

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF THE COMPANY CIE AUTOMOTIVE, S.A. IN CONNECTION WITH THE AGREEMENT REFERRED TO IN ITEM SEVEN OF THE AGENDA OF THE GENERAL SHAREHOLDERS MEETING.

1.- PURPOSE OF THIS REPORT.

This report is prepared by the Board of Directors of CIE Automotive, S.A. (“**CIE Automotive**” or the “**Company**”) to justify the proposal -which is submitted to the approval of the Company’s General Shareholders Meeting called for 8 May 2019, on first call and the following day, 9 May 2019, on second call, under item seven of the agenda–, regarding the delegation of authority to the Board of Directors of CIE Automotive, with express power of substitution, to (i) issue simple bonds or debentures, promissory notes and other fixed income securities, as well as securities exchangeable for and/or convertible into shares of the Company or any other company, whether or not it belongs to the Group, with the authority to disapply the pre-emptive rights of purchase of the shareholders and holders of convertible securities and (ii) the authority to extend the Company’s guarantee to obligations of all kinds derived from issues of securities by its controlled companies.

2. JUSTIFICATION OF THE PROPOSAL.

The current resolution passed by the Ordinary General Shareholders Meeting of 30 April 2014, has expired after its term of five years.

The Board of Directors considers that the proposed resolution submitted to the approval of the General Shareholders Meeting is justified, for a new term, by the appropriateness for the Company to have the mechanism established by current corporate legislation, that allows the Board, within the limits and on the terms and conditions established by the shareholders at the General Meeting, to have the necessary access, without delay or additional costs, to the necessary financing conditions for the development of the business and its strategic plan, and that these conditions be in line with the volume and source of the funds, potentially including primary markets of bonds or debentures.

To this end, under section 319 of the Mercantile Registry Regulations, authorising the General Shareholders Meeting to delegate to the Board of Directors the proposed power to issue negotiable securities, the resolution set forth in item five of the agenda is submitted to the General Shareholders Meeting for approval.

The proposal provides for the authorisation to the Board to issue the aforementioned securities. Section 510 of the consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July, provides that the issue limit for the issue of bonds (section 405 of that Act) is not applicable to listed companies.

Additionally, sections 414 et seq. of the Spanish Corporate Enterprises Act and, analogously, sections 297.1.b) and 506 of the Spanish Corporate Enterprises Act, it is proposed that the Board of Directors have the faculty to issue securities that are convertible and/or exchangeable for Company shares, also authorising the Board to decide at the time of each issue whether or not to disapply the pre-emptive right of purchase and to decide the corresponding capital increase necessary for covering the

convertible and/or exchangeable securities derived from each issue, with the consequent amendment of article 4 of the Articles of Association.

Maximum amount of the issues.

The resolution proposal establishes the maximum amounts for which authorisation is sought. The Board of Directors considers it appropriate for limit of the authorisation requested from the General Shareholders Meeting to be sufficiently broad to allow the necessary funds to be raised in the capital market in order to develop the financing policy of the Company and that of its Group, as applicable.

The maximum limit of the bonds, debentures, promissory notes and other fixed income securities other than notes that may be issued under this delegation of authority amounts to ONE BILLION EUROS (EUR 1,000,000,000). This limit does not refer to the amount of the issue, but to the outstanding balance of the outstanding securities issued under this delegated authority. In this sense, the Board of Directors considers it advisable to include a maximum limit for the debt represented at all times for all the securities that the Company may issue under this authorisation, which will be the overall sum of ONE BILLION EUROS (EUR 1,000,000,000).

Issue of convertible and/or exchangeable bonds Exclusion of pre-emptive right of purchase.

The Board of Directors has included within the proposal of the delegation for issuing securities that are convertible and/or exchangeable for Company shares, also authorising the Board to decide at the time of the issue whether or not to disapply the pre-emptive right of purchase and to decide the corresponding capital increase necessary for covering the convertible and/or exchangeable securities derived from each issue, with the consequent amendment of article 4 of the Articles of Association.

The delegation of the power to disapply the pre-emptive right of purchase of shareholders or holders of convertible and/or exchangeable securities is granted to the Board so that it may decide, in each case, if this exclusion is necessary to capture financial resources in the global markets or if it is otherwise required by the corporate interest. In any event, if the Board of Directors decides to disapply pre-emptive right of purchase regarding a specific issue of securities resolved under this authorisation, it will release a report with the issue stating the specific reasons in the Company's interest justifying that measure, which will be subject to the corresponding auditor's report referred to in sections 414 and following of the Spanish Corporate Enterprises Act.

Issue through subsidiaries

Moreover, in some cases it may be appropriate to carry out the securities issue under this proposal through a subsidiary guaranteed CIE Automotive.

Consequently, it is considered useful for the General Shareholders Meeting to authorise the Board of Directors to guarantee, on behalf of the Company and within the limits indicated above, the new issues of fixed income securities that are made by the subsidiaries during the period of validity of this resolution, in order to grant the Board of Directors the maximum flexibility to structure the issues of securities in the most appropriate way depending on the circumstances.

Admission to trading

Likewise, it is contemplated that the securities issued under this delegation of authority may be admitted to trading on the appropriate secondary market, official or unofficial, organised or not, Spanish or foreign.

Delegation

In the event that the resolution proposed here is finally passed, all the authority that will be attributed to the Board of Directors will be attributed with express power of substitution, so as to further favour the intended objective of seeking agility in the transactions proposed.

The full text of the proposed resolution for the delegation of the authority to debentures or bonds, promissory notes and other fixed income securities is set out below:

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

“FIVE.- *Delegation to the Board of Directors for a period of five years, of the power to issue simple bonds or convertible and/or exchangeable bonds and/or other fixed income securities with a maximum limit of EUR 1,000 million, with allocation of the power to disapply the preemptive right of purchase of shareholders and holders of convertible securities. Authorisation for the Company to guarantee issues of securities by subsidiaries within the limits described above.*

As a result of the expiration of the term corresponding to the delegation adopted by the Company's General Shareholders Meeting on 30 April 2014, delegate to the Board of Directors, pursuant to the provisions of section 319 of the Mercantile Registry Regulations, and based on the general regime for issuing bonds, as well as the Articles Of Association, the power to issue negotiable securities in accordance with the following conditions:

1. **Securities to be issued.**- *The negotiable securities referred to in this delegation may be simple bonds or debentures, promissory notes and other fixed income securities, as well as securities exchangeable for shares of the Company or any other company, whether or not it belong to the Group and/or securities convertible into shares of the Company (the "Securities").*
2. **Term of the delegation.** - *The issuance of the securities under this delegation may be carried out in one or in several operations within the maximum term of five (5) years from the date this resolution is passed.*
3. **Maximum amount of the delegation.**- *The total maximum amount of the issue or issues of the Securities resolved under this delegation will be ONE BILLION EUROS (EUR 1,000,000,000) or the equivalent in another currency at any time, without therefore, the total debt represented at any time by the securities issued under this delegation exceeding the aforementioned limit of ONE BILLION EUROS (EUR 1,000,000,000 Euros).*

4. **Scope of the delegation.**- *The delegation to issue the Securities referred to in this agreement will be extended, as broadly as required by Law, to establishing the different aspects and conditions of each issue (par value, type of issue, price of reimbursement, currency of the issue, form of representation, interest rate, amortisation, subordination clauses, guarantees of the issue, place of issue, applicable law, where applicable, establishing the internal rules of the bondholders syndicate and appointment of the commissioner, in case of issuance of simple bonds and debentures, if this were required, admission to trading, etc.) and to carry out all the necessary procedures, including those established by the regulations of the stock market that may be applicable, for the execution of the specific issues that are resolved under this delegation.*

5. **Bases for and forms of conversion and/or exchange.**- *For issues of convertible and/or exchangeable bonds or debentures, and for purposes of determining the terms and methods of conversion and/or exchange, it is resolved that the following criteria be applied:*
 - a) *The conversion and/or exchange ratio will be fixed, and for that purpose, the convertible and/or exchangeable bonds or debentures will be valued at their par value and the shares at the fixed exchange rate determined in the Board resolution, or at the exchange rate determinable on the date or dates specified in the Board resolution, and depending on the listed value of the Company's shares on the stock market on the date/s or in the period/s taken as a reference in the resolution. In any event, the price of the shares must not be less than the greater of (i) the arithmetic average of the closing prices of the Company's shares in the Continuous Market during the period determined by the Board of Directors, no longer than three months and no shorter than fifteen days before the date on which the Board of Directors, making use of this delegation, approves the issuance of the debentures or bonds, and (ii) the closing price of the shares in the same Continuous Market on the day prior to the Board meeting that, making use of this delegation, approves the issuance of the debentures or bonds.*

 - b) *Under no circumstances may the convertible debentures be issued for less than their nominal value. Likewise, in accordance with the provisions of section 415 of the Spanish Corporate Enterprises Act, debentures may not be converted into shares when the nominal value of the debentures is lower than that of the shares.*

 - c) *At the time of the conversion and/or exchange, the fractions of shares payable to the holders of bonds or debentures will by default be rounded down to the nearest whole number and each holder will receive any resulting difference in cash.*

When an issue of convertible and/or exchangeable bonds or debentures is approved under the authorisation contained in this resolution, the Board of Directors will issue a report explaining and specifying the terms and method of the conversion that will apply to that issue on the basis of the criteria indicated above. This report will be accompanied by the Auditor's report referred to in section 417 of the Spanish Corporate Enterprises Act.

- 6.- **Rights of the holders of convertible securities.**- *The holders of convertible and/or exchangeable securities will have all the rights recognised by current legislation and, especially, the right to be protected by the corresponding anti-dilution clauses.*
- 7.- **Capital increase and exclusion of preferential subscription right in convertible securities.**- *The delegated authority to issue convertible debentures or bonds over newly-issued shares will include:*
- a) *The authority to increase the capital by the amount necessary to meet requests for conversion of convertible bonds over newly-issued shares. This authority may only be exercised to the extent that the Board of Directors, adding the increase in capital to meet the issuance of convertible debentures or bonds and any other capital increases that may have been resolved under the authorisation granted by the General Meeting, does not exceed the limit of one-half of the amount of share capital provided for in section 297.1.b) of the Spanish Corporate Enterprises Act.*
 - b) *The authority to disapply the pre-emptive right of purchase of shareholders or holders of convertible debentures or bonds when this is necessary to capture financial resources in international markets, for the use of techniques based on the prospecting of demand or when otherwise required by the corporate interest. In any event, if the Board of Directors decides to disapply pre-emptive right of purchase regarding a specific issue of debentures or bonds for newly issued-shares resolved under this authorisation, it will release a report with the issue stating the specific reasons in the Company's interest justifying that measure, which will be subject to the corresponding auditor's report referred to in section 506 of the Spanish Corporate Enterprises Act.*
 - c) *The authority to develop and specify the bases for and forms of conversion and/or exchange established in section 5 above and, in particular, to determine the time of conversion and/or exchange, which may be limited to a predetermined period, the ownership of the right to convert and/or exchange the obligations, which may be attributed to the Company or to the bondholders, the manner of satisfying the bondholder (through conversion, exchange or even a combination of both techniques, which may be left at their discretion at the time of execution or even establishing the necessarily convertible nature of the obligations issued) and, in general, any other terms and conditions that are necessary or appropriate for the issue.*
- 8.- **Admission to trading.**- *The Company will apply for, where appropriate, for admission to trading on official or unofficial secondary markets, organised or over the counter, in or out of Spain, for the convertible and/or exchangeable debentures and/or bonds or warrants issued by the Company under this authorisation, with the Board of Directors being given powers as broad as legally required to carry out the formalities and actions needed for the admission to trading before the competent bodies for the various Spanish and foreign securities markets*

It is expressly noted that any subsequent exclusion from trading will be passed with the same formalities as the request for admission, in as far as they apply, and, in this case, the interest of any shareholders or bondholders that may oppose or vote

against the resolution will be guaranteed in the terms envisaged in prevailing legislation. Furthermore, the submission of the Company is expressly stated with regard to any rules that exist or could be pronounced in the future on Securities Markets, and on the contracting, permanence and exclusion from trading.

9. **Guarantee of issues of securities by controlled companies.**- *The Board of Directors also is authorised to extend the Company's guarantee, within the limits indicated above, to new issues of Securities carried out by controlled companies while this resolution is in effect.*

10. **Delegation authority.** *The Board of Directors in turn is expressly authorised to delegate the authority referred to in this resolution under the provisions of section 249.2 of the Spanish Corporate Enterprises Act.*

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

Bilbao, 22 February 2019