

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF THE COMPANY CIE AUTOMOTIVE, S.A. FOR THE PURPOSES CONTEMPLATED IN SECTION 286 OF THE SPANISH CAPITAL ENTERPRISES ACT IN CONNECTION WITH THE AGREEMENT REFERRED TO IN ITEM FIVE OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING.

1.- PURPOSE OF THIS REPORT.

Section 286 of the current Consolidated Text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July ("**Spanish Corporate Enterprises Act**") requires, among other measures, to validly pass the amendment resolution of the articles of association, for the directors to prepare a written report with the justification of the amendment, which, together with the full text of the proposed amendment, must be made available to the shareholders in the time and manner mentioned in that provision.

For its part, section 318 of the same Spanish Corporate Enterprises Act provides that the capital reduction be passed by the General Meeting under the requirements for amendments of the articles of association.

The purpose of this report is to comply with the provisions of those rules in relation to item three on the agenda, that is subjected to approval by the General Shareholders Meeting called for 8 May, 2019 on first call and 9 May, 2019 on second call.

2. JUSTIFICATION OF THE PROPOSAL.

Sections 144 and following of the Spanish Corporate Enterprises Act governing the system of dealings with treasury shares indeed allow them to be purchased, provided the requirements of section 146 of that law are met, among others.

For this purpose, the General Meeting is proposed to pass a resolution, annulling the resolution passed by the General Meeting of 24 April 2018 in any parts not executed, that grants the authorisation, with the requirements and limits established by Law, so that the Company, either directly or through group companies, may acquire its own shares or, in the latter case, the shares issued by the parent company.

Following the buyback of treasury shares, there are various mechanisms established by law to reduce or cancel the Company's treasury shares that have been acquired. Thus, it would be possible to opt for the amortisation of those shares or for the disposal of the shares in the market. In the case of a company admitted to trading on a secondary market, it is impossible, *a priori*, to determine the appropriateness of the procedure that, in the Company's interests, should be used with the aforementioned purpose of reducing or cancelling the treasury shares acquired. It is not possible to foresee market conditions at a given time, which could be favourable or unfavourable with respect to a single previously established procedure.

For that reason, it is considered appropriate that the assessment of the circumstances should be made by the Company's Board of Directors at the appropriate time before deciding on the most suitable system.

If the board decides to redeem the treasury shares acquired, this will result in the need to pass a resolution to reduce the share capital. However, given that the assessment of the appropriateness and timeliness of a financial operation of these characteristics should be adopted based on market conditions at all times, this requires, according to the Board of Directors, proposing that the General Shareholders Meeting pass a capital reduction resolution, granting the Board of Directors the powers necessary for its implementation, including the determination of the amount of the capital reduction and if that amount is allocated either to a restricted reserve or an unrestricted reserve, in which case the requirements established by law to guarantee creditors must naturally be fulfilled.

In short, this capital reduction resolution is intended to provide the Company with an appropriate instrument in the interests of the Company and its shareholders.

3.- FULL TEXT OF THE PROPOSED RESOLUTION TO BE SUBMITTED TO THE GENERAL MEETING.

"FIVE.- *Authorisation to the Board of Directors to proceed with the buyback of treasury shares, directly or through group companies, in accordance with sections 146 and 509 of the Spanish Corporate Enterprises Act, superseding the authorisation granted by the General Shareholders Meeting of 24 April 2018; reduction of share capital to redeem treasury shares, delegating the powers necessary for its implementation to the Board.*

- 1.- *Annulling the resolution passed by the General Meeting of 24 April 2018 in any parts not executed, authorise the Company, directly or through any of its subsidiaries, and for a maximum of five (5) years from the date of this Meeting, to proceed to acquire, at any time and as many times it considers appropriate, shares of CIE AUTOMOTIVE, S.A., by any means permitted by law, including by way of charges against annual profits and/or unrestricted reserves, all in accordance with section 146 and related provisions of the Spanish Corporate Enterprises Act.*
- 2.- *Annulling the resolution passed by the General Meeting of 24 April 2018 in any parts not executed, authorise the Company to proceed to sell to any third parties or subsequently cancel any shares acquired under this authorisation or the authorisations conferred by the previous General Meetings, all in accordance with section 146 and related provisions of the Spanish Corporate Enterprises Act. Delegate to the Board of Directors the execution of resolutions for the disposal of the treasury shares owned by the Company at any time.*
- 3.- *Approve the terms of these acquisitions as follows:*
 - (a) *That the par value of the shares acquired directly or indirectly, in addition to those already owned by the acquiring company and its subsidiaries, and, if applicable, the parent company and its subsidiaries, does not exceed ten percent (10%) of the share capital of CIE AUTOMOTIVE, S.A., respecting in all cases the limitations established for the acquisition of treasury shares*

by the regulatory authorities of the markets where the shares of CIE AUTOMOTIVE, S.A. are admitted to trading.

- (b) That the acquisition, including the shares that the Company, or person acting in their own name but on the Company's behalf, had previously acquired and held in their portfolio, does not produce effect that the net equity is less than the share capital plus the restricted reserves under the law or the articles of association. For these purposes, the net equity will be considered as the amount classified as such depending on the criteria employed to prepare the financial statements, reduced by the amount of the profits attributed directly to the equity, and increased by the amount of the uncalled share capital, as well as by the nominal amount and issue premiums of the subscribed capital registered in the accounts as a liability.*
 - (c) That the acquisition price is not less than the nominal price nor more than ten percent (10%) of the listed value of the shares at the date of acquisition or, in the case of derivatives, at the date of the contract giving rise to that acquisition. Transactions involving the acquisition of treasury shares must comply with the rules and practices of the securities markets.*
 - (d) That a restricted reserve is established in the net equity equivalent to the amount of treasury shares calculated in the assets balance. This reserve must be maintained until the shares are disposed of.*
- 4.- It is expressly authorised that the shares acquired by CIE AUTOMOTIVE, S.A. subsidiaries in use of this authorisation may be used in whole or in part to be delivered to the workers, employees or managers of the Company, when there is a recognised right, directly or as a consequence of exercising the option rights they hold, for the purposes established in the last paragraph of section 146, part 1(a), of the Spanish Corporate Enterprises Act.*
- 5. Reduce the share capital in order to redeem the treasury shares that CIE AUTOMOTIVE, S.A. may hold on its balance sheet, against profits or unrestricted reserves and for the appropriate or necessary amount at all times, up to the maximum amount of treasury shares held at any time.*

Delegate the execution of the above capital reduction resolution to the Board of Directors, which may perform it in one or several operations and within a maximum period of eighteen months from the date of conclusion of this General Meeting, following all the steps, procedures, and authorisations that are necessary or required by the Spanish Corporate Enterprises Act and other applicable provisions and, in particular, the Board will be delegated so that, within the deadlines and limits established for this execution, it establishes the date or dates of the specific reduction or reductions of capital, their timeliness and appropriateness, taking into account market conditions, share price, the Company's economic and financial situation, its cash position, its reserves and its evolution and any other factor relevant to that decision; specifying the amount of the capital reduction; determining the destination of the amount of the reduction, either to restricted reserves or to unrestricted reserves, executing, where appropriate, the necessary guarantees and complying with legally established requirements; amending article 4 of the Articles of Association to reflect the new

amount of share capital; requesting the delisting of the redeemed shares and, generally, passing any resolutions that may be necessary for the purposes of the amortisation and consequent capital reduction, appointing the people authorised to legalise all these steps.

It is noted that a report justifying the proposal presented here has been prepared by the directors.”

Bilbao, 22 February 2019