CIE Automotive, S.A.

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

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

Independent auditor´s report on the annual accounts

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

Report on the annual accounts

Opinion

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

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

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 €319,635 thousand, €1,219,057 thousand and €25,894 thousand, respectively. As indicated in Note 3.5 to the accompanying annual accounts, Management assesses annually whether there are indications of impairment and determines the recoverable amount of the investments recognised on the balance sheet. Determining the recoverable value of these investments is mainly based on estimates of the value of future cash flows. The estimation of future cash flows requires significant judgement by Management, including, among other things, expectations regarding income and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Company in its analysis are summarised in Note 2.2 to the accompanying annual accounts. Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of investments in group companies and associates.	First, we gained an understanding of the process used by the Company to assess the valuation of investments and analyse their recoverability and the impairment tests performed by management, and verified that the criteria used to perform these tests are consistent with those established in applicable reporting regulations. For cash flows, we checked not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained in 2018, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them using available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's specialist team. As a result of our analyses and tests performed, we consider that Management's conclusion concerning the absence of impairment of investments, the estimates made and the information disclosed in the accompanying annual accounts are adequately supported and are consistent with the information currently available.

Key audit matter	How our audit addressed the key audit matter
Disposal of interest in Global Dominion Access, S.A.	
During 2018 the Company disposed of its interest in Global Dominion Access, S.A., parent of the Solutions and Services segment of the CIE Automotive Group as a result of the distribution of an extraordinary dividend in kind to the Company's shareholders. For the Company, this transaction entailed not only recognising a significant dividend payable against reserves, whose valuation on the payout date amounted to €405 million, but also recognising a capital gain of €299 million in the income statement for 2018 as a result of the difference between the value of that dividend and the carrying amount of that interest on the payout date (Note 1 to the accompanying financial statements). In accordance with the applicable legislative framework, the results on this operation have been classified under profit/(loss) from discontinued operations and therefore have had a significant effect on the presentation of the income statement. The materialisation of the agreement adopted has had significant accounting impacts on both the Company's balance sheet and income statement.	The derecognition of the interest in Global Dominion Access, S.A. during the year has required us to carry out an analysis of the agreement adopted, identifying and measuring the asset disposed of, measuring the dividend agreed and verifying the appropriate disclosure and reporting of the information in accordance with the applicable legislative framework. In this regard, we obtained a comprehensive understanding of the agreement adopted, including the appropriate measurement of the dividend, in accordance with the price of the shares of Global Dominion Access, S.A., and the identification and measurement of the asset disposed of. We also checked the appropriate accounting recognition of the transaction, the presentation of the income statement and disclosures required in the accompanying financial statements, taking into account that, as mentioned, the operation has entailed recognising a gain from discontinued operations. As a result of our analyses we were able to verify the consistency between the agreement adopted by the Company and the amounts recognised when accounting for the disposal of the interest in Global Dominion Access, S.A. and their appropriate presentation and the appropriateness of the information disclosed in the accompanying financial statements in accordance with the applicable legislative framework.

Other information: Director's Report

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

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

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

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

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

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 25, 2019.

Appointment period

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

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

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 25, 2019