1. *Note 7 in the consolidated financial statement, dealing with goodwill and other intangible assets, indicates that goodwill totalling EUR 1.766 billion at the close of 2019 (35% of the Group's assets) was allocated: 'among the Group's cash generating unit (CGU) groupings, by aggregating all the Group's assets and liabilities that jointly and indivisibly generate cash flows from one line of business in each CGU grouping based on the standpoint of technology and/or geography and/or customers, according to their shared synergies and risks'. These CGU groupings match up with the group's management segments or units (Note 5 indicates that they basically correlate to the geographical areas where each of the production plants is located), itemised as follows:*

Thousands of euros	**31 Dec 2019**	**31 Dec 2018**
Brazil	91,144	92,303
North America	325,688	184,146
Asia	683,335	191,467
Mahindra CIE Europe	332,106	332,106
Rest of Europe	333,248	196,880
TOTAL	**1,765,521**	**996,902**

That same note explains that the recoverable amount of each CGU grouping is determined based on value in use calculations according to the six-year financial budgets approved by management. In addition, the following key assumptions were used: (i) the after tax discount rate for each CGU grouping; (ii) the percentage EBITDA on sales and the expected future growth rate beyond the 6-year period, both of these at the aggregate "automotive" level (not broken down by CGU grouping). These last two assumptions have the following ranges (part of the data has been taken from the consolidated 2018 and 2017 financial statements):

	2019	**2018**	**2017**
EBITDA (% on sales)	**2.82%-50.19%**	3.97%-40.24%	3.00%-39.52%
Growth rate beyond the forecast period (g)	**1%-7%**	1%-6%	1%-6%
Forecast period	**6 years**	5 years	5 years

The analysis result did not yield any impairment in 2019 or 2018. Nor is any risk of impairment discernible in the sensitivity analysis performed by the company (described in Note 4.1). In view of the importance of balance sheet goodwill, recovery of goodwill being one of the key audit matters, further information should be furnished in the response to this report, as per IAS 36.134, for a better understanding of the financial statements in relation to the impairment test performed on 31 December 2019:

1.1 Provide further information on the factors used to identify the business segments or units and on the reasons for their change in 2018 by separating Asia and Mahindra CIE Europe, in accordance with Note 5 in the consolidated financial statement for that year (IFRS 8.22a).

The CIE Automotive Group (the "Group") operates in the automotive industry and is active in the global market with a uniform group of car manufacturers (OEMs) in the various extant geographical markets.

As explained in the consolidated financial statement as of 31 December 2019, the Group's business model is based on two strategic axes, multi-technology and the global market, which entails the ability to supply any technology anywhere in the world. In this regard, taking into account the various factors set forth in IFRS 8 "Operating Segments", the Group divides its area of activity into three geographical markets: America, Asia, and Europe. The geographical markets in America and Europe are in turn divided into two different management units each, North America and Brazil for the American market and Mahindra CIE Europe and the rest of Europe for the European market.

The Group defined the management units (the "segments") used to break down the consolidated financial statement for 2019 on the basis of the structure of the reports examined by the Strategy and Operations Committee, the Group's highest level of operational decision-making. In this regard, since the Strategy and Operations Committee analyses the business from the standpoint of the geographical markets in which it operates, in addition to considering the three large markets in which it operates, the Group carried out a more detailed breakdown based on both qualitative and quantitative factors in accordance with the factors contained in IFRS 8, set out below:

America North America and Brazil

The traditional view of Brazil as a separate segment within the American market is due by the following quantitative and qualitative factors:

- Relative historical importance of sales and profit or loss greater than 10%
- Sales mainly made in a local Brazilian market and hence decision-making by highly localised customers in the geographical area itself
- Highly particular regulatory environment

In the particular case of the North American segment, both the Group's decision-making and the external indicators consider it a single market composed of Mexico (and the Central American countries), the United States, and Canada (where the Group has no plants), due to the flow of commercial and production activity in this geographical area.

Separation of the reported segment between Mahindra CIE Europe and Asia

The Group modified the breakdown of its segments on 31 December 2018, separating the CGU groupings which until that year had made up "Mahindra CIE" into Mahindra CIE Europe, encompassing the business of the Mahindra CIE subgroup on that continent, and "Asia", encompassing the business of the Indian plants of the Mahindra CIE subgroup and the Chinese companies, whose representativity for the Group had been residual up to that date.

The change in the breakdown of the financial information responds to the Group's alignment with division of the automotive market into three clearly differentiated geographical markets and the level of decision-making for both markets within the Group.

Lastly, the Group defined the "Mahindra CIE Europe" segment as separate from the "Rest of Europe" because of that segment's particular characteristics for decision-making within the Group and the technical particularities of its operations, projects, and market plus the relative importance of that segment's profits or losses and assets.

1.2 List the CGUs (companies, countries, production plants, or other) and explain in more detail the reasons why, as indicated in Note 2.9 in the consolidated financial statement, each itemised CGU grouping is considered to represent the lowest level within the company in which goodwill is tested for internal management purposes (IAS 36.80).

The cash generating units (CGUs) basically correspond to each of the Group's operating plants. In most cases the plant belongs to one legal entity, but there are also cases in which a legal entity has several production plants in different locations producing parts using different technologies.

The Group assigns and assesses goodwill at the lowest level, where it is tested for internal management purposes either at the CGU level or, where applicable, as CGU groupings expected to reap the benefits of the business combination synergies.

The Group has checked that the goodwill allocated to CGUs or CGU groupings corresponds to the lowest level where goodwill is tested for internal management purposes, in accordance with IAS 36. This is mainly due to the qualitative factors itemised previously, which involve the following factors:

- Each CGU or CGU grouping has the capacity to move/transfer cash inflows between different CGUs based on operational and commercial needs at any given time, including assets related to each of the projects the Group carries out, and indeed does so.
- Cash inflows to each cash generating unit are subject to appropriate approval by the Group's management units.
- In a globalised market with relatively standard production processes, the Group and its management units have sufficient flexibility to modify and adjust production processes within each CGU or CGU grouping.

In addition, it should be pointed out that due to growing globalisation of the sector and markets, crossed cash inflows are increasing even between the CGUs or CGU groupings managed by the Group, although these crossed cash inflows do not account for the majority.

Although goodwill is allocated to each CGU or CGU grouping, it is reported by the segments to which they belong as itemised in the consolidated financial statement as of 31 December 2019, as follows:

- North America: includes the CGUs and CGU groupings of Mexico and the United States of America.
- Brazil: includes Brazilian CGUs and CGU groupings.
- Asia: includes the Indian CGUs and CGU groupings of Mahindra CIE and those in the People's Republic of China.
- Mahindra CIE Europa: includes the European CGUs and CGU groupings of the Mahindra CIE Automotive subgroup.
- Rest of Europe: includes the Group's other CGUs and CGU groupings whose operations relate to the European market.

1.3 *Note 7 in the consolidated financial statement for 2018 stated: "after the Asian and Mahindra Europe segments were split in 2018, the goodwill that had historically been allocated to that segment was likewise split and allocated to each cash generating unit based on the value attributable to each of the companies making up the unit." Explain in more detail the reasons for changing the allocation of goodwill in 2018 and how the value assigned to each was determined.*

The Group divided up the goodwill allocated to "Mahindra CIE" between Mahindra CIE Europe and Asia based on the factors described in sections 1.1 and 1.2. Until then, given that the goodwill had contributed to cash flow generation from various CGUs, the Group had been evaluating recovery of the aforementioned goodwill to the lowest level at which it was tested for internal management purposes taking into account the synergies forecast at source and the similar risk management and the fact that for practical purposes it came from the CGU groupings of the aforesaid segment, and no indications of impairment had been detected.

The goodwill was split up in accordance with IAS 36.87 based on the Enterprise Value resulting from the internal analysis of the future generation of cash flows in each of the geographical markets in which each of the CGUs making up the CGU groupings in the segment were located at the time. It should be noted that the Enterprise Value was the parameter that best reflected the amount paid by each of the CGUs that made up these management units.

It should further be noted that there was also no impairment in the segments as reported prior to the change.

1.4 *Expand the explanation included in Note 2.10 on how impairment losses of tangible fixed assets was assessed, indicating, inter alia, the impairment indices used and whether the valuation was performed at the asset, at CGU, or at the CGU grouping level.*

The assets are subject to ongoing assessment by the technicians at each production plant (CGU) and the Controlling team, with project profitability testing based on the available projections at the time and considering indications of impairment of the assets associated with projects with poor returns.

Aside from ongoing project assessment, the Group performs a yearly update of financial forecasts for each CGU (plant in operation), ordinarily for 5-year periods (6 years in 2019 as indicated in section 1.8 below), used for formal recoverability testing for the carrying amount of all tangible and intangible assets for each production plant. That yearly assessment serves to be able to record all potential impairment losses, if any.

In addition to this yearly systematic analysis at the CGU level (reviewed whenever there are any indications of possible impairment), each plant monitors each project and the value of the assets associated with each project. If any asset is identified as having no (or much lower than expected) activity because of hypothetical project cancelations or the like and lacks the flexibility to be recoverable, the corresponding impairment is recognised even if there is no problem with recoverability of the value of the assets at the CGU level.

It should be noted that the process for approving investments in the Group is very demanding in terms of the required return on investment and that a high percentage of the assets are flexible and thus suitable for various projects at different plants or in different countries, so rarely are there situations in which the carrying amount of assets is not recoverable.

1.5 Disclose the growth rate for each CGU grouping for extrapolating projections beyond the 6-year period (g) and the percentage EBITDA on sales and provide an explanation of variations in those considered the previous year.

The growth rates (g) used for the period beyond the forecasts for 2019 and 2018 were as follows, by CGU and CGU grouping reported by segment:

Growth rate (g)	2019	2018
Brazil	4.50%	4.00%
North America	2.00%	1.0%-2.0%
Asia	4.0%-7.0%	2.0%-6.0%
Mahindra CIE Europe	1.50%	1.00 %
Rest of Europe	1.5%-2.7%	1.0%-2.5%

The corresponding changes for 2018 mainly involve updating the macroeconomic data on inflation and economic growth in each of the countries in which the Group operates, considered to be the main measurement factors for estimating the growth rate in current measurement models.

The range of assumptions for the expected future growth rate included in Note 7, "Goodwill and other intangible assets", in the consolidated financial statement for 2019 corresponds to the minimum and maximum growth rates for 2019 and 2018.

The EBITDA margin on sales both for the period projected by the Group and for the perpetuity periods used for 2019 (last projected year 2025) and for 2018 (last projected year 2023) was:

EBITDA margin by segment	Average in the forecasts		In the perpetuity flow	
	2019	2018	2019	2018
Brazil	19.55%	19.25%	20.79%	20.48%
North America	22.97%	24.58%	23.07%	25.06%
Mahindra CIE Europe	14.13%	13.83%	14.42%	13.67%

Asia	15.47%	17.18%	16.34%	17.73%
Europe	18.91%	20.04%	20.13%	20.33%
CIE Group	**18.53%**	**19.57%**	**19.23%**	**19.98%**

The average margin given was obtained by dividing the sum of the EBITDAs for each segment by the sum of sales for the years making up the projection period (Example: 2019 weighted average = ∑EBITDA 20-25/∑Sales 20-25)

The slight decrease in the EBITDA margin on sales considered for 2018 was mainly caused by incorporating production plants into the business combinations for 2019 in the CGUs making up the North American and Asian segments, which yielded margins below the Group's standards. That is, in no case was the decrease in the margin caused by worse performance of the business in 2019 compared to the previous year.

The range of EBITDA margin assumptions included in Note 7, "Goodwill and other intangible assets", in the consolidated financial statement for 2019 was equal to the minimum and maximum EBITDA margins for all the plants in operation for the entire projection range. As indicated in section 1.6(i) below.

1.6 *Turning to the ranges of the itemised EBITDA margin assumptions while taking into account that, according to the information by segment furnished in Note 5, the following EBITDA margins per management unit were inferred for 2019 (which, furthermore, decreased from 2018 to 2019 in all cases except Brazil):*

'000 EUR	**NORTH AMERICA**	**BRAZIL**	**ASIA**	**MAHINDRA CIE EUROPE**	**REST OF EUROPE**	**TOTAL**
Net Turnover	*917,025*	*325,512*	*757,981*	*527,707*	*932,827*	*3,461,052*
EBITDA	*201,572*	*58,991*	*116,881*	*70,293*	*146,622*	*594,359*
EBITDA Margin	*22%*	*18%*	*15%*	*13%*	*16%*	*17 %*

(i) *Expand the explanation of the itemised EBITDA scenario by clarifying, for example, whether the values are the average margins for the forecast period or the values that are expect to be reached at the end of the 6-year period*

It should be noted that the decline in the EBITDA margins for each segment in 2019 was greatly conditioned by the incorporation of the business combinations carried out in that year, namely, Aurangabad Electricals ("AEL"), CIE Golde, and Mapremex, as explained in Note 33 on the Business Combination in the consolidated 2019 financial statement.

As reported for relevant events in 2019, incorporation of the three businesses brought operating margins that were appreciably lower than the Group's standards in each of the geographical areas. In addition, it should be noted that this margin dilution is not complete in the Group's consolidated 2019 results, since the incorporations took place over the course of the period, not at the beginning of the period (1 January).

Also, there were some non-recurring expenses in the incorporated businesses in 2019 that caused the consolidated margins to be even lower than the recurrence.

Removing the dilution in the business combinations in North America, Asia, and Rest of Europe, the EBITDA margin for all geographical areas in 2019 increased compared to 2018 except for Mahindra CIE Europe, where margins were in line with the previous year.

The range of EBITDA margin assumptions included in Note 7, "Goodwill and other intangible assets" in the consolidated 2019 financial statement includes the minimum and maximum EBITDA margin for all plants in operation for the entire projection range (6 years). The breakdown of the EBITDA margin by CGU by segment and the average for the business projections are:

EBITDA margin by segment	Minimum	Maximum	Weighted Average
Brazil	14.76%	27.57%	19.55%
North America	6.07%	50.19%	22.97%
Mahindra CIE Europe	4.96%	21.45%	14.13%
Asia	5.22%	33.04%	15.47%
Europe	2.82%	40.00%	18.91%
CIE Group	**2.82%**	**50.19%**	**18.53%**

The minimums were for newly incorporated companies that had not yet experienced improvement in their margins after being added to the Group.

(ii) Bearing in mind that, as indicated in the key audit matters, management's estimates include expected sales, furnish at least a qualitative description of sales forecasts for the 6-year projection period.

Sales estimates are made at the level of each CGU and below, at the level of each project, taking into account:

a) Firm orders at the time the budget for each production project is drawn up.
b) The demand portfolio of the different customers for each project according to estimates provided by each in the project proposal letters or in periodic updates.
c) Production unit estimates for projects opened in the budget period according to internal estimates based on the management team's experience, contrasting information from customers and independent outside sources (mainly IHS Markit), providing sales forecasts for each vehicle model in each market.
d) Future projects for which the Group has already been proposed but which have not started.

In short, the Group's sales projections are not prepared based on general market growth, but rather all projects at each plant in operation for which demand is estimated for each year are used, and estimates from independent external indicators (IHS Markit) are combined with the Group's experience in market behaviour. Sales prices undergo few changes during project lifetimes and are mainly set at the time of the customer's proposal.

When sales have been estimated, plant management calculates the plant's production costs based on those sales taking into account the current situation and also drawing up and planning any appropriate efficiency plans to be implemented.

(iii) Taking into account the extent of the range considered, furnish a description of the approach used by management to set the value(s) assigned to this key scenario for a better understanding of the data furnished, for instance: (a) an explanation of the percentage weighted average for EBITDA margins by the proportion of inflows obtained by each CGU within the CGU groupings; (b) an explanation of the increase in the upper range in this scenario in recent years; and (c) information on the impact on the assumptions for the 2019 business combinations.

The EBITDA margin for 2019 and the average for the 6-year projections used for the perpetuity flow considered for the CGUs and CGU groupings reported by the segments to which they belong are as follows:

EBITDA margin by segment	2019	Average in the forecasts	In the perpetuity flow
Brazil	18.12%	19.55%	20.79%
North America	21.93%	22.97%	23.07%
Mahindra CIE Europe	13.32%	14.13%	14.42%
Asia	15.42%	15.47%	16.34%
Europe	15.77%	18.91%	20.13%
CIE Group	**17.17%**	**18.53%**	**19.23%**

As can be seen from the margins presented, the Group does not make aggressive projections. The slight improvement observed both in the 6-year forecasts and in the perpetuity flow is mainly due to standardisation of the margins for the new businesses incorporated in 2019, which, as explained, was detrimental to the consolidated margins for the 2019 financial year.

(iv) Since the upper range in the itemisation is well above the 2019 and 2018 margins per management unit, explain why this is reasonable taking into account the actual margins in 2019.

The requirements for this section were broken down in section 1.6 (iii) above. The information provided in the consolidated 2019 financial statement provides the minimum and maximum margins for the entire projection period; in both cases it is well below/above the margins for both the 2019 financial year and the average projections.

Having this request in mind, the Group will consider providing this information to avoid misunderstandings when the consolidated 2020 financial statement are being prepared.

1.7 Explain how the "standardised annual inflow" used to calculate the residual value is determined and in addition specify the percentage of the recoverable amount obtained accounted for by the residual value.

The "standardised annual inflow" considers the EBITDA for the last year of the budget less the maintenance investments needed to maintain each plant's activities; in the case of the Group this comes to between 2 and 4% of sales depending on the region and technology; discounted by standardised tax payments for future recurrence consistent with the tax situation in each geographical area/jurisdiction.

As of 31 December 2019, the percentage of the inflows accounted for by the residual value compared to the recoverable value obtained amounted to 76.8% (31 December 2018: 75.9%).

1.8 Explain the reasons for using a projection period of more than five years from 2019.

On 31 December 2019 the Group used the latest available information on the budgets approved by the Board of Directors. At that date, the available budget approved by the Group was for a period of six years from 2020 to 2025.

1.9 Although it appears from the sensitivity analysis contained in Note 4.1 in the consolidated financial statement that there is no risk of impairment, clarify and furnish more information in this regard and explain the reasons why these variations are considered "reasonably likely".

The matters that need to be clarified include: (i) indicating what is meant by the statement "the estimated revised discount rate"; (ii) explaining what "simulations using other growth rates" were made; (iii) indicating whether the 10% changes relate to the absolute or relative EBITDA on sales. Provide data on the sensitivity analysis of g.

The revised estimated discount rate refers to the 10 percentage point penalty on the discount rates by CGU grouping applied to the discounted cash flows considered in the projections used to support recoverability of the Goodwill.

The Group's other simulations used the following assumptions besides the penalty on the discount rate explained in the previous section:

- Consideration of the perpetuity flow as being equal to the last year's budgeted flow, i.e., applying a growth rate (g) equal to 0.
- Joint penalties on the assumptions based on:
    - A 10 percentage point lower change in the absolute EBITDA,

- Reduction of the growth rate (g) to minimum levels (between 0% and 3.5% depending on the geographical area).

The simulation carried out considering each of the aforementioned scenarios did not disclose any risk of impairment of any goodwill allocated to the various CGU groupings.

The growth and discount rates are assumptions based on external variables outside the Group's ability to act; in this regard, a more conservative review of these variables is carried out to check that significant change in these variables would not jeopardize recoverability of the assets being assessed. Historically, the assumptions used to estimate the discount rate and the perpetuity growth rate have not exhibited appreciable deviations, hence 10% of the discount rate and the reduction made in the growth rate are considered to be sufficiently conservative estimates for the purpose of putting relevant stress on the impairment test performed.

The CIE Group's track record in the automotive business has shown its annual budgets and strategic plans (from which the projections for the impairment tests are taken) to be modest and to have been amply fulfilled and even improved in all cases. The Group therefore considers that a 10 percentage point cut in its gross operating margins is more than sufficient for the sensitivity analysis.

In addition, the Group carried out an analysis to estimate the recoverable value of the CGU groupings on the basis of a 5-year budget, and the conclusions obtained when using the 6-year budget indicated in Note 7 in the consolidated 2019 financial statement did not change significantly.

2. *Note 2.2 of the individual report on critical aspects of measuring and estimating uncertainty indicates, with respect to "Impairment of valuations of stakes in Group and associated companies", that the recoverable amounts are determined based on the value in use and that the estimates are carried out "at the level of the groupings of cash generating units (CGUs) defined at the level of the CIE Automotive Group aggregating the various individual plants or companies", based on the same assumptions and sensitivity analysis as regards the consolidated goodwill impairment test in the consolidated financial statement.*

On the other hand, Note 8 in the individual report lists the following direct stakes in Group companies, all 100% investees:

Company	Net Equity		Profit/(Loss) from operations	Profit/(Loss) for the year	Book value in parent company	Dividends received (Note 18)
	Principal	Reserves				
2019:						
Cie Berriz, S.L. (Bizkaia)	60,101	226,028	24,833	19,849	251,874	70,000
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	4,498	1,482	1,164	8,528	1,142
Advanced Comfort Systems France, S.A.S. (France)	3,100	28,054	2,567	2,058	57,132	–
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	2,577	(500)	(1,493)	4,804	–
CIE Automotive Boroa, S.L.U. (Bizkaia)	368,535	–	6,908	7,040	737,060	–
CIE Roof Systems, S.L.U. (Bizkaia)	10	15,986	2,086	(5,125)	15,996	–
TOTAL					**1,075,394**	**71,142**
2010:						
CIE Berriz, S.L. (Bizkaia)	60,101	298,064	35,416	(2,036)	251,874	–
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	450	7,300	1,404	1,143	8,528	1,279
Advanced Comfort Systems France, S.A.S. (France)	3,100	25,210	3,707	2,844	57,132	–
Autokomp Ingeniería, S.A.U. (Bizkaia)	180	999	(3)	(1,126)	2,101	–
TOTAL					**319,635**	**1,279**

Furthermore, the Appendix lists the companies Cie has invested in directly and indirectly, with the direct parent company for each. Four of the direct investees are in turn observed to be heads of sub-groups that include companies located in several geographical areas in their turn corresponding to different management units (segments) of the consolidated grouping.

The above table shows that, in all the stakeholdings except Cie Berriz SL, the net book value of the stake exceeds the individual net equity of these companies.

In this connection, one of the key audit matters, provide the following information:

2.1 *Explain in more detail how the impairment test of their stakes in Group companies (which account for 44% of individual assets) is performed and state the CGU groupings to which each has been assigned for impairment testing purposes.*

The review of the impairment test of the book holdings of the Group's head company is carried out at least at the end of each financial year. This test is based on comparing the book value of each stakeholding with the recoverable value associated with each of its direct holdings, in most cases corresponding to holding companies whose main activity consists of holding shares in the legal companies that own the plants making up the Group. This test is performed based on the cost of the shares to be recovered from the shares at the lowest level at which they are found. In cases where the equity value of the investment is less than the stakeholding held by the direct investor company, the Group verifies that the value in use of each of the companies exceeds the cost of that stakeholding.

To test the recoverability of stakeholdings, the Group considers the value in use of each of its direct investees, the value in use understood to be the current value of the future cash flows arising from each investment and its related subsidiaries less the net financial debt for each stakeholding (equity value).

For all the holdings, the value in use resulting from the test performed on 31 December 2019 is higher than the book cost.

The breakdown of the companies making up the indirect holdings of the parent company follows:

- Autokomp Ingeniería, S.A.U.: the company's investee companies belong to the management units North America, Asia, and Brazil.
- CIE Berriz, S.L: this company's holdings are present in all of the Group's management units.
- Advanced Comfort Systems France, S.A.S. is an operational plant that also holds stakes in companies in the management units Asia and Rest of Europe.
- CIE Roof Systems, S.L.U. is a holding company created in 2019 that holds stakes in various companies brought in after the acquisition of CIE Golde. Its investee companies are included within the management units North America, Asia, and Rest of Europe.

CIE Automotive Boroa, S.L.U. and ACS Ibérica, S.A.U. are national companies that have no holdings in subsidiary companies and are included in the Rest of Europe segment.

Of the aforesaid subsidiary companies, CIE Berriz, S.L. and CIE Automotive Boroa, S.L.U. are the only ones whose equity value exceeds the cost of the stake recognised by the parent company. In this regard, the Group verified that the stakeholding cost recognised for the other subsidiary companies is recovered by their value in use; no indication of any impairment was found in the test of recoverable value carried out at the lowest level. In addition, for CIE Berriz, S.L., the holding company with the largest number of subsidiaries, the Group also verifies that the cost of the recognised stakeholdings is recovered at this level.

2.2 *Explain why the test is not performed for each investment individually.*

The test for each stakeholding held by any Group company is carried out individually both at the level of the parent company and at lower levels. In the case of investee companies whose activity is holding the Group's subsidiary companies, the value in use of these companies is determined by aggregating the value in use of the investments, since an individualised value in use for these companies would in no case reflect their true economic situation. Where a lower level investee company exhibits signs of impairment, it is recognised under its direct investor company and is tested for each situation if the impairment recognised applies to recoverability of the investments in the investee companies held by the parent company.

2.3 *Show that the impairment test is in conformity with 2.5.3 Impairment of value in part two, recognition and measurement standards, of the Generally Accepted Accounting Principles, and the ICAC [Spain's Accounting and Audit Institute] Decision of 18 September 2013 on impairment of assets.*

In accordance with the explanations in sections 2.1 and 2.2, testing of possible impairment is carried out following the aforementioned accounting standards. As was the case with the conclusions from the recoverability test performed for goodwill, as of 31 December 2019 there was sufficient margin of recoverability for each of the stakeholdings. In addition, none of the sensitivity scenarios contemplated in section 1.9 of this requirement raises a fall in the value in use of the holdings that might entail impairment.

2.4 *In the case of Cie Automotive Boroa, which, as indicated in Note 8 and the Appendix, a holding company formed in Spain in 2019: (i) explain their equity position at the close of 2019 taking into account that the book value of their holdings is EUR 737 million and their net equity (capital) is EUR 368.5 million; (ii) explain more about the activities it carries out, taking into account that the appendix list of subsidiary and associated companies contains no investee companies for this subsidiary; and (iii) state whether test results led to the conclusion that there was any indication of impairment at the close of 2019 and what future cash flows were to be or have been considered for impairment testing of this holding.*

It should be mentioned here that Note 8 in the parent company's financial statement as of 31 December 2019 indicated that the incorporation of CIE Automotive Boroa, S.L.U. for the amount of 737.060 million euros was one of the main assets brought on stream in 2019, but it does not indicate whether the aforementioned amount includes the share premium of 368.525 million euros recognised by that company. Therefore, the company's equity on 31 December 2019 was 744.100 million euros, which exceeds the amount of the investment in it held by the parent company on that date.

Furthermore, it needs to be explained whether the company's main activity under its designation as a "holding company" is to provide financing for other Group companies.

The CIE Automotive Group will take all the above-mentioned points into consideration when drawing up its financial statement for the year that ended on 31 December 2020.

3. *The summarised consolidated half-yearly financial statement for the Cie Group for the six-month period that ended on 30 June 2020 (CBCR H1 2020) exhibited a sharp decline in results compared to that same period the year before. There is a decrease of 29% in turnover, 60% in operating profit (EBIT), 66% in consolidated profit(loss) for the year, and 98% in cash generated by operating activities, with the EBIT margin over sales dropping from 13.3% in H1 2019 to 7.5% in H1 2020. The values by management unit appear below:*

'000 EUR	**NORTH AMERICA**	**BRAZIL**	**ASIA**	**MAHINDRA CIE EUROPE**	**REST OF EUROPE**	**TOTAL**
Net Turnover	**296,217**	**78,380**	**305,448**	**160,119**	**368,073**	**1,208,237**
Variation H1 20 – H1 19	*-33%*	*-53%*	*-6%*	*-47%*	*-21%*	*-29%*
EBIT	**36,982**	**5,955**	**25,087**	**-2,026**	**24,156**	**90,154**
EBITDA	**52,512**	**9,910**	**39,269**	**5,424**	**46,390**	**153,505**
Variation EBITDA H1 20 – H1 19	*-47%*	*-68%*	*-21%*	*-87%*	*-47%*	*-50%*
EBITDA Margin	18%	13%	13%	3%	13%	13%
Variation EBITDA Margin H1 20 – H1 19 pp	-5%	-6%	-3%	-10%	-6%	-5%

On the other hand, Note 1 in the CBCR H1 20 explains that the impact of the Covid-19 pandemic had significantly affected vehicle production.

On 25 March and 20 May 2020, ESMA published documents relating to the accounting implications of Covid 19 for calculating expected losses due to credit risk in accordance with IFRS 9 and the implications of Covid 19 for half-yearly financial statements, respectively. ESMA considers that, while the half-yearly financial information is an update of the last financial reports (IAS 34.6), given the size of the economic changes that have taken place in the interim period, the interim information must be broken down sufficiently to enable investors to understand the significant events and transactions that have occurred since the closing of the last financial year (IAS 34.15B and 16A).

Despite the recovery in EBITDA margins in the three months of the third quarter of 2020, sales in these three months fell by 13% (-23% in the first nine months of 2020). In this connection, the following observations were made regarding the half-yearly financial report as of 30 June 2020 which should be supplemented by further information in the response to this report because of their importance to the company:

3.1 The Group's goodwill is EUR 1,769.6 million (36% of total assets) on 30 June 2020. According to Note 2.4 regarding Accounting Estimates and Opinions in the half-yearly financial report as of 30 June 2020, "The Group does not consider that the production shutdown caused by the [Covid-19] crisis affects the recoverability of goodwill set forth in its consolidated financial statement as of 30 June 2020, since the impact of this crisis is considered to be short term, inasmuch as the market has begun to show increases in production levels and the (internal and external) estimates for the coming months reflect a substantial increase in the market. Therefore, the Group does not consider the conclusions of the tests and estimates made as of 31 December 2019 to have changed significantly".

In this regard, reference is made to Note 7 in the consolidated annual financial statement for 2019, and in addition to Note 5 in CBCR H1 20, a summary of the assumptions used and the sensitivity analysis included in the 2019 financial statement.

ESMA has pointed out that when assessing whether there are indicators of impairment of assets pursuant to paragraphs 9 and 12 of IAS 36, the effects of Covid 19 should be considered in detail, since in ESMA's view this is a key impairment indicator under IAS 36. It is very important in this connection to update the itemisations related to the underlying significant opinions and assumptions as well as the sensitivity analyses (for example, increasing the range of possible reasonable changes to key assumptions) as required by paragraphs 122 and 125 of IAS 1 and paragraphs 134(d) and 134(f) of IAS 36.

Consequently, the following information as of 30 June 2020 must be updated:

3.1.1 Explain in more detail the reasons why: "the conclusions of the analyses and estimates carried out as of 31 December 2019 are not considered to have changed appreciably", and indicate the differences that have occurred between the flows for 2020 estimated by the test performed in 2019 and the actual flows occurring until 30 June 2020.

Also state whether further changes in the flows are expected to occur over the rest of the forecast period and explain whether these conclusions are based on external industry reports.

The Group's results as of 30 June 2020 as compared to the equivalent results for the same period the previous year can only be understood in the context of the trends in the automotive market in the first six months of 2020 and the consequences the pandemic has had in the various geographical areas.

To this end, the Group compares the changes it has undergone with those for global vehicle production with the help of industry reports published by IHS Markit using information from specialised international databases.

Thus, as indicated in the interim management statement from June 2020, the market data relating to the global production of vehicles framing the Group's results in the first half of 2020 are as follows:

	JUNE 2019	JUNE 2019	Market decline	Market weight in CIE
CIE market				
Europe	11,150,580	6,635,832	-40.5%	-17.0%
NAFTA	8,480,166	5,092,681	-39.9%	-10.3 %
Brazil	1,405,369	686,127	-51.2%	-4.8 %
China	11,514,636	9,260,152	-19.6%	-1.9%
India	2,249,656	1,101,370	-51.0%	-6.4%
TOTAL MARKET	**45,062,265**	**30,104,485**	**-33.2%**	**-40.4%**

The global vehicle production market has fallen by 33.2% compared to the previous year, but transferring these developments to the markets in which the Group operates and weighting their share or relative importance in the results, the comparable market decline for the Group comes to 40.2%. In this respect, the Group has done better than the market by 12.6 p.p., with a decrease in turnover compared to the previous year limited to 27.8% (additional negative conversion rate effect of 1.2%).

The Group relies on external reports issued by IHS Markit to ascertain first-hand what the forecasts and prospects of the automotive industry are at the global level and how the market is developing for contrast with the internal projections and comparators resulting from its own production and high-level talks with customers and customer expectations. Specifically, the Group's performance is continuously monitored by accessing IHS Markit's forecasts and data on future trends from its analyses of the vehicle production market.

In the COVID situation, IHS Markit has continued to assess, analyse, and update the prevailing vehicle production and sales forecasts in the light of the various containment measures and the news that becomes available concerning measures taken by the OEMs, announced plant closures, and limitations on dealers' activities.

In the first quarter of 2020, the initial effects the pandemic was going to have on global production trends for vehicles began to come to light in a context of great uncertainty. IHS Markit forecasts at the time already predicted a challenging first half of 2020 with a considerable drop in production volumes concentrated in the second quarter of the year with an immediate recovery starting in the third quarter. This trend was confirmed in the monthly updates IHS Markit issued as the year advanced.

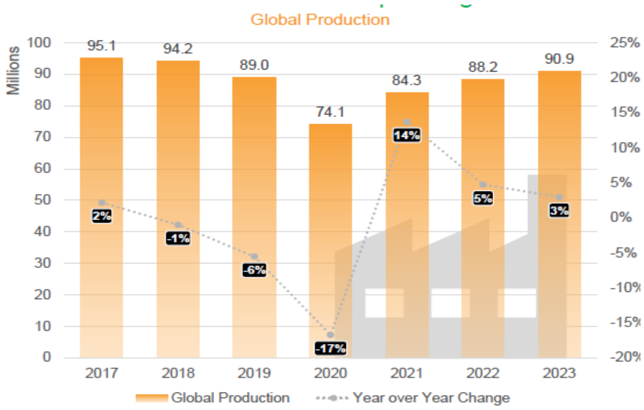
Based on these forecasts and taking into account the evolution of the Group's results, which as explained above achieved returns well above the market, the COVID situation notwithstanding; and considering the sensitivity analyses and stress tests carried out to identify potential recoverability risks and recoverable amounts in excess of book values (see the explanation in section 1.9 above), by 30 June 2020 the Group was able to conclude that the production stoppage would have a limited and short duration and was therefore not a structural problem and did not require new conclusions regarding potential impairment of the recorded goodwill with respect to those of the analyses and estimates performed on 31 December 2019.

Today, based on IHS Markit's data on vehicle production as updated in its last release in November 2020, it can be said that no additional significant effect is expected for the years 2020 and 2021 apart from the left-over effects associated with the events that took place in 2020. While the extent of the risk posed by Covid 19 is unclear and further interruptions cannot be completely ruled out, the Group takes as its reference point its management experience and performance in the critical months of the pandemic together with the evolution of the estimated figures for the Group at year's end, and this strengthens its view that market behaviour is short term and that margins can be expected to recover in the third quarter as compared with the same quarter in 2019. This means, then, that no significant deviations in flows are expected in the other projection periods.

Below are forecasts issued by IHS Markit in recent months indicative of trends in vehicle production worldwide in the context of the geographical areas that affect the Group's market.

IHS ESTIMATE – Vehicle production (units)

DECEMBER 2019	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Global Production	**94,191,866**	**88,775,550**	**88,593,508**	**90,912,041**	**93,111,810**	**96,068,907**	**98,327,622**	**100,248,037**	**102,484,453**
		-5.8%	*-0.2%*	*2.6%*	*2.4%*	*3.2%*	*2.4%*	*2.0%*	*2.2%*
CIE market	**71,035,694**	**66,743,551**	**66,960,597**	**69,149,433**	**70,829,305**	**72,949,718**	**74,647,943**	**76,252,682**	**78,294,568**
		-6.0%	*0.3%*	*3.3%*	*2.4%*	*3.0%*	*2.3%*	*2.1%*	*2.7%*
MARCH 2020	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**	**CY 2025**	**CY 2026**
Global Production	**94,169,690**	**88,863,571**	**70,027,623**	**80,431,583**	**85,849,664**	**89,113,643**	**91,372,517**	**93,611,467**	**95,532,314**
		-5.6%	*-21.2%*	*14.9%*	*6.7 %*	*3.8%*	*2.5%*	*2.5%*	*2.1%*
CIE market	**71,038,648**	**66,841,941**	**52,581,088**	**60,867,528**	**65,004,081**	**67,696,648**	**69,615,538**	**71,504,672**	**73,246,802**
		-5.9%	*-21.3%*	*15.8%*	*6.8%*	*4.1%*	*2.8%*	*2.7%*	*2.4%*
JUNE 2020	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**	**CY 2025**	**CY 2026**
Global Production	**94,169,688**	**88,950,949**	**69,506,282**	**79,110,900**	**84,565,582**	**88,131,407**	**90,755,534**	**93,340,720**	**95,120,002**
		-5.5%	*-21.9%*	*13.8%*	*6.9%*	*4.2%*	*3.0%*	*2.8%*	*1.9%*
CIE market	**71,038,646**	**66,913,860**	**53,000,874**	**60,300,502**	**64,352,561**	**66,982,841**	**69,152,947**	**71,174,798**	**72,792,034**
		-5.8%	*-20.8%*	*13.8%*	*6.7%*	*4.1%*	*3.2%*	*2.9%*	*2.3%*
NOVEMBER 2020	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**	**CY 2025**	**CY 2026**
Global Production	**94,170,236**	**88,959,111**	**74,083,062**	**84,253,095**	**88,246,831**	**90,870,639**	**93,004,175**	**95,465,173**	**97,071,973**
		-5.5%	*-16.7%*	*13.7%*	*4.7%*	*3.0%*	*2.3%*	*2.6%*	*1.7%*
CIE market	**71,039,194**	**66,921,865**	**56,269,082**	**64,468,949**	**67,691,488**	**69,543,692**	**71,263,217**	**73,143,783**	**74,725,109**
		-5.8%	*-15.9%*	*14.6%*	*5.0%*	*2.7%*	*2.5%*	*2.6%*	*2.2%*



IHS November 2020 update

IHS COMPARATIVE ESTIMATES 2020 vs 2019 QUARTERS

	CY 2019 Q1	CY 2019 Q2	CY 2019 Q3	CY 2019 Q4	CY 2020 Q1	CY 2020 Q2	CY 2020 Q3	CY 2020 Q4
MARCH 2020								
Global Production	22,907,562	22,127,508	21,013,455	22,815,046	17,325,390	12,312,739	19,531,346	20,858,148
vs 2019					*-24.4%*	*-44.4%*	*-7.1%*	*-8.6%*
CIE market	17,238,160	16,550,919	15,643,760	17,409,102	12,387,953	9,064,402	15,078,240	16,050,493
vs 2019					*-28.1%*	*-45.2%*	*-3.6%*	*-7.8%*
JUNE 2020								
Global Production	22,927,335	22,134,930	21,045,273	22,843,411	17,827,784	12,276,701	18,727,333	20,674,464
vs 2019					*-22.2%*	*-44.5%*	*-11.0%*	*-9.5%*
CIE market	17,257,610	16,558,188	15,675,866	17,422,196	12,762,699	9,487,560	14,556,946	16,193,669
vs 2019					*-26.0%*	*-42.7%*	*-7.1%*	*-7.1%*
NOVEMBER 2020								
Global Production	22,936,847	22,136,067	21,051,643	22,834,554	17,866,051	12,667,196	20,563,113	22,986,702
vs 2019					*-22.1%*	*-42.8%*	*-2.3%*	*0.7%*
CIE market	17,267,488	16,558,841	15,680,668	17,414,868	12,788,737	9,790,251	15,868,674	17,821,420
vs 2019					*-25.9%*	*-40.9%*	*1.2%*	*2.3%*

Source: Light Vehicle Production, IHS Markit 2019-2020

Global Production: Global light vehicle production

CIE market: Production in geographical regions where CIE Automotive engages in manufacturing activities

3.1.2 For each CGU grouping expressly state whether a reasonably possible change (potentially larger than considered in the 2019 financial statement as indicated by ESMA) in some of the key assumptions would mean that the recoverable amount for a CGU grouping would have been less than their book value and, if so, provide the information required under IAS 36.134(f).

For each CGU grouping include an explanation that makes it possible to understand the margin at the end of 2019 (excess recoverable amount over the book value) and the impact of the pandemic on that margin as of 30 September 2020.

As previously discussed, the Group performs a variety of simulations using a range of assumptions to subject its conclusions on impairment risk to broader checks against significant changes to the assumptions used in its goodwill recoverability testing.

Specifically, the following stress scenarios are employed before drawing final conclusions:

- Consideration of revised discount rates,
- Consideration of perpetuity flow equal to that in the final year of the projection,
- Combined deterioration of growth rates and decreases in the EBITDA margin by 10 percentage points (absolute value).

In addition, in the first half of 2020, in view of the results obtained in the context of the pandemic, the Group included an additional test in its sensitivity analyses to analyse the impact that not considering any EBITDA flow for 2020 (a situation much worse than the actual situation envisaged by the Group, given the gradual recovery of business occurring from July 2020) could have on the conclusions regarding asset value recoverability. The ratios of asset value (including goodwill) to book value on 31 December 2019 and changes in that ratio on considering a 2020 with no flows in any CGU grouping are set out by segment below.

Value in use/Net assets	**2019**	**2020 Reassessment**
Brazil	2.46X	2.23X
North America	3.83X	3.52X
Asia	2.58X	2.44X
Mahindra CIE Europe	2.49X	2.35X
Rest of Europe	5.22X	4.95X
CIE GROUP	**3.35X**	**3.14X**

As shown, the conclusion drawn from this test does not reveal any indication of impairment, and there is sufficient margin to overcome hypothetical negative changes in flows (not expected by the Group in 2021), so that no conclusions other than those drawn at the end of 2019 were considered for each CGU grouping making up the segments. This test also considered the different scenarios included in section 1.9 above.

3.1.3 Provide an explanation of the possible impact of the pandemic on the impairment test of stakeholdings in group companies at the individual level.

As stated in section 2.1, at year's end there was a broad margin for stakeholding recoverability. None of the stress scenarios generated for the preceding questions, including the most unfavourable scenario considered, envisages a fall in the value in use that gives rise to any indication of impairment.

3.1.4 According to CBCR H1 20, an additional 1.7% of Mahindra Cie Automotive Ltd (an investee company of Cie Berriz listed in India) was acquired in the first half of the year, with the holding reaching 58.02% as of 30 June 2020. Based on the information provided, the price paid seemed to be less than the book value of the non-controlling interests for that percentage, which could indicate that its capitalisation is below the book value and could be regarded as an indication of impairment. In addition, the Mahindra Cie Europa unit has a negative EBIT and a very low EBITDA margin in H1 20.

In view of the above, explain how these facts were considered when testing for the existence of signs of impairment at the individual and consolidated levels (both this subgroup's goodwill and its fixed assets), and if appropriate explain the impairment test performed.

The Group purchased additional shares in this company in 2020, reaching 58.02% with the purchase of 6,722,430 shares in the Indian subsidiary for 9.391 million euros. The book value of this 1.7% in the consolidated net assets as of 31 December 2019 is
14.521 million euros.

The price paid for the share purchase in 2020 is the quoted price of the shares on the acquisition date. The quoted price of the shares of Mahindra CIE Ltd on 30 June 2020 was Rs. 117.30/share, equal to EUR 1.39/share; at that time it represented a market value per share lower than the book value, which could be an indication of impairment of the Group's recoverable net assets of the Mahindra CIE subgroup.

Given this situation, in the context of the goodwill recoverability test (which, as explained above, is carried out at the CGU or CGU grouping level), both the one carried out in 2019 and the update performed in the first half of 2020, including different alternative scenarios, there is no indication of any impairment of the itemised net assets of the Mahindra CIE Europe or India CGU groupings (the latter being included in the Asia segment). Therefore, the quoted price of Mahindra CIE's shares at the time of acquisition by the Group was conditioned by a temporary devaluation caused by the international uncertainty prevailing in that period which affected various the different stock markets, both local and international, not by any structural factor. The trend turned around, with the value recovering from the second half of 2020 (in the last quarter of 2020 the price rose to a maximum of Rs. 163/share, or EUR 1.84/share).

3.2 Note 2.7 in the consolidated financial statement concerning fixed assets (accounting for 30% of the Group's assets) indicates that, for certain production assets, the useful life is estimated based on the actual production levels of the various assets (i.e., by the unit of production method, which more accurately reflects the expected pattern of consumption of future economic benefits embodied in the asset), although, regardless of the years of useful life resulting for each asset item in situations of normal production, if production is significantly reduced, there is a maximum useful life that cannot be exceeded by each asset item because of issues relating to physical deterioration over time.

In this regard, CBCR H1 20 notes a decrease of around 22% in depreciation expenses compared to the first half of 2019. In addition, the management report for the first half of 2020 indicated that production was 20% of standardised levels in April, 35% in May, and 60% in June, and 85% in the interim management statement in the third quarter of 2020. In this connection:

i. Explain in greater detail the impact of the pandemic on the group's production levels in the various segments and when they are expected to come back to normal production levels.

The first effects of the pandemic on the Group's production levels began to be felt in the first quarter of the year in Asia, and they became more pronounced in the second half of March coinciding with the WHO's announcement designating Covid 19 to be a pandemic.

From that time on, states of alarm began to be declared in many countries, including lockdown of the population, prohibition/suspension of work activities, and strong restrictions on mobility.

It is thus from that month when appreciable drops in the Group's production levels began to be discernible, with quarterly production levels in respect of normal levels by segment being as follows:

	Q1	Q2	Q3
Brazil	82.4%	22.4%	63.1%
North America	96.4%	28.1%	92.2%
Mahindra CIE Europe	80.9%	41.7%	82.2%
Asia	75.6%	57.4%	86.8%
Europe	90.9%	41.0%	91.1%
TOTAL CIE	**86.7%**	**40.2%**	**86.4%**

Thus, in the third quarter of the year the Group already displayed clear signs of recovery, with completely normal levels being attained in the final months of 2020 (last quarter).

No significant changes in production levels are expected in the coming months, and the Group re-confirms that it considers the Covid 19 emergency to have a temporary. short-term economic impact on the Group's results.

ii. *State the book value of the assets for which this depreciation criterion applies as of 31 December 2019 and 30 June 2020, what percentage corresponds to the residual value, and what part of the balance is at a below normal production level in 2020. Explain the checks used to monitor that the maximum useful life is not exceeded.*

The production level depreciation criterion mainly concerns assets directly involved in production under projects, the carrying amounts of which correspond chiefly to machinery and technical plant. The carrying amount of the aforementioned assets as of 30 June 2020 and 31 December 2019 came to approximately 806 million euros and 844 million euros, respectively. In turn, the depreciation expense relating to these assets as of 30 June 2020 and 2019 amounted to approximately 36 million euros and 57 million euros, respectively; that variation is directly related to production levels in the first half of the year. In addition, the residual value assigned to these assets by the Group is not significant, most of their value corresponding to the useful life allocated to each asset.

The annual depreciation of all these assets not only includes an estimate of useful life based on estimated production but also includes a minimum amount of depreciation even in the absence of production. Each company closely monitors all its assets and all cases in which there is substantial deviation from normal production levels, not a very common occurrence except in highly specific situations such as that experienced due to the Covid 19 crisis in 2020.

While 100% of planned production for the year was not achieved at the end of 2020, we can say that the Group is at standard levels for purposes of asset depreciation, and therefore the effective life of assets has only been extended by approximately half a year and remains below the estimated maximum life. As can be seen from the third-quarter results, the global amount of depreciation is already quite close to the amount in the third quarter of 2019 (% on sales is higher than in the same period in 2019), and the Group estimates a complete return to the levels of the fourth quarter of 2019 in the last quarter.

iii. *In line with the information provided in Note 2.7 in the consolidated 2019 report for each asset type setting out the useful life and annual percentage in accordance with standardised unit of production estimates,* *round out the breakdown with the maximum useful life and update the useful life and annual percentage as of 30 June 2020 in the current production situation.*

As explained in point 3.2.(i) above, the Group expects to be at normal production levels in the last quarter of 2020, and therefore the isolated impact of the lower depreciation expense arising from adjustment by demand to the industrial stoppage in the first half of the year will in no case entail a significant extension of estimated production asset life or result in extending the useful life beyond the technical useful life of the assets.

Thus, once production levels have recovered, the effect of the final useful life of the production assets is not estimated to vary significantly with respect to the itemised information given in Note 2.7 in the consolidated 2019 report. In addition, as indicated in that report, the residual value and useful life of the assets are reviewed and adjusted periodically as necessary.

iv. State whether, in view of this situation, which could be considered to be an indication of impairment, an impairment test has been performed for fixed assets and, if applicable, set out the result.

The impairment test for production assets and other fixed assets revised in the previous year based on the cash flows expected according to the Group's projections did not disclose any indication of significant impairment that had not been recognised in the consolidated financial statement as of 31 December 2019.

Following the reduction in industrial activity caused by Covid 19, which resulted in production levels of around 60% in the first half of 2020, no significant impact on fixed asset recoverability is estimated after production levels return to more than 90% by the end of the second half of the year. The average production level in 2020 stands at around 75%, i.e., an average decrease of approximately 25%.

Furthermore, as indicated in point 1.4, the assets are subject to ongoing testing by technical personnel at each production plant working with the Controlling team, monitoring project profitability according to the available projections at any given time and considering indications of impairment of the assets associated with projects with poor returns.

In addition, on 31 December 2020 the Group will perform an updated recoverability test for fixed assets and other recognised assets. The test is not expected to show any impairment, because the halt in activity has been found to be an isolated case of force majeure during the forecast period used by the Group in its assessments, and recovery to normal production levels is estimated for 2021.

3.3 The balance of deferred tax assets (DTAs) recognised on the balance sheet at the close of 2019 and as of 30 June 2020 was EUR 170 million and EUR 171 million, respectively, of which EUR 31 million is from tax losses and EUR 50 million from tax credits. In addition, as regards recognition of activated tax credits, Note 2.4(c) in CBCR H1 20 indicates that "based on the economic and temporal parameters used to carry out the estimate, the effect of modifying the assumptions used by 10% on the profits or losses for the 6-month period ending on 30 June 2020 would not have been appreciable". This 10-% change is the same as the one considered in the 2019 financial statement.

Accordingly, (i) provide information on changes in the assumptions and considered opinions used as regards recognition and/or measurement of DTAs in accordance with, e.g., IAS 12, in the assumptions in the business plans of the various Group companies, and in the projection period used, and on whether this results in an increase in the number of years in which the DTAs used are recoverable increases; (ii) support the reasons why the range of possible reasonable changes in the key assumptions has not increased in the first half of 2020 and, where appropriate, provide a sensitivity analysis increasing the range.

The Group has not changed the assumptions and considered opinions used in relation to recognition and/or measurement of deferred tax assets in the half-yearly financial information reported as of 30 June 2020. At that date the Group carried out a preliminary assessment of the impact of the pandemic on taxable income and did not find any relevant difference in the recovery horizons with respect to the assessment carried out at 31 December 2019.

In this regard, the Group did not vary the range of possible reasonable changes in the key assumptions for deferred tax asset recovery, because it estimated that the impact of the pandemic on taxable income for 2020 was short term. This estimate was based on the forecast that production levels would be back to normal by the end of the year, based on verified external information and the internal information available at the time. This was subsequently confirmed.

It should be noted that the Group's criteria for recognising deferred tax assets are strict and does not take place in those companies or tax groups where there is any uncertainty as to their recovery. Similarly, the Group does not recognise deferred tax assets that have a very long-term recovery period.

Deferred tax assets corresponding to tax credits and tax losses amounting to 81 million euros have been concentrated in companies and/or tax groups expected to report a profit for 2020, and their projections for the coming years have not varied appreciably. In addition, it should be noted that increased consumption of tax credits and losses has taken place over a short period of time, with smaller amounts remaining to be offset over a period of around 10 years. The remaining amount of deferred tax assets relates mainly to temporary differences.

3.4 *State the main terms and conditions of financing agreements signed with Spain's Official Credit Institute [Instituto de Crédito Oficial] (ICO) for a maximum amount of EUR 442 million in the framework of aid to mitigate the economic impact caused by the Covid-19 pandemic, EUR 346 million of which had been drawn down as of 30 June 2020, and the accounting treatment applied.*

This financing arranged with different national financial entities and guaranteed by the Official Credit Institute (ICO) pays interest at market rates and has been recorded in the consolidated financial statement in accordance with IFRS 9, "Financial Assets and Liabilities".

3.5 *Provide further information on (a) measures taken to mitigate the impact of Covid-19 on operations and performance and their status on the date of response to this notice (including, inter alia, information on whether the issuer has implemented or is considering implementing public support measures in the various countries in which it operates, indicating the nature, amount, and conditions, renegotiation of relevant contracts, etc.); and (b) where applicable, the expected future impact on performance, financial status and cash flows, related risks, and contingency measures planned to mitigate these future impacts and the risks and uncertainties identified. In addition, include narrative information on the estimates and considered opinions as well as the assumptions used to determine the future impact of the Covid-19 crisis.*

The Group's management model has historically been characterised by maintaining a significant level of labour flexibility (temporary contracts account for 20% of the workforce) and rigorous control of fixed costs. These key aspects are particularly relevant and make a difference in situations like that experienced in 2020 with the arrival of the pandemic and its impact on market downturns.

The Group launched a specific Covid 19 programme in March based on four fundamental cornerstones:

- Workforce flexibility,
- Containment of fixed costs, CAPEX and investment in operating net working capital to secure supply to customers,
- Financial discipline and focusing on cash generation to maintain maximum liquidity levels,
- Production planning that can be adjusted to demand.

Specifically, as regards workforce flexibility, in the first half of the year different measures were applied in the various geographical regions.
At Spanish plants, temporary redundancy schemes were implemented, almost entirely partial in nature for reasons of production, whereby the government has covered approximately 30% of salary costs, supplemented by the Group up to a maximum of 85% according to agreements reached with trade unions and works councils. Similar flexibility measures have been employed in other European countries with quite diverse coverage by the various governments (Germany ≈80%; France ≈70%; Italy ≈70%; Eastern Europe ≈40-50%).
In other countries, such as Brazil, Mexico, and India, other types of flexibility measures have been implemented, such as reductions in the temporary workforce, reductions in working hours and wages, agreements to use time pools, and some cases of redundancies, though staffing cuts have not been significant.

As regards finance and liquidity, as explained in the consolidated interim financial statement for the first half of 2020, Group Management has maintained efficient control over payment of expenses and realisation of the current assets with tight monitoring of cash flow forecasts to ensure that there is sufficient cash to meet operating needs based on its policy of diversification of financial markets and sources of financing as a tool to control liquidity risks. In the framework of aid to mitigate the economic impact caused by the Covid 19 pandemic, the Group has agreed to a series of financing agreements as stated in the half-yearly information that has been released. This financing has been subject to normal market terms and conditions in all cases. In assessing and monitoring the liquidity reserve, the Group has maintained its estimate that cash generation for 2020 will be sufficient to cover short-term needs and commitments. There are no noteworthy cash flow stress situations.

It should be pointed out that in the June 2020 results released, the Group disclosed the existence of a liquidity reserve of 1.130 billion euros that at the end of September remained at even higher levels, namely, 1.218 billion euros, and in addition the Group maintained its dividend distribution commitments to its shareholders.
It should also be noted that the Group's operating cash flow generation in the first nine months of the year reached 150 million euros, with an appreciable increase in that amount estimated for the end of the year.

There have been no adjustments in investments that might impact the Group's business plans. In the first half of the year, there were slight postponements in investment plans associated with plant closings for weeks/months, but in no case have they cast doubt on the Group's production plans or been associated with cash flow limitations.

It should be further point out that, despite complications caused by the halts in production and the impact of market downturns that have occurred, the Group likewise has not considered it necessary to renegotiate contracts with suppliers, customers, or lessors.

In addition to the above, throughout the year the Group has been diligently monitoring the incentives put in place by the various governments to mitigate the economic impact of the pandemic that it may be able to access. As a result, multiple alternatives have been analysed with little or limited application for the Group, with no relevant measures being identified for implementation. Attention is drawn only to monetization of tax losses in the case of the United States, which has in any case not had any significant impact on the Group's results.

Therefore, now that the critical period of the Covid 19 crisis has passed, and anticipating the already discernible recovery of production from the third quarter of this year, the Group does not expect any significant future impact for which it would need to apply contingency measures apart from operational adjustments to demand and workforce flexibility measures in line as discussed above, narrower in scope than those carried out in the second quarter of this year.

4. *The ESMA Guidelines on Alternative Performance Measures (the "APMs") took effect in July 2016 and apply to all regulated information released, such as the management reports accompanying financial statements or half-yearly financial statement, interim management statements, announcement of results released as a relevant fact, etc.*

In this connection, you are instructed to expand the information provided on the APMs in accordance with the ESMA document. Specifically, for the APMs included in the interim financial information management report as of 30 June 2020, furnish:

4.1 A reconciliation of each APM with the most directly reconcilable item, sub-total, or total presented in the financial statements, separately identifying and explaining the material reconciling items, e.g., adjusted EBITDA; Adjusted Net Financial Debt; standardised NFD/EBITDA (removing the negative effects for the period caused by Covid-19); and RONA = "Return on Net Assets" (paragraph 26 of the guidelines). In addition, you are reminded that alternative performance measures are to be accompanied by comparatives for the corresponding previous periods (paragraph 37 of the guidelines).

The following Alternative Performance Measures (APMs) are included in the interim financial information management report:

- EBITDA: the net operating profit or loss removing the effect of depreciation and impairment expenses, both direct reconciling items with the summarised consolidated interim income statement of June 2020.

- Adjusted EBITDA: The objective of this APM is to provide information as to what the 12-month (full year) EBITDA would be. In addition to the consolidated EBITDA for the last 12 months relating to Group subsidiaries over the entire period, the calculation takes into account a supplement to standardise the amounts corresponding to the business combinations carried out during the year that have not been consolidated for the entire period under consideration.

  In the calculation as of June 2020, the adjustment was made by supplementing for Mapremex and Somaschini to obtain a 12-month EBITDA as well as with 50% of the EBITDA for the Chinese Shanghai Golde Automotive Parts Co. Ltd. joint venture (SAMAP) which, by agreement with the shareholder, has been consolidated by the equivalence method, with the Group holding a 50% stake. The adjustment to the EBITDA to obtain the adjusted EBITDA was 13.1 million euros.

- EBIT: the net operating profit or loss, a direct reconciling item with the summarised consolidated interim income statement of June 2020.

- EBT: the profit before tax, a direct reconciling item with the summarised consolidated interim income statement of June 2020.

- Net profit or loss: the profit attributable to the shareholders of the parent company, a direct reconciling item with the summarised consolidated interim income statement of June 2020.

- Net Financial Debt: calculated and reconciliated with the summarised consolidated interim balance sheet of June 2020 and with the consolidated balance sheet of December 2019 as follows:

Millions of EUR	JUNE 2020
Borrowed capital	2,307.8
Other financial liabilities	31.2
(Cash and cash equivalents)	(452.7)
(Financial assets)	(108.1)
Net Financial Debt (NFD)	**1,778.3**

Furthermore, this is reconciled and itemised in Note 2.8 in the summarised consolidated interim financial statement of June 2020.

Adjusted Net Financial Debt: as explained above, this attempts to portray the Group's consolidated NFD taking into account the contribution of the SAMAP joint venture which the Group has consolidated by equivalence despite holding a 50-% stake. The impact of this adjustment on the NFD as of June 2020 was 7.4 million euros in debt reduction on consideration of the net cash flow of SAMAP on that date.

- Standardised NFD/EBITDA: to isolate the impact of the coronavirus pandemic on the Group's results and its debt ratio to aid in comparing the ratios with the pre-Covid information released, the Group has considered it appropriate to add a new performance measure in its half-yearly results released in June 2020.

This new APM seeks to show the changes in the Group's debt position in the normal course of activity which as a result of the heavy investments to acquire new companies made in 2019 has been detrimental to this ratio in 2020. That is, with this APM the Group is attempting to show that even without the impact of Covid, the NFD/EBITDA ratio for 2020 would also have increased over the 2019 value.

To calculate the standardised EBITDA, the Group estimated the volume of sales without the reduction associated with the first half lockdown, which would have resulted in sales of approximately 2 billion euros (the Group's market fell slightly more than 40% in the first half of the year), and applied the resulting proforma margin of 16% (see the interim management statement for the first and second quarters) at the Group level following dilution of the margins associated with the new 2019 additions. This adjustment in the estimated EBITDA also has an effect on cash flow generation for the period, estimated at 55% of the EBITDA itself.

To avoid confusion when interpreting this ratio, the Group decided not to use this alternative measure in any of the documents to be issued at the end of 2020.

- RONA: is a measurement indicator of companies' net profits in relation to the assets used. This performance measure is calculated by dividing the operating profit (EBIT) for a full year (as explained above also taking 12 full months for the business combinations that did not contribute a full year to the consolidated figures) by the Net Assets on that date. In turn, the calculation of the Net Assets is broken down into the sum of the value of the fixed assets and the net working capital. The fixed assets include:

    - The fixed assets except for the right to use of assets through lease as itemised in Note 6 in the summarised consolidated interim financial statement of June 2020.

    - Intangible assets, including goodwill, as itemised in Note 7 in the summarised consolidated interim financial statement of June 2020. Goodwill that would not have been obtained from inflows of funds (14.3 million from acquisition of the additional 50-% stake in the ACS Group in 2014 and 265.3 million euros from phase II of the MCIE Group acquisition, likewise in 2014) was not included when calculating the return on assets.

- Maintenance investment: as explained in the appendix to the interim management statement, this refers to investments involving upgrading existing production facilities so as to be able to cope with the natural or production increases in the markets.

- Operating cash flow: the operating cash flow resulting from subtracting the financial expenses and taxes paid in the period and maintenance investment flows and lease payments from EBITDA.

4.2 *In accordance with paragraph 41 of the Guidelines, in exceptional circumstances where issuers decide to redefine an alternative performance measure, such as the new standardised NFD/EBITDA APM, the following information should be provided: (i) an explanation of the changes; and (ii) the reasons why these changes result in more reliable and more relevant information on the financial performance.*

As explained above, maintenance of the pre-Covid APMs in relation to the Group's financial situation and indebtedness as presented did not allow proper interpretation when comparing the Group's actual situation, so this ratio was included on an exceptional basis to specify this information, provide a more reliable comparison, and prevent the expected increase in the pre-Covid NFD/EBITDA ratio from being concealed by the one-of-a-kind sharp decline in the ratio due to the downturn in the economy during the initial months of the pandemic.

As explained above, in Group will not be using this APM in future.

In this regard, you are reminded that on 17 April 2020 ESMA published questions and answers regarding the ESMA Guidelines on APMs, reminding issuers that, in accordance with the aforesaid paragraph 41, the definition and calculation of APMs should be consistent over time. Therefore, ESMA recommends that issuers be cautious when adjusting the APMs used and/or when including new APMs for the sole purpose of representing the impact COVID-19 may have on their performance and cash flows.

The CIE Automotive Group will consider this recommendation when identifying and maintaining the APMs used.

5. *Provide the following information required by applicable accounting rules, where relevant, for a proper understanding of the consolidated financial statement for 2019 and the interim financial information for 2020:*

5.1 *Provide the following information in relation to the tax information provided in Notes 21 Deferred Taxes and 28 Taxes on earnings in the consolidated financial statement:*

i. *State the national and foreign plants responsible for the main unrecognised losses, such as deferred tax assets (DTAs) in the amounts of EUR 93 million and EUR 329 million, respectively, at the close of 2019 (2018: EUR 60 million and EUR 195 million) referred to in note 21 in the consolidated financial statement, and include an explanation of the increase from 2018 to 2019, inter alia, if related to business combinations for the year.*

Also specify: (a) the year in which they were generated, their validity date (IAS 12.81e), and the corresponding tax group; (b) which CGU groupings from among those mentioned in Note 7 include those plants; (c) if an impairment test of the non-current assets of these plants giving their book value and what was indicated in question 3.2(iv) in this report was carried out at the close of 2019 and 2018 in view of these losses.

Unrecognised losses as deferred tax assets by geographical area/jurisdiction and their corresponding segment was as follows for 2019 and 2018:

Geographical area	Segment	2019	2018
COMMON TERRITORY TAX GROUP	EUROPE	113,280	70,704
BRAZIL	BRAZIL	79,640	85,574
Germany	MCIE EUROPE/EUROPE	69,238	8,997
MEXICO	NORTH AMERICA	38,951	0
UNITED KINGDOM	MCIE EUROPE	18,801	15,367
Other	Miscellaneous	8,680	14,695
TOTAL		**328,591**	**195,338**

Common Territory Tax Group

Most of the unrecognised losses by the Common Territory tax group were tax losses by the companies Grupo Componentes Vilanova, S.L. and Biosur Transformación, S.L.U. generated in tax years when those companies did not belong to the tax group, hence their recoverability is subject to the individual tax outcomes generated by the companies themselves.

The amount of 14.9 million euros of the 70.7 million euros of unrecognised assets in 2018 was attributable to Biosur Transformación SLU, and were mainly generated in 2011 and 2012. The amount of 55.8 million euros was attributable to the Group Componentes Vilanova, generated in full between 2006 and 2014, mostly in 2008, 2009, and 2010.

In 2019, after the assets of Biosur Transformación, S.L.U. were sold, there was a tax loss of 42.6 million euros related to impairment of the assets held by that company, already recognised as an accounting loss in previous years.
Having in mind that offsetting tax losses in the Common Territory is limited to 25% of previous taxable income generated by the Group, the Group decided not to activate the loss after evaluating future recoverability of the tax loss generated in 2019.

Brazil

Unrecognised tax losses in Brazil arise from losses, mainly in 2015 and 2016, chiefly due to realisation of exchange rate tax losses on foreign currency financing by the company Autometal S.A. Recoverability of these losses is slowed mainly because realising tax losses is limited to 30% of the taxable profit generated each year.

Germany – Mahindra CIE Europe and Rest of Europe

The amount of tax losses not recognised as deferred tax assets as of 31 December 2019 in Germany was 48.6 million euros ascribable to the tax group headed by Mahindra Forging Europe AG and the company Schöneweiss & Co, GmbH (belonging to the Mahindra CIE Europe CGU grouping) and 20.6 million euros to Roof Systems Germany, GmbH, incorporated in 2019 as part of the CIE Golde acquisition.

In 2019 the Group did not activate tax losses amounting to 39.9 million euros attributable to the tax group headed by Mahindra Forging Europe AG and Schöneweiss & Co, GmbH. The impact on the results was approximately 12 million euros. The Group took this decision mainly because of a possible discrepancy in interpretation of the tax laws and because setting off against taxable income in Germany is limited to 60% of the taxable profit for each year. These companies were incorporated into the business combination of Mahindra CIE Automotive, Ltd. in 2013 and brought in tax losses of 46.1 million euros.

In 2019, after acquiring CIE Golde, the Group incorporated Roof Systems Germany, GmbH, which was included in the Rest of Europe segment and brought unused tax losses amounting to 2.5 million euros. Then the company generated tax losses amounting to 18.1 million euros in 2019, which were not recognised under the Group's strict activation rules for loss-making companies, especially since the company was undergoing full restructuring following its incorporation into the Group.

Mexico

Unrecognised tax losses in Mexico were unused tax losses by the company Automotive México Body Systems, S. de R.L. de C.V., brought into the CIE Golde business combination in 2019. These tax losses were generated from 2010 to the time of purchase. That company's history of generating tax losses, together with the company's reorganisation and restructuring process within the Group, lead caused activation of those losses not to be considered.

United Kingdom

Unrecognised tax losses in the United Kingdom were the tax losses historically generated by Stokes Group Limited, whose net assets are classified as held for sale and whose future recoverability is considered unlikely.

As of 31 December 2019 and 2018, the Group proceeded to review the recoverability of the aforementioned companies' assets, and no indications of unlikely recoverability were detected in addition to those already recognised in the Group's consolidated financial statements.

ii. *In the review priorities agreed by European supervisory authorities and ESMA for financial statements for 2019, ESMA expects issuers to provide sufficient information on the judgments made and the policies applied in respect of recognition and measurement where there are uncertainties as to how tax law applies to a particular transaction or circumstance.*

Provide further explanation as to the nature of the tax contingencies in Brazil which, pursuant to IFRIC 23, resulted in reclassification of EUR 22.4 million in provisions for deferred tax liabilities (DTLs) in 2018. Clarify their nature and provide the information required by IAS 37.85 with respect to EUR 39.5 million (2018: EUR 32.3 million) in "tax contingencies in Brazil" that remain recognised as a provision without being reclassified.

The regulator's interpretation of IFRIC 23 "Uncertainty over of income tax treatment" took effect on 1 January 2019. This interpretation defined the treatment of recognising tax risks, which are to be recognised as deferred tax liabilities in accordance with IAS 12, "Income taxes", rather than IAS 37, "Provisions, contingent liabilities and contingent assets". In this regard, as of 31 December 2018, the Group recorded on its consolidated balance sheet provisions related to the uncertainty of the application of certain income tax incentives amounting to 22.4 million euros, which were reclassified as deferred tax liabilities under the new rule. As of 31 December 2019 the amount corresponding to these contingencies was 28.3 million euros.

In addition, as of 31 December 2019 and 2018, the Group recorded amounts of 39.5 million euros and 32.3 million euros as provisions, corresponding mainly to tax contingencies related to taxes and tax charges other than corporate income tax. In this connection, the Group has maintained the classification criteria of IAS 37.

iii. *Clarify the assertion in Note 4.1(c) in the consolidated financial statement, "in previous years the Group recognised provisions for possible tax contingencies based on estimates of possible additional taxes" and indicate the amount of these provisions in 2019 and 2018 and their relationship to what was stated in the previous question.*

The probable provisions recognised in 2019 and previous years were described in section 5.1(ii).

iv. *In relation to the assertion in Note 28 in the consolidated financial statement, "The Parent Company's Directors have calculated the amounts associated with these taxes for the 2019 tax year and those open to inspection under the regulations in effect at the close of each tax year, having deemed that final resolution of the various legal actions and appeals lodged in this regard would not have a significant impact on the financial statements as a whole", provide further explanation concerning the legal actions and appeals lodged in this regard.*

As regards estimating the corporate income tax for each year when drawing up the Group's consolidated financial statements, the Parent Company's Directors take into consideration the tax laws of the various geographical areas/tax groups where the Group operates. Furthermore, this analysis includes the possible risks associated with discrepancies between the interpretation of certain tax regulations by the tax authorities and the Group, along with the final inspection decisions and communications with the authorities in the inspections that may be ongoing in the different countries, as appropriate.

v. *Provide further explanation of the main reconciliation items between the consolidated accounting profit before tax and the tax expense included in Note 28 for 2018 and 2019: (i) consolidation adjustments; (ii) non-taxable income; and (iii) deferred tax expenses.*

For the purpose of better understanding the information provided in the 2019 consolidated financial statement, the reconciliation between income tax that would result from applying the general tax rate in force under Basque Country regulations to before tax profits and the recognised expenses for the aforesaid tax included in the consolidated profit and loss statement for 2019 and 2018 is then presented differently:

'000 euros	2019	2018
PROFIT/(LOSS) BEFORE TAX	**403,144**	**529,324**
Nominal tax rate for the parent company	*24%*	*26 %*
Theoretical expenses resulting from applying the nominal rate for the parent company	96,755	137,624
Tax rate adjustment	10,499	8,974
Tax repercussions of different local accounting regulations	(1,806)	1,672
Taxed-exempt accounting gains (Dominion)	-	(62,110)
Tax repercussions of impairment and disposal of the Biofuels business	(7,411)	8,753
Other permanent differences	(17,437)	(16,152)
Tax credits	(5,130)	(4,039)
Other tax losses and tax credits	10,108	(1,023)
Recognition of tax provisions	3,688	17,403
Other effects	(366)	737
Tax on discontinued operations	884	(1,700)
Corporation tax expenses	**89,784**	**90,139**

The gains generated in the Group in 2018 as a result of the divestiture of the Dominion Group was tax exempt and therefore represented a permanent difference in the corporate income tax.

In 2018 the goodwill from consolidation of the Biofuels business that had no tax effects became impaired and was therefore adjusted as a permanent difference. In 2019 the losses from the Biofuels business that were recognised in the accounts in previous years were incorporated as deductibles after the businesses were liquidated or sold, both in the Basque group and in the common territory. For the common territory, the impact of the deductibility of these losses generated a negative taxable income that was not activated (see point 5.1(i)), which reduced the impact of this development on the tax expense of the year to 1 million euros.

Income related to other permanent differences in 2019 and 2018 corresponded to the application of incentives on taxable income in different jurisdictions, mainly in the territory of the Basque Country and Brazil.

The heading "Other tax losses and tax credits" includes the unused tax losses in Germany in 2019 (see 5.1.i).

5.2 *Given the relevance of the business combinations explained in Note 33 in the consolidated financial statement as updated in Note 17 in CBCR H1 20, which, moreover, constitutes one of the key audit matters, provide the following information:*

I. *Explain how the fair value of the 50-% stakeholding in Shanghai Golde Automotive Parts Co, Ltd (SAMAP), acquired in the Cie Golde business combination, was determined and recognised using the equity method. State, for instance, whether it is an internal or external valuation, the main methods and assumptions considered at the close of 2019, and the nature of the adjustments made to CBCR H1 20 that led to a reduction of EUR 19.3 million euros in the implied goodwill in this stakeholding (in the valuation period of one year permitted by IFRS 3).*

In the consolidated financial statement for 2019, the Group recognised its stakeholding in Shanghai Golde Automotive Parts Co, Ltd (SAMAP) in a preliminary amount of 55.5 million euros, of which 49.4 million euros made up the implied goodwill resulting from recognising its holding in the joint venture at fair value based on a preliminary analysis carried out internally by the Group using the information available at the date on which the consolidated financial statement for 2019 was drawn up. In March 2020 the Group finally had access to a report from an independent external valuer that reflected a market value for the company of 36.2 million euros and as a result the fair value of the joint venture stakeholding was adjusted for the difference of 19.3 million euros corresponding to the implied goodwill.

II. *In relation to this stakeholding, classified as a joint venture in CBCR H1 20, and since APMs have been adjusted based on figures relating to this stakeholding, disclose the information at the close of 2019 required by IAS 12. B12 and B13: (a) Dividends received; (b) Summarised financial information, to include, but not to be limited to: (i) Current and non-current assets; (ii) current and non-current liabilities; (iii) regular income; (iv) profit/loss for the year from ordinary operations; (v) after tax income from discontinued operations; (vi) other comprehensive income; and (vii) total comprehensive income, and, in addition, cash and cash equivalents, non-current financial liabilities, depreciation and amortisation, interest income and expenses or income from taxes on earnings.*

As of 30 June 2020 the assets and liabilities of Shanghai Golde Automotive Parts Co, Ltd amounted to, respectively, 98.0 million euros and 74.1 million euros (as of 31 December 2019, respectively, 97.9 million euros and 74.5 million euros). As of 30 June 2020 the company's net operating profit amounted to 2.8 million euros (as of 30 June 2019, 1.0 million euros)

No dividends were distributed by the company up to 30 June 2020.

As of 30 June 2020 and 31 December 2019, cash and cash equivalents were 14.7 million euros and 33.3 million euros, respectively.

The itemisation of the assets and liabilities as of 31 December 2019, and the profit/loss generated by incorporation into the Group, is as follows:

ASSETS (Millions of euros)	**31 Dec 2019**	**LIABILITIES (Millions of euros)**	**31 Dec 2019**
Non-current assets	**19.1**	**Net equity**	**23.4**
Fixed assets	13.2		
Other intangible assets	0.4		
Long-term financial assets	0.1	**Non-current liabilities**	**15.5**
Deferred tax assets	5.4	Long-term provisions	15.5
Current assets	**78.8**	**Current liabilities**	**59.0**
Inventory	9.6	Trade and other payables	50.1
Trade and other receivables	35.4	Current tax liabilities	1.1
Other current assets	0.5	Short-term provisions	0.6
Cash and cash equivalents	33.3	Other current liabilities	7.2
TOTAL ASSETS	**97.9**	**TOTAL LIABILITIES and NET EQUITY**	**97.9**

Profit and loss account (Millions of euros)	31 Dec 2019
Net turnover	122.5
Other operating expenses	(108.3)
EBITDA	**14.2**
Depreciation expenses	(2.0)
Net operating profit/(loss)	**12.2**
Financial profit/(loss)	0.1
Profit/(loss) before tax	**12.3**
Corporation tax expenses	(0.6)
Net profit/(loss) from ordinary operations	**11.7**

III. *As concerns the Cie Golde business combination, which generates a goodwill of EUR 677 million, broaden qualitative description of the factors that make up the recognised goodwill: types of synergies, unrecognised intangible assets, tax credits, etc., beyond stating that "the goodwill resulting from the acquisition has been attributed to future profitability of the business acquired and the synergies expected to obtain following acquisition by the Group" (IFRS 3.B64e).*

Assessment of the business combination and allocation of the price paid to the assets and liabilities acquired included, e.g., determination of the fair value of the fixed assets and patents on the basis of valuations made by independent third parties and, based on the internal measurement made, the fair value of certain contracts with customers. In addition, the CIE Golde business combination has allowed the Group to enhance its experience/know-how in the roofing business (access to experts in roof design and execution with a high level of knowledge and experience in this field), to expand its presence in different geographical markets (China in particular), to increase its transversality with other activities carried on, to increase its production capacity (sales), and to optimise the margins afforded by the business acquired. These factors do not involve intangible assets recognisable in accordance with accounting principles, and they have all been attributed to goodwill.

Integration of CIE Golde allows the Group to strengthen its commitment to the comfort systems – clearly a winning trend in the development of the sector – and to increase its presence in the niche ceiling business, thereby especially highlighting its complementarity, both at the level of customers and at the level of geographical areas and products, with Advanced Comfort Systems (ACS), the roofing division the Group incorporated in 2009 that has been managed extremely successfully over the past ten years, doubling its sales and significantly enhancing its profits.

This acquisition therefore allows the Group to enhance its portfolio of style, design, and comfort-oriented products, a segment that has strong prospects for growth, and once again to demonstrate its commitment to and engagement with innovation, high-tech engineering, and highly complex processes and products.

Integration of this company has been carried out under the Group's growth and diversification strategy and improves the overall positioning of CIE as a go-to supplier in the sector thanks to its strong business model and flexible structure.

IV. *Disclose the information required by IFRS 3.B64j and B67c, including the aspects set out in IAS 37.85 for each recognised contingent liability in the business combinations. For instance, for the provisions of EUR 118 million from Cie Golde increased by EUR 13 million in CBCR H1 20 by recognising the operating contingencies originating before Cie Golde was purchased and any other relevant liabilities.*

The business combination presented in the consolidated 2019 financial statement included provisions totalling 118.2 million euros, mainly corresponding to:

- Operational risks of 68.1 million euros, mainly relating to collateral risks and price adjustments (37.4 million euros) with an average maturity estimated at between 24 and 48 months, and other liabilities relating to customer contracts (21.1 million euros), the maturity and timing of which is limited to the duration of the contracts giving rise to those risks and is set to a maximum period of five years.
- Liabilities from employment obligations to personnel amounting to 45.9 million euros, of which 45.0 million euros correspond to the German company Roof Systems Germany GmbH; valuation of the benefits plan was carried out by means of an actuarial report from an independent expert, which put the weighted average duration of obligations at 21.2 years. See details in Note 22 in the consolidated financial statement as of 31 December 2019.
- Other specific risks and other contingencies amounting to 4.2 million euros with an expected short term maturity.

Following a more detailed review and updated information on collateral risk for certain plants, in 2020 the Group recognised an amount of 15.7 million euros for collateral risks related to sales made prior to the Group's acquisition of the roofing business. After that update, the total provisions recognised in the business combination comes to 133.9 million euros.

Finally, on subsequently obtaining additional evidence, within the measurement period for the business combination, the Group has revalued liabilities by 3 million euros, and goodwill has consequently decreased.

V. For each 2019 business combination, disclose the acquiree's results included on the global consolidated 2019 profit and loss statement comprehensive from the acquisition date and the combined entity's operating revenues and profit or loss as if the acquisition date of all business combinations that took place during the year were made at the beginning of the reporting year.

<u>Aurangabad (AEL)</u>

The sales volume of AEL's business combination was 80 million euros. If the business combination had taken place on 1 January 2019, this amount would have amounted to approximately 107 million euros. In turn, the operating profit and net profit AEL contributed to the Group came to 5 million euros and 2 million euros, respectively. If the business combination had taken place on 1 January 2019, these amounts would have been 6 million euros and 2 million euros, respectively.

<u>Cie Golde</u>

The sales volume, operating profit, and net profit for the CIE Golde business combination amounted to 410 million euros, 18 million euros, and 12 million euros, respectively.

Assuming that the business combination had been effected on 1 January 2019, these amounts for sales volume, operating profit, and net profit are difficult to calculate:

- The previous owner of the roofing business had to carry out a comprehensive carve-out process with accounting implications for the 2019 results for most of the companies acquired.
- At the accounting close of 6 May 2019 for the acquired companies, there were specific, non-recurring transactions that would have had no impact on the results of the CIE Group had the business combination taken place on 1 January 2019.

Therefore, in the absence of reliable information, the Group did not estimate the impact of the business combination as if it had taken place on 1 January 2019.

Mapremex

The sales volume for the Mapremex business combination was 11 million euros. If the business combination had taken place on 1 January 2019, this amount would have come to approximately 36 million euros. In turn, the operating profit and the net profit Mapremex contributed to the Group amounted to 3 million euros and 2 million euros, respectively. If the business combination had taken place on 1 January 2019, these amounts would have been 8 million euros and 6 million euros, respectively.

5.3 *For the first half of 2020: (i) Explain the evolution of the conversion differences in the overall income statement: from minus EUR 5.8 million in H1 19 to minus EUR 126 million in H1 20, which meant that the amount accumulated in equity for the conversion differences went from minus EUR 169 million at the end of 2019 to minus EUR 283 million as of 30 June 2020. State the main currencies involved; (ii) indicate what the non-recurring taxable profit of EUR 5 million mentioned in Note 2.5 comes from.*

The Covid 19 crisis has greatly affected the currency market, with quite disparate impacts in the various countries, adding a further component of volatility and uncertainty to the economic context.

As the pandemic progressed, the exchange rates of the major emerging economies were substantially reduced, particularly those for the Brazilian real, the Mexican peso, the Russian rouble, and the Indonesian rupee. In parallel, the currencies of what are regarded as the advanced economies, especially the dollar, the yen, and the euro, have been strengthened.

Based on the Group's corporate structure and the functional currencies of the companies making up the Group, the main currencies that impact the accumulated equity of the conversion differences and their values at the close of December 2019 and June 2020 were:

	December 2019	**June 2020**	**Δ**
BRL/EUR	4.53	6.15	-35.8%
INR/EUR	80.01	84.62	-5.8%
CNY/EUR	7.82	7.94	-1.6%
USD/EUR	1.12	1.12	-0.1%

Thus, the 126 million euros in negative conversion differences reported in the global summarised consolidated interim income statement of June 2020 can be broken down into the following currencies:

Brazil (BRL)	-67
India (INR)	-29
China (CNY)	-12
NAFTA (USD and MXN)	-11
Other currencies	-7
Total Effect of Exchange Rates on Equity	**-126**

As regards the non-recurring taxable profit of 5 million euros mentioned in Note 2.5 on comparability of the information, the majority came from reversal of provisions to cover mitigated tax risks in the first half of 2020.

5.4 *The interim financial information as of 30 June 2020 and 30 September 2020 indicated that: "waivers in relation to the existing financing that exempts the Group from the fulfilling stipulated financial ratios have been obtained for a period of 18 months, until 30 June 2021, inclusive". State whether the financial debt subject to fulfilment of* *covenants as of 30 September 2020 is recognised in the current or non-current liabilities and whether these ratios are being breached.*

In the first half of 2020, the Group signed the corresponding contractual documents in all its financing subject to fulfilment of certain financial obligations (for this purpose, the "**covenants**" or the "**financial ratios**") stipulating new terms of enforcement for the contractual clauses of the benchmark financing agreements in each document as regards fulfilment of the covenants. These documents also established new conditions of performance relating to minimum liquidity levels, gross debt levels, and other normal market conditions in exceptional circumstances like the present one. Thus, by signing the aforesaid documents, as of 30 September 2020 the Group fulfilled all the obligations that were in effect under the financing agreements and enforceable by the different lenders at that date.

It should be noted that, in addition to signing these contractual documents, the Group also signed documents in 2020 (given their different types, in the form of deeds of non-extinctive modificatory novation, amendment agreements, etc.) involving novation of the various contractual instruments making up the structural financing, establishing, in line with what has been agreed, that certain covenants will not be enforceable until after 30 June 2021. It has further been agreed that the first (binding) verification of fulfilment of the aforementioned financial ratios will be carried out on the occasion of receipt of the relevant certificate signed by the Auditors in reference to the audited consolidated financial statement of the CIE Group closed on 31 December 2021 and delivered to the respective finance parties (where applicable, through the entities acting as agents) by 30 June 2022. In addition to these references to fulfilment of covenants, these new documents set out the new requirements mentioned in the preceding paragraph, modify some of the maturity dates, change the guarantors, and agree on other changes customary in financing of this kind.

As of 30 September 2020, the financial debt subject to contractual changes and novation classified as non-current liabilities came to 646 million euros.

As of 31 December 2020, the Group also fulfilled all contractual obligations in effect that were enforceable by all the financial institutions.

6. *In relation to preparation of financial statements and interim financial information as from 2020, you are reminded of the following to the extent that it is relevant:*

6.1 *Considering that the geographical information furnished in Note 5 in the consolidated financial statement has been provided, for Spain, Brazil, and the regions of North America, Asia, and Rest of Europe, you are reminded that if revenues from external customers or non-current assets attributed to a particular foreign country are material, those earnings and assets are to be disclosed separately (IFRS 8.33). In this regard, it should be noted that the management report with interim financial information provides details of the trend in sales for India and China separately.*

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.2 *You are reminded that, in relation to the review priorities agreed by the European supervisory authorities and ESMA for the 2016 financial statements, it was stated that, without prejudice to the fact that the itemisations required by IFRS 13 Fair Value Measurement (on non-recurring measurements of fair value) apply only to measurements made after initial recognition of the asset. ESMA considers that the information on assumptions and measurement techniques used to assess uncontrolled assets, liabilities, and holdings acquired in a business combination are relevant to investors and should therefore be furnished in accordance with the requirements of IAS 1.125 to 129.*

In this regard, a description of the measurement techniques and variables used should be included, irrespective of whether the valuation is internal or external, and, if external, the date and whether it includes cautions or limitations.

The CIE Automotive Group will take into consideration the requirements indicated when preparing its consolidated financial statement for the year that ended on 31 December 2020.

6.3 *In relation to the requirements of IFRS 3, you are reminded that:*

VI. *If the contingent consideration agreements in the business combinations are significant, you are reminded that the disclosure pursuant to IFRS 3.B64g is to be made, inter alia, a description of the agreements and the basis for determining the amount of the payment and an estimate of the range of possible settlements (undiscounted), and if the maximum payment amount is unlimited, this fact will be disclosed, along with what is required in IFRS 3.B67b.*

The CIE Automotive Group will take into consideration the requirements indicated when preparing its consolidated financial statement for the year that ended on 31 December 2020. In any case, the liquidation value of the contingent consideration recognised by the AEL business combination is not estimated to vary significantly.

- *You are reminded that, for each class of receivable acquired, the gross contractual amounts receivable are to be disclosed along with the best estimate, as of the date of acquisition, of the contractual cash flows that are not expected to be collected (IFRS 3.B64h).*

  The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020. In any event, for the business combinations in 2020 and 2019, the value as of the acquisition date of the contractual cash flows that were not expected to be collected was not significant.

- *All the business combinations for the year state that "the goodwill resulting from the acquisition has been attributed to future profitability of the business acquired and the synergies expected to obtain following acquisition by the Group". In this regard, in accordance with IFRS 3.B64e, the qualitative description of the factors that constitute the goodwill recognised in each case (types of synergies, unrecognised intangible assets, tax credits, etc.) should be specified.*

  The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.4 *In addition, in relation to the previous point, you are reminded that, if the deferred tax benefits acquired in a business combination were not recognised at the date of acquisition but were recognised after that date (IAS 12.68), a description of the event or change in the circumstances that caused the deferred tax benefits to be recognised should be disclosed (IAS 12.81k).*

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.5 *As concerns the details regarding deferred tax assets (DTAs) for tax losses and credits by geographical area in Note 21, you are advised to distinguish between Spain's Common Territory and Spain's Basque Country tax group.*

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.6 *If any of the tax groups or entities that pay tax individually have experienced losses in the year or in previous years and present recognised DTAs, they should describe the nature of the evidence that supports recognition*

(IAS 12.82). In addition, take into account ESMA's Public Statement of 15 July 2019 on "Considerations on recognition of deferred tax assets from the carry-forward of unused tax losses".

It is to be noted in this regard that the auditors have included a key audit matter on the recovery of DTAs in their report, stating that they estimate the future taxable income based on the business plans of the various companies and on the possibilities for tax planning under each applicable legislation that is subject to significant judgments and estimates.

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.7 Note 4.1(c) in the consolidated financial statement sets forth a sensitivity analysis regarding recognition of tax credits, indicating "If the actual end result (in the areas under consideration) differs from the Directors' estimates by minus 10%, the deferred assets would decrease and taxes on earnings would increase by approximately 5.9 million euros (2018: 6.3 million euros)". It would be desirable to include more details on the assumptions (both economic and regarding timing) considered.

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.8 It would be desirable to enlarge the information as to the nature and the other information required by IAS 37.85 with respect to the long-term provision to cover the business' operational risk, which totalled EUR 98.4 million at the close of 2019 (30 June 2020: EUR 99 million) and the short-term provision to cover the business' operational risks in various group companies that were due in the short term, amounting to EUR 51.5 million at the close of 2019 (30 June 2020: EUR 71 million).

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.9 Any significant amounts of cash and cash equivalent balances that may not available for use by Cie or by the group to which it belongs are to be disclosed (IAS 7.48).

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

6.10 The exchange rate risk sensitivity analysis will be performed for each currency in which the entity has significant exposure (IFRS 7.B24), e.g., the Brazilian real, the US dollar, and the Chinese yuan.

The CIE Automotive Group will take the aforesaid requirements into consideration when drawing up its consolidated financial statement for the year that ended on 31 December 2020.

7. Following the review of its 2019 non-financial information statement (NFIS), and taking into account that the breakdown of the NFIS is one of the areas identified in In view of the review priorities agreed by the European supervisory authorities and ESMA for the financial statement for 2019, and the fact that the Spanish CNMV [National Securities Market Commission] has also included a more detailed analysis of the NFIS in its 2019 review plan, it has been considered appropriate to remind you of a number of aspects which, insofar as they are relevant, could help improve the quality of future content:

7.1 The "2019 Annual Report" was posted on the corporate website on 28 February 2020 in the section entitled ESG Commitment/Reports and Policies [Compromiso ASG/Informes y políticas], stating that it contains full information on the economic, financial, social, environmental, and governance activity of CIE Automotive S.A. and its investee companies during the year. It is further noted that the non-financial information in this report has been disclosed in accordance with the <u>GRI Standards, Core Option</u> taking into account compliance with the principles set forth in Accountability's AA1000 APS (2008) Standard.

In addition, it is stated that a large part of the non-financial aspects included in that document have as their main source CIE Automotive's NFIS, which has been independently verified by PriceWaterHouseCooper, S.L. (PWC), and to provide readers with access to that information, the report reproduces the NFIS and the independent verification report.

Cie's NFIS for 2019, which is part of the consolidated management report, also includes that PWC verification report dated 28 February 2020, which concluded that there was no evidence suggesting that the NFIS for 2019 had not been drawn up in accordance with the content of the prevailing commercial law and in accordance with the selected GRI standards described in the table contained in the NFIS in all material respects.

Considering that its NFIS was prepared according to the selected GRI standards specified in the table in section X of the NFIS and the aforesaid "2019 Annual Report" according the GRI Standards, Core Option, you are reminded that the mandatory NFIS must contain all the information necessary for a proper understanding of the business, situation, performance, and evolution of the issuer and its group and the impact of its activity. No material omissions are justified because the corresponding information was included in another voluntary report. In this regard, it should be noted that both reports were posted on the website on the same date, hence if the additional information was already available, explain the reasons why certain information was issued separately.

In any event, you are to ensure the necessary consistency between the two reports and prevent confusion among investors and other users of the information by expressly stating in the NFIS that the additional report has been issued with a broader scope.

7.2 Several of the sections of the NFIS include references to the Group's corporate website. It is recommended that reference to the various documents on the website that are relevant to each of the non-financial matters be made in greater detail, and, where appropriate, express reference should be made to the specific parts of those documents that contain the information needed to be able to understand the different aspects of each of the issues covered by the NFIS. In addition, make clear which documents on the website, or which parts of those documents, are part of the NFIS drawn up by the Board of Directors and submitted to the General Meeting for a vote.

7.3 Section IV of the NFIS indicates that, concerning KPIs, "The reporting framework for the non-financial information is given according to the 2016 GRI Standards". In this regard, you are reminded of GRI 101 Foundation, section 3, Making claims related to the use of the GRI Standards, namely, if the selected GRI Standards are used, all issued materials should state that the NFIS has been drawn up in reference to GRI standards, and if the minimum criteria for the Core or Comprehensive options are met, a statement that the report has been prepared in conformity with the GRI Standards, Core or Comprehensive option, is to be included.

In addition, clause 3.3 of the aforementioned GRI states, e.g., that if the selected GRI is used, it is mandatory to state which specific content of the standard has been applied if that content has not been used in full.

7.4 Section X in the NFIS contains a table on traceability of compliance with the Spanish Non-Financial Reporting and Diversity Act [*Ley de información no financiera y diversidad*]. *To improve the quality and consistency of that table, you are advised: (i) to specify not only the selected GRI standard but also the page where each of the requirements of the Act is to be found; (ii) to state the omissions from Spanish Law 11/2018, which are to be properly explained based on their materiality; and (iii) not to make references to indicators that do not apply (for example: the aforementioned table states, regarding "protection of biodiversity", GRI 103 and 304-2, whereas the corresponding section of the NFIS states that it is a non-significant area and does not include information in that connection).*

7.5 Section IV, concerning KPIs, mentions that the NFIS discusses the relevant issues identified in the materiality assessment for its stakeholders carried out in 2017 and in the surveys of 140 managers of the organisation in Brazil, USA, Mexico, India, and China conducted at the CSR workshop in 2018.

In addition, the aforesaid "2019 Annual Report" on the corporate website contains a section dedicated to materiality that provides more information on the methodology used, the update carried out in 2018, and a list of the most relevant GRI indicators considered in that Annual Report, based on the materiality matrix results.

You are advised to include an explanation in the NFIS as to how you have determined what information is material and the criteria and methods used. In this regard, it would be advisable, e.g., to state whether internal and external factors have been considered, to describe how the information requirements of the identified stakeholders have been taken into account in the assessment and how the stakeholders contribute to and take up positions in the value chain, to indicate the time frame envisaged (bearing in mind that the EC considers that it should be long term) and the severity and probable impact of each financial and non-financial aspect. In addition, state whether the assessment considered the concept of double materiality, which takes into account not only the impact of non-financial aspects on the entity but also the impact of the company on the environment.

Lastly, it is recommended that assessments be reviewed periodically or otherwise you should explain why you consider that there have been no significant changes and no update is required.

7.6 Issuers must show the progress made by their non-financial policies by referring to the non-financial key performance indicators (KPIs), including not only quantitative data but also qualitative explanations. It is advisable to explain how KPIs have evolved with respect to: (i) the figures for previous years; (ii) possible objectives, if any, previously established by the entity; and (iii) external "benchmarks". In this regard, although comparative figures for almost all KPIs are included, it is advisable to include qualitative explanations concerning their development. For example, the pay gap broken down in section VI of the NFIS goes from 13% in 2018 to 5% in 2019 without including any explanation concerning this or the measures taken to reduce the gap. In addition, when describing an objective set by the entity, for example, for all plants to attain triple environmental certification, the time frame in which this is expected to be achieve should be stated.

Furthermore, you are reminded of the importance of providing, where necessary, information on the definition and methodology of the KPIs used, as well as the inputs and sources, where relevant. For example: (i) when providing GRI 305-4 and 302-3, state the specific metric chosen (in the denominator) to calculate the ratio of emission intensity and energy intensity; (ii) the types of accident included in the accident data provided in the health and safety section should be stated together with an explanation of the method of calculating the frequency rate and severity index; and (iii) the concepts included in "gross average annual remuneration" (fixed remuneration, variable remuneration, and other) and the formula for calculating the pay gap set out in section VI of the NFIS should be described.

*7.7 In relation to **environmental issues** discussed in section V of the NFIS, it would be advisable to improve the description of the main risks related to this issue, which are hardly mentioned in section III, Short-term, medium-term, and long-term risks, and the description should cover the risks arising from the impact by the company or its group on the environment and on climate change and by the environment and climate change on the company, as well as the relationship between the two impacts, if any. At this point it would be desirable to take into account the supplement to the European Commission (EC) Guidelines issued on 20 June 2019 on reporting information related to climate change, in particular sections 2.3 and 3.4.*

Also, you are advised to expand the explanation concerning: (i) the foreseeable effects of the company's activities on the environment; (ii) the impacts of climate change on its activities and strategy, e.g., by furnishing a sensitivity analysis on how a rise in the Earth's temperature would affect the company in the long term; (iii) whether you take the precautionary principle into account in environmental matters; (iv) the important elements regarding greenhouse gas emissions required by Law 11/2018, including use of the goods and services produced by your Group; and (v) water consumption and the water supply in accordance with local restrictions (e.g., by providing information on water stress).

*7.8 Turning to the **social and personnel matters** discussed in section VI of the NFIS, for the non-financial key performance indicators provided, you are advised properly to explain the objective and context in which they arise, whether or not the data are considered positive, whether there are specific forecasts for improvement or specific* *management plans or measures and, where applicable, for mitigation. Specifically, regarding the pay gap, accident, and absenteeism data provided, or regarding implementation of work disconnect policies in 7 plants distributed in 5 countries (when according to the corporate website there are 113 production centres in 16 countries).*

As concerns the pay gap, the percentage pay gap for the Cie Group is quantified in section VI and in the table included in section X, making reference to GRI 405-2 2016. However, this GRI states that the ratio of basic salary and remuneration of women to men is to be provided for each employee category by significant location. In addition, the description of the organisation of working time should be improved.

Finally, various sections of the aforementioned "2019 Annual Report" include additional information on social and personnel issues not included in the NFIS. It would be advisable to make specific reference to or include these in the NFIS. For example, section 2.4.3 on health and safety indicates that during the year CIE obtained OHSAS 18001 or ISO 45001 certification for a total of 15 plants, raising the total number of certified plants to 56, and the number of hours of training in this area is quantified, and section 2.4.1 on Diversity at CIE provides further explanation of the data provided, such as for the pay gap.

7.9 As regards information on ***Human rights and corruption and bribery*** *provided in sections VII and VIII of the NFIS, comparative information with the previous year should be furnished for all the results provided, e.g., concerning complaints received and resolved, the surveys carried out at the plants and their results, and the suppliers that have ratified acceptance of the RSC Commitment.*

In this regard, they indicate that 18 complaints were received through the ethical channel in 2019, 13 of which concerned professional ethics breaches and breach of the code of conduct, 3 concerned corruption, and 2 concerned discrimination. However, it is noted that no reports of human rights violations were received. It would be advisable to extend the explanation of the nature of the reports relating to professional misconduct and breach of the code of conduct and to discrimination and to give the reasons why they are not considered to be related to human rights violations.

Given that there were three reports of ***corruption*** *in 2019 that led to dismissal of the employees involved, it would be advisable to provide some information to explain the relevance of these cases and to expand the description of the measures taken to prevent them from recurring in the future. Furthermore, since corruption cases may generate contingencies or current payment obligations as provisions, where applicable these aspects should be precisely and clearly linked to the itemisations furnished in the notes on contingencies and provisions in the financial statement. In this regard, the CNMV's announcement dated 25 November 2019 concerning cases of alleged wrongful practices at certain listed companies disclosed in recent months should be taken into account.*

Also, as regards ***human rights*** *related risks included in section III of the NFIS, reference is made to "breach of the Code of Conduct by persons forming the group", which is among the risks mitigated in 2019. It was indicated that this risk was not considered a priority on the Risk Map for 2019. In this regard, it would be advisable to improve the explanation as to why this risk was not considered a priority in 2019 and how the risk is assessed in each of the countries in which the Group operates (Mexico, Brazil, India, China, Spain, etc.), indicating those countries consider to be most at risk and the specific measures taken, including more information concerning whether Human Rights Policy in these countries goes beyond the scope of compliance with those countries' legislation and how compliance is verified.*

The table included in section X deals with GRI 205-2 and 205-3 2016 concerning corruption and bribery but does not provide all the information set out in those GRI, such as: the nature of the corruption cases, where appropriate whether or not contracts with trading partners were cancelled or not renewed, legal proceedings related to corruption against the organisation or its employees during the year and their outcomes, or the total number and percentage of employees that have received training in anti-corruption policies and procedures, broken down by category and region.

Finally, in various sections of the aforementioned "2019 Annual Report", additional information is included on these issues which is not included in the NFIS. It would be desirable to make or include specific reference in the NFIS. For example, paragraph 2.4.2 with respect to observance of human rights policy at work centres.

7.10 With respect to information relating to the ***Company*** *provided in section IX of the NFIS, it would be advisable to improve the description of the main risks relating to this issue mentioned in section II of the NFIS and their relationship to the policies applied by the Group and the due diligence procedures for mitigating them, which have been explained in section IX.*

In addition: (i) regarding tax information, extend the explanation of the relationship between pre-tax profits or losses and the corporation tax paid, also describing the main factors that entail significant tax adjustments for calculating taxable profits; (ii) with respect to subcontracting and suppliers, describe the results of the audits carried out on suppliers at the various levels mentioned (conditional, acceptable, and preferred) and the scope and time periods of the suppliers' certifications; and (iii) expand the description of the modalities of dialogue with local community actors.

Finally, in various sections of the aforementioned "2019 Annual Report", additional information is included on various aspects concerning the Company that are not included in the NFIS. It would be desirable to make or include specific reference in the NFIS. For example, section 2.5 on Supply Chain Optimisation*, which indicates that over the year more than 1,800 potential suppliers registered on the Suppliers Portal and more than 50% of these obtained a positive final rating.*

7.11 It is recommended that the non-binding guidelines issued by the European Commission on 5 July 2017, "EU Guidelines 2017/C215/01", be used as a reference when preparing the NFIS and, if this is done, to indicate that they have been taken into account.

The CIE Group will take all the aspects mentioned into consideration and thereby hopes to improve the content of the NFIS for 2020.