10 million which breaks down as follows: USD2 million was paid upon the formalisation of the acquisition and leaving; USD6 million (estimated amount) payable in 2018, 2019 or 2020, depending on the payment option offered to the seller, for an amount equivalent to the subgroup's average aggregate EBITDA for the last three years, according to the payment date, multiplied by 6, to be reduced by the corresponding financial debt; USD2 million (estimated amount) relating to 2.5% of the order portfolio at the payment date indicated above.

At the beginning of the year 2016, the remaining 10% of the Argentinian subsidiary Dominion S.R.L. (formerly Beroa de Argentina, S.R.L.) was purchased for a total amount of €977 thousand to the former shareholder of Beroa Group (Servit Servicios Industriales Técnico, S.L.). This amount was met by the compensation of a credit held by the Group with this company.

On 10 February 2016 Global Dominion Access submitted an offer as part of the bankruptcy proceedings requested by Abantia Empresarial, S.L. and subsidiaries (the Abantia Group hereinafter), to acquire the Installation, Maintenance, Industrial and Renewable Energy Promotion production units, which represent most of the Abantia Group's business.

On 24 May 2016 the Group, through its subsidiary Dominion Industry & Infrastructures (incorporated in March 2016 by Global Dominion Access, S.A.), completed the acquisition which was approved by the Mercantile Court responsible for the bankruptcy proceedings of the Abantia Group and by the workers' representatives in legal terms.

The acquisition of the business entailed paying a price of €2 million plus the losses arising from the date of approval of the acquisition request to the date on which control is acquired, which comprises the months of March, April and May 2016, estimated at an additional €1.5 million.

In April and May 2016 the remaining 10.75% of the subsidiary Global Near, S.L. was acquired together with an additional 8.741% of the subsidiary Wiseconversion, S.L. The overall price paid on both operations has amounted to €157 thousand, which were paid in cash to the relevant minority shareholders.

Additionally, in May 2016 a capital increase was carried out, in the associate Advanced Flight Systems S.L., resulting in the dilution of the Group's interest from 30% in December 2015 to 20%.

On 16 June 2016, as part of Abengoa's Restructuring Plan (parent group), the purchase-sales agreement was executed through which Instalaciones Inabensa, S.A. sells to the Group company Dominion Networks, S.L., the assets, goods, contracts and rights attached to the so-called Protisa business– protisa thermal, sound and fire proofing, carrying out all activities associated with the conduct and exploitation of commercial, import, export and machine and material distribution operations connected with thermal, sound and fire proofing protection. These assets, goods, contracts and rights include certain property, plant and equipment, supplier and contractor contracts, qualified technical personnel, contracts under execution, classifications and references of work connected with this business and trade marks, patents and trials on fireproof mortars. The acquisition price of this line of business amounted to €300 thousand.

In July 2016 an additional 15% capital share of the Group company Interbox Technology, S.L. was purchased, increasing its share from 60% to 75%. The purchase price amounted to €500 thousand.

The purchase agreement under which Global Dominion Access, S.A. acquires 100% of the shares of Norproyectos 2000, S.L (subsequently renamed Dominion Energy, S.L.) was placed on public record on 15 September 2016. This company encompasses the EPC activities and maintenance operations (also known as the energy assets) formerly carried out by Grupo Eléctrico Scorpio, S.A.

The purchase price was approximately €17.8 million, made up of a fixed sum of €8.8 million and an earn-out of up to €9 million. The earn-out is tied to the EBITDA generated by the company which holds the energy assets acquired from an identified pipeline of projects and opportunities during the five following years of its acquisition date.

With this transaction, Dominion incorporated to its perimeter the team that manages Grupo Eléctrico Scorpio, S.A.'s energy division, including its CEO and former owner; a backlog of renewable energy projects worth an estimated €50 million; and a 25% interest in BAS Project Corporation, S.L., a company specialised in the identification and development of renewable energy projects which has an exclusivity agreement with the Group.

On 14 November 2016, Dominion acquired US firm, International Chimney Corporation (ICC). With a track record dating back almost 90 years, ICC, based in Williamsville (New York) is a leading specialist in the North American market, in the design, engineering, inspection and repair of industrial structures. Its wide catalogue also includes other services related to as isolates, assembly projects, structure transport, demolition and emergency lighting.

The grounds of the operation, there were a high level of recurrence of their services, with the strong synergies of its portfolio with the one of complex solutions offered by Commonwealth Dynamics, Inc., will led to manage a large industry portfolio contributed by both companies, an authentic "One Stop Shop", which contributes to the remaining specialists of Dominion Industry, and also to those coming from Abantia and Protisa (as mentioned above).

The purchase price agreed amounted approximately to USD15 million, to be paid as follows: USD6 million at the close, USD5 million in 2017, and USD4 million in 2018. It is also considered a potential earn-out payable in 2020 in the event that the company outperforms its targets for 2017-2019; the acquisition-date value of this contingent payment amounts to USD3.9million, equivalent to 6 times average EBITDA generated by ICC, decreased by USD15 million.

Additionally, in 2016, and with effects on 1 January 2016, the merger between de Brazilian companies Halógica Tecnología, S.A. and Prosat Comunicaçoes, Ltda., and the reverse merger between Global Dominion Brasil Participaçoes, Ltda. and Halógica Tecnología, S.A. were formalized.

(Thousand euro)

Also in December 2016 the Group company Near Technologies, S.L. changed its entity name to Dominion Digital, S.L.

The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at 31 December 2017 and 2016, are as follows:

	Euro					
	Equity					
Company	Capital	Reserves	Operating profit	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 18)
2017:						
CIE Berriz, S.L. (Bizkaia)	60,101	218,588	97,233	84,293	251,874	45,700
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	7,301	1,644	1,279	8,528	743
Advanced Comfort Systems France, S.A.S. (Francia)	3,100	15,545	4,968	9,665	57,132	-
Global Dominion Access, S.A. (Bizkaia)	21,187	269,221	1,796	1,319	105,562	-
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	38	(7)	(921)	218	31
					423,314	46,474
2016:						
CIE Berriz, S.L. (Bizkaia)	60,101	247,764	40,482	20,760	251,874	30,000
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	7,301	1,014	743	8,528	-
Advanced Comfort Systems France, S.A.S. (Francia)	3,100	11,240	5,325	4,305	57,132	-
Global Dominion Access, S.A. (Bizkaia)	21,187	273,262	3,551	(9,853)	105,562	-
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	38	(10)	30	218	-
					423,314	30,000

b) Movements in investments in CIE Automotive Group companies

The movements in 2017 are summarized below:

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

The movements in 2016 are summarized below:

	Balance at 31.12.2015	Movements	Balance at 31.12.2016
Investments in group companies and jointly controlled entities			
CIE Berriz, S.L,	251,874	-	251,874
RS Automotive, B.V.(*)	23,733	(23,733)	-
Global Dominion Access, S.A.	60,000	45,562	105,562
Autokomp Ingeniería, S.A.U.	218	-	218
Advanced Comfort Systems Ibérica, S.L.U.	-	8,528	8,528
Advanced Comfort Systems France, S.A.S.	-	57,132	57,132
	335,825	87,489	423,314

(*)Liquidated in December 2016

The Company does not maintain provisions for the impairments in its investments at December 31, 2017 and 2016.

(Thousand euro)

After the liquidation of RS Automotive, B.V. and Advanced Comfort Systems International, B.V. their subsidiary companies Advanced Comfort System Ibérica, S.L.U and Advanced Comfort System France, S.A.S. were incorporated by the Company. The assigned value of these investments is the value of their net assets presented in the Group´s financial statements. The difference resulting from the liquidation of RS Automotive, B.V. and the integration of its subsidiaries, as well as the remainder net assets incorporated in the liquidation supposed a €42,606 thousand increase in reserves.

c) Loans to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. 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 €1,156,575 thousand is recognized as non-current loans at the 2017 year end (2016: €1,120,243 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 €15,313 thousand (2016: €13,839 thousand).

The detail of the non-current credits to other group companies at 31 December 2017 and 2016 is as follows:

	31.12.17	31.12.16
Alcasting Legutiano, S.L.U.	10,986	16,650
Autokomp Ingeniería, S.A.U.	62,121	61,131
Biosur Transformación, S.L.U.	2,302	2,986
CIE Berriz, S.L.	947,358	907,525
CIE Mecauto, S.A.U.	9,500	10,189
CIE Praga Louny, A.S.	9,277	-
CIE Compiegne, S.A.S	1,178	1,195
Grupo Amaya Tellería, S.L.U. (*)	-	44,509
Participaciones Internacionales Autometal Dos, S.L.U.	102,272	68,646
Other (less than €10 million balances)	11,581	7,412
	1,156,575	1,120,243

(*) Merged in 2017 with CIE Berriz, S.L. as absorbing company.

On 31 December 2016 the loan transferred to its subsidiary, Grupo Amaya Tellería, had a balance of €44,509 thousand primarily used to pay the bank debt which this subgroup acquired through the subsidiary CIE Berriz, S.L. had. After the merger between CIE Berriz, S.L. and Grupo Amaya Tellería, S.L.U. in January, CIE Bérriz, S.L. is the creditor of the loan.

9. Loans and receivables

	2017	2016
Current loans and receivables		
- Receivables from group companies and associates	10,222	18,176
- Other receivables	16	22
	10,238	18,198

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:

	2017	2016
Century Plastics, LLC	1,128	549
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	1,312	3,396
Pintura y Ensambles de México, S.A. de C.V.	970	2,843
CIE Celaya, S.A.P.I. de C.V.	1,892	3,786
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	889	1,837
Forjas de Celaya, S.A. de C.V.	540	1,200
GAT México, S.A. de C. V.	514	1,153
Advanced Comfort Systems Shanghai Co. Ltd.	1,073	982
Others (less than €1 million)	1,904	2,430
	10,222	18,176

(Thousand euro)

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

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

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at 31 December 2017 and 2016. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

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

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

10. Derivative financial instruments

	Assets	
	2017	2016
Interest rate swaps:		
- Cash-flow hedges	593	-
Equity Swap		
- Non cash-flow hedges	16,361	9,242
	16,954	9,242

	Liabilities	
	2017	2016
Interest rate swaps:		
- Cash-flow hedges	8,144	10,949
	8,144	10,949

Derivatives are classified as a current asset or liability.

The non-effective part, recognised in the income statement originated from cash-flow hedges is a gain of €7,119 thousand (2016: €4,026 thousand of loss) (Note 20).

Having been tested for effectiveness, all of the Company's hedging derivatives were considered effective at 31 December 2017 and 2016 (Note 3.6).

Equity swap

At 6 August 2014, the Company has arranged a derivative related to the share market price of CIE Automotive. The underlying of the operation with 1.25 million shares, with a starting value of €11.121 per share. This instrument is classified as non-hedge and throws at 31 December 2017 a valuation of €16,361 thousand (31 December 2016, €9,242 thousand).

Interest rate swaps (from variable to fixed)

The notional amounts of the outstanding interest rate swap contracts at 31 December 2017 and 2016 totaled €450 million. The part of the balance was designated as a hedging instrument.

In 2017 fixed interest rates, without margin, vary between 0.17% and 0.90% (2016: 0.24% and 1.13%) and the main reference variable rate is the Euribor. Gains/losses recognised in equity under "Adjustments for value changes" on interest rate swaps at 31 December 2017 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

11. Cash and cash equivalents

	2017	2016
Cash	10,942	4,521
Cash equivalents	1,897	1,801
	12,839	**6,322**

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

12. Share capital and share premium

a) Share capital

At 31 December 2017 and 2016 there were no movements in the share capital of the Company.

In accordance with the above, the share capital of CIE Automotive, S.A. at 31 December 2017 and 2016 is represented by 129,000,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Spanish stock market. The companies that hold a direct or indirect interest of more than 10% are as follows:

	Percentage interest	
	2017	2016
Acek Desarrollo y Gestión Industrial, S.L.	(*) 15.909%	(*) 20.909%
Corporación Financiera Alba, S.A. ("Alba")	10.000%	-
Mahindra & Mahindra, Ltd.	(**) 7.435%	(**) 12.435%

(*) 5.508% directly and indirectly through Risteel Corporation, B.V., the remaining 10.401% (7,808% y 13,101% respectively in 2016).
(**) Indirectly through Mahindra Overseas Investment Company Mauritius, Ltd.

The stock price of CIE Automotive, S.A. listed in the Madrid Stock Exchange was €24.21 at 31 December 2017.

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

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

	31.12.2017	
	Number of shares	Amount (Thousand euro)
Balance at 1 January 2017	-	-
Acquisitions	252,587	4,526
Balance at 31 December 2017	252,587	4,526

During the first four months of 2017, the Company has acquired 252,587 treasury shares directly (0.196% of the total voting rights of the Company), which considered as a whole with the indirect share resulting from the equity swap agreement signed with Banco Santander, S.A. in 2014 for the acquisition of 1,250,000 shares (equal to 0.969% of the voting rights), has exceeded the threshold of 1% of voting rights of the company as of 21 March 2017, as communicated to CNMV at 22 March 2017.

Similarly, the mandate conferred at the Annual General Meeting of 4 May 2017, whereby the 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 2010, is in effect until 4 May 2022.

(Thousand euro)

13. Reserves and retained earnings

a) Reserves

	2017	2016
Legal and statutory reserves:		
- Legal reserve	6,450	6,450
	6,450	6,450
Other reserves:		
- Voluntary reserves	262,922	251,996
- Merger reserve	66,303	66,303
	329,225	318,299
	335,675	324,749

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 2017 and 2016, 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 2017 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 4 May 2017 in respect of 2016 profit is shown below:

	2017	2016
Available for distribution		
Profit for the period	78,932	63,765
	78,932	63,765
Distribution:		
Interim dividend	36,120	25,800
Final dividend	36,120	27,090
Voluntary reserves	6,692	10,875
	78,932	63,765

b) Dividends paid

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

The amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, according to Article 227 of Spain Corporate Enterprise Act.

(Thousand euro)

The provisional accounting statement at 31 October 2017, 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 2017	82,823
To deduct:	
- Legal reserve	-
Maximum amount to distribute	82,823
Amount distribution proposal	(72,240)
Treasury forecast for one year	101,156
Interim dividend	(36,120)

On 4 May 2017, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2016 profit (individual) as well as the distribution of a final dividend of €0.21 (gross) per share carrying dividend rights, amounting to a total payment of €27,037 thousand. Payment was made on 5 July 2017.

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

On 26 April 2016, the shareholders of CIE Automotive, S.A. in general meeting approved the motion for the distribution of 2015 profit (individual) as well as the distribution of a final dividend of €0.17 (gross) per share carrying dividend rights, amounted to a total payment of €21,930 thousand. The payment was made on 5 July 2016.

On 15 December 2015, the Board of Directors approved the payment of an interim dividend from 2015 profit of €0.16 gross per share carrying dividend rights, implying a total payout of €20,640 thousand. Payment was made on 4 January 2016.

This amount to distribute did not exceed the profit obtained since the last financial year, deducting the tax estimation, in accordance with Article 227 of the Spanish Companies Act. Similarly, the provisional accounting statement was prepared in accordance with legal requirements and which evidenced the existence of sufficient liquidity to complete the pay-out of the aforementioned dividend.

15. Debts and payables

	2017	2016
Non-current debts and payables		
- Bank borrowings (Note 15.a))	675,610	766,890
CIE Automotive Group companies and associates, non-current (Note 15.b))	198,965	232,659
Other non-current payables		
- Other non-current payables (Note 15.c))	3,906	6,406
	878,481	1,005,955
Current debts and payables		
- Bank borrowings (current portion of non-current borrowings) (Note 15.a))	166,350	37,666
- Payables to CIE Automotive Group companies (Note 15.b))	5,167	3,449
- Other short term liabilities (Note 15.c))	2,500	2,500
- Trade payables	2,835	2,203
- Group suppliers	14	59
- Fixed asset creditors	142	497
- Sundry payables	-	24
- Accrued wages and salaries	3,670	2,734
- Dividend payable (Note 14)	36,049	25,800
	216,727	74,932

(Thousand euro)

a) Bank loans and credit facilities

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

	Balance at 31 December	At 1 year	At 5 years
At 31 December 2016			
Total borrowings	804,556	766,890	-
Effect of interest rate swaps (Note 10)	(150,000)	(392,500)	-
Exposure	654,556	374,390	-
At 31 December 2017			
Total borrowings	841,960	675,610	-
Effect of interest rate swaps (Note 10)	(392,500)	(402,500)	-
Exposure	449,460	273,110	-

Non-current borrowings mature as follows:

	2017	2016
Between 1 and 2 years	60,733	23,427
Between 3 and 5 years	551,099	656,148
Over 5 years	63,778	87,315
	675,610	766,890

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest that ranged between 0.34% and 2.75% (2016: 0.70% and 2.75%).

The Company has the following undrawn credit lines:

	2017	2016
Maturing within one year	92,070	100,285
Maturing in more than one year	177,091	26,500
	269,161	126,785

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

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

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

In 2017 the Company repaid €111 million under these financing agreements (2016: €65 million) and raised new funding in the amount of €145 million (2016: €262 million).

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

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

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

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

(Thousand euro)

The drawn amount on 31 December 2017 amounted to €467 million (2016: €550 million), and its interest rate was indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

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

At 23 June 2014 the Company entered into a financing contract with the European Investment Bank (EIB) for €70 million and with a repayment period of 7 years, in order to finance the Company and Group's R&D activities connected with automotive parts. At 31 December 2017 and 31 December 2016 the drawn down balance amounts to €61 million and bears a fixed interest (2016: €70 million).

In December 2017 the Company signed a loan with a finance institution amounting to €100 million and with a one year maturity.

In addition, other borrowings are subject to compliance with certain ratios that are customary in the market for these types of contracts. At 31 December 2017 and 2016, there was no risk of non-compliance with these covenants.

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) Payables to CIE Automotive Group companies

The payables with CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional periods of one year. 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 are registered as non-current debts, €198,965 thousand (2016: €232,659 thousand).

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

The breakdown of non-current payables to CIE Automotive Group Companies, at 31 December 2017 and 2016, is as follows:

	31.12.17	31.12.16
CIE Udalbide, S.A.U.	(6,102)	(5,779)
Egaña 2, S.L	(9,617)	(18,588)
Gameko Fabricación de Componentes, S.A.	(17,980)	(25,620)
CIE Galfor, S.A.U	(13,870)	(22,075)
Inyectametal, S.A.	(12,448)	(10,816)
Mecanizaciones del Sur-Mecasur, S.A.	(5,915)	(6,119)
Nova Recyd, S.A.U.	(5,784)	(6,777)
Orbelán Plásticos, S.A.	(4,786)	(5,240)
CIE Plasty CZ, s.r.o.	(5,041)	(7,820)
CIE Praga Louny, a.s.	-	(3,930)
Recyde, S.A.U.	(7,149)	(7,229)
CIE Zdanice, s.r.o	(13,838)	(20,263)
CIE Metal CZ, s.r.o.	(990)	(5,682)
CIE Unitools Press CZ, a.s.	(2,784)	(6,289)
Grupo Componentes Vilanova, S.L.	(9,776)	(3,003)
Bionor Berantevilla, S.L.U.	(7,368)	(7,851)
CIE Legazpi, S.A.U.	(17,361)	(10,199)
Industrias Amaya Tellería, S.A.U.	(29,055)	(28,156)
GAT Staff, S.L.U. (*)	-	(14,110)
MAR SK, s.r.o.	(13,841)	(6,741)
Advanced Comfort System Ibérica, S.A.U.	(7,000)	-
Other less significant balances	(8,260)	(10,372)
	(198,965)	(232,659)

(*) Merged in 2017 with CIE Berriz, S.L. as absorbing company.

(Thousand euro)

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 €5,167 thousand (2016: €3,449 thousand).

c) Other long-term debts

It included €10 million loan granted to financing investment projects received of a public entity in 2014 to amortize in 8 semi-annual quotas which remaining amount as of 31 December 2017 amounts to €6,250 thousand, being registered €3,750 thousand in the long term. (2016: €8,750 thousand, being €6,250 thousand registered in the long term). The loan bears an interest rate benchmarked to Euribor plus a margin market.

The breakdown of trade payables settled during 2017 and 2016 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	
	2017	2016
Average payment period to suppliers	51	47
Paid operations ratio	53	54
Outstanding operations ratio	48	45

	Thousand euros	
	2017	2016
Total payments	7,259	7,698
Total outstanding payments	2,834	2,226

16. Provisions

Provisions include the Company's estimate of the year-end amounts of multi-year bonuses payable to its employees plus the annual estimated amount of the liabilities established in the additional incentive agreed in 2014 (Note 25).

17. Deferred taxes

The analysis of deferred taxes is as follows:

	2017	2016
Deferred tax assets:		
- Deductible temporary differences	12,986	10,109
- Tax credits (capital expenditure)	7,128	10,180
	20,114	20,289
Deferred tax liabilities:		
- Taxable temporary differences	-	-
	-	-
Net deferred tax assets/(liabilities)	20,114	20,289

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 2017 and 2016 is as follows:

	2017	2016
Opening balance	20,289	17,626
(Charged)/credited to the income statement (Note 19)	777	1,455
Tax recognised directly in equity	(952)	1,208
Closing balance	20,114	20,289

(Thousand euro)

The movements in deferred tax assets and liabilities in 2017 and 2016 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
Balance at 31 December 2015	1,825	3,666	12,135	17,626
(Charged)/credited to the income statement	-	3,410	(1,955)	1,455
(Charged)/credited to equity	1,208	-	-	1,208
Reclassifications and transfers	(10)	10	-	-
Balance at 31 December 2016	3,023	7,086	10,180	20,289
(Charged)/credited to the income statement	-	3,829	(3,052)	777
(Charged)/credited to equity	(952)	-	-	(952)
Balance at 31 December 2017	2,071	10,915	7,128	20,114

Deferred taxes charged to equity in 2017 and 2016 are as follows:

	2017	2016
Cash flow hedges	(952)	1,208
	(952)	**1,208**

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

At 31 December 2017 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is parent (Note 3.11):

Year generated	Amount
2013	15,812
	15,812

The tax-loss carryforwards are allocated to each of the companies that generated them for the purposes of possible recognition as deferred tax assets, and amount to €4.427 thousand. From them, a total of €2,628 thousand of the tax-loss carryforwards pertains to CIE Automotive, S.A., which results in a deferred tax asset amounting to €735 thousand.

At 31 December 2017, the Company does not maintain tax loses pending compensation generated previous to its integration to the fiscal Group.

(Thousand euro)

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 (forecast)	80
	17,021

From the previous amount, a total of €5,102 thousand of the tax credits derives from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A. and those are considered tax credits earned before the fiscal Group.

The applicable tax legislation for the current year imposes a 15-year time limit on tax credits and tax-loss carryforwards generated, also stipulating that the 15-year period commences as from 1 January 2014 for tax credits and tax-loss carryforwards existing prior to that date. At the time of the preparation of these financial statements, a Modification Project to the Regional Tax Law exists, which could impact the mentioned compensation time limit.

18. Income and expense

a) Revenue

Revenue breaks down as follows:

	2017	2016
Rendering of services	71,379	66,799
Dividend income (Note 8.a))	46,474	30,000
Interest on loans	19,316	18,814
	137,169	115,613

(Thousand euro)

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 €71,379 thousand (2016: €66,799 thousand), based on the locations of the receiving companies, is as follows:

Market	% 2017	% 2016
Spain	28	29
America	46	54
Rest of the world	26	17
	100	100

a.2) Dividends received from CIE Automotive Group companies

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

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

In 2016 the Annual Meetings of shareholders of the subsidiary CIE Berriz, S.L held on 26 December 2016 approved the distribution of dividends against non-restricted reserves in the amount of €30,000 thousand. These dividends were collected by the Company in 2016.

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

At 31 December 2017 the Company accrued interest income on loans to CIE Automotive Group companies in the amount of €19,316 thousand (2016: €18,814 thousand).

b) Other operating income

The breakdown of this heading is as follows:

	2017	2016
Operating grants	7	2
Income from sundry services	207	283
Other income	1,329	8
	1,543	293

c) Employee benefit expense

	2017	2016
Wages and salaries	12,398	12,634
Share-based payments	9,671	11,492
Termination benefits	65	117
Social security costs		
- Social security	729	665
	22,863	24,908

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

	Headcount 2017	Headcount 2016
Executives	14	11
University graduates and specialists	48	49
	62	60

(Thousand euro)

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

	2017			2016		
	Women	Men	Total	Women	Men	Total
Directors	2	11	13	2	11	13
Executives	4	10	14	4	7	11
University graduates and specialists	22	29	51	22	25	47
	28	50	78	28	43	71

Likewise, there were no persons employed in 2017 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.

d) Other operating expenses

Other operating expenses break down as follows:

	2017	2016
Travel expenses	1,184	1,316
Repairs and maintenance	888	922
Independent professional services and other services	1,683	2,526
Leases	581	440
Insurance premiums	195	125
Other	6,330	1,065
	10,861	6,394

19. Income tax and tax matters

As mentioned in the section covering measurement standards (Note 3.11), CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries.

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

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

2017

	Income statement			Income and expense recognised directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			78,932	-	-	-
Income tax			5,479	-	-	-
Permanent differences	7,587	(81.712)	(74,125)	-	-	-
Temporary differences:						
- originated in current year	13,675	-	13,675	-	-	-
			23,961			-
Taxable income/(tax loss)			23,961			

(Thousand euro)

2016

	Income statement			Income and expense recognised directly in equity		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			63,765	-	-	-
Income tax			4,023	-	-	-
Permanent differences	2,921	(60,594)	(57,673)	-	-	-
Temporary differences:						
- originated in current year	12,680	-	12,680	-	-	-
- originated in previous years	-	(500)	(500)	-	-	-
			22,295			-
Taxable income/(tax loss)			22,295			

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

In 2017, the current income tax is calculated by applying a 28% tax rate to the individual tax base, net of negative tax bases generated after the entry of the Company to the fiscal Group, amounting to €4,067 thousand.(2016: €3,210 thousand).

The calculation is itemized in the following table:

	2017	2016
Individual taxable income tax base	23,961	22,295
Tax Group losses to be offset	(4,067)	(3,210)
Tax Group taxable base	19,894	19,085
Current tax payable	5,570	5,343
Current tax	5,570	5,343

The breakdown of income tax expense is as follows:

	2017	2016
Current tax	5,570	5,343
Deferred tax (Note 17)	(3,829)	(3,410)
Tax credits (reversal) (Note 17)	3,052	1,955
	4,793	3,888
Correction of prior-year income tax	606	69
Income tax withholdings (retained abroad)	80	66
	5,479	4,023

No corporate income tax was payable to the Tax Administration in 2017 and 2016 (Note 15).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are 2013, 2014, 2015, 2016 and 2017.

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 2017 or 2016.

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

The corporate income tax legislation applicable to the Company in 2017 and 2016 is that relating to Bizkaia Regional Regulation 11/2013 (5 December).

(Thousand euro)

20. Finance income/expense

	2017	2016
Finance income:		
Marketable securities & other financial instruments		
- Third parties	1	4
	1	4
Finance expense:		
Borrowings from group companies (Note 26)	(3,544)	(3,046)
Third-party borrowings	(19,105)	(15,276)
	(22,649)	(18,322)
Change in fair value of financial instruments:		
Gains/(losses) recognised regarding financial instruments	7,215	3,995
	7,215	3,995
Net exchange differences	(1,865)	828
Finance income/expense	(17,298)	(13,495)

21. Cash flows from operating activities

	2017	2016
Profit for the year before tax	84,411	67,788
Adjustments for:		
- Depreciation (Notes 5 and 6)	3,286	3,321
- (Profit)/Loss on asset disposal (Note 5)	(7)	-
- Change in provisions	18,525	17,188
- Finance income (Note 20), dividend income and interest income from CIE Automotive Group companies (Note 18)	(65,791)	(48,814)
- Finance expense (Note 20)	22,649	18,322
- Exchange rate differences (Note 20)	1,865	(828)
- Change in fair value of financial instruments (Note 20)	(7,215)	(3,995)
	(26,688)	(14,806)
Changes in working capital:		
- Trade and other receivables	6,160	(357)
- Trade and other payables	990	70
- Other current and non-current liabilities	(2,612)	(4,509)
	4,538	(4,796)
Other cash flows from operating activities:		
- Interests paid	(19,029)	(14,489)
- Dividends received	46,474	30,000
- Interests received	20,160	18,868
- Income tax received (paid)	478	572
	48,083	34,951
Cash flows from operating activities	110,344	83,137

(Thousand euro)

22. Cash flows from investing activities

	2017	2016
Payments for investments:		
- Group companies and associates (Note 8.b))	-	(45,562)
- Intangible assets (Note 5)	(535)	(837)
- Property, plant and equipment (Note 6)	(518)	(99)
- Other financial assets	-	(1)
	(1,053)	(46,499)
Proceeds from disposals:		
- Intangible assets (Note 5)	30	-
- Other financial assets	154	22,675
	184	22,675
Cash flows from investing activities	(869)	(23,824)

23. Cash flows from financing activities

	2017	2016
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 15)	145,000	262,158
- Repayment and depreciation of:		
- Bank borrowings (Note 15)	(110,571)	(65,000)
- Net change in other borrowings (Note 15)	(2,500)	(1,250)
- Net change in loans to/from Group companies and associates (*)	(77,524)	(236,823)
	(45,595)	(40,915)
Payment of dividends and remuneration of other equity instruments:		
-Acquisiton of treasury shares (Note 12.c))	(4,526)	-
- Payment of dividends (Note 14.b))	(52,837)	(42,570)
	(57,363)	(42,570)
Cash flows from financing activities	(102,958)	(83,485)

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

24. Contingencies

Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed at 31 December 2017 and 2016 (Note 15).

25. Director and key management compensation

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

Total compensation paid to the members of the Board of Directors has amounted to €3,916thousand (2016: €5,691 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.

Additionally, during the year 2017, the remuneration based in the share's value had completely been accrued, as explained in section d) of this Note, and which will result, for some members of the Management Personnel, a total retribution of €16.5 million payable in March 2018.

At 2017 year end, there is a balance receivable (at present value) of €303 thousand arising from other transactions with these related parties (2016: €455 thousand), classified in current assets.

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

(Thousand euro)

b) Compensation and loans to key management personnel

The total compensation paid to key management personnel in 2017, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €2,547 thousand (2016: €2,037 thousand).

Additionally, during the year 2017, the remuneration based in the share's value had completely been accrued, as explained in section d) of this Note, and which will result, for some members of the Management Personnel, a total retribution of €10.8 million payable in March 2018.

At 2017 and 2016 year-end, there is no balance relating to transactions with these related parties.

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

c) Article 228 of the Spanish Companies Act

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

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

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

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

The individual assignment of these rights was determined in 2014 by the Company's Appointments and Remuneration Committee and their settlement will probably be paid once in cash on 31 March 2018 as a decision of the Group.

The incentive depends on two conditions:

- Interrupted continuity of beneficiaries' services.
- The fulfillment of the objectives of Group's Strategic Plan for 2013-2017, measured according to EBITDA levels (operating profit plus amortization and impairment) obtained in the period.

The incentive conditions contain situations of early liquidation due to certain supervening causes.

At 31 December 2017 the estimated amount of that remuneration has resulted in an accrued expense in 2017 of €10,455 thousand (31 December 2016, €12,424 thousand). The liability is classified in Current provisions (Note 16).

26. Transactions with CIE Automotive Group companies and related parties

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

The breakdown of the transactions conducted with CIE Automotive Group companies in 2017 and 2016 is provided below:

	2017	2016
Services rendered (Note 18):	137,169	115,613
- Dividends received (Note 8)	46,474	30,000
- Corporate services (Note 18)	71,379	66,799
- Financial services (Note 18)	19,316	18,814
Interest:		
- Interest paid (Note 20)	(3,544)	(3,046)

Closing balances at the 2017 and 2016 year ends derived from the transactions described above are set out in Notes 7.5, 7.6, 8, 9 and 15.b) above. Additionally, at 31 December 2017, the interim dividend agreed in December 2017 is pending payment (Notes 14 and 15).

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2017 and 2016 is provided in Note 8.b) and Note 15.b).

In 2017, no provision was required for the impairment of loans granted to Group companies.

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 2017 or 2016.

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 €184 thousand in 2017 (2016: €156 thousand). Other assessment services different from audit fees have amounted to €27 thousand in 2017, and mainly refer to agreed 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 by other Group subsidiaries with PricewaterhouseCoopers Auditores, S.L. amounts to €40 thousand, for the same services as aforementioned, and others related to the verification of security measures in the processing of personal data, and other requirements based on the regulation of Biodiesel.

In addition, fees charged during the year by other firms that use the PricewaterhouseCoopers trademark for other services rendered to the Company totalled €123 thousand (2016: €77 thousand).

29. Events after the balance sheet date

In January 2018 the Group has acquired 100% of the shares of the brazilian company Zanini Industria de Autopeças, Ltda. for a purchase price of €120 thousand.

CIE AUTOMOTIVE, S.A.

APPENDIX I

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive Direct	Indirect
CIE Berriz, S.L. (*) (10)	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Belgium Forge, N.V. (in liquidation)	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. (11)	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 automobile 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 (2)	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.	Services and installations	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Services and installations	Germany	-	100.00%
Leaz Valorización, S.L.U. (dormant)	CIE Berriz, S.L.	Waste management and recovery	Bizkaia	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Autometal, S.A. (*) (7)	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, Pintura e Cromação de Plásticos, Ltda. (*)	Autometal, S.A.	Manufacture of automobile components	Brazil	-	100.00%
Autocromo Cromaçao de Plásticos Ltda.	Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, S.A.	Services and installations	Brazil	-	100.00%
Gescrap – Autometal Comercio de Sucatas Ltda.	Autometal Investimentos e Imóveis, Ltda	Scrap business	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%
CIE Autometal de México, S.A. de C.V. (*) (merged with Inmobiliaria El Puente, S.A. de C.V. during 2016)	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 business	Mexico	-	30.00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Services and installations	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.	Services and installations	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 Mexico, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100.00%
Servicat S. Cont., Adm. Y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Services and installations	Mexico	-	100.00%
CIE Automotive, USA Inc (*)	CIE Autometal de México, S.A. de C.V.	Services and installations	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(1)	Century Plastics, Llc	Real state company	USA	-	100.00%
Newcor, Inc(*) (1)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%

CIE AUTOMOTIVE, S.A. **APPENDIX I**

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive Direct	% effective shareholding of CIE Automotive Indirect
Owosso Realty, LLC (1)	Newcor, Inc	Real state company	USA	-	100.00%
Corunna Realty, Corp. (1)	Newcor, Inc	Real state company	USA	-	100.00%
Clifford Realty, Corp. (1)	Newcor, Inc	Real state company	USA	-	100.00%
Machine, Tools and Gear, Inc (1)	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc (1) (9)	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U.(*)	CIE Berriz, S.L.	Holding company	Bizkaia	-	100.00%
PIA Forging Products, S.L.U.	Participaciones Internacionales Autometal Dos S.L.U.	Holding company	Bizkaia	-	100.00%
Mahindra CIE Automotive, Ltd. (*)(12)	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of automotive components	India	-	51.38%
Stokes Group Limited (*)	Mahindra CIE Automotive, Ltd.	Manufacture of automotive components	UK	-	51.38%
Stokes Forgings Limited	Stokes Group Limited	Manufacture of automotive components	UK	-	51.38%
Stokes Forgings Dudley Limited	Stokes Group Limited	Manufacture of automotive components	UK	-	51.38%
Mahindra Forgings Europe AG (*)	Mahindra CIE Automotive, Ltd.	Holding company	Germany	-	51.38%
Gesenkschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	51.38%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	51.38%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	51.38%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	51.38%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive, Ltd.	Manufacture of automotive components	Orense	-	51.38%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Gipuzkoa	-	51.38%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	51.38%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Orense	-	12.85%
Metalcastello S.p.A. (*)(6)	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	51.38%
BillForge Pvt.Ltd .(*)	Mahindra CIE Automotive, Ltd.	Manufacture of automotive components	India	-	51.38%
BillForge de Mexico S de RL de C.V.	BillForge Pvt.Ltd	Manufacture of automotive components	Mexico	-	51.38%
BF Precision Pvt. Ltd.	BillForge Pvt.Ltd	Manufacture of automotive components	India	-	51.38%
Bionor Berantevilla, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Álava/Araba	-	100.00%
Biosur Transformación, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. (*) (in liquidation)	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (dormant)	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Biocombustibles de Guatemala, S.A.	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*)	CIE Berriz, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U.	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U.	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L.	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	51.00%
Biodiesel Mediterráneo, S.L.U.	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Vigo	-	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%
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%
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%
Global Dominion Access, S.A. (*)	CIE Automotive, S.A.	Holding company / Technological Solutions and Services	Bizkaia	50.01%	-
Dominion Industry & Infrastructures, S.L. (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Barcelona	-	50.00%
Desoiaba, S.A. de C.V.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	Mexico	-	49.00%
El Salvador Solar 1, S.A. de C.V.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	El Salvador	-	40.00%
El Salvador Solar 2, S.A. de C.V.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	El Salvador	-	40.00%
Montelux, S.R.L.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	Dominican Republic	-	35.00%
Abasol S.P.A.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	Chile	-	50.00%
Rovello S.P.A.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	Chile	-	50.00%
Pimentel S.P.A.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	Chile	-	50.00%
Rosinol S.P.A.	Dominion Industry & Infrastructures, S.L.	Technological Solutions and Services	Chile	-	50.00%
Dominion Energy, S.L.U. (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Bizkaia	-	50.01%
Dominion Energy México, S.A. de C.V.	Dominion Energy, S.L.U.	Technological Solutions and Services	Mexico	-	50.00%
Dominion Centroamericana, S.A.	Dominion Energy, S.L.U.	Technological Solutions and Services	Panama	-	50.01%
Dominion Ecuador Niec, S.A.	Dominion Energy, S.L.U.	Technological Solutions and Services	Ecuador	-	49.95%

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive: Direct	% effective shareholding of CIE Automotive: Indirect
BAS Project Corporation, S.L.	Dominion Energy, S.L.U.	Technological Solutions and Services	Bizkaia	-	8.42%
Dominion Instalaciones y Montajes, S.A.U. (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Bizkaia	-	50.01%
E.C.I. Telecom Ibérica, S.A.	Dominion Instalaciones y Montajes, S.A.U.	Technological Solutions and Services	Madrid	-	50.01%
Interbox Technology, S.L.	Dominion Instalaciones y Montajes, S.A.U.	Commercial services	Bizkaia	-	37.51%
Dominion West Africa, S.L.	Dominion Instalaciones y Montajes, S.A.U.	Commercial services	Bizkaia	-	50.01%
Dominion Honduras, S.R.L.	Dominion Instalaciones y Montajes, S.A.U.	Technological Solutions and Services	Honduras	-	49.01%
Dominion Investigación y Desarrollo S.L.U.	Global Dominion Access, S.A.	Technological Solutions and Services	Bizkaia	-	50.01%
Dominion Tecnológica, Ltda. (former Halógica Tecnología, S.A.) (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Brazil	-	50.00%
Dominion Instalaçoes e Montagnes do Brasil Ltda.	Dominion Tecnológica, Ltda.	Technological Solutions and Services	Brazil	-	50.00%
Mexicana de Electrónica Industrial, S.A. de C.V. (*)	Global Dominion Access, S.A.	Technological Solutions and Services	Mexico	-	50.00%
Dominion Tecnologías de la Información, S.A. de C.V.	Mexicana de Electrónica Industrial, S.A. de C.V.	Technological Solutions and Services	Mexico	-	50.00%
Dominion Baires, S.A.	Global Dominion Access, S.A.	Technological Solutions and Services	Argentina	-	47.51%
Dominion SPA	Global Dominion Access, S.A.	Technological Solutions and Services	Chile	-	50.01%
Dominion Perú Soluciones y Servicios S.A.C.	Global Dominion Access, S.A.	Technological Solutions and Services	Peru	-	49.51%
Visual Line, S.L.	Global Dominion Access, S.A.	Technological Solutions and Services	Bizkaia	-	27.51%
Sociedad Concesionaria Chile Salud Siglo XXI S.A.	Global Dominion Access, S.A.	Technological Solutions and Services	Chile	-	15.00%
Beroa Thermal Energy, S.L. (*)	Global Dominion Access, S.A.	Holding company	Bizkaia	-	50.01%
Dominion Global France, SAS (former Beroa France SAS)	Beroa Thermal Energy, S.L.	Industrial services	France	-	50.01%
Steelcon Chimneys Esbjerg A/S (*)	Beroa Thermal Energy, S.L.	Industrial solutions	Denmark	-	50.01%
Steelcon Slovakia s.r.o	Steelcon Chimney Esjberg A/S	Industrial solutions	Slovakia	-	50.01%
Dominion Global Pty.Ltd.	Beroa Thermal Energy, S.L.	Industrial solutions and services	Australia	-	50.01%
Beroa Corporation LLC (*)	Beroa Thermal Energy, S.L.	Holding company	USA	-	50.01%
Commonwealth Dynamics Inc (*)	Beroa Corporation LLC	Industrial solutions	USA	-	50.01%
Commonwealth Power (India), Private Limited	Commonwealth Dynamics Inc	Industrial solutions	India	-	50.01%
Commonwealth Dynamics Co. Ltd.	Commonwealth Dynamics Inc	Industrial solutions	Japan	-	50.01%
Commonwealth Constructors Inc	Beroa Corporation LLC	Industrial solutions	USA	-	50.01%
Commonwealth Dynamics Limited	Beroa Corporation LLC	Industrial solutions	Canada	-	50.01%
Commonwealth Power Chile, SPA (in liquidation)	Beroa Corporation LLC	Industrial solutions (dormant)	Chile	-	50.01%
International Chimney Corporation (*)	Beroa Corporation LLC	Industrial solutions	USA	-	50.01%
Capital International Steel Works, Inc.	International Chimney Corporation	Industrial solutions	USA	-	50.01%
International Chimney Canada. Inc.	International Chimney Corporation	Industrial solutions	Canada	-	50.01%
Karrena International Chimneys LLC (8)	Beroa Corporation LLC	Industrial solutions	USA	-	50.01%
Beroa Ibéria S.A.(*)	Beroa Thermal Energy, S.L.	Industrial solutions and services	Bizkaia	-	50.01%
Dominion Industry México, S.A. de C.V.	Beroa Ibéria S.A.	Industrial services	Mexico	-	50.00%
Dominion Industry de Argentina, SRL	Beroa Ibéria S.A.	Industrial services	Argentina	-	50.01%
Altac South Africa Propietary Limited	Beroa Ibéria S.A.	Industrial solutions	South Africa	-	50.01%
Dominion Philippines Inc. (1)	Beroa Ibéria S.A.	Industrial solutions	Philippines	-	50,01%
Chimneys and Refractories Intern. S.R.L. (*)	Beroa Thermal Energy, S.L.	Industrial solutions	Italy	-	45.01%
Chimneys and Refractories Intern. S.P.A.	Chimneys and Refractories Intern. S.R.L.	Industrial solutions (dormant)	Chile	-	45.01%
Chimneys and Refractories Intern. Vietnam Co. Ltd. (1)	Chimneys and Refractories Intern. S.R.L.	Industrial solutions	Vietnam	-	45.01%
Dominion-Uniseven Industrial Services Pvt, Ltd.	Beroa Thermal Energy, S.L.	Industrial services	India	-	25.51%
Dominion Industry Arabia Co. Ltd (before Refractories & Chimneys Construction Co. Ltda.) (3)	Beroa Thermal Energy, S.L.	Industrial solutions	Saudi Arabia	-	49.16%
Beroa Technology Group GmbH (*)	Beroa Thermal Energy, S.L.	Holding company	Germany	-	50.01%
Karrena Betonanlagen und Fahrmischer GmbH (*)(in liquidation)	Beroa Technology Group GmbH	Construction and sale of cement mixers (dormant)	Germany	-	50.01%
HIT-Industrietechnik GmbH (in liquidation)	Karrena Betonanlagen und Fahrmischer GmbH	Metal welding (dormant)	Germany	-	26.01%
Bierrum International Ltd.	Beroa Technology Group GmbH	Industrial solutions (dormant)	UK	-	50.01%
Beroa NovoCOS GmbH	Beroa Technology Group GmbH	Industrial services	Germany	-	50.01%
Beroa International Co LLC	Beroa Technology Group GmbH	Industrial services	Oman	-	35.01%
Beroa Refractory & Insulation LLC	Beroa Technology Group GmbH	Industrial services	United Arab Emirates	-	24.50%
Beroa Nexus Company LLC	Beroa Technology Group GmbH	Industrial services	Qatar	-	24.50%
Beroa Deutschland GmbH (*)	Beroa Technology Group GmbH	Industrial solutions and services	Germany	-	50.01%
Cobra Carbon Grinding, B.V. (1)	Beroa Deutschland GmbH	Industrial services	Netherlands	-	25.01%
Karrena Construction Thérmique S.A.	Beroa Deutschland GmbH	Industrial services (dormant)	France	-	50.01%
Beroa Polska Sp. Z o.o.	Beroa Deutschland GmbH	Industrial solutions and services	Poland	-	50.01%
Karrena Arabia Co. Ltd.	Beroa Deutschland GmbH	Industrial solutions and services	Saudi Arabia	-	27.51%
Beroa Chile Limitada	Beroa Deutschland GmbH	Industrial services (dormant)	Chile	-	50.00%
Burwitz Montageservice GmbH	Beroa Deutschland GmbH	Industrial solutions and services	Germany	-	50.01%
F&S Feuerfestbau GmbH & Co KG	Beroa Deutschland GmbH	Industrial solutions and services	Germany	-	25.49%
F&S Beteiligungs GmbH	Beroa Deutschland GmbH	Holding company	Germany	-	25.51%
Beroa Abu Obaid Industrial Insulation Company Co. W.L.L.	Beroa Deutschland GmbH	Industrial services	Bahrain	-	22.50%
Global Near, S.L. (*)	Global Dominion Access, S.A.	Holding company	Bizkaia	-	50.01%
Dominion Digital, S.L.U. (*)(4)(5)	Global Near, S.L.	Technological solutions	Bizkaia	-	50.01%
Ampliffica Mexico, S.A. de C.V.	Ampliffica, S.L.U.	Technological solutions	Mexico	-	50.00%

CIE AUTOMOTIVE, S.A. **APPENDIX I**

LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective shareholding of CIE Automotive: Direct	% effective shareholding of CIE Automotive: Indirect
Global Ampliffica Perú, S.A. (1)	Ampliffica, S.L.U.	Technology services	Perú	-	49.51%
Advanced Flight Systems, S.L.	Dominion Digital, S.L.U.	Technological solutions	Bizkaia	-	15.00%
Centro Near Servicios Financieros, S.L.	Global Near, S.L.	Technological solutions	Bizkaia	-	11.50%
DM Informática, S.A. de C.V.	Global Near, S.L.	Technological solutions	Mexico	-	50.00%
Dominion Smart Innovation, S.A. de C.V. (former Near Technologies Mexico, S.A. de C.V.)	Global Near, S.L.	Technological solutions	Mexico	-	49.93%
Bilcan Global Services, S.L. (*)	Global Dominion Access, S.A.	Holding company	Cantabria	-	50.01%
Eurologística Directa Móvil 21, S.L.U.	Bilcan Global Services, S.L.	Commercial services	Madrid	-	50.01%
Tiendas Conexión, S.L.U.	Bilcan Global Services, S.L.	Commercial services	Cantabria	-	50.01%
Sur Conexión, S.L.U	Bilcan Global Services, S.L.	Commercial services	Cantabria	-	50.01%
Dominion Networks, S.L.U.	Bilcan Global Services, S.L.	Technology services	Madrid	-	50.01%
Dominion Centro de Control, S.L.U.	Bilcan Global Services, S.L.	Technology services	Madrid	-	50.01%
The Phone House Spain, S.L. (1)	Global Dominion Access, S.A.	Technology services	Madrid	-	50,01%
Connected World Services Europe, S.L.U. (1)	Global Dominion Access, S.A.	Commercial services	Madrid	-	50,01%
Smart House Spain, S.L.U. (1)	Global Dominion Access, S.A.	Commercial services	Madrid	-	50,01%
Autokomp Ingeniería, S.A.U. (*)	CIE Automotive, S.A.	Services and installations	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,.0%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%

(1) Companies added to consolidation scope in 2017 together with their subsidiaries.

(2) Merged in 2016 with CIE Hispamoldes Plastiques, s.a.r.l. d'au

(3) The shares of Refractories & Chimneys Construction Co. Ltda. are 17% owned by Chimneys and Refractories Intern. S.R.L. and 83% by Beroa Technology Group GmbH, the group owning a total stake of 49.16%

(4) Previously Near Technologies, S.L.

(5) Ampliffica, S.L.U. merged in 2016 with Global Ampliffica, S.L.U. by reverse merger

(6) Merged in 2017 with Mahindra Gears Global, Ltd. by reverse merger

(7) Merged in 2017 with Naturoil Combustíveis Renováveis, S.A.

(8) Merged in 2017 with Karrena International LLC, Ltd. by reverse merger

(9) Merged in 2017 with Deco Engineering, Inc.

(10) Merged in 2017 with Grupo Amaya Tellería, S.L.U. and GAT_STAFF with accounting effects of January 1, 2017

(11) Merged in 2017 with Alfa Deco, S.A.U.

(12) Merged in 2017 with Mahindra Forging Global ,Mahindra Forgings International Limited, Crest Geartech Ltd and Mahindra Gears Transmission Private Ltd.

(*) Parent of all investees listed subsequently in the table.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)
(Thousand euro)

	At 31 December	
	2017	2016
ASSETS		
Non-current assets		
Property, plant and equipment	1,271,158	1,166,742
Goodwill	1,303,403	1,240,169
Other intangible assets	66,412	56,837
Non-current financial assets	17,701	10,560
Investments in associates	15,018	11,799
Deferred tax assets	231,069	234,499
Other non-current assets	16,412	11,738
	2,921,173	2,732,344
Current assets		
Inventories	450,218	355,349
Trade and other receivables	610,337	477,886
Other current assets	16,007	11,901
Current tax assets	96,616	62,873
Other current financial assets	89,444	57,088
Cash and cash equivalents	289,448	372,550
	1,552,070	1,337,647
Disposal group assets classified as held-for-sale	6,620	6,746
Total assets	4,479,863	4,076,737

CIE AUTOMOTIVE, S.A. **APPENDIX II**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)
(Thousand euro)

	At 31 December	
	2017	2016
EQUITY		
Capital and reserves attributable to the parent company´s shareholders		
Share capital	32,250	32,250
Treasury shares	(4,526)	-
Share premium	152,171	152,171
Retained earnings	808,578	647,826
Interim dividend	(36,049)	(25,800)
Cumulative exchange differences	(137,967)	(44,470)
Non-controlling interests	522,456	501,329
Total equity	1,336,913	1,263,306
Deferred income	14,819	14,406
LIABILITIES		
Non-current liabilities		
Non-current provisions	153,894	147,108
Non-current borrowings	982,247	1,015,899
Deferred tax liabilities	85,480	87,207
Other non-current liabilities	93,206	104,616
	1,314,827	1,354,830
Current liabilities		
Current borrowings	242,642	215,084
Trade and other payables	1,218,098	957,004
Other current financial liabilities	8,842	14,898
Current tax liabilities	111,488	72,154
Current provisions	64,480	21,474
Other current liabilities	165,989	161,828
	1,811,539	1,442,442
Disposal group liabilities classified as held-for-sale	1,765	1,753
Total liabilities	3,128,131	2,799,025
Total equity and liabilities	4,479,863	4,076,737

CIE AUTOMOTIVE, S.A. **APPENDIX II**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU) (Thousand euro)

	Year ended 31 December	
	2017	2016
OPERATING REVENUE	3,855,787	2,967,002
Revenue	3,724,458	2,879,042
Other operating income	107,546	80,715
Change in inventories of finished goods and work in progress	23,783	7,245
OPERATING EXPENSES	(3,479,609)	(2,687,676)
Consumption of raw materials and secondary materials	(2,155,069)	(1,619,033)
Employee benefit expense	(776,123)	(631,723)
Depreciation and amortization	(154,238)	(128,144)
Other operating income/(expenses)	(394,179)	(308,776)
OPERATING PROFIT	376,178	279,326
Finance income	23,317	10,351
Finance costs	(64,966)	(42,841)
Net exchange differences	(11,421)	2,053
Change in fair value of assets and liabilities taken to income statement	1,109	1,122
Share of profit/(loss) of associates	9,252	1,244
PROFIT BEFORE TAX	333,469	251,255
Income tax	(75,236)	(49,485)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	258,233	201,770
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(77)	(11,567)
PROFIT FOR THE YEAR	258,156	190,203
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(42,748)	(27,853)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	215,408	162,350
Earnings per share from continuing and discontinued operations attributable to shareholders of the parent (expressed in euro per share)		
- Basic earnings per share:	1.67	1.26
From continuing operations	1.67	1.35
From discontinued operations	0.00	(0.09)
- Diluted earnings per share:	1.67	1.26
From continuing operations	1.67	1.35
From discontinued operations	0.00	(0.09)

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2017

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 develops its activity in two business areas: automotive components and applied innovation.

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** consists 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 depends on Dominion, CIE Automotive's subsidiary since 2011.

1.2 Mission, vision, and values

Mission

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

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

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

We look for the excellence on the following commitments:

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

Vision

We aspire to be an:

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

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

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

We intend to be:

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

Values

People:

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

Environment:

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

Transparency in management:

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

Stakeholders:

- Promoting honest relationships.
- Respecting their rights.

Legality:

- Respecting national and international standards.

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

1.3 Business units

Automotive components

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

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

The customer portfolio is divided into two big categories: vehicle´s manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent approximately, to equal parts, 50% of total sales.

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 develops an independent and independent project of innovation applied through its subsidiary Dominion.

Dominion is the multisectorial Smart Innovation group of CIE Automotive. Its mission is to make productive processes more efficient, either through the complete outsourcing of the same or by the application of solutions based on specialized technologies and platforms.

In the case of services, Dominion focuses its activity on the development of powerful technological platforms to improve the quality and efficiency of the benefits given by its resources. For this, it collects a multitude of data that are treated in control centers that allow optimizing the management of a multipurpose force and guarantee high levels of quality and safety in the workplace. In the case of solutions, knowledge of the client and the sector are key. Dominion makes productive processes more efficient by applying technology contributed by its partners or developed internally. If you add Dominion's financial knowledge and experience in managing complex projects, you can offer complete EPC solutions. It is what is called a 360° solution. Dominion conducts business through two operating segments: Services and Solutions:

Differentiating factors

Dominion develops its mission based on a model oriented to the creation of value called Smart Innovation and that is based on four dimensions, very similar to those that have supported the success of its CIE Automotive matrix. These four dimensions would be the following: Technological focus, Decentralization, Diversification and Financial discipline.

2. EVOLUTION OF THE BUSINESS

2.1 Summary of the year

Europe:

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

CIE Automotive's European plants have increased their turnover by 15.0% thanks to the high level of recruitment and the start-up of new projects. Traditional market plants maintained their dynamism, with an EBITDA of 16.4% and EBIT of 10.6%, while the Mahindra CIE recovered the operational normality and confidence of their customers, significantly improving their margins to reach a EBITDA of 13.4% and EBIT of 9.0%.

NAFTA:

CIE Automotive has production centers in 15 locations in Mexico and the U.S., which serve the light-vehicle NAFTA market and, to a lesser extent, Brazil, Europe and Asia. Its evolution is the most profitable of the group and its growth potential, one of the largest in the world. During 2017, the group reinforced its presence in the U.S. with the purchase of the American company Newcor. It also began production in Mexico of stamped and assembled components for electric vehicles, as well as growing in stamped products for brake systems.

Asia:

CIE Automotive has 21 plants in Asia (one of them multitechnology). The presence of the Group in India comes from the alliance with the Indian group Mahindra and Mahindra Ltd., which gave rise to the Mahindra Group CIE. India is one of the development engines of the region and China, the world's leading car producer. Currently, CIE Automotive has a productive capacity in 21 locations, 18 in India and 3 in China.

With the integration of Bill Forge's Indian plants and new projects in China (especially Nanjing forging), CIE Automotive continued to increase its margins. The group hopes to continue to improve its results on the continent, given the significant growth of these countries.

Brazil:

The 12 Brazilian plants of CIE Automotive (three of them multitechnology) are focused on the manufacture of plastic components, stamping, forging, iron casting, aluminium injection and machining, being especially competitive in technology of Plastic, body-color paint and chrome. In Brazil, one of the key markets in recent decades for its projection, the company has productive centers in 12 locations. The position of CIE Automotive has been consolidated in recent years despite the plight of the country, partly because of the closure of a multitude of local suppliers, who have not been able to survive the crisis. It is worth mentioning the opening of a new line of paint on the CIE Autometal headband.

Solutions & Services:

The most relevant milestones on the evolution of Dominion's business would be the following:

Consolidation: Throughout the ongoing projects have been successfully completed, strengthening the perception of Dominion, by customers, as a highly reliable company. In parallel, the integration of the companies acquired in 2016 has been completed, reorganizing their activities around the Dominion Divisions and, all this, always maintaining a permanent focus of control and improvement of the margins of the projects or services provided by the Group.

Fulfillment of objectives: all this has made it possible to advance in line with what was expected in the different objectives set out by Dominion in its medium-term guidance, both in terms of results and balance sheet balance. It is also worth mentioning the acquisition of The Phone House, the leading Spanish distributor of multi-operator telecommunications services, which reinforces Dominion's offer in the B2C field. Likewise, the syndicated loan subscribed in 2016 has been renewed, achieving not only the extension of the same, but also significant economic and term improvements.

Sowing for the future: with a differential offer in the field of industrial maintenance, based on the proven ability of Dominion to create digital platforms aimed at making the process and the different resources involved more efficient and obtaining the optimal "ticket". On the other hand, Dominion has also focused on taking advantage of cross-selling opportunities derived from its great diversification: a wider and more complete offer, a comprehensive and modular proposal for the digitalization of the industrial world and transfer to the B2C world the experience in B2B.

2.2 Financial indicators:

CONSOLIDATED GROUP:

(Thousand euro)	2017	2016
Consolidated revenue	3,724,458	2,879,042
Gross operating profit/(loss)-EBITDA	530,416	407,470
Net operating profit/(loss)-EBIT	376,178	279,326
Profit/(loss) before taxes cont. act.-EBT	333,469	251,255
Profit/(loss) for the year cont. act.	258,233	201,770
Profit/(loss) on discontinued operations	(77)	(11,567)
Profit/(loss) attributable to non-controlling interests	(42,748)	(27,853)
Profit/(loss) attributable to parent Company	215,408	162,350

Business performance:

Once again, historical record of sales, EBITDA and net result. Sales grow 29% over the same period of the previous year, EBITDA 30% and net result reaches 215 million euros, 33% more than in 2016.

2.3 Predictable evolution of the Group

In 2017, CIE Automotive has continued to develop its activity according to the lines outlined in the strategic Plan 2016-2020, which envisaged doubling the net profit via organic growth, surpassing the 260 million euros in 2020 and allowing a Remuneration to Shareholders of more than 300 million euros over the period.

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

Market backdrop

2017 has been a very positive year for the automotive sector, with the exception of the US. America, with gratifying prospects in Europe, Southern Asia, the Middle East/Africa, South America and China. Worldwide production of vehicles in 2017 reached 95 million units, production slightly higher than the initial forecast of the year, representing a growth of 2% over the production levels of 2016.

Global sales also grew 2% to 94.43 million units. The Chinese market, with a volume of 28.5 million (2% more than in 2016) continues to be the great driver of this year-on growth. However, sales in the United States, even with the positive effect on the sales of Hurricanes Harvey and Irma, experienced a decrease of 2%, to be placed in 17.2 million units. In addition, sales in Mexico had a decrease of 4%, after 3 consecutive years of relevant growth, to be located in the 1,530,000 of units. Finally, Europe continues to recover from previous years, with an annual growth of 4% until reaching the 20.4 million of units sold.

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2017

Trends in the vehicle industry

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

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

Dominion in its environment

Dominion's activity depends fundamentally on the dynamism of the economy in the different sectors and geographical areas in which it operates. Given that it is a global supplier, its evolution is marked by the evolution of the world economy.

By 2018, expectations are very positive in all sectors and geographies, in line with the economic expectations that, in a generalized manner, reflect the forecasts published by the most recognized economic institutions.

There are in particular three factors that significantly help reaffirm this growth potential:

- Development of cross-selling or cross-selling.

- The Service must be the continuation of the borrowed Solution.

- Transversality, understood as the ability to bring best practices in the optimization of a process from one sector to another, such as the ability to expand the services that could be provided by the same plant.

In a broader scope, it should also be noted that the medium term Guidance of the Dominion is expected to reach a turnover of 1,000 million euros and improve the company's main profitability ratios by two points.

2.4 2016-2020 Business Plan

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

Lines of initiative

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

a) Organic growth:

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

b) M&A-led growth:

   The plan plans to integrate new companies, which will report around 1 billion of additional billing (700 million euros in automotive and 300 million euros in Smart innovation), maintaining a DFN/EBITDA ratio of less than 2 at the end of the period.

   In this line, CIE Automotive's automobile business signed a contract for the acquisition of the total share capital of the American company Newcor in March 2017 (see section 1.3.2. Economic results) and was made with almost all the share capital of its Brazilian subsidiary Durametal.

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2017

Sustainability

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

This plan sets the following targets:

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

Based on CIE Automotive's current level of readiness and prioritisation in terms of their impact on the organisation, the following initiatives were undertaken in 2017:

- Consolidation of CIE Automotive's ethical framework to ensure knowledge, follow-up and compliance with the Group's standards of conduct in all countries where they are present, with the distribution throughout the organization of the Code of Conduct approved in December 2015 and recalling the existence of an ethical channel (channel of complaints).
- Commitment of all plants with the human rights policy of CIE Automotive.
- Inclusion in the web of certain corporate policies that are faculty of the Council to guarantee the fulfilment of the law of companies of Capital and to reinforce thus the normative framework of CIE Automotive.
- -Systematization of the process of identifying the expectations of the groups of interest and alignment with the particularities of each of the geographical areas in which CIE Automotive has a significant presence and its business strategy. Therefore, in 2017 an analysis of materiality has been carried out.
- -Consolidation of the fiscal strategy and the associated reporting model, which allows the board of directors to ensure the proper functioning of the fiscal compliance function, which will result in the mitigation of tax risks.
- -Integration of ESG (environmental, social and governance) risks in corporate procedures related to supply chain management with a twofold objective: effective management of social and environmental risks of suppliers and risk management Reputation associated with them.
- -First steps to establish an eco-efficiency Plan, including a follow-up model with specific plant-level reduction targets and a reporting system for this information that will enable you to track your performance.
- -Global collection of donations and contributions to the Community carried out in all the countries where CIE Automotive is present, thus helping to reinforce the social action management model.

Other lines of initiative are in the process of implementation; they are related to integrating ESG criteria into the growth, employee training, risk identification and management efficiency processes, among others.

3. QUALITY AND ENVIRONMENT

The Group CIE Automotive, as company with vision of future, in correspondence with the principle of sustainable development, is permanently committed with respect to the environment in all its activities. This commitment, clearly explicit in its declaration of mission, vision and values, is fully integrated in their management model.

The Group supports his bet for being kept as leader of ecodesign of products for the market of automotive, in the same way that Dominion is a bet decided on the sustainability and for promoting businesses that try an improvement of different aspects the reduction of the environmental fingerprint and consumptions of matters of the companies for that it develops projects, as well as a major job safety and the support to the social development in the zones in which it has presence.

The Group works to support the necessary balance between its industrial activity and its environment. With our attitude of systematic review, we manage to anticipate and to minimize the environmental impact of our activities from the design of the product. Likewise, our knowledge about productive processes allows us to decide on what aspects we must focus our efforts to optimize our consumption of raw materials, energy, water, etc.

CIE Automotive has a last generation system of recycling what allows to re-use internally, like example, thousands of tons of shaving aluminium proceeding from the processes of machining, for the smelting of new pieces or also the scrap, raw material for the fusor towers.

The water is other of the resources with a more intensive use in the production of pieces that need the processing of materials at high temperatures. CIE Automotive has own facilities for its treatment and recovery in different qualities to reduce to the maximum its spillages.

Last generation products with sustainable vocation

CIE Automotive does not bet only for the sustainability in its processes, its commitment is also implicit in its products in which is working for the substitution of metallic materials for plastic substitute, which lightens the weight and in consequence, reduces the consumption of the engines. The Group continues investigating the management of the fluids in the environment of the engine to meet with the protocols of gas emission to the atmosphere.

In this respect, there are projects underway to develop eco-efficient pieces of engine as the lid of butt with a system of blowby gas of the combustion.

The sustainability in CIE Automotive´s business

CIE Automotive contemplates the goal to turn into paradigm of the sustainability into the sector of the automotive. This market is going to face serious challenges in the future as the progressive incorporation of ecological engines as response of the increase of the oil price and the increase of the environmental requirements in the cities. In these new engines, CIE Automotive has much to contribute.

The organization is constantly working within each of its plants to improve different aspects such as reducing the impact on the environment, increase security in work and social action support in those most disadvantaged areas.

Continuous improvement

Each year, CIE Automotive adds new companies to its fold, making it increasingly important to be able to convey our best practices wherever they are needed.

Our ability to improve continuously goes beyond the borders of each company and technology class (aluminium, stamping, machining, etc.,) and is crucial to the transfer of best practices.

The basic indicators in this respect are clearly trending in the right direction, indicating that this process is very much alive and well in all areas of the management effort.

Certifications

All of CIE Automotive's factories are certified under the ISO/TS standard that is mandatory in the automotive market.

It is a requirement in the Automotive market that the entire supply chain be certified by a third party, an independent certification body, in keeping with the standards laid down by ISO/TS 16949 and ISO 14001.

CIE Automotive goes beyond this requirement by additionally committing to certifying all its factories under the OSHAS 18001 health and safety standard, as is enshrined in its triple certification pledge which is applied to all the new companies it brings on board.

The table below outlines the certification status of the Group's plants on these three fronts:

Certification	CIE plants	Certified factories	%
ISO TS 16949	86	86	99
ISO 14001	86	73	85
OHSAS 18001	86	45	52
ISCC (*)	1	1	100

(*) International Sustainability and Carbon Certification

Recognition

CIE Automotive received a series of prizes in 2017, having been named best supplier by several leading OEMs.

These prizes endorse and raise the visibility of the work performed by everyone comprising CIE Automotive, motivating us to forge ahead with our continuous improvement and customer satisfaction efforts.

Key customer awards:

- Ford , "Best Supplier" to CIE Jardim Sistemas
- PSA « PSA Best Plant 2017» award to ACS Ibérica, CIE Compiegne and CIE Norma
- General Motors has distinguished us as"Supplier Quality Excellence Award" in the following plants: PEMSA Celaya in America, "Operational Excellence" to CIE Autometal Diadema y "Quality Excellence" to Bill Forge.
- Renault "Best Quality Improvement" to ACS France
- Siemens "Zero Defect Quality Culture" to MCIE Gears

4. HUMAN RESOURCES

CIE Automotive is aware that its human capital is the base on what to construct its strategy and the management key of the success of the Group.

CIE Automotive is formed by a great team close to 30,000 people, with a continued growth, and to be facing always new challenges, have turned us into an organization:

- Dynamic, innovative, orientated to the change and in constant improvement.
- Plural, where there have content people with all academic levels and experience, from newly titled to the most experienced.
- Formed for people with passion for learning, creating and innovating, looking always for a better way of doing things. For this, people are our major assets. They are those who lead the change, assuming his vital and professional project. In consequence, we promote the Professional Development in our organization with personalized career plans at all the levels.
- Bets on the Permanent training and adapted to our programs of development.

The Group CIE Automotive is characterized by the importance granted to people in the company. Their growth, professional and personal developments are key for us. We consider the formation and the development to be one of the Props of the Company and a basic process in the management of the Human Resources.

Because of it, we have a Professional Development Program (PDP) in which the Formation and Evaluation is an essential tool to advance towards our Vision.

Through the Professional Development Program, the Group offers all the tools and possible opportunities of professional growth to its employees, and this one is also the axis around which revolves the Model of Persons' Management, with which are defined profiles and skills of its staff, it is evaluated the management of the executives, controls and technical staff, simultaneously the areas of improvement and the career plans and formation are designed.

Once again, in 2017, the Group undertook numerous training initiatives, providing over 610,000 hours of training in the Automotive business. These activities were analysed continually to ensure strict control over quality and check their effectiveness. The knowledge acquired by course participants is not only evaluated during the courses but also subsequently, on the job, when a second check is performed to verify application of the concepts learned.

In this way, the training work promoted by CIE Automotive has always the guarantee to be aligned not only with the staff needs, but also with the organization objectives.

Zero Risk

An industrial activity like CIE Automotive needs to observe the most demanding procedure of prevention of labor risks. The Group demonstrates this priority through one of its goals of quality, that of zero accidents.

In 2017, as in previous years, the area of Prevention of Labor Risks has stood out for its formative and prevention effort in areas such as the safety and ergonomics, with special focus on high-level training for the middle management in which was given numerous hours of class organized in diverse courses.

At the same time it has been kept a strict internal audit of the systems of management of labor risks in the plants, observing some standards over the legal requirements established by the authorities. The same level of exigency has been applied at the moment of valuing, coordinating and certifying the contracts and auxiliary companies that have access to CIE Automotive's facilities, considered in this respect with the same responsibility toward prevention of risks as any other member of the Group.

CIE Automotive's plants have continued developing its own plans of prevention of labor risks, main tool and of proven efficiency, to observe the fulfillment of the corrector actions, of reduction of labor accident rate and optimization of the preventive actions.

This host of initiatives translated into growth in the number of the Group's plants certified under the OSHAS standard (to 45), evidencing the commitment to the prevention of accidents in the workplace and the effectiveness of its strategy in this area.

As every year, CIE Automotive continues taking part actively and is a distinguished member of one of the more important associations and forums dedicated to the prevention of labor risks, as the Forum Guipúzcoa of Prevention of Labour Risks (ADEGI) or the Committee of Prevention of the employer from Alava/Araba (SEA).

Internal communication

In the same way CIE Automotive supports a transparent communication with the sector, the authorities and the company, internally it has different tools that allow, not only to transmit the news and relevant facts of its activity between its own personnel, but to share a corporate common culture, based on the same values and aims, as well as the best practices.

Not only through satisfaction surveys, tool that allows the direction to know the efficiency of the policies developed in different areas, but also through the Portal CIE Automotive, that continues being a fundamental element for the internal communication, and an internal magazine "Noticias", which provides every six months the innovations of the company, the company has supported its effort for having all its professionals informed about its activities of training, new techniques and technologies, as well as on the international experience of the Group.

Number of employees

The number of employees of the group CIE has doubled in the recent years, being the numbers to closing of each exercise:

2010	12,352
2011	14,335
2012	16,284
2013	18,435
2014	23,528
2015	22,820
2016	26,083
2017	30,961

The distribution of sexes is, to the closing of 2017:

Men	82%
Woman	18%

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2017

5. OTHER NON FINANCIAL INFORMATION

The information contained below gives response to Royal Decree-Law 18/2017 transposing the non-financial information directive and is part of the management report that accompanies the consolidated annual accounts of CIE Automotive, S.A. corresponding to exercise 2017.

The risks identified here, as well as the controls and policies developed for its mitigation, are the basis on which the **Annual Report published on the corporate website of CIE Automotive, S.A.** is produced.

Thus, the annual report is part of the results illustrated in the information presented here for, in accordance with the materiality defined therein, to carry out in-depth development of the different relevant aspects.

5.1 CIE Automotive's business model

CIE Automotive is a supplier of components and subassemblies for the global automotive market, with a performance based on the use of complementary technologies and various associated processes, specializing in the management of high value-added processes.

Honesty, fairness and integrity are the basis of the values on which CIE Automotive's activity is based and the axis of its sustained and profitable growth.

CIE Automotive develops its component and subassemblies manufacturing activity in 17 countries from seven basic processes or technologies, which sells both to automotive manufacturers (OEMs) and to world-class component Industries (Tier 1) worldwide.

Since 1996, the Group has been growing and increasing profitability for its shareholders year after year thanks to a business model based on five pillars: multilocation, commercial diversification, multitechnology, investment discipline and decentralized management.

5.2 Risk identification process

In order to identify the topics to be discussed in the Annual Report, an analysis of materiality has been developed with the advice of an independent external firm (Deloitte), in which environmental, social and good Governance (ESG) issues have been identified more Relevant to the automotive business and its interest groups by consulting internal and external sources.

The analysis of materiality carried out has also served to evaluate the strategic Plan of RSC 2015-2018, taking into account the topics currently relevant to CIE Automotive and its external context, with the objective of verifying that it is still working in the Right direction.

The analysis of materiality has been carried out in two phases:

1st phase: external and internal analysis of the hot topics in ESG matter

This first phase was aimed at determining those issues relevant to CIE Automotive and its interest groups in ESG matters.

Externally, we analyzed the hot topics in the media, the best practices of the sector, the requirements of the main clients, the revision of the objectives of sustainable development (ODS) and the information required by the CSR analysts, as well as the Updating GRI reporting Standards.

Internally, we assessed the follow-up to the 2016-2020 strategic Plan, the Code of Conduct, the policies of anti-corruption and fraud and Control and risk management, the documentation on supply chain management, as well as the Annual Report of 2016.

Phase 2: Prioritization of relevant topics

For the prioritization of the objective results, the external level was counted and weighted the number of times that were published the topics relevant to the interest groups, while at the internal level CIE Automotive organized a work workshop in which The directors and managers of the European plants participated as well as the members of the CSR Transversal Committee, where the relevant topics identified in the first phase were valued. 21 relevant topics were scored on the basis of two scales: the importance for CIE Automotive and the level of management that today has.

Materiality matrix

As a result of these two phases, an array of materiality has been obtained in which they stand out in the most relevant matters for the automotive business of CIE Automotive.

5.3 Risk assessment and management

CIE Automotive has a Risk Management System (according to its whole Spanish name,and hereinafter, SGR), by which it identifies, evaluates, monitors and reduces to tolerable levels the risks that can jeopardize the objectives of CIE automotive and create uncertainty in the market. The SGR is part of the corporate risk Control and management policy and its existence is the responsibility of the Board of directors, who delegates the audit and Compliance Committee with its supervision and correct operation.

The CIE Automotive SGR makes it reasonable to ensure that all significant risks: strategic, operational, financial and ESG (environmental, social and governance) are prevented, identified, assessed and monitored continuously. These risks are approved by the Board of directors and managed according to the levels of appetite and tolerance to them.

From the resulting materiality matrix, CIE Automotive focuses its analysis and efforts in the quadrant of higher valuation in both axes as it collects the essential topics for the company in ESG matter.

Below are a series of reflections on these essential issues, considering them in different environments: business, environmental, social and governance. In the **Annual Report published on the CIE Automotive, S.A.** corporate website, you can find a greater detail about the current management of CIE Automotive.

A. Business environment

The main magnitudes relating to the market environment are explained in paragraph 2.3 of this management report.

Innovation and efficiency

The trends that affected and influenced the automotive components industry during 2017 were as follows:

- **Electrification:** The new emission regulations around 95g of CO2/km and measurements based on actual driving conditions will require the progressive electrification of the vehicle's thrusters. Limited material resources and increased prices around lithium-based battery materials could support the expansion of plug-in hybrids versus purely electric vehicles, as they could contribute to the achievement of Pollution targets of large cities, maintaining the flexibility for long distance travel, in addition to making more sustainable use of some specific materials needed for batteries.
  However, in response to the data presented by IHS Automotive, the global production of internal combustion vehicles will be increased by 10 million of annual units between 2017 and 2024.
- **Autonomous Driving (A.D.):** partially self-contained vehicles will be available from 2020, and most automobile brands offer this technology. Until then, advanced driver assistance systems will be preparing drivers and regulators to the reality of the self-contained vehicle. The European Union has defined the year 2030 to reach the full level 5 A.D., combining communication between the in-vehicle intelligence, vehicle-to-vehicle and 5g-smart grid.
- **Industry 4.0:** After 100 years of automobile assembly lines and 45 years using robots in our industry, CIE Automotive is immersed in a new change. The production plants will not only be connected to each other but also to the human being. Production devices will be incredibly powerful through advanced analysis and automatic learning. This will increase the reliability and available production capacity of your equipment, improve your quality and supply chain performance.

Customer Satisfaction Assessment

For CIE Automotive, customer satisfaction means not only meeting their needs, but exceeding them. It is a global concept present in all its activities, from the conception of the product to its final delivery. This is expressed in the process map, which places the client at the origin and at the end of all the performances. It is also included in the policy of quality, environment and risk prevention, where it is established that the group is located where the customer needs it, gives you what you need when and how you need it and adds added value in all your activities. In the face of any deviation, CIE Automotive quickly reacts to minimize its impact.

Supply Chain Management

Aware of the social and environmental impact of its activity, in 2017 the supply chain area focused its strategy on integrating quality criteria in the management of its supply chain, turning them into cornerstone and CIE differentiating trait. Automotive. At the same time, it continued to improve its model, optimizing its costs and carrying out controls to guarantee the quality and reliability of the supply, as reflected in the new Global supply Chain Manual published in December 2017.

B. Environmental figures

The manufacture and distribution of components for the automotive industry on a global scale is an activity that inevitably implies an impact on the environment. To minimize this, the group works to maintain the balance between its activity and the protection of the natural environment from the design of the product, in accordance with the principles contained in the United Nations Global Compact.

Its environmental commitment-explicit both in the mission, vision and values of the group and in its policy of quality, environment and risk prevention-translates into the manufacture of products of low environmental impact, in the introduction of measures of efficiency Energy in its processes and facilities, in the rational use of water and in the proper management of waste.

In 2017, the company continued to advance in the fight against climate change with a series of actions, including the creation of an eco-efficiency Plan for each productive centre. In addition, it included as a new indicator in the scorecard the environmental cost on sales.

C. Social environment

Through its work as a manufacturer of components and subassemblies for the automotive market, CIE Automotive plays an important role in the economic and social development of the areas where it operates through employment, the dynamization of the local business fabric or the Tax payment. It also collaborates with the public administrations and other organizations of each area and invests in the development of the community through its sponsorship and patronage activities. In addition, CIE Automotive works to minimize the negative impacts of productive plants and focuses its social programs on the needs and expectations of local development through various actions, always in line with the principles of the policy of Social Action: Collaboration, transparency, contribution of additional value, long-term commitment, joint company-employee commitment and focus on disadvantaged places.

The nearly 23,000 employees who make up the multicultural team of the CIE Automotive's business worldwide are a strategic asset, with their dedication and talent contributing to the growth and profitability of the group.

Human resources management is therefore a priority work that is addressed through the Global Resource Plan and in accordance with the commitments acquired in the **Human Rights Policy** of CIE Automotive: to offer a decent job, to avoid the practices Discriminatory, rejecting the use of forced and child labour, facilitating collective bargaining and freedom of association, promoting the culture of respect and protecting people's health.

These commitments follow the line of universal labour principles recognized in the United Nations Global Compact, to which CIE Automotive adhered in 2015.

In line with the study of materiality recently realized, CIE Automotive carried out in 2017 different programs of professional recruitment for young graduates with international vocation, collaborating, among others, with the University of Deusto in Spain, the Universidad Politécnica de Guanajuato and the agreements with the technological centers of Tlalnepantla, Celaya and Saltillo in Mexico.

D. Governance Environment

CIE Automotive has an effective corporate governance model for defending its social interest, which complies with international standards and the unified Code of good governance of listed companies. During the 2017 exercise, it evolved its risk management system and consolidated itself as a member of Forética's cluster of transparency, integrity and good governance.

This system of government is articulated around a legal framework of its own, formed by the social statutes, the regulations of the governing bodies (Board of directors, its commissions and General shareholders ' meeting), the corporative policies that regulate the Relations with stakeholders and internal standards, including internal rules of conduct:

-Internal code of professional conduct.

-Internal rules of conduct in the field of securities markets

-Manual of prevention of penal risks

The principles that inspire the good functioning of the system are defined in the policy of corporate governance. In addition, the process map, updated in 2017, grants its own entity to compliance and develops the procedural schema.

The governing body regularly defines and revises the organisational structure of the group at the highest level and delegates to the management team the responsibility to ensure that the dependent structures have the human and material resources Enough.

For the sake of transparency, both the legal framework defined by the group and the annual Corporate Governance report and the annual report of the directors ' remuneration are available to interest groups on the corporate website Www.cieautomotive.com, in line with the technical and legal specifications established by the National Securities Market Commission in its Circular 3/2015, of 23 June.

Fiscal Transparency

CIE Automotive promotes a responsible fiscal performance taking into account the interests and sustainable economic development of the communities in which it integrates, ensuring the proper application of good tax practices and in line with the objective Of transparency increase marked within the strategic Plan 2016-2020. A reflection of this is the corporate fiscal policy approved by the governing body in December 2015 and the last fiscal strategy of the group approved by the governing body in December 2017.

In 2017, no significant penalties or fines were received for non-compliance with laws and regulations in the social, economic and environmental fields.

Cybersecurity

A failure in the security of the information systems has an instantaneous impact on the whole of the company and affects the normal operation. Moreover, the regulation is increasing (such as the new General regulations on data protection that comes into force at European level in May 2018) and penalties for non-compliance can severely affect the economic results of the Society. Therefore, CIE Automotive is doing a great job in optimizing its information systems and in the continuous training of users to avoid as much as possible risks of this nature.

6. 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 five phases: identification of the risks, evaluation of the same ones, determination of the response, follow-up of the approved actions and report of the realized analysis.

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

Financial risk factors

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

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

a) Market Risk

(i) Foreign Exchange risk

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

In 2014 and 2013 the Group acquired majority shareholdings in companies located in India, so that from this year on, the trend in the Indian Rupee will be monitored in the same manner as other international Group investments 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 (IAS 39) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

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

Liquidity Risk

The Group carries out the prudent management of liquidity risk, 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.

The Group believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, it is estimated that cash generated in 2018 will enable payments for the year to be settled with no need to increase the net financial debt.

The Group monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

In addition, the Group is strategically diversifying the financial markets and financing sources 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 the Brazilian, Mexican and Indian financial markets.

There are no restrictions regarding the use of cash/cash equivalents.

Noteworthy is the existence at 31 December 2017 of €419 million of undrawn credit lines and loans.

Although the standalone figure for working capital is not a key parameter for the understanding of the Group financial statements, the Group actively manages working capital through net operating working 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 optimization 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 minimize inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

The Groups' managements controls effectively the expenditure payments periods and the realization of the working capital through an intensive monitoring of cash flow forecast. Thus, it fulfills with the objective of ensuring that the Company has sufficient cash in order to face the operative requirements and that maintains all the time enough availability regarding the credits not used, in order not to fail meeting with the covenants established by financing. Hence, it is estimated that the cash flow generation in 2017 will cover the requirements for facing up the short-term commitments, and for avoiding through current acts any tense situation regarding cash flow position.

b) 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 recognizes impairment provisions as warranted.

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

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

Given the characteristics of the Group's customers, management has historically deemed that receivables due within 60 days, in the automotive segment, and between 120 and 180 in the Smart Innovation segment (Note 5), presenting no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong.

c) Raw material price risk

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

7. R&D ACTIVITES

The decarbonisation of transport, electrification, as well as connectivity and the autonomous driving of vehicles are, among others, the main challenges faced by companies active in the automotive sector in 2017.

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

Lines of work 2017

CIE Automotive makes heavy investments to analyze market trends, as well as to design and develop the innovative products associated with these changes in trend. In 2017, with a multi-technology and multi-material approach, we develop projects mainly related to:

- The weight reduction of vehicles.
- The new systems of propulsion and storage of energy.
- The reduction of consumption and emissions of internal combustion engines.
- The efficiency of the facilities.
- The intelligence of the manufacturing processes.
- The use of new advanced materials and the joining processes of dissimilar materials.

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

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

We try to align in the best possible way our R + D + i with our business strategy. And that's why our innovation model is designed to prioritize those projects that can be applied later and can generate new business with the knowledge, products and technologies developed.

8. TRADING WITH TREASURY SHARES

The movement of treasury shares the year 2017 is disclosed as follows:

	31.12.2017	
	Number of shares	Amount (Thousand euro)
Balance at 1 January 2017	-	-
Acquisitions	252,587	4,526
Balance at 31 December 2017	252,587	4,526

No treasury shares were held by the Company as of 31 December 2016. During the first four months of 2017, the Company has acquired 252,587 treasury shares directly (0.196% of the total voting rights of the Company), which considered as a whole with the indirect share resulting from the equity swap agreement signed with Banco Santander, S.A. in 2014 for the acquisition of 1,250,000 shares (equal to 0.969% of the voting rights), has exceeded the threshold of 1% of voting rights of the company as of 21 March 2017, as communicated to CNMV at 22 March 2017.

Similarly, the mandate conferred at the Annual General Meeting of 4 May 2017, whereby the 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 2010, is in effect until 4 May 2022.

9. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2017 and 2016 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	
	2017	2016
Average payment period to suppliers	51	47
Paid operations ratio	53	54
Outstanding operations ratio	48	45

	Thousand euros	
	2017	2016
Total payments made	7,259	7,698
Total outstanding payments	2,834	2,226

The Company has set a series of measures with the aim of identifying deviations by means of ongoing monitoring and analysis of supplier accounts payable, the review and enhancement of internal supplier management procedures and fulfilment of the terms and conditions defined in the business transactions subject to this legislation, updating these terms where required.

10. STOCK EXCHANGE INFORMATION

Share price gains mirroring business growth

CIE Automotive's share price performance mirrored the company's business and earnings momentum, rallying throughout the year.

In a year marked by volatility across the main markets, CIE Automotive's shares gained nearly 31%, peaking at €26.2 and ending 2017 at €24.21, implying a market capitalisation at year-end of €3.1 billion.

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 2017 of €0.28 per share. Disbursement was effective January 5, 2018.

CIE AUTOMOTIVE, S.A.

DIRECTORS' REPORT FOR 2017

11. EVENTS AFTER THE BALANCE SHEET DATE

In January 2018 the Group has acquired 100% of the shares of the brazilian company Zanini Industria de Autopeças, Ltda. for a purchase price of €120 thousand.

APPENDIX I

CORPORATE GOVERNANCE ANNUAL REPORT OF LISTED COMPANIES

COMPANY IDENTIFICATION DATA

PERIOD OF REFERENCE CLOSING DATE:	31/12/2017

T.I.N.	A-20014452

COMPANY NAME
CIE AUTOMOTIVE, S.A.

REGISTERED OFFICE
ALAMEDA MAZARREDO, 69 - 8º - 48009 BILBAO (VIZCAYA)

CORPORATE GOVERNANCE ANNUAL REPORT FOR LISTED COMPANIES

A. STRUCTURE OF OWNERSHIP

A.1 Complete the following table on the company's capital:

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

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

YES [ ] NO [X]

A.2 Give details on the direct and indirect holders of significant interest in your company at the year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MAHINDRA & MAHINDRA LTD	0	9,590,706	7.43%
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	0	5,996,351	4.65%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	6,450,000	0	5.00%
RISTEEL CORPORATION, B.V.	13,417,021	0	10.40%
CORPORACION FINANCIERA ALBA, S.A.	0	12,900,000	10.00%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	9,590,706
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	QMC II IBERIAN CAPITAL FUND, FIL	2,421,161
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	QMC II IBERIAN, S.L.	216,268
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	QMC III IBERIAN CAPITAL FUND, FIL	337,531
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC	2,332,097
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	MERCER QIF COMMON CONTRACTUAL FUND	689,294
CORPORACION FINANCIERA ALBA, S.A.	ALBA EUROPE SARL	12,900,000

List the most significant changes in the shareholder structure during the year:

Name of shareholder	Date of the transaction	Description of the transaction
MAHINDRA & MAHINDRA LTD	13/12/2017	10% share capital decrease
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	13/12/2017	20% share capital decrease
QMC II IBERIAN CAPITAL FUND, FIL	05/06/2017	3% share capital decrease
CORPORACION FINANCIERA ALBA, S.A	13/12/2017	10% of share capital has been exceeded

A.3 Complete the following tables on members of the Board of Directors´ voting rights at the company:

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MR. FERMÍN DEL RIO SANZ DE ACEDO	25,000	0	0.02%
MR. ANTONIO MARÍA PRADERA JAUREGUI	6,450,009	6,450,000	10.00%
MR. JESÚS MARÍA HERRERA BARANDIARAN	450,000	0	0.35%
ADDVALIA CAPITAL, S.A.	6,450,208	0	5.00%
MR. VANKIPURAM PARTHASARATHY	5	0	0.00%
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	7,105,182	13,417,021	15.91%
ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	9.60%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of voting rights
MR ANTONIO MARÍA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	6,450,000
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	RISTEEL CORPORATION, B.V.	13,417,021

% total of voting rights held by the Board of Directors	40.88 %

Complete the following tables on members of the Board of Directors who hold rights about shares in the Company.

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6 Indicate any shareholders' agreements of which the Company has been notified in pursuance of Articles 530 and 531 of the Spanish Companies Law. Describe briefly, if any, indicating the shareholders bound by the agreement:

YES [ ] NO [X]

Indicate any concerted actions among Company shareholders of which the Company is aware. Describe briefly, if any:

YES [ ] NO [X]

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that have taken place during the year:

Not applicable.

A.7 Indicate any individuals or entities that exercise or may exercise control over the Company in pursuance of Article 4 of the Stock Market Act. Identify any that exist:

YES [ ] NO [X]

OBSERVATIONS

A.8 Complete the following tables on the Company's treasury stock:

At the close of the financial year:

Number of direct shares	Number of indirect shares (*)	% total of share capital
252,587	1,250,000	1.16%

(*) Through:

Through: Name of the direct holder of the interest	Number of direct shares
BANCO SANTANDER, S.A.	1,250,000
Total:	1,250,000

EXPLAIN SIGNIFICANT VARIATIONS

No treasury shares were held by the Company as of 31 December 2016. During the first four months of 2017, the Parent Company has acquired 252,587 treasury shares directly (0.196% of the total voting rights of the Company), which considered as a whole with the indirect share resulting from the equity swap agreement signed with Banco Santander, S.A. in 2014 for the acquisition of 1,250,000 shares (equal to 0.969% of the voting rights), has exceeded the threshold of 1% of voting rights of the company as of 21 March 2017, as communicated to CNMV at 22 March 2017.

A.9 Indicate the terms and conditions of the authorization granted by the General Meeting to the Board of Directors to issue, repurchase or sell treasury shares.

It is valid until May 4, 2022, inclusive, the mandate given by the General Meeting of Shareholders held on May 4, 2017, whereby the Board of Directors of CIE Automotive S.A. is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotive, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

A.9.bis Estimated free float:

	%
Estimated floating capital	35.88%

A.10 Indicate whether there are any restrictions on the transfer of securities and / or any restrictions on voting rights. In particular, the existence of any restrictions that may impede the acquisition of control of the company through the purchase of shares in the market will be communicated.

YES [ ] NO [X]

A.11 Indicate whether the General Shareholders' Meeting has resulted in measures to neutralize a takeover bid under Law 6/2007.

YES [X] NO [ ]

If so, explain the measures approved and the terms under which the restrictions would become ineffective:

At the General Shareholders' Meeting of CIE Automotive, S.A. held on 23 April 2008, the following arrangement was adopted as a result of point six of the agenda:

SIX.- Approval of the exclusion of limitations on the action to be taken by the Company's governing and management bodies, and those within its group, in the terms established by Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July.

In accordance with the provisions of Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July, on the public bidding system to acquire shares, stipulate that the limitations referred to by Article 60.bis.2 and Article 28.5 of Royal Decree 1066/2007, of 27 July, will not be applicable to the governing bodies at the Company and the Group in the event that the Company is the target of a public share offering presented by a Company that is not domiciled in Spain and is not subject to these regulations or their equivalent, including those referring to the rules necessary for the General Meeting to adopt resolutions or, by an entity directly or indirectly controlled by such a company, in accordance with the provisions of Article 4 of Law 24/1988, of 28 July, on the Stock Market.

A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.

YES [ ] NO [X]

If so, indicate the different classes of shares and, for each one, the rights and obligations conferred.

B. SHAREHOLDERS' MEETING

B.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Spanish Companies Law and, if appropriate, explain.

YES [X] NO [ ]

	% quorum different than that established under Article 193 SCL for general cases	% quorum different than that established under Article 194 SCL for special cases defined by Article 194 SCL
Quorum required for 1st call	50.00%	0.00%
Quorum required for 2nd call	0.00%	0.00%

Description of the differences

Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Shareholders Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call, the General Shareholders Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Shareholders Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call.

As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).

B.2 Indicate and explain, if appropriate, if there are any differences between the system used for adopting corporate resolutions in the system stipulated in the Spanish Companies Law (SCL):

YES [ ] NO [X]

Describe how it differs from the system contemplated in the Spanish Companies Law.

B.3 State the rules applicable to the amendment of the Articles of Association. In particular, the majorities provided for amending the Articles to will be communicated and, where appropriate, the rules laid down for the protection of the rights of the partners in the amendment of the Articles.

Regulations applicable to the amendment of the Articles of Association of CIE Automotive S.A. is captured by the Spanish Companies Law not existing in the Articles of Association different majorities of applicable law or rules laid down for the protection of members others than those set out in the rules of general nature.

B.4 Detail the figures of attendance at the Shareholders Meetings held during the reporting year and the previous year:

	Attendance figures				
Date of the General Meeting	% physically present	% represented by proxy	% distance voters		Total
			Electronic voting	Other	
26/04/2016	67.59%	15.57%	0.00%	0.00%	83.16%
04/05/2017	64.37%	16.19%	0.00%	0.00%	80.56%

B.5 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

YES [ ] NO [X]

B.6 Abrogated section

B.7 Indicate the address and means of access to the company website to information on corporate governance and other information on General Meetings to be made available to shareholders via the website of the Company.

CIE Automotive,S.A.'s website where it is available the information of corporate governance and other information about the General Shareholders Meetings is http://www.cieautomotive.com/web/investors-website.

C. STRUCTURE OF GOVERNANCE AT THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum number of Directors stipulated in the Articles of Association:

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2. Complete the following table with the names of the directors:

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN MARÍA RIBERAS MERA		Proprietary	BOARD MEMBER	27/10/2010	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMÍN DEL RIO SANZ DE ACEDO		Executive	BOARD MEMBER	21/12/2005	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. ANTONIO MARÍA PRADERA JAUREGUI		Executive	CHAIRMAN	24/06/2002	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		Independent	INDEPENDENT COORDINATING DIRECTOR	27/10/2010	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARÍA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	21/01/2013	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR ÁNGEL MANUEL OCHOA CRESPO		Independent	BOARD MEMBER	27/10/2010	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FRANCISCO JOSÉ RIBERAS MERA		Proprietary	BOARD MEMBER	27/10/2010	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARÍA TERESA SALEGUI ARBIZU	Proprietary	BOARD MEMBER	26/04/2007	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. VANKIPURAM PARTHASARATHY		Proprietary	BOARD MEMBER	04/10/2013	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	MR. FRANCISCO LOPEZ PEÑA	Proprietary	BOARD MEMBER	27/10/2010	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	Proprietary	BOARD MEMBER	12/05/2005	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	Proprietary	1st VICE CHAIRWOMAN	24/06/2002	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. SHRIPRAKASH SHUKLA		Proprietary	BOARD MEMBER	25/06/2015	26/04/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Total number of Directors	13

Indicate the ceases that have occurred in the Board of Directors during the year:

C.1.3. Complete the following tables about Board members and their classification:

EXECUTIVE DIRECTORS

Name of the Director	Position in Company's organization
MR. FERMÍN DEL RIO SANZ DE ACEDO	TRANSACTIONS AND M&A
MR. ANTONIO MARÍA PRADERA JAUREGUI	CHAIRMAN
MR. JESÚS MARÍA HERRERA BARANDIARAN	CHIEF EXECUTIVE OFFICER

Total number of executive Directors	3
Total percent of the Board	23.08%

PROPRIETARY EXTERNAL DIRECTORS

Name of the Director	Name of the significant shareholder represented or that proposed the appointment
MR. JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.
MR. FRANCISCO JOSE RIBERAS MERA	ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.
ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.
MR. VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.
QMC DIRECTORSHIPS, S.L.	ALANTRA ASSET MANAGEMENT, SGIIC, S.A.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.
MR. SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD

Total number of proprietary directors	8
Total percent of the Board	61.54%

INDEPENDENT EXTERNAL DIRECTORS

Name of the Director:

MR. CARLOS SOLCHAGA CATALÁN

Profile:

Economist from Universidad Complutense de Madrid and post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.).In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-94. Member of the Basque Government prior to the approval of the Basque Country's Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (from 1991 to 1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Economy and Finance (1985-1993).He is currently an International Consultant and Partner-Director of Solchaga Recio & Asociados. Honorary Chair of Fundacion Euroamerica, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of the Board of Directors Pharma Mar, S.A.

Name of the Director:

MR ÁNGEL MANUEL OCHOA CRESPO

Profile:

Degree in Economics and Business from Universidad del País Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA.With more than 23 years' experience in the financial field. Accounting Executive and Manager from the Multinationals Department of Barclays Bank. Accounting Manager and co-director of the Corporate Banking of Lloyds Bank. Assistant General Manager of Banque Privée Edmon de Rothschild Europe, subsidiary in Spain, taking part in assembly and development of the bank since its opening in Spain. Member of the Steering Committee of the Bank and direct responsible of the following fields: private banking, institutional banking, investment management, estate and tax planning, and internal resources (management, human resources, etc.). Chairman of the Sabadell Atlántico Bank in Basque Country and Cantabria. At the same time, he has been member of the board of directors of several Open-ended Investment Companies (SICAVs as known in Spain). Currently, he is an investment advisor. Partner of Angel Ochoa Crespo EAFI (financial advisory company as known in Spain), registered in the CNMV with nº 24. He holds the position of independent director of CIE Automotive, S.A. and director and secretary of ISLOPAN, S.A..

Total number of independent Directors	2
Total percent of the Board	15.38%

Indicate whether any director qualified as an independent perceives from the company or its group, any amount or benefit for a concept other than of remuneration, or maintains or has maintained during the last year, a business relationship with the society or any group company, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or had such a relationship.

Not applicable

If so, a reasoned statement of the board on the reasons why it considers that the Director can perform its functions as an independent Director should be included.

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered Institutional or independent directors and detail their relationships with the company, its executives or shareholders:

Indicate any variations during the year in the type of each Director:

C.1.4 Complete the following table with information on the number of female Directors for the past 4 years, and the nature of such female Directors:

	Number of female directors				% over each kind of directors			
	Year ended 2017	Year ended 2016	Year ended 2015	Year ended 2014	Year ended 2017	Year ended 2016	Year ended 2015	Year ended 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	2	2	2	25.00%	25.00%	22.22%	22.22%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Outsiders	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	2	2	2	15.38%	15.38%	15.38%	15.38%

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men:

Explanation of the measures

In the exercise of its functions, the Appointments and Compensation Committee must submit their proposals to ensure that is taken into consideration people who possess the qualifications and skills required for the position, and that the process of selection of candidates does not suffer from implicit biases that hinder the selection of persons of either sex.

C.1.6 Explain the measures, if any, had agreed the Appointments Committee for that selection procedures do not suffer from implicit biases that hinder the selection of female directors and the company deliberately search and include among the potential candidates, women who meet the professional profile searched for:

Explanation of the measures

Appointments and Compensation Committee must ensure that people of both sexes who possess the qualifications and ability required for the position are taken into consideration.

When, despite the measures, if any, have been taken, the number of female directors are few or no, explain the reasons justifying:

Explanation of the measures
Appointments and Compensation Committee has concluded that despite the fact that the directors selection policy complies with requirements, is an objective fact that the number of female directors (around 15%), differs from the objective established for 2020. In this sense, in case vacancies occur (which does not happen usually), respective parts will be encouraged to promote the selection of female directors until the objective is achieved.

C.1.6 bis. Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020.

Explanation of the measures
During 2017 (as in the two prior financial years) no vacancies have arisen in the Board of Directors. As a result, the Appointments Committee has not put into practice its policy or guidelines for the selection of board members. Inasmuch as vacancies may exist in the future, and particularly in the case of independent or executive male or female board members (i.e. not proprietary directors), with which the Appointments Committee has greater room for manoeuvre in the selection process, the selection policy will encourage compliance with the objective that, in 2020, 30% of the total number of members of the Board of Directors will be women.

C.1.7 Explain how is the representation on the board of the controlling shareholders:

Controlling shareholders (see heading A.2) have appointed proprietary external directors on the Board of Directors. Detail of proprietary external directors is provided in the heading C.1.3.

C.1.8 Explain why proprietary directors have been appointed at the instance of shareholders with less than 3% interest in the Company, if appropriate:

Indicate whether any formal requests for a presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were denied.

YES [ ] NO [X]

C.1.9 State whether or not any Director has left the position before the end of the term, if the Director provided an explanation, and how, to the Board and, in the event this was done in writing to the entire Board, explained at least the reasons provided:

C.1.10 State the powers, if any, delegated to the managing director(s):

Name of the Director

MR. JESUS MARÍA HERRERA BARANDIARAN

Brief description

The Chief Executive Officer has all the functions of the Board delegated except those that cannot be delegated.

C.1.11 Name the directors, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. FERMÍN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	GLOBAL DOMINION ACCESS, S.A.	BOARD MEMBER	NO
MR. FERMÍN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MÉXICO, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMÍN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MÉXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMÍN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIRMAN	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	AUTOKOMP INGENIERÍA,S.A.U.	CHAIRMAN	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE BERRIZ, S.L.; CIE GALFOR S.A.U.; CIE LEGAZPI, S.A.U.; AUTOKOMP INGENIERÍA, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GLOBAL DOMINION ACCESS, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	INDUSTRIAS AMAYA TELLERÍA, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ALURECY, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	RECICLADO ECOLÓGICO DE RESIDUOS, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE MECAUTO, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCIÓN RECYTEC, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	COMPONENTES DE DIRECCIÓN RECYLAN, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GAMEKO COMPONENTES DE AUTOMICIÓN, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.U.	BOARD MEMBER	NO

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. JESÚS MARÍA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	NOVA RECYD, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ORBELAN PLÁSTICOS, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PLASFIL PLÁSTICOS DA FIGUEIRA, S.A.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	RECYDE, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	TRANSFORMACIONES METALÚRGICAS NORMA, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE AUTOMETAL DE MÉXICO, S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE BERRIZ MÉXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIRMAM	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIRMAM	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PERCASER DE MÉXICO S.A. DE C.V.	CHAIRMAM	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIRMAM	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MÉXICO, S.A. DE C.V.	CHAIRMAM	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TÉCNICOS S.A. DE C.V.	CHAIRMAM	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	DENAT 2007, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ADVANCE COMFORT SYSTEMS IBÉRICA, S.L.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GAT MÉXICO, S.A. DE C.V.	CHAIRMAM	NO
MR. FRANCISCO JOSÉ RIBERAS MERA	GLOBAL DOMINION ACCESS, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	NEWCOR, INC	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE AUTOMOTIVE USA, INC	BOARD MEMBER	NO

C.1.12 Name company directors, if any, on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of the Director	Name of the listed company	Position
MR. ANTONIO MARÍA PRADERA JAUREGUI	TUBACEX, S.A.	BOARD MEMBER
MR. ANTONIO MARÍA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	PHARMA MAR, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	BOARD MEMBER
MR. FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN S.A	CHAIRMAN
MR. JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN S.A	BOARD MEMBER
MR. FRANCISCO JOSÉ RIBERAS MERA	TELEFONICA, S.A	BOARD MEMBER

C.1.13 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its Directors may sit:

YES [ ] NO [X]

C.1.14 Abrogated section

C.1.15 Indicate the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousand euros)	3,916
Amount of the global remuneration corresponding to the benefits accrued by current directors on pensions (thousand euro)	0
Amount of the global remuneration corresponding to the benefits accrued by the former directors on pensions (thousand euro)	0

C.1.16 List the members of senior management who are not executive directors and show the total compensation earned by them during the year:

Name	Position
MR. ALEXANDER TORRES COLOMAR	DIRECTOR OF PLASTIC OF BRAZIL
MR. AITOR ZAZPE GOÑI	DIRECTOR OF BIOFUEL, PLASTIC OF EUROPE AND HUMAN RESOURCES
MR. JUSTINO UNAMUNO URCELAY	DIRECTOR OF CIE FORGE EUROPE AND CHINA, AND METAL EUROPE
MR. MIKEL FÉLIX BARANDIARAN LANDIN	CHIEF EXECUTIVE OFFICER OF GLOBAL DOMINION ACCESS, S.A.
MRS. SUSANA MOLINUEVO APELLÁNIZ	DIRECTOR OF INTERNAL AUDIT, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY
MR. JOSÉ LUIS CASTELO SÁNCHEZ	DIRECTOR OF STAMPING MEXICO
MR. JOSÉ MANUEL ESMORIS ESMORIS	DIRECTOR OF R&D
MR. ZENON VÁZQUEZ IRIZAR	FINANCE DIRECTOR
MRS. MARÍA MIÑAMBRES GARCÍA	DIRECTOR OF AUDIT AND MANAGEMENT CONTROL
MR. ANDER ARENAZA ÁLVAREZ	DIRECTOR OF ALUMINIUM AND MACHINING EUROPE AND CEO OF MAHINDRA CIE AUTOMOTIVE LIMITED
MRS. LOREA ARISTIZÁBAL ABÁSOLO	DIRECTOR OF CORPORATE DEVELOPMENT AND INVESTOR RELATIONSHIP

Total senior management remuneration (thousand euros)	5,387

C.1.17 Name any directors who are also directors of companies holding significant interest in the company and/or companies pertaining to its Group:

Name of the Director	Name of the significant shareholder	Position
MR. ANTONIO MARÍA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	CHAIRMAN
MR. FRANCISCO JOSÉ RIBERAS MERA	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	BOARD MEMBER

Describe any significant relationships other than those contemplated in the previous section between Board of Directors´ Members and significant shareholders and/or companies pertaining to their Group:

C.1.18 Indicate whether any modifications have been made during the year to the Board of Directors' Regulations:

YES [x] NO [ ]

Description of modifications

In its meeting of 12 December 2017, the Board of Directors amended article 15 and created a new article 19bis of the Regulations of the Board of Directors, which will have the following wording:

Article 15. Board of Directors Committees.

Notwithstanding the delegations of powers that, when applicable, are made individually to the Chairman or to any other Director (CEO) and of the powers held by the Board to set up an Executive Committee, with the decision-making powers it delegates, in all cases, there will be an Audit and Compliance Committee, an Appointments and Retribution Committee, a Corporate Social Responsibility Committee and a Strategy and Transactions Committee, only with powers of information, advising and proposing in the matters determined by the following articles.

Article 19bis. The Strategy and Transactions Committee. Composition, competences and functioning.

1. The Board of Directors will also set up, on a permanent basis, a Strategy and Transactions Committee, which will be an internal body of an informative and advisory nature, without executive functions, with powers of information, advising and proposing within its sphere of activity mentioned in section 3 of this article. The Strategy and Transactions Committee will be composed of a minimum of three and a maximum of 5 Directors, appointed by the Board of Directors itself, and they can be Executive Directors or External Directors. Likewise, the Board of Directors will appoint its Chairman from the members who make up this Committee. The Strategy and Transactions Committee will appoint the person to perform the duties of Committee Secretary, who will not need to be a Director and who, in all cases, will have to comply with the obligations established for the Directors in these Regulations which, by their nature, apply to him.
2. The Directors who form part of the Strategy and Transactions Committee shall hold their positions for a maximum period of four years, notwithstanding their possible re-election. The renewal, re-election and termination of the Directors who form part of the Committee will be governed by the terms agreed by the Board of Directors.
3. Notwithstanding any other commitments that may be assigned to it at any time by the Board of Directors, the Strategy and Transactions Committee will perform the following basic functions:
(i).Evaluate and propose to the Board of Directors strategies for growth, development or diversification of the business of the Company and its Group.
(ii).Submit to the Board of Directors the opportunity to undertake new investments (both those that promote organic growth and those that enable inorganic growth through the acquisition of new companies, activities or sectors), formulating investment alternatives in assets that imply an increment in the value of the Company and its Group in the long term.
(iii).Study and propose recommendations or improvements to the strategic plans and their updating which, at all times, must be submitted to the Board of Directors.
(iv).Any other functions that could be agreed by the Company's Board of Directors.
4. The Strategy and Transactions Committee will meet at least twice a year. Likewise, a meeting will be held at the request of any of its members and whenever it is convened by its Chairman, who must do so whenever the Board or its Chairman request

the issuance of a report or the adoption of proposals and, in any event, whenever it is considered appropriate for the proper implementation of its duties.

5. At all times, the person who performs the duty of Chairman of the committee will be responsible for convening the Committee. Except in the case of emergency as decided by the Chairman, the notification will be sent to the members of the Committee at least 8 calendar days in advance, by letter, fax, telegram or electronic mail. The notification will include the agenda for the meeting. Notwithstanding, the Committee can also discuss other questions not included in the aforementioned agenda.

6. The Strategy and Transactions Committee will be validly constituted when the majority of its members, either present or represented, attend the meeting and its agreements will be adopted by overall majority of the Directors, present or represented, attending the meeting. Representation can only be granted in favour of another Director who is a member of the Committee. The Chairman and Secretary of the Committee will be those who were appointed to these offices. In the event of impossibility or absence, the Chairman will be substituted by the longest serving member of the Committee and, in case of several members with the same length of service, by the eldest member of the Committee. In the event of impossibility or absence, the Secretary will be substituted by the youngest member of the Committee.

7. The Committee must record the minutes of its meetings, which is the responsibility of the Secretary which, once approved either at the end of the meeting itself or at the following meeting, will be signed by the Chairman and the Secretary.

8. For a better performance of its duties, the Strategy and Transactions Committee may obtain the advice of external experts when considered necessary for the adequate fulfilment of its duties. Likewise, it will full powers to access all types of information, documentation or records considered necessary for this purpose.

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing Directors. Describe the competent bodies, procedures to be followed and the criteria applied in each of the procedures.

The appointment of the members of the Board of Directors is the responsibility of the General Shareholders' Meeting, without prejudice to the power of the Board to designate members by co-optation in the event of vacancies.
To this effect, Article 23 of the Articles of Association lays down that:

"4. In order to be appointed a member of the administrative body, it is not required to be a shareholder.

5.The members of the administrative body shall hold office for four years and may be re-elected once or more times for equivalent periods.

6.The members of the administrative body designated by co-optation shall hold their position until the first General Shareholders' Meeting.

7.The members of the administrative body shall cease to hold office when so decided by the General Shareholders' Meeting, when they report their resignation to the Company and when the period of their appointment elapses. In this latter case, their resignation shall be take effect on the day on which the following General Shareholders' Meeting is held or once the legal term for holding the Meeting to approve the previous year's annual accounts elapses.

8.Members of the administrative body shall perform the job and comply with the duties imposed by the Law with the diligence of an organized businessman, considering the nature of the job and the functions attributed to each. In addition, the members of the board of directors shall perform the job with the loyalty of a loyal representative, acting in good way and in the best interest of the Company. The Regulation of the Board of Directors will develop the specific duties for directors from the Law, and particularly, confidentiality, non-competition and loyalty, paying special attention to situations of conflict of interest."

Similarly, Article 23 of the regulations of the Board of Directors lays down the following:

"Article 23. Appointment of Directors.

1.- The Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors in accordance with the Law.

2.- The proposal for the appointment and re-election of directors that the Board of Directors submits to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to, it shall be preceded by the corresponding proposal from the Appointments and Compensation Committee in case of independent directors, or by a report in case of the remaining director.

When the Board disagrees with the Appointments and Compensation Committees' report, it shall set out the reasons for its decision and place them on record.

3. Proposals and reports from the Appointments and Compensation Committee should assess expressly the reputation, suitability solvency, competence, expertise, qualification, training, availability and commitment to its role of the candidates. For

this purpose, the Appointments and Compensation Committee will determine estimated time of dedication, in number of annual hours for non-executive directors detailing into the corresponding report or proposal.

4.The Appointments and Compensation Committee shall propose or inform in each case, the assignment of the director to one of the categories specified in the regulation and review it annually."

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications

As a result of the 2017 Evaluation process performed by an independent expert (Evaluación de Consejos, S.L.), no significant changes are proposed in the internal organization but actions are planed with a view to:

- Reviewing succession protocols and plans in greater depth.
- Improving procedures for selecting directors and training plans.
- Deep focusing in greater detail the role of certain statutory roles.
- Giving the Board more time to dedicate to strategy.

C.1.20.bis Describe the assessment process undertaken by the Board of Directors and the areas evaluated, with the aid of an external facilitator, with respect to the composition, duties and powers of its committees, the performance of the chairman of the board of directors and the company's chief executive officer and the performance and contribution of individual directors.

The Appointments and Compensation Committee conducts an annual evaluation of the performance of individual directors assisted by an external advisor in 2017.

In this regard, each of the directors has proceeded to respond to a questionnaire and to have a meeting with the external advisor, who has presented his report to the Board of Directors.

C.1.20.ter Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.

The external advisor appointed for the purpose of evaluating the Board has no other business relationship with the Company or with any of the group companies.

C.1.21 Indicate cases in which Directors are obliged to resign.

Article 26 of the Regulations of the Board of Directors of CIE AUTOMOTIVE, S.A indicates that:

"Article 26. Removal of Directors

1. The resignation of one or more of the Directors shall take place in the terms of applicable legislation.
2. Directors hold their positions at the pleasure of the Board of Directors and, if deemed appropriate, must present their resignations in the following cases:

a) In the case of Proprietary Directors, when he or the shareholder that he represents transfers his shareholding in the company.

b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.

c) When they are involved in a legal conflict of interest.

d)When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.

e) In the case of CEOs, they shall resign at the age of 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.

f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors."

C.1.22 Abrogated section

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES [ ] NO [X]

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES [ ] NO [X]

C.1.25 State whether the Chairman has a casting vote:

YES [ ] NO [X]

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES [X] NO [ ]

Age limit for Chair:
Age limit for CEO: 65 years old.
Age limit Board Member:

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES [ ] NO [X]

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 22 of the Board Regulations of CIE Automotive, S.A. reads as follows:

"2. Directors must attend the meetings of the Board of Directors and, if they cannot do it personally, delegate its task to another director, together with appropriate instructions. Non-executive directors may delegate to another non-executive director. It cannot be delegated representation on matters in which the director is in situation of conflict of interest. The proxy shall be given for each meeting of the Board of Directors, and can be communicated through whatever resources set for the meeting callings."

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

Number of Board meetings	6
Number of Board meetings without the Chairman	0

If the Chairman is executive director, indicate the number of meetings held without the assistance or representation of any executive director and chaired the coordinating:

Number of Board meetings	0

Indicate the number of meetings held during the year by the various Board Committees:

COMMITTEE	No. of Meetings
Audit and Compliance Committee	6
Appointments and Compensation Committee	2
Delegate Executive Committee	0
Corporate Social Responsibility Committee	2

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

Number of Meeting with the assistance of all Board Members	0
% Number of assistances compared with the total votes cast during the year	82.05%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES [ ] NO [X]

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

In accordance with Article 3 of the Audit and Compliance Committee Regulations, the following functions, among others, correspond to the Audit and Compliance Committee:

"e) Analyze, together with the auditors, the significant weaknesses of the internal control system detected during the audit.

f) Monitor the process of drawing up and presentation of financial information.

g) Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions of the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.

h) Oversee Internal Audit department's activity, which shall functionally answers to the Audit and Compliance Committee.

i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Committee and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies related to these in accordance with auditing legislation."

C.1.33 Is the Secretary of the Board a Director? :

YES [ ] NO [X]

If the Secretary have not the condition of director complete the following table:

Name of the Director	Agent
MR. ROBERTO ALONSO RUIZ	

C.1.34 Abrogated section

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 46 of the Regulations of the Board of Directors governs the relationships with external auditors:

"Article 46. Relations with the Auditors

1. The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.

2. The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.

3. Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations."

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES [ ] NO [X]

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES [X] NO [ ]

	Company	Group	Total
Sum of services other than auditing (thousand euro)	149	422	571
Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)	48.64%	14.88%	18.17%

C.1.38 State whether the audit report for the financial statements for the preceding year contains any reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES [ ] NO [X]

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	16	16
Number of years audited by the present audit firm / Number of years the company has been audited (%)	47.05%	47.05%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES [X] NO [ ]

Procedure details

Article 29 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:

"Article 29. Expert advice.

1. In order to obtain assistance when carrying out their duties, any Directors may request the hiring, at the Company's expense, of legal, accounting, financial, technical, commerical or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.

2. The request must be made through the Chairman of the Board of Directors and may be vetoed by the Board of Directors if it is considered that:

a) Such assistance is not required for the adequate performance of the duties with which Directors are charged;
b) The related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues;
c) The assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company;
d) May give rise to a risk to the confidentiality of the information that must be disclosed."

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES [X] NO [ ]

Procedure details

In accordance with article 20 of the Regulations of the Board of Directors, at the time of the call for the meeting, the relevant information will be sent to the directors for the purpose of the meeting. In addition, with sufficient notice, the Directors are sent a copy of the presentation that will serve as a guide for the meeting, so that they know in advance the content of the different points of the agenda in order to prepare meetings with enough time.

In addition, article 29 of the Regulations of the Board states that, in order to be assisted in the exercise of their duties, any Director may request the hiring, at the expense of the Company, of legal, accounting, financial, technical, commercial or other experts if they considered it necessary for the proper performance of their duties. The assignment must necessarily be about concrete problems of special complexity.

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES [X] NO [ ]

Explain the rules

In accordance with the established in Article 26.2 d). of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any director that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES		NO	X

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

Number of beneficiaries: 1

Type of beneficiary:

GLOBAL DOMINION ACCESS, S.A. CHIEF EXECUTIVE OFFICER

Description of the arrangement:

Chief Executive Officer Agreement including an early termination provision, which complies with the quantitative criterion set out in recommendation 64.

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	General Shareholders Meeting
Board authorizing clauses	YES	NO

	YES	NO
Is the General Meeting reported about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of proprietary and independent external directors that form it:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIRMAN	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	PROPRIETARY
MR. ÁNGEL MANUEL OCHOA CRESPO	BOARD MEMBER	INDEPENDENT

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0.00%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

The Audit and Compliance Committee has the task of attending the Board of Directors of the Company in monitoring financial statements as well as in carrying out control of CIE Automotive, S.A. and companies that are part of the Group.

The Committee tasks are as follows:

a) Review periodically risk policies and propose the amendment and update to the Board of Directors.
b) Approve policies relating to the employment of the auditor.
c) Inform the General Shareholders' Meeting regarding the issues raised by shareholders regarding its competency.
d) Monitor the internal control effectiveness of the Company and the Group, as well as its risk management systems, including tax.
e) Analyse, together with the auditors, significant weaknesses of the internal control system detected during the audit.
f) Supervise the process of the preparation and presentation of financial information.
g) Propose the appointment, re-election or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions of the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.
h) Monitor the activity of Internal Audit, which will depend on the Audit and Compliance Committee.
i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Committee and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies related to these in accordance with auditing legislation.
j) Annually issue, prior to the auditors' report, a declaration stating an opinion regarding the independence of the auditors. In any case, this report shall mention the additional services delivered referred to in the previous section, under the terms established by law.
k) Inform the Board of Directors regarding the financial information, which because of its condition as a listed company, the Company must public periodically and must ensure that the interim financial statements are prepared under the same accounting principles as the annual accounts and consider the necessity of a limited review by the auditor.
l) Inform the Board of Directors, prior to the decision making, of the creation or acquisition of shares in special purpose companies or those domiciled in countries or territories considered tax havens, and any other transactions or operations whose complexity might affect to the Group's transparency.
m) Other functions that might be agreed by the Board of Directors of the Company.

During the year, the most relevant performances have been the following:

a) Analysis of Periodic Public Information prior to its referral to the CNMV and the Governing Societies of the Bilbao and Madrid Stock Exchanges.
b) Analysis of the annual accounts (balance, profit and loss account, statement of cash flows and statement of changes in the net equity and the accompanying notes) and management report of CIE Automotive, S.A. and of its Consolidated Group for the year ended December 31, 2016.
c) Follow-up of external audit procedures.
d) Analysis of the internal audit procedures and, in particular, of the procedures related to the Internal Control System on the procedure for preparing Financial Information (SCIIF).
e) Verification of the liabilities status of liabilities in relation to the approval of a interim dividend of the 2017 results.
f) Approval of the company's fiscal strategy.

h) Approval of the company's risk map

i) To inform of the different point in the General Meeting Agenda on which is competent, and specially, the one related to the re-election of the external auditor.

Identify the Director Member of the audit committee that has been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the number of years that the Chairman of this Committee has been in office.

Name of Director with expertise	MR. ÁNGEL MANUEL OCHOA CRESPO
Number of years in office	3

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT
MR. CARLOS SOLCHAGA CATALÁN	BOARD MEMBER	INDEPENDENT
MR. FRANCISCO JOSÉ RIBERAS MERA	BOARD MEMBER	PROPRIETARY

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0.00%

Explain the committee's duties, describe the procedures and organisational and operational rules and summarise the main actions taken during the year.

The Appointment and Remuneration Committee is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain.

In this sense, the Committee tasks are as follows:

a) Propose to the Board of Directors the remuneration policies for directors and senior executive and review them periodically, proposing, if necessary, its amendment and updating to the Board of Directors.
b) Report and review the criteria to be followed regarding the composition of the Board of Directors and the selection of candidates, and in particular, the required skills, knowledge and experience as well as the evaluation of the time and devotion required in order to perform correctly their duties.
c) Ensure that when there are new vacancies or the appointment of new directors, there are no bias within the selection procedures, and particularly, ones that might obstruct the selection of a female director.
d) Set up a goal of representation for the under-represented sex on the Board of Directors and develop guidance on how to achieve that objective.
e) Submit to the Board of Directors suggestions for the appointment of independent directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders; suggest for re-election or removal of such directors by the General Meeting of Shareholders; and inform about the removal proposals of such directors made by the Board of Directors.
f) Report the suggestions for the appointment of the remaining directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders, as well as suggestions for re-election or removal of such directors made by the General Meeting of Shareholders.
g) Report or draw up proposals for the appointment of internal positions of the Board of Directors, as well as members who should form part of each committee.
h) Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the Company and in this case, where appropriate, make suggestions to the Board of Directors so that such succession occurs in an ordered and planned way in accordance with succession plan approved by the Board of Directors.
i) Suggest to the Board of Directors the system and the amount of annual remuneration of directors, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any eventual allowance or compensations that may be established in case of removal, in accordance with the directors remuneration policy that has been approved by the General Meeting of Shareholders.
j) Monitor the candidates' selection process for senior executives of the Company and report the proposals made by the Chief Executive Officer of the Company concerning the appointment or removal of senior managers.
k) Report and submit to the Board of Directors proposals made by the Chief Executive Officer of the Company related to the structure of remuneration of senior managers and the basic terms of their contracts.
l) Ensure that remuneration programs of the Company are compliance, and inform about the documents to be approved by the Board of Directors for its general dissemination with regard to information of remuneration, including the Annual Report on Remuneration paid to the Directors and sections corresponding to the annual Corporate Governance Report of the Company.
m) Other functions that might be agreed in the Company's' Board of Directors.

During the year it has begun to (i) analyse the IAGC, the IARC and the Annual Financial Report within the framework of its powers (ii) report favourably on the remuneration of the members of the board of directors; (iii) promote the evaluation by an external expert of the members of the Board of Directors.

DELEGATED EXECUTIVE COMMITTEE

Name	Position	Type
MR ANTONIO MARÍA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	EXECUTIVE
MR. JESUS MARÍA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	PROPRIETARY
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	PROPRIETARY

% of executive members	60.00%
% of proprietary directors	40.00%
% of independent directors	0.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The Executive Committee shall deal with all matters within the competence of the Board.

Notwithstanding this circumstance, during the current year there has been no meeting of the same since it has been detected that, in practice, it was not necessary for the day-to-day management of the company. In this sense, the Board of Directors of December 12, 2017 has agreed to eliminate this Committee and create a new Strategy and Transactions Committee so that it can monitor the inorganic growth operations faced by the CIE Automotive Group in the future.

Indicate whether the delegate or executive committee reflects the participation on the board of the different directors according to their category:

YES [X] NO [ ]

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	CHAIR	PROPRIETARY
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	BOARD MEMBER	PROPRIETARY
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	PROPRIETARY

% of proprietary directors	100.00%
% of independent directors	0.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The Corporate Social Responsibility Committee is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain.

In this sense, the Corporate Social Responsibility Committee tasks are as follows:

a) Review periodically the corporate governance policies and propose to the Board of Directors, for approval or submission to the General Meeting of Shareholders, amendments and updates that contribute to its development and continuous improvement.
b) Boost strategy of corporate governance and Company's sustainability.
c) Monitor the compliance of legal requirements and standards of corporate governance.
d) Know, promote, guide and monitor performance of the Company in the area of corporate social responsibility and sustainability and report to the Board of Directors and the Executive Committee, as appropriate.
e) Evaluate and revise the company plans of social responsibility policies and follow up their compliance.
f) Report on the implementation by the foundational entities related to the Group of activities of public interest and corporate social responsibility entrusted to them.
g) Report prior to its approval, the Annual Report of Corporate Governance of the Company, gathering for this purpose the reports issued by the Audit and Compliance Committee and the Appointments and Compensation Committee, regarding with the sections of the report that fall within their competence, and if it is published, the report or annual memorandum of sustainability.
h) Promote within the Company the existence of a Code of Ethics; propose its approval to the Board of Directors and its subsequent amendments, as well as promoting any relevant issue regarding the knowledge and compliance with the Code of Ethics.
i) Review policies and internal procedures of the Company in order to prove their effectiveness in preventing inappropriate behaviors and identify any policies or procedures that are more effective in promoting the high ethical standards.
j) Other functions that might be agreed on the Board of Directors of the Company.

Throughout 2017, the Corporate Social Responsibility has reported about IAGC, IRC and annual financial report on matters within their competence; It has monitored the operation of the Ethics Code and the incidences detected through ethical mailbox; It has assessed the RSC policy and the actions to be taken during the year.

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2017		Year ended 2016		Year ended 2015		Year ended 2014	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	1	33.00%	2	50.00%	2	66.00%	1	33.00%
APPOINTMENTS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
DELEGATED EXECUTIVE COMMITTEE	1	20.00%	1	20.00%	1	16.00%	1	16.00%
CORPORATE SOCIAL RESPONSIBILITY COMMITTE	2	66.00%	2	66.66%	-	-	-	-

C.2.3 Abrogated section

C.2.4. Abrogated section

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

Each of the Board of Directors Committees described in the previous paragraphs have its own regulations. These are available within the corporate website: http://www.cieautomotive.com/web/investors-website/comisiones-del-consejo-de-administracion. The Committees (except the executive committee) have prepared the reports corresponding to their activities in 2017.They are available in the referred web.

C.2.6 Abrogated section

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure for approval of transactions with related parties

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the Board of Directors or persons related to them must be submitted, prior to the approval of the Board of Directors. Especially operations are not included in the ordinary business of the CIE Group companies. In any case, these operations are performed under market conditions.

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders:

Name of Significant Shareholder	Group Company	Nature of the Relationship	Type of Transaction	Amount (thousand €)
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sale of goods	173,690
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Purchase of goods	18,641
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Reception of services	2,546
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Rendered services	10

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

Name of Directors	Name of Related Party	Link	Type of transaction	Amount (thousand €)
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	303
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	MAHINDRA CIE AUTOMOTIVE LTD	Contractual	Sale of goods	6,167
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Contractual	Sale of goods	19,509
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Contractual	Purchase of goods	3,399

D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered as tax heavens will be informed:

CIE GALFOR, S.A.

Amount (thousand euros): 0

Brief description of the operation:

As of June 1 2017 a reverse merger has taken place between the Mauritian Mahindra Gears Global Ltd. and its Italian subsidiary Metalcastello, S.P.A. The latter has been the acquiring company. After such merger, a capital increase has been carried out in Metalcastello, S.P.A. by which CIE Galfor, S.A.U has taken control of the merged company.

Corporate name of the group company:

MAHINDRA CIE AUTOMOTIVE LTD

Amount (thousand euros): 0

Brief description of the operation:

As of June 30 2017 a merger has taken place, in which the Indian company Mahindra CIE Automotive, Ltd. has absorbed four of its subsidiary companies: the Indian societies Mahindra Gears &

Transmissions, Pvt. Ltd. and Crest Geartech Pvt. Ltd; and the Mauritian societies Mahindra Forging International, Ltd. and Mahindra Forging Global, Ltd.

After these corporate transactions, the Group has ceased to have shares in companies located in tax heavens.

D.5 Provide the amount of transactions with other related parties.

15,318 (thousand euro)

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 34 of the Regulations of the Board of Directors lays down the following:

"Article 34. - Conflicts of interest.

1. Directors must take necessary measures to avoid incurring conflicts of interest in accordance with the established by law.

2. A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person. For the purposes of these Regulations, persons related to a Director are considered to be:

1°.- The Director's spouse or persons with a similar relationship.

2°.- Ascendants, descendants and siblings of the director or his/her spouse.

3°.- The spouses of the director's ascendants, descendants and siblings.

4°.- Companies in which the director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related people are considered to be the following with respect to a legal person director:

1°.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2°.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3°.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4°. - Individuals who, with respect to the legal person director, are considered to be related to the directors in accordance with this section.

3. The following rules will be applicable to conflict of interest situations:

a) Communication: the director must report to the Board of Directors and the Audit and Compliance Committee, through the Chairman or the Secretary, any conflict of interest that arises.

b) Abstention: the director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Proprietary external directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.

c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving directors that has been reported by the affected party or by any other means."

D.7 Are more than one of the Group's companies listed in Spain?

YES [X] NO [ ]

Identify the subsidiaries listed in Spain:

Subsidiary listed

GLOBAL DOMINION ACCESS, S.A.

Indicate if they have defined publicly accurately the respective areas of activity and eventual relations of business between them, as well as those of the listed subsidiary company with other group companies;

YES [X] NO [ ]

Define the eventual relations of business between the head company and the listed subsidiary company, and between this one and other group companies.

No relation of business exist.

Identify the mechanisms planned to solve the eventual conflicts of interests between the listed subsidiary and other group companies:

Mechanisms to solve the eventual conflicts of interest

No eventual conflicts of interest. In any case, to avoid conflicts of interest, people who occupies the charge of Director in both CIE Automotive, S.A. and Global Dominion Access, S.A. (and persons related to them) perform their obligations arising from the articles 228 and 229 of the Spanish Companies Law.

E. RISK CONTROL AND MANAGING SYSTEMS

E.1 Explain the scope of the Risk Management System of the Company, including the ones referring to tax.

CIE Automotive is subject to several inherent risks to the various countries, markets and businesses in which it operates and the activities carried out in each one. Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee (hereinafter "ACC").
The overall process for managing corporate risks at CIE Automotive is based on the ISO 31000 method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives.

II. Evaluate them based on probability of occurrence and their impact on the organisation, taking existing controls into consideration. These scales are useful in order to locate each risk into the Risk Map, the main risk assessment tool.

III. Establish a response to each one.

IV. Monitor the action taken.

V. Report the results of the analysis performed.

E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System, including tax:

Responsibility for implementing the risk management system, including tax, lies on the Board of Directors, which 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 that must face up when achieving their business objectives in order to identify in advance the appropriate mitigating measures to reduce or eliminate the probability of risk occurrence and / or its possible impact on the goals in case they materialize.

E.3 Describe the main risks that may affect the achievement of business objectives.

In the course of its business, CIE Automotive is exposed to a variety of inherent risks in the different lines of business that develops and in countries in which they are held.

On the other hand, the different levels of socioeconomic uncertainty that exists in the markets in which CIE Automotive operates can make appear risk factors currently unknown or not considered as relevant, that could potentially affect the business, performance and/or the financial position of the company.

Are detailed briefly the main risks, which CIE Automotive faces in its business objectives:

a) Management risk

• Regulatory risks: arising from the Securities Market rules, the law for the data protection, the feasible changes in the tax legislation (national and international); and the civil responsibility for integrity of the heritage.
• Financial risks: debt levels, liquidity risk, risks arising from fluctuations in exchange rates, risks arising from changes in interest rates, risks arising from the use of financial derivatives and investment risk.
• Information risks: as much as reputational risk that can affect the image of CIE Automotive or risk related to transparency and relationship with analysts and investors.

b) Business risks: Are those that specifically affect each business and depend on the singularity of each activity.

• Operational risks: Risks relating to recruitment and customer relationships, product quality, environmental, purchasing and outsourcing.
• Non-operational risks: Risks related to the prevention, security and health in work, human resources, specific tax applicable to business, the reliability of the accounting and financial information and financial resources and debt management.

For more information regarding the risks and management measures, see the Annual Report 2017.

E.4 Identify whether the entity has a level of risk tolerance, including tax.

The Board of Directors approves the acceptable level of risk for each type of risk, type of business and location, as well as levels of allowed deviation based on the strategic objectives and the strategic lines to achieve them. The levels of acceptable risk are regularly updated accordingly with changes in corporate strategy and risk profile business.

Annually the risks that threaten the achievement of the business objectives are identified, including tax risk, and they are valued based on their potential impact on financial results and their probability of occurrence. The combination of the impact and the probability of occurrence determine the severity of the risk.

E.5 Indicate which risks, including tax, have been materialized during the year.

The results of the risk assessment taken place in 2017 shows the alignment between the risk map which was used and defined in 2016 with the company strategy and the internal control system effectiveness in the operational field since no key risks identified have been materialized in 2017.

E.6 Explain the response and supervision plans held for the company's major risks, including the ones referring to tax.

CIE Automotive has a corporative system to control and supervise risks. Corporate risk management system is also supported by each business unit, in which each management level is responsible for the compliance with internal rules and procedures.

The evaluation and verification of their effectiveness is performed periodically by Compliance department, has qualified and experienced personnel, independent of the business lines staff. Alerts, recommendations and conclusions generated are communicated to CIE Automotive management.

Among the measures taken by CIE Automotive for monitoring risks, include:

• Setting goals and internal regulations (policy, standards, procedures and manuals).
• Definition, monitoring and continuous evaluation of the design and performance of internal control systems and compliance.

During the process of the elaboration of the Risk Map 2017, the Company has worked on the identification of new responses and consolidation lines, for the most relevant risks for the company.
It is important to highlight that CIE Automotive has units of analysis, monitoring and control in various areas of management risks, such as:

• Financial risk assessment and management
• Safety and environmental standards
• Corporate Social Responsibility
• Reporting and tax risks
• Risks and continuity information systems

F. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (SICFR) in your company.

F.1 Company control environment.

Report, noting the main features of at least:

F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors 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 currently-applicable legislation and generally-recognized corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the Company's internal control system (hereinafter the SICFR).

The CIE Automotive Audit and Compliance Committee (hereinafter "ACC") is the body responsible for the supervision of the efficacy of the SICFR, the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been 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 SICFR and in general, the whole internal control system of CIE Automotive, ensuring the definition and design of the control procedures which should be implemented in the company's operational planning, compliance with legal regulations, internal policies and procedures.

F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with: (i) the design and review of the organizational structure, (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions, (iii) ensuring that there are sufficient procedures correctly disseminated within the Company.

The Board of Directors is the ultimate body responsible for defining and periodically reviewing the organizational structure of CIE. The Board delegates to the Company's Senior Management the task of ensuring that subordinate structures are equipped with adequate human and material resources. With regard to the process of the preparation of financial information, there exists a global interrelated financial department which depends on the departments of Audit and Control Management and the Department of Treasury and Finance.

The responsibilities and functions of all people 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, which guarantee that information on any change that is taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this aspect.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analyzing breaches of such code and proposing corrective action and penalties.

CIE Automotive currently has an "Internal Code of Professional Conduct" and an "Internal Regulations on Conduct in relation to Securities Markets". There is a special section about the reliability of the financial information where there are stablished specific standards addressed to the people involved in the preparation of the financial information process.

Both documents are published on the corporative website and are distributed to all affected personnel through the communication channels established for this purpose. In either cases, the body responsible for their definition and approval is the Board of Directors.

The Internal Code of Professional Conduct lays down some basic rules and principles whose purpose is to ensure that there is a commitment and transparency in relations and operations with customers, suppliers and employees, the maximization and protection of shareholders' investments and the safeguarding of health, security and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

The functions of the Corporate Social Responsibility (CSR) include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organization, indicating, where appropriate, the confidential nature of such information.

CIE Automotive has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Professional Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, being always guaranteed the whistleblowers' confidentiality, in case he wants, and a protocol for action for analysis of complaints received, and reported to the CSR for monitoring.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

As well as a variety of staff training programs, CIE Automotive has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information.

- There is an Accounting Policies Manual, which is updated on an on-going basis.
- There is an Accounting and Management control department, whose tasks is to resolve any doubts regarding the interpretation of the Manual Accounting Policies, and provide advice regarding the treatment of complex transactions.
- There are divisional/regional controllers who are involved in the support provided to all people forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.
- When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
- Advice is received from external advisors in relation to changes in accounting, legal and tax rules, which may affect the Company.

F.2 Risk assessment of financial information.

Report at least:

F.2.1. What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

The global Corporate Risks Management process is based on the ISO 31000 and on a continuous cycle comprising five phases:

I. The identification of key risks, which may affect the fulfilment of the Organization's objectives, including all financial information control objectives, tax objectives as well.
II. The evaluation of such risks based on the probability of occurrence and their impact on the organization, taking the existing controls into consideration.These scales are useful in order to locate each risk into the Risk Map, the main risk assessment tool.
III. Determination of the required response for each such risk.
IV. Monitoring of the agreed courses of action; and
V. reporting of the results of the analysis made.

The process of identification and assessment of risks are tasks for the Senior Management and executive team. They self-assess the risks identified, with Compliance department acting as coordinator in this process.

The result obtained is a Risk Map, and a list of steps to be taken for the proper management of risks.

The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Compliance department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

  As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information, which may have a material impact on its reliability.

  The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year, which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

  The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialized management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

  As it has been mentioned above, the model is based on the ISO 31000 methodology that taking as its starting point the Organizations' objectives, results in a Risk Map that is updated annually, monitoring among others, financial risks, tax and legal and those from different typology (operational, strategic, compliance, environmental, Corporate Social Responsibility, fraud, etc.).

- The governing body, which supervises the process.

  This entire process is reviewed and approved by the ACC, which is the body, which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient.

F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Procedures for reviewing and authorising the financial information and description of SICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The Board of Directors is the highest responsible body for approving and monitoring the Group's financial statements. The Group sends quarterly information to the stock market. This information is prepared by the Audit and Management Control department, which performs a number of control activities during the accounting closing period to ensure reliability of financial information.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE Automotive has control procedures and activities taking place in other key areas of the company which purpose is to ensure that transactions are properly recorded, measured, presented and broken down, and accordingly to prevent and detect fraud and thus cover all transactions that could materially affect the CIE Automotive's financial statements.

The key processes of the company, including closing, for which have been defined risk and control matrices, are as follows:

1. Closing, consolidation and reporting
2. Property, plant and equipment
3. Financial assets and liabilities
4. Inventories
5. Revenue/Account receivable
6. Treasury

7. Accruals
8. Cost of sales/Account payable
9. Human Resources
10. Tax

The financial statements are prepared based on a reporting schedule and deadlines, known by all participants in the process, taking into account the time for legal delivery.

Furthermore, and for the review of judgments, opinions, assessments and projections, the Manual of Accounting Policies defines the criteria for CIE Automotive existing application approach.

The aforementioned significant transactions are reviewed by the company´s Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and accounting judgments used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE Automotive has internal control policies and procedures in place in respect of information systems, which support its significant processes, including the process for the preparation and review of financial information. This policy and framework policy is based on a catalogue of international standards ISO 27000.

CIE Automotive uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE Automotive identifies the systems and applications, which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those, which are used directly in the preparation of financial information, and those, which are relevant to the efficacy of controls, which reduce the risk of misstatement in such information.

CIE Automotive has a security policy systems defined at the corporate level aimed at achieving the security objectives identified.

The objective is to adopt the pertinent measures of an organizational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes.
- 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 organizational and technological solutions that guarantee business continuity.

F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts, which may have a material impact on the financial statements.

In general, CIE Automotive does not outsource any activities considered relevant that could affect substantively to financial information.

In any case, CIE Automotive has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties, which have a significant impact on the financial information prepared by CIE Automotive.

Based on the analysis undertaken, the view has been formed that during 2017 the only area outsourced with a possible material impact on the financial information of the Group is the Information Systems area. In this respect, CIE Automotive has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.

In addition, there are control activities taking place periodically in CIE Automotive (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services, relationship with actuarial experts and derivative management) remains within CIE Automotive specific monitoring work being required to guarantee their reliability.

F.4 Communication and information.

Report, noting their main features, if you have at least:

F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies manual to be communicated to the subsidiaries through which the company operates.

The Role of Accounting Policies is assumed by the Audit and Compliance department, which depends directly from the Chief Executive Officer.

In performing this function, the department assumes the following responsibilities:

- Maintenance and dissemination of CIE Accounting Policy Manual (Continuous Update) to other Group companies.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individually or in a consolidated level) in the interpretation of the rules to be applied.
- Mechanisms for capturing and preparing financial information homogenously.

F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning SICFR.

CIE Automotive has a specific system for financial reporting and consolidation, which is used in all group units, allowing the capture of financial information homogenously. This system is also used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the collection of the SICFR information, CIE is involved in the implementation process of SAP GRC tool in all Group units.

F.5 System performance monitory

Report, noting its main features, at least:

F.5.1 Monitoring activities conducted by the SICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including SICFR. Also informing of the scope of the assessment of SICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

The ACC has the following oversight responsibilities of SICFR:

- Supervision of periodic financial information.
- Monitoring and evaluation of the operation of SICFR.
- Knowing the financial reporting process and internal control systems associated with significant risks of company.
- Periodically review internal control and risk management systems, so main risks are identified, managed and properly disclosed.

CIE Automotive has a Corporate Internal Audit Department, which depends on the Compliance department and this in turn to the ACC, which coordinates the Internal Auditing teams in Europe(including Russia and Morocco in the scope), Mexico, Brazil and India whose members are exclusively dedicated to these functions.

The main function of the Internal Audit Department is overseeing the internal control system, within which there are included issues such as supervision of the correct implementation of the risk management system, in which it is also included the managing of the risk of fraud, and controls aimed at reliability of financial information.

Based on the results of the risk assessment, the Internal Audit department prepares an annual plan of CIEs' SICFR, to be submitted in each period for approval by the ACC as responsible for overseeing the SICFR.

The information to be provided to the market or stakeholders about SICFR will have an annual basis and shall cover the period of the corresponding financial report.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE Automotive has a procedure allowing any external advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

F.6 Other relevant information.

Not applicable.

F.7 External auditor report.

Report of:

F.7.1 If SICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report. Otherwise, it should report its reasons.

CIE Automotive has submitted to an External Auditor the effectiveness of internal control system on the Financial Reporting (SICFR), in relation to the financial information contained in the Groups' consolidated annual accounts at December 31, 2017.

A copy of the opinion of the External Auditor is attached.

G. COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation will not be 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.

Comply [X] Explain [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;
b) The mechanisms in place to resolve possible conflicts of interest.

Comply		Partially comply	X	Explain		Not applicable	

It should be noted that CIE Automotive and its listed subsidiary Global Dominion Access (i) have no business relations (ii) and consequently could not lead to possible conflicts of interest. These are unlikely to occur as there are no business relations.

In any case, by the fact that there are no business relations, it is not necessary to define with more precision "the eventual business relation between the parent and the listed subsidiary and between the listed subsidiary and the remaining of the group companies" and "the mechanisms in place to resolve possible conflicts of interest"

Consequently, it is not considered necessary to define publicly their relation and thus the Company considers that the recommendation is partially complied.

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 for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Comply		Partially comply	X	Explain	

The framework of normal running of the General Shareholders' Meeting, we inform those of the relevant circumstances occurred since the last meeting, including, issues of corporate governance (i.e. adoption of new Board of Directors regulation, creation of the Corporate Social Responsibility Committee, etc.).

However, it is not considered important to emphasize why the CIE Automotive, S.A. does not follow any specific recommendation to the extent that (i) no circumstances seem sufficiently relevant, and (ii) those circumstances, if appropriate, are included in the Annual Corporate Governance Report, (to which shareholders have access)

4. The company should draw up and implement a policy of communication and contacts 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.

Comply	X	Partially comply		Explain	

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription 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-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Comply	X	Partially comply		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.

Comply		Partially comply		Explain	X

As a result of the holding the Shareholders General Meeting in 2018, the referred reports will be published.

7. The company should broadcast its general meetings live on the corporate website.

Comply		Explain	X

Given the characteristics of CIE Automotive, S.A. shareholders, and in light of the assistance to the Boards, CIE Automotive, S.A. does not consider relevant live broadcast of the Shareholders General Meeting through its website.

In view of the size, capitalization, composition of share capital and the normal development of the meetings of the General Board, the Company considers that live streaming would not have a broad reception. Consequently, the measure would have more cost than benefits involved and its implementation would not add value to the corporate government.

8. The Audit committee should strive to ensure that the board of directors could present the company's accounts to the general 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.

Comply	X	Partially comply		Explain	

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general 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.

Comply	X	Partially comply		Explain	

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general 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 of directors.

   c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

   d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Comply		Partially comply		Explain		Not applicable	X

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Comply ☐ Partially comply ☐ Explain ☐ Not applicable ☒

12. The board of directors 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.

Comply ☒ Partially comply ☐ Explain ☐

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Comply ☒ Explain ☐

14. When The board of directors 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 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.

Comply ☐ Partially comply ☐ Explain ☒

Given the usual lack of vacancies in the Board of Directors, it does not exist such a policy for the selection of directors, without prejudice that prevail the fulfilment of the required objectives by this recommendation in the Board of Directors' decisions in the context of the various appointments. So far, the standards, which have guided to the Appointments and Compensation Committee and the Board of Directors in the selection process for the directors, have satisfactorily passed the stablished requirements in the recommendation. In the future, t is hoped that the level of selection and compliance of the requirements of the diversity of knowledge, experience and especially gender, despite the absence of a selection policy.

15. The Proprietary and independent directors should constitute an ample majority on the board of directors, 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.

Comply ☒ Partially comply ☐ Explain ☐

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Comply [ ] Explain [X]

In line with paragraph (b) of this recommendation, CIE Automotive, S.A. has a number of significant shareholders represented in the Board of Directors, without any relationship.

The eventual overrepresentation of Proprietary Directors that might be detected is attenuated by the diversity of interest of the significant shareholders who form the board.

The Company considers that the balanced proportion, which is expressed by the recommendation, is adequately attenuated by the diversity of interest of the significant shareholders. Proprietary directors with different knowledge, experience and profile represent them in the Board of Directors.

17. Independent directors should be at least half of all directors

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.

Comply [ ] Explain [X]

CIE Automotive, S.A. believes that the number of independent directors reflects correctly the current shareholding composition of the company.

Since the Company is not consider as large-caps, the ratio of independents directors over total directors in the Board of Directors is a 15%. It does not achieve a third of the board place recommended, however if it is included both independent director and external directors the ratio is a 77%.

The Company considers that the referred proportions are appropriate for the configuration of the Board of Directors considering the shareholders composition and thus it is not necessary to include more independent directors, by the moment. The company contemplate the number of external directors (three-quarters of the directors) enable Board to take decisions with the necessary levels of quality, objective and independence for the right formation of the corporate will. Notwithstanding the foregoing, will be promoted the inclusion of the independents directors for the successive appointments.

18. The Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.
b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
d) Dates of their first appointment as a directors and subsequent re-elections.
e) Shares held in the company, and any options on the

Comply [ ] Partially comply [X] Explain [ ]

Although there is no specific section on the web page that grouped the information indicated in the recommendation, it is found in the Annual Corporate Governance Report (accessible at all times from the website) and in the section of the website reserved for the Board. of administration; with what the Company understands that the content of the information is sufficient for the purposes that are pre-selected and in relation to the profiles of the members of the Board of Directors.

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Comply		Partially comply		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 stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Comply		Partially comply		Explain		Not applicable	X

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, 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 director, 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.

Comply	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 indicted or tried for any of the offences stated in company legislation, the board of directors 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.

Comply		Partially comply	X	Explain	

The recommendation 22 include two reasons or circumstances to resign: (i) circumstance that might harm the organisation's name or reputation. (ii) The director is indicted or tried for any of the offences stated in company legislation.

The article 26.2(d) The Board of Directors regulation of the Company establish as resign circumstances: "When the directors are indicted for an allegedly criminal act or are subject to a disciplinary proceeding for serious or very serious fault instructed by the supervisory authorities".

Regard to the second reason or circumstance described in the 22 recommendation, this is included in the Board of Directors regulations (The expression "are indicted" include the order opening similar to an indictment act in the summary proceedings. Furthermore, the level of requirements of the Board of Directors regulation is higher than the recommended, because this include any kind of offence (not only the referred in the company legislation). It overcome the jurisdictional criminal scope inasmuch as include the initiation of disciplinary proceedings and thus the Company comply the second circumstance of the recommendation.

Regard to the first reason or circumstance described in the 22 recommendation, the Company considers that it is extremely broad and abstract. Inasmuch as the objective of is sufficiently covered by the article 26.2 (d) to (f) sections of the Board of Directors regulation. In any case, the company does not fully comply.

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 not subject to potential conflicts of interest should strenuously challenge any decision that could harm 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 of the board, even if he or she is not a director.

Comply		Partially comply		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 members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Comply		Partially comply		Explain		Not applicable	X

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

Comply		Partially comply		Explain	X

The Board of Directors of the Company have a balanced composition regard the director's category. The directors, who act as directors in other companies, have evidenced that these functions do not prevent the sufficient dedication to the task assigned to the CIE Automotive directors.

The Appointments and Compensation Committee in the independent director appointment or assessment, or any other director, asses that dedication ability of the candidate.

For these reasons, the Company considers that it is not necessary to include this limitation in the Board of Directors regulation.

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.

Comply		Partially comply	X	Explain	

The Company considers that is not necessary the minimal recommended frequency (8 meeting each year). For various reasons such as, the existence of three executive directors including the Chief Executive Officer who can take executive decisions. Furthermore, in practice the number of annual meetings (6) of this committee have been revelated enough.

27. Companies 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.

Comply		Partially comply		Explain	x

The absences of the directors are quantified in the Annual Corporate Governance Report. It should be noted that in the majority of cases, absent directors proceed to delegate their representation to other directors, although they do not grant representation with specific instructions, but leave the direction of the representative director the direction of the vote. Although this practice does not comply with the recommendation, in all the sessions in which this circumstance occurred, the number of absences (although represented without instructions) was not significant, the absent counselors having been duly represented through the 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.

Comply		Partially comply		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.

Comply	X	Partially comply		Explain	

30. Companies Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Comply		Explain		Not applicable	X

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.

Comply	X	Partially comply		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.

Comply	X	Partially comply		Explain	

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, 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.

Comply	X	Partially comply		Explain	

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chairman the board of directors 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.

Comply	X	Partially comply		Explain		Not applicable	

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Comply	X	Explain	

36. In The board in full 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 of directors 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 of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors 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.

Comply	X	Partially comply		Explain	

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Comply		Partially comply		Explain	X	Not applicable	

The Executive Committee reflect an adequate composition for the assigned duties. The duties of the executive committee of the Company are principally monitoring the ordinary course of business, with a character markedly industrial. Therefore instead of replicate the composition of the Board of Directors, the Company considers that is better that directors with an executive or industrial professional profile formed the composition of Executive Committee.

In any case, this Committee has ceased in its functions with effects 1 January 2018, whilst no meetings were held during 2017.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all directors should receive a copy of the committee's minutes.

Comply		Partially comply		Explain	X	Not applicable	

First of all, the Executive Committee has held no meeting in 2017. In any case, given the functions of the Executive Committee and its essential task of monitoring the business, is not necessary to bring minutes of the Executive Commission to the rest of the Board of Directors.
The reason for this circumstance is essentially that the Executive Committee has not taken decision actions, reserved to Board of Directors, the duties of the committee are carry out tracking of the business, the information from the monitoring task are reported to the Boards of Directors in each meeting. Due to these causes the Company have not considered necessary the compliance of the recommendation.

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.

Comply	X	Partially comply		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.

Comply [X] Partially comply [ ] 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.

Comply [X] Partially comply [ ] Explain [ ] Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect 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 consolidation perimeter, 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 programs, 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 supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

   a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

   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 has a yearly meeting with the board in full to inform it of the work undertaken 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.

Comply [ ] Partially comply [x] Explain [ ]

Despite the fact that some of the mentioned functions are not specifically attributed to the committees in the social texts, these are carrying out the same de facto, particularly, those which are expressly stipulated by the article 529 of the Corporate Enterprises Act (and consequently, being directly applicable).

The Regulation of the Audit Committee includes expressly the following functions (in reference to the issues contained in the Recommendation 42) which gives, at least in a partial way and certainly not with a literally meaning, all the recommendations identified, for the internal control and the preparation of the information as well as for the external auditor:

"e. To analyze, together with the annual accounts auditors, the significant weaknesses of the internal control system identified during the auditing process. (Recommendation 42;2b)).

f. To supervise the preparation and disclosure process of the mandatory financial information. (Recommendation 42;1a)).

g. To propose to the Board of Directors for submission to the General Shareholders' Meeting, the appointment, re-election or replacement of the auditors, as well as the conditions of its recruitment, in accordance with the applicable regulation, and to obtain regularly from them such information regarding audit plan and execution, as well as preserve their independence in the exercise of its duties.

h. To supervise the activity of the Internal Audit area, which will depend functionally on the Audit and Compliance Committee. (Recommendation 42;1b)).

i. To establish the appropriate relations with the external auditors in order to obtain information in reference to issues which could put into risk their independence, for their exam by the Committee, and any others, regarding the account auditing development process, and any other communications contemplated in the annual accounts legislation and in the remaining auditing standards.

In any case, it should receive annually from the external auditors the written confirmation of their independence with the Company or with its subsidiaries directly or indirectly, as well as the information from any additional services and its fees provided by the external auditors or by people or related entities to them, in accordance with the account auditing process. (Recommendation 42;2)"

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply	X	Partially comply		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.

Comply		Partially comply		Explain		Not applicable	X

45. 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 setting of the risk level that the company deems acceptable.

c) Measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Comply	X	Partially comply		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 the company is exposed to 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 in the frame of the policy drawn up by the board of directors.

Comply	X	Partially comply		Explain	

47. The Appointees to the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Comply	X	Partially comply		Explain	

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

Comply		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.

Comply	X	Partially comply		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 officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, 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 officers 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 director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Comply		Partially comply	X	Explain	

The regulation of the Appointments and Compensation Committee set forth explicitly the following duties (referred to the issues explained in the recommendation 50). It covers partially, not completely, the mentioned recommendation.

"a) Propose to the Board of Directors the standard conditions for Directors and senior officer remunerations and periodically review them, and if it would be necessary propose modifications and update to the Board of Directors. (Recommendations 50 a) and c)).

k) Notify to the Board of Directors the proposals of the senior executive officer of the Company concerning the remunerations structure of senior officer and basic conditions of contracts. (Recommendations 50 a))

l) Ensure the compliance of the Company remunerations programs and inform about the documents that must be approved by the Board of Directors. It is necessary to enable the dissemination of information concerning remunerations. Included the Annual Remunerations of Director's Report and the corresponding subsections from the Corporate Governance Annual Report. (Recommendations 50 b) and e))"

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply [X] Partially comply [ ] Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of director's 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 independents.
b) They should be chaired by independent directors.
c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
d) They may engage external advice, when they feel it necessary for the discharge of their functions.
e) Meeting proceedings should be minuted and a copy made available to all directors.

Comply [ ] Partially comply [X] Explain [ ] Not applicable [ ]

With regard to the Corporate Social Responsibility Committee, the recommendations applicable about the composition of the committee members are not fulfilled, inasmuch as there are not independents directors in the heart of the committee. The Company considers that external directors correctly carry out the duties attributable to this committee, the external directors have the identical criteria of correction and independence that an independence director, for this reason it is not consider required that the Chairman or the members of the committee is elected from the independent directors.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
f) Monitor and evaluate the company's interaction with its stakeholder groups.
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.

Comply [X] Partially comply [ ] Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, 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.

Comply	X	Partially comply		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.

Comply	X	Partially comply		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.

Comply	X	Explain	

57. Variable remuneration linked to the company 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.

Comply	X	Partially comply		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.

Comply		Partially comply		Explain	X	Not applicable	

The CEO accrues a variable remuneration which depends on the compliance of the generic goals. (EBITDA).These objectives are amenable to be assessed and evaluated by Appointments and Compensation Committee (as obtective levels of compliance are not previously stablished).

The Company does not consider relevant link the variable remuneration to objective, measurable and direct elements, whom relate remuneration and performance of the Company, beyond a generic element of compliance such as the levels of budgeted EBITDA.

Is not contemplated the need to introduce control mechanism such as mentioned in b) and c) .The relation between the Company and the Chief Executive Officer has demonstrated his commitment, loyalty and value creation for the Group.

The performance of executive directors, who receive this kind of remunerations, have typically been of high commitment and dedication. Furthermore, the returns for the Company have been so satisfactory that correlation measures are not required.

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.

Comply		Partially comply		Explain	X	Not applicable	

In accordance with the explanation in the Recommendations number 58, the Company does not consider the variable remuneration of the Chief Executive Officer should be deferred, until the compliance of the objective would has been checked.

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Comply		Partially comply		Explain	X	Not applicable	

The variable remuneration of the Chief Executive Officer does not take into account these circumstances, essentially as a result of the absence of qualifications in the financial statements report of the external auditors.

If qualification existed, the circumstances will be understood and consequences assessed by the Board of Directors in each particular situation.

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.

Comply	X	Partially comply		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.

Comply		Partially comply		Explain	X	Not applicable	

The Company considers that the limitations of the present recommendations are unreasonable with the intention of the remuneration policy for the Chief Executive Officer and it does not support the plan incentive effect. In this sense, the explanation differs from the remunerator objective. Additionally there is no need to link the Executive Director remuneration to the performance, the reason is that he has developed his professional career in the Group and therefore there are not doubts about 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.

Comply		Partially comply		Explain	X	Not applicable	

The Company does not comply with the recommendation in the terms in which it is proposed.

The reasoning applicable to this circumstance is the following: the remunerations to which the executive directors are entitled are not linked to performance or equivalent objective parameters; it is the Board of Directors who determines in an autonomous and discretionary way the amounts to be paid for these variable remunerations (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 in their concession, mechanisms that imply a reimbursement linked to a possible ex post demonstration of the performance failure cannot be arbitrated.

64. In addition, the Bank has adopted a policy on the application of malus clauses in the field of remuneration. 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.

Comply		Partially comply	X	Explain		Not applicable	

The agreement between the Chief Executive Officer of Global Dominion Access, S.A. and the aforementioned Company includes a provision granting a compensation in case of early termination that does not strictly comply with the second part of the recommendation.

H. OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.

2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

   Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

INFORMATION ABOUT THE DIVERSITY POLICY

In accordance with the provisions of article two of Royal Decree-law 18/2017, of November 24, by which the Commercial Code is modified, the consolidated text of the Capital Companies Act approved by Legislative Royal Decree 1 / 2010, of July 2, and Law 22/2015, of July 20, on Audit of Accounts, regarding non-financial information and diversity ("RD 18/2017"), the Company declares that given the recent approval of RD 18/2017, the Company has not had the opportunity to approve a diversity policy applicable in relation to the composition of the Board of Directors, and to regulate aspects such as training, professional experience, age, disability, gender and the measures that have been adopted to try to include in the Board of Directors a number of women that allows achieving a balanced presence of female and male members.

In this regard, the Board of Directors, with the aim of adapting its corporate governance structure to best practices, and with the support of the Appointments and Remuneration Committee, will study the convenience of approving the aforementioned policy, depending on the needs detected within the Board of Directors. In any of the cases, and beyond the approval of said policy, the Appointments and Remuneration Committee will be guided in its deliberation process in the presence of vacancies to avoid any type of discrimination for any reason or motive, encouraging the valuation of aspects such as training, professional experience, age, disability, and gender.

ADDITIONAL INFORMATION RELATED TO SECTION c1.15 (REMUNERATION TO THE BOARD OF DIRECTORS)

According to what will be disclosed in the Remuneration to the Directors Annual Report, the CEO is beneficiary of remuneration (variable in the long term) based in the price of the share which has been accrued as of 31 December 2017. As the final calculation of this remuneration has not been agreed by the Board of Directors, at the date of this report is not possible to calculate the accurate amount of this remuneration. This remuneration will be around €16.5 million and, in every case, will be payable in 2018.

ADDITIONAL INFORMATION RELATED TO SECTION c1.16 (REMUNERATION TO SENIOR MANAGEMENT)

A determined number of senior management members are beneficiary of remuneration (variable in the long term) based in the price of the share which has been accrued as of 31 December 2017. As the final calculation of this remuneration has not been agreed by the Board of Directors, at the date of this report is not possible to calculate the accurate amount of this remuneration. This remuneration will be around €10.8 million and, in every case, will be payable in 2018.

MODIFICATIONS RELATED TO THE CHAIRMAN CATEGORY IN THE BOARD OF DIRECTORS.

With effects from 1 January 2018, the Chairman of the Board of Directors, Mr. Pradera Jauregui has ceased his executive duties. Since that date, he will form the Boards of Director in the category of proprietary director.

MODIFICATIONS RELATED TO THE BOARD OF DIRECTOR'S COMMITTES.

As result of the agreement of the Boards of Directors of 12 December 2017, with effects from 1 January 2018, the Boards of Director's Executive Committee has ceased its duties. With effects from 1 January 2018, a Strategy and Transactions Committee has been formed in the heart of the Boards of Directors. It is comprised by Mr. Antonio María Pradera Jauregui (Proprietary Director), Mr. Jesus Maria Herrera Barandiaran (Executive Director), Mr. Fermin del Rio Sanz de Acedo (Executive Director) and Mr. Francisco Riberas Mera (Proprietary Director).

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 27 February 2018.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES [ ] NO [X]

CIE Automotive, S.A.

Report of the auditor
On the "Information relating to the
Internal Financial Reporting Control System"
(IFRCS)

(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

REPORT OF THE AUDITOR RELATING TO THE INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)

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

At the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and pursuant to our letter of proposal dated 15 January 2018, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2017, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection, it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable - not absolute - degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit 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 the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal financial reporting control system.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the 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 an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2017 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law, we do not express an audit opinion in the terms envisaged in said Law.

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

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 7/2015 dated 22 December 2015.

2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (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 are implemented and functioning in the Entity.

3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.

4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.

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

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2017, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by the article 540 of the Capital Companies Law and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013, which has been modified by Circular 7/2015 issued by the National Securities Market Commission dated 22 December 2015, for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by José Antonio Simón Maestro

27 February 2018