CIE Automotive, S.A.

Auditor’s report,
Annual accounts at 31 December 2022
Management report

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

Independent auditor´s report on the annual accounts

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

Report on the annual accounts

Opinion

We have audited the annual accounts of CIE Automotive, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2022, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recovery of investments in group companies and associates Investments in group companies and associates account for a significant percentage of the Company's net assets (notes 6 and 7 to the accompanying annual accounts). Equity instruments and long-term and short-term loans granted to Group companies at the year-end amount to € 1,090,467, €1,209,983 y €24,676 thousand, respectively. As indicated in note 3.5 to the accompanying annual accounts, Management assesses annually whether there are indications of impairment and determines the recoverable amount of the investments recognised on the balance sheet. Determining the recoverable value of these investments is mainly based on estimates of the value of future cash flows. The estimation of future cash flows requires significant judgement and estimations by management, including, among others, expectations regarding sales and future margins, growth rate projections, estimates of discount rates in order to calculate the current value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Company in its analysis are summarised in note 7 to the accompanying annual accounts. Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recovery of investments in group and associates companies.	First, we gained an understanding of the process used by the Company to assess the valuation of investments and analyse their r recovery and the impairment tests performed by management, and verified that the criteria used to perform these tests are consistent with those established in applicable reporting regulations. For estimated cash flows, we verified not only the calculations made but we also compared the projected annual cash flows of those group companies, based on the plans and budgets approved by Group Management, against those actually obtained, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them using available comparables and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's expert team. As a result of our analyses and tests performed, we consider that management's conclusion concerning the absence of impairment of investments, the estimates made and the information disclosed in the accompanying annual accounts are adequately supported and are consistent with the information currently available.

Other information: Management Report

Other information comprises only the management report for the 2022 financial year, the formulation of which is the responsibility of the Company´s directors, and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the annual accounts

The Company´s directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of CIE Automotive, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company´s directors are responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company´s directors.

- Conclude on the appropriateness of the directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company´s audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of CIE Automotive, S.A. for the 2022 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of CIE Automotive, S.A. are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been included by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 24, 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on April 28, 2022 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of 1 year for the year ended December 31, 2021.

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

Services provided

Services provided to the Company and its subsidiaries for services other than the audit of the accounts are detailed in note 27 to the annual accounts.

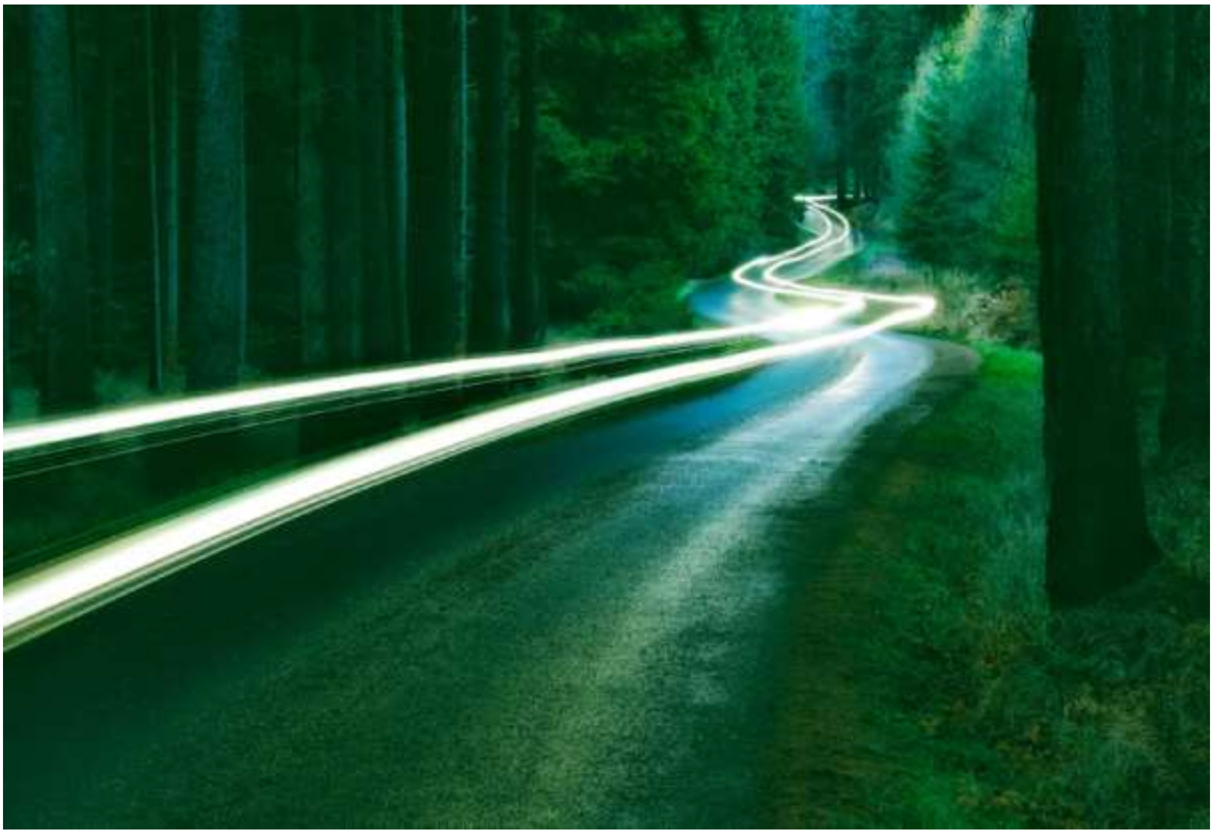
In relation to the non-audit services, which have been provided to the subsidiaries of the Company, refer to the audit report of February 24, 202, on the consolidated annual accounts of CIE Automotive, S.A. and subsidiaries in which they are integrated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jon Toledano Irigoyen (20518)

February 24, 2023

CIE Automotive



MANAGING HIGH VALUE ADDED PROCESSES

Annual Accounts and Management Report for the year ended 2022

This 2022 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

Note	INDEX	Page

BALANCE SHEET AT 31ST DECEMBER 2022
(Thousand euro)

	Note	At December 31st 2022	2021
NON-CURRENT ASSETS			
Intangible assets	**5**	**11,543**	**14,481**
Property, plant and equipment		**964**	**1,176**
Non-current investments in group companies and associates	**6-7**	**2,300,450**	**2,328,557**
Equity instruments		1,090,467	1,090,467
Credits to companies		1,209,983	1,238,090
Non-current financial investments	**6**	**19,894**	**11,155**
Equity instruments		81	81
Credits to third parties		19,788	6,500
Derivatives	9	-	4,541
Other financial assets		25	33
Deferred tax assets	**16**	**18,813**	**16,751**
Total non-current assets		**2,350,964**	**2,372,120**
CURRENT ASSETS			
Trade and other receivables	**6-8**	**22,473**	**18,612**
Receivables from Group companies and associates		22,309	17,610
Other receivables		42	12
Current tax assets		122	990
Current investments in group companies and associates	**6-7**	**24,676**	**17,974**
Credits to companies		24,676	17,974
Current financial investments	**6**	**19,458**	**38,679**
Credits to third parties		1,300	21,867
Derivatives	9	1,347	-
Other financial assets		16,811	16,812
Prepaid expenses		**66**	**57**
Cash and cash equivalents	**6-10**	**31,202**	**30,959**
Total current assets		**97,875**	**106,281**
TOTAL ASSETS		**2,448,839**	**2,478,401**

BALANCE SHEET AT 31ST DECEMBER 2022
(Thousand euro)

		At December 31st	
	Note	**2022**	**2021**
EQUITY			
Capital and reserves		**308,801**	**354,520**
Share capital	11	30,637	30,637
Share premium	11	152,171	152,171
(Treasury shares)	11	(60,326)	(401)
Reserves	12	128,469	126,297
Profit /(loss) for the year	13	106,899	89,929
Interim dividend	13	(49,049)	(44,113)
Valuation adjustments	**9**	**1,024**	**-**
Hedging transactions		1,024	-
Total equity		**309,825**	**354,520**
NON-CURRENT LIABILITIES			
Non-current provisions	**15**	**18,695**	**22,409**
Long-term payables	**6-9-14**	**1,476,520**	**1,394,633**
Bank borrowings	6-14	1,470,648	1,394,633
Derivatives	6-9	5,872	-
Group companies and associates, non-current	**6-14**	**175,075**	**153,107**
Deferred tax liabilities	**16**	**323**	**-**
Other non-current payables	**6-14**	**50,025**	**49,994**
Other non-current payables		50,025	49,994
Total non-current liabilities		**1,720,638**	**1,620,143**
CURRENT LIABILITIES			
Current provisions		**2,153**	**1,263**
Short-term employee benefits	15	2,153	1,263
Current borrowings		**327,638**	**431,017**
Bank borrowings	6-14	130,738	70,267
Commercial paper program	6-14	196,900	360,750
Group companies and associates, current	**6-14**	**7,846**	**8,659**
Trade and other payables	**6-14**	**80,739**	**62,799**
Trade payables		8,745	7,755
Payables to group companies and associates		6,563	-
Other payables		49,049	44,113
Fixed asset suppliers		306	534
Accrued wages and salaries		12,095	6,979
Current tax liabilities		5,886	3,418
Total current liabilities		**418,376**	**503,738**
TOTAL EQUITY AND LIABILITIES		**2,448,839**	**2,478,401**

INCOME STATEMENT FOR THE YEAR 2022
(Thousand euro)

CONTINUING OPERATIONS	Note	As of 31st December 2022	2021
Revenue	**17**	**196,720**	**151,291**
Services rendered and other income		196,720	151,291
Other operating income	**17**	**485**	**485**
Non-trading and other operating income		485	485
Employee benefit expense	**17**	**(26,977)**	**(26,005)**
Wages and salaries		(26,051)	(25,101)
Social security		(926)	(904)
Other operating expenses	**17**	**(8,155)**	**(8,881)**
External services		(8,093)	(8,820)
Taxes		(62)	(61)
Depreciation and amortization		**(3,834)**	**(3,700)**
OPERATING PROFIT		**158,239**	**113,190**
Finance income	19	1,266	1,038
Finance expense	19	(34,801)	(28,278)
Change in fair value of financial instruments	19	(12,638)	70
Net exchange differences	19	(6)	(108)
FINANCIAL RESULTS		**(46,179)**	**(27,278)**
PROFIT BEFORE TAX		**112,060**	**85,912**
Income tax	18	(5,161)	4,017
PROFIT FOR THE YEAR		**106,899**	**89,929**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2022

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

	Note	2022	2021
Profit for the year	**13**	**106,899**	**89,929**
Income and expense recognised directly in equity			
Cash flow hedges	9	1,347	597
Tax effect	16	(323)	(143)
Adjustments for changes in value reclassified to profit and loss			
Cash flow hedges	9	-	10,944
Tax effect	16	-	(2,627)
		1,024	**8,771**
TOTAL RECOGNISED INCOME AND EXPENSE		**107,923**	**98,700**

B) TOTAL STATEMENT OF CHANGES IN EQUITY (Thousand euro)

	Share capital (Note 11)	(Treasury shares) (Note 11)	Share premium (Note 11)	Reserves (Note 12)	Profit for the year (Note 13)	Interim dividend (Note 13)	Valuation adjustments (Note 9)	Total
Beginning balance, 2021	**30,637**	**-**	**152,171**	**113,173**	**73,907**	**(30,638)**	**(8,771)**	**330,479**
Total recognised income and expense	**-**	**-**	**-**	**-**	**89,929**	**-**	**8,771**	**98,700**
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	12,645	(73,907)	30,638	-	(30,624)
Interim dividend (Note 13)	-	-	-	-	-	(44,113)	-	(44,113)
Acquisition of treasury shares (Note 11)	-	(50,563)	-	-	-	-	-	(50,563)
Reduction of share capital (Note 11)	-	50,162	-	479	-	-	-	50,641
Closing balance, 2021	**30,637**	**(401)**	**152,171**	**126,297**	**89,929**	**(44,113)**	**-**	**354,520**
Total recognised income and expense	**-**	**-**	**-**	**-**	**106,899**	**-**	**1,024**	**107,923**
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	2,722	(89,929)	44,113	-	(43,094)
Interim dividend (Note 13)	-	-	-	-	-	(49,049)	-	(49,049)
Acquisition of treasury shares (Note 11)	-	(71,391)	-	-	-	-	-	(71,391)
Sale of treasury shares (Note 11)	-	11,466	-	(550)	-	-	-	10,916
Closing balance, 2022	**30,637**	**(60,326)**	**152,171**	**128,469**	**106,899**	**(49,049)**	**1,024**	**309,825**

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022
(Thousand euro)

		As of 31st December	
	Note	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES	20		
Profit for the year before tax		112,060	85,912
Adjustments		(59,590)	(50,810)
Changes in working capital		8,612	815
Other cash flows from operating activities		73,390	53,230
Cash flows from/(used in) operating activities		**134,472**	**89,147**
CASH FLOWS FROM INVESTING ACTIVITIES	21		
Payments for investments		(684)	(16,455)
Proceeds from disposals		4,952	4,196
Cash flows from/ (used in) investing activities		**4,268**	**(12,259)**
CASH FLOWS FROM FINANCING ACTIVITIES	22		
Proceeds from and payment of financial liabilities		9,185	(7,273)
Dividends and payments on other equity instruments		(147,682)	(61,184)
Cash flows from /(used in) financing activities		**(138,497)**	**(68,457)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**243**	**8,431**
Cash and cash equivalents at beginning of period		30,959	22,528
Cash and cash equivalents at end of period	10	31,202	30,959

1. Activity of CIE Automotive, S.A.

CIE Automotive Group and activity

CIE Automotive, S.A., Parent Company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive, S.A. has become a financially solid Group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

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

Its main facilities are located in the following territories: Spain (Álava/Araba, Barcelona, Cádiz, Gipuzkoa, Orense, Pontevedra, Navarre and Bizkaia), Germany, France, Portugal, the Czech Republic, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

The Company's registered office is located at "Alameda Mazarredo 69, 8º piso", Bilbao.

Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U. and CIE Automotive Roof Systems Korea, Ltd; mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries and associates at 31st December 2022, together with the information concerning them, is disclosed in the Appendix I to these Annual Accounts.

These Annual Accounts were prepared by the Board of Directors on 24th February 2023.

Business evolution

After the 2020 financial year, 2021 continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which negatively affected economic activity with a strong impact on the automotive market, which reached a global production of 77.2 million vehicles in 2021.

The year 2022 has also been marked by challenges for the global economy in general, and the automotive industry in particular. While most of the countries where the Group operates were lifting health restrictions in the first half of the year, the Russian invasion of Ukraine has negatively affected an already weakened macroeconomic environment. In addition, production disruptions due to lack of semiconductors have been joined by the escalation of energy prices, and the scarcity and increase in the price of essential materials for the production of vehicles. Thus, the global production of vehicles was 82.0 million vehicles, 6.7% higher than in 2021.

In this market context, the Group has once again demonstrated its operational strength and flexibility, which have allowed it to reach levels higher than 2019, with record sales representing a growth of 16.4% compared to the previous year, at constant currency, standing above market growth by 9.7 percentage points. In addition, the Group has managed to exceed the operating margins that were diluted with the integrations of the 2019 financial year despite the general increase in production costs.

As of 31st December 2022, the Group has a liquidity reserve amounting to €1,534.2 million, which will allow it to fulfil with the necessary payments for the continuity of its business during 2023. In the same way, after the modification of the contractual clauses of all structural financing contracts for the year 2021, the Group has complied with the "covenants" of all its structural financing.

At the date of formulation of these Annual Accounts, the Directors of CIE Automotive, S.A., with the available information, estimate that the continuity of the business is not at risk given the solvency and liquidity position of the Group.

Investments in Russia

As of 31st December 2022 and 2021, the Company has an indirect investment via its subsidiary CIE Berriz, S.L. in the Russian company CIE Automotive RUS, LLC, dedicated to the production and sale of automotive components.

Due to the events of the conflict between Russia and Ukraine, and its impact on the Russian plant's activities, has resulted the Group registering value correction adjustments amounting to €17.6 million, which have been registered as of 31st December 2022 on the consolidated income statement of the Group. No valuation adjustment has been needed to be registered neither in the Company's Annual Accounts nor on the Annual Accounts of its subsidiary CIE Berriz, S.L.

Changes in the scope of consolidation

2022

During the year 2022, the Group has acquired 18,956,178 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €57,157 thousand, resulting in a decrease of the consolidated equity schedule by the amount paid. The Group's interest increased from 60.75% to 65.71% as of 31st December 2022.

On 15th March 2022, the Mexican subsidiary CIE Automotive de México, SAPI of C.V. carried out the acquisition of the 30% share it held indirectly in Ges Trading Nar, S.A. of C.V. (previously named Gescrap Autometal Mexico Servicios, S.A. de C.V.), and which until then depended directly on the associated company Gescrap Autometal de México, S.A. of C.V. This transaction had no impact on the Group's consolidated financial statements.

On 10th June 2022, together with other shareholders, an investment of €1,500 thousand was made in the company Basquevolt, S.A. by the Group, a project focused on the production of solid-state cells that aspires to be a leading battery producer in Europe, and over which the Group holds 16.67%.

On 13rd October 2022, the company Belgium Forge, NV was liquidated. The liquidation of the company had no significant impact on the Group's consolidated financial statements.

During the second half of the year, a corporate restructuring was carried out in the "Golde" roof system division, acquired to Inteva Products in 2019. The objective of this restructuring was to adapt the structure inherited from Inteva to the operational structure of CIE Group. The summary of the transactions, which had no impact on the consolidated financial statements, is as follows:

- On 4th August 2022, CIE Roof Systems, S.L.U. has acquired 100% and 99.99%, respectively, of the companies Golde Oradea, SRL (Romanian nationality) and Golde Bengaluru Pvt. Ltd. (Indian nationality) from its direct subsidiary Golde Netherlands, BV.
- On 23rd August, 2022, CIE Roof Systems, S.L.U. has acquired the interest held by Golde Netherlands, BV in Roof Systems Germany, Gmbh until reaching 100% of its share.
- On 31st August 2022, CIE Roof Systems, S.L.U. has also acquired practically the entire share held by Golde Lozorno spol s.r.o. from Golde Netherlands, BV. until reaching 99.77% of its share.
- On 2nd November 2022, the liquidation process of Inteva Products (Barbados), Ltd. began. Within the liquidation procedures, a legal document has been signed by which all the assets and liabilities of the Barbadian company are transferred to its direct parent company, Golde USA, LLC, a US national. The assets and liabilities transferred include the interests that Inteva Products (Barbados), Ltd. held in the Chinese companies Golde Shanghai, Co. Ltd., Golde Changchun, Co. Ltd. and CIE Golde Shanghai Innovation, Co. Ltd.; all owned by 100%.
- On 7th November 2022, CIE Roof Systems, S.L.U. has acquired from SIR SAS 50% of shares that the latter had in the joint venture Golde Shanghai Automotive Parts, Co. Ltd.

- On 8th November 2022, the cross-border merger was formalized in which CIE Roof Systems, S.L.U., absorbing company of Spanish nationality, has absorbed Golde Holdings, BV of Dutch nationality. With this merger, CIE Roof Systems, S.L.U. has come to hold 100% of the share in the Chinese companies Golde Tianjin, Co. Ltd., Golde Shandong, Co. Ltd. and Golde Wuhan, Co. Ltd. The merger date for accounting purposes was the 1st January 2022.
- On 28th November 2022, CIE Roof Systems, S.L.U. has acquired 100% of the French company SIR SAS, of French nationality, from its direct subsidiary Golde Netherlands, BV.
- During the months of November and December, the necessary procedures were carried out to migrate the US company Golde USA, LLC (subsidiary of CIE Roof Systems, S.L.U. and 100% owned) to Biscay (Spain). This process was completed on 23rd December 2022, the day on which the company was domiciled and nationalized for legal and tax purposes in Spain, without having lost its legal personality. Within this migration process, the corporate name of the company has also been modified, becoming CIE Golde Holding, S.L.U.

2021

During the first semester of the year, the Group acquired 2,200,441 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €4,792 thousand, resulting in a decrease of the consolidated equity schedule for the cost of the acquisition. The Group's interest increased, with this last acquisition, from 60.18% to 60.75% being the share percentage in Mahindra CIE Automotive, Ltd. held by the Group as of 31st December 2021.

Additionally, in 2021, the following corporate operations have been carried out without any of them having had significant impacts on the Consolidated Financial Statements:

- On the accounting date of 1st January 2021, the merger between PIA Forging Products, S.L.U. (absorbed company) and Participaciones Internacionales de Autometal Dos, S.L.U. (absorbing company) were carried out.
- On 6th August 2021, the Indian company CIE Hosur, Ltd. was incorporated.
- On the accounting date of 12th August 2021, the German company Aurangabad Deutschland, Gmbh was liquidated.
- On 29th September 2021, the Indian company Golde Pune Automotive India Pvt. Ltd. was incorporated.
- On 9th October 2021, the Korean company CIE Automotive Roof Systems Korea, Ltd. was incorporated.
- On 31st October 2021, the mergers by absorption of Percaser de México, S.A. de C.V. and Servicat Servicios Administrativos, Contables y Técnicos, S.A. de C.V. (absorbed companies) with Nugar, S.A. de C.V., and Pintura y Ensambles de México, S.A. de C.V. (absorbing companies), respectively, were carried out.
- On 1st December 2021, the companies Biodiesel del Mediterráneo, S.L.U. and Reciclados Ecológicos de Residuos, S.L.U. were liquidated.

Consolidated Annual Accounts of CIE Automotive Group

Under the Spanish Royal Decree 1,815/1,991 of December 20, the Company is obliged to present Consolidated Annual Accounts.

On 24th February 2023, the Company authorized the issuance of the Consolidated Annual Accounts of CIE Automotive, S.A. and its subsidiaries for the year ended 31st December 2022, which presented profit for the year attributable to owners of the parent of €300,120 thousand and equity, including profit for the year and non-controlling interests, of €1,504,649 thousand (2021: €267,544 thousand and €1,367,622 thousand, respectively).

Those Consolidated Annual Accounts were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). Appendix II, attached, includes the Groups' consolidated 2022 and 2021 balance sheets and income statements under IFRS-EU.

The Consolidated Annual Accounts include all CIE Automotive Group companies defined under Article 42 of Spain's Code of Commerce, each of which is consolidated using the appropriate method. All the subsidiaries under control of CIE Automotive Group have been incorporated into the consolidation using the global integration method. The list of CIE Automotive Group companies is attached to these Annual Accounts as Appendix I.

2. Basis of presentation

2.1 Fair presentation

The Annual Accounts were prepared from the Company's accounting records and are presented in accordance with current commercial legislation and with the rules established in the General Accounting Plan, approved by Royal Decree 1514/2007 and the modifications incorporated therein, being the last ones incorporated by means of Royal Decree 1/2021, of 12th January in force for fiscal years beginning on or after 1st January 2021, in order to give a true and fair view of the Company's equity, financial position and results , as well as the veracity of the cash flows included in the statements of cash flows. These annual accounts were authorized for issue by the Company's Directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2021 Annual Accounts were approved at the Annual General Meeting held on 28th April 2022.

2.2 Key sources of estimation uncertainty

The preparation of the Annual Accounts requires the Company to make certain estimates and judgments concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events considered being reasonable under current circumstances.

The resulting accounting estimates will, by definition, seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments in group companies and associates

The Company annually tests if investments in the equity of group companies and associates have suffered an impairment applying, according to the accounting policy described in Note 3.5.c). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimations.

This analysis is based on comparing the book value of each holding with the recoverable value associated with each of its direct holdings, and which in most cases correspond to holding companies whose main activity consists of holding of participations in the legal companies of the plants that make up the Group. This analysis is carried out considering 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 share held by its direct participating company, the Company verifies that the value in use of each of the companies exceeds the cost of shares.

For the analysis of the value recovery of its holdings, the Company considers the value in use of each of its direct investees, understanding the value in use as the present value of the future cash flows derived from each investment and its corresponding subsidiaries, reduced by the net financial debt contributed by each of the shares (equity value).

The assumptions used, as well as the results obtained from the analysis carried out as of 31st December 2022 and 2021 are included in Note 7.c.

As of 31st December 2022, within the current macroeconomic and sectoral context, updated market projections have been taken into consideration, and have not modified the conclusions regarding the recoverability of the shares held by the Company. In this sense, the projections made by the Management already include different considerations about potential future events that may affect projected cash flows of each of its businesses.

Fair value of derivatives or other financial instruments

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

Income tax

The legal status of the tax regulations applicable to the Company mean that estimates are employed, and the final quantification of tax is uncertain. Tax is calculated based on Management's best estimates, always taking into account prevailing tax legislation and foreseeable legislative changes (Note 18).

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

If the final outcome (on judgment areas) differs by 10% not favourable from management estimates, deferred assets would decrease and income tax would increase by approximately €5.5 million (2021: €3.8 million), and if these variations were favourable these deferred assets would increase, and income would decrease by approximately €2.6 million (2021: €2.3 million).

The result of this sensitivity analysis is conditioned by Management's estimates of the consolidated tax base of the Basque tax group, that in 2021 estimated a decrease in the taxable income after the confirmation on normative certainty in the use of tax incentives by the tax group.

As of 31st December 2022, within the current macroeconomic and sectoral context, updated market projections have been taken into consideration, as well as the latest internal information available on the near future of each of the businesses owned by the Group. In this sense, the projections made by the Management already include different considerations on potential future events that may affect the projected tax results in the Basque tax group, of which the Company is parent.

Employee benefits

In the profit-sharing and bonus agreements for its current employees, the Company makes estimates in the amounts of the benefits to be paid and the group of people to whom it is applicable.

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

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

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

As of 31st December 2022, payments have been made to the personnel based on the share price for €3.0 million (as of 31st December 2021 €5.9 million) (Note 24).

2.3 Aggregation

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

2.4 Presentation currency

The Annual Accounts are expressed in thousand euros, unless otherwise indicated.

3. Accounting policies

The principal accounting policies applied in the preparation of these Annual Accounts are set out below.

3.1. Intangible assets

Goodwill

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

Goodwill recognized separately is amortised on a straight-line basis over its estimated useful life, being valued at acquisition cost less accumulated amortization, and, if applicable, the accumulated amount of recognized impairment corrections. The useful life is determined separately for each of the CGU groups to which it has been assigned and is estimated to be 10 years. At least annually, it is analysed if there are indications of impairment of the value of the cash-generating unit groups to which goodwill has been assigned, and if there is one, its eventual deterioration is checked.

The valuation adjustments for impairment recognized in goodwill are not reversed in subsequent years.

Computer applications

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and prepare them for use of the specific software. These costs are amortised over the assets' estimated useful lives (between 4 to 6 years).

Software maintenance expenses are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of the relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 6 years and the time it begins to be amortised once is capitalized is no longer than one year.

Patents

Patents are carried at cost less accumulated amortization and corrections for impairment of recognized value. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life (10 years).

3.2. Property, plant and equipment

Property, plant and equipment are recognised at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognised.

Own work capitalized is calculated by summing the acquisition cost of consumable materials and the direct and indirect costs attributable to the production of these assets.

Costs incurred to extend, modernize or improve property, plant and equipment are only recognised as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and always it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

Maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. The estimated useful lives are as follows:

	Estimated useful life years
Buildings	25 to 33
Furniture and other facilities	10
Other fixed assets	4 to 6

The residual value and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying amount and are recognised in the income statement. Retirements and disposals are accounted for by eliminating the item's cost and the corresponding accumulated depreciation charge.

3.3. Impairment of non-financial assets

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

3.4. Exchanges of assets

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

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

3.5. Financial assets

a) Financial assets at fair value with changes in the profit and loss account

This category includes equity instruments that are not held for trading, or that are to be valued at cost, and over which the irrevocable choice has been made at the time of their initial recognition to present subsequent changes in fair value directly in equity.

Additionally, those financial assets designated, at the time of initial recognition irrevocably as measured at fair value with changes in the profit and loss account, and that would otherwise have been included in another category, are included to eliminate or significantly reduce a valuation inconsistency or accounting asymmetry that would arise in another case from the valuation of assets or liabilities on different bases.

Initial valuation

The financial assets included in this category will initially be valued at their fair value, which, unless there is evidence to the contrary, will be the transaction price, which will be equivalent to the fair value of the consideration delivered. Transaction costs directly attributable to them shall be recognised in the profit and loss account for the financial year.

Subsequent valuation

After initial recognition, the company will value the financial assets included in this category at fair value with changes in the profit and loss account.

b) Financial assets at amortised cost

This category includes those financial assets, including those admitted to trading on an organized market, in which the Company maintains the investment with the aim of receiving the cash flows derived from the execution of the contract, and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only settlements of principal and interest on the amount of outstanding principal.

Contractual cash flows that are only charges of principal and interest on the amount of the outstanding principal are inherent in an agreement that has the nature of an ordinary or common loan, without prejudice to the fact that the operation is agreed at a zero or below market interest rate.

This category includes credits for commercial operations and credits for non-commercial operations:

a) Credits for commercial operations: are those financial assets that originate in the sale of goods and the provision of services for traffic operations of the company with deferred collection, and

b) Credits for non-commercial operations: are those financial assets that, not being instruments of equity or derivatives, have no commercial origin and whose collections are of a determined or determinable amount, which come from loan or credit operations granted by the company.

Initial valuation

Financial assets classified in this category shall initially be valued at their fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be equal to the fair value of the consideration delivered, plus the transaction costs directly attributable to them.

However, credits for commercial transactions with a maturity not exceeding one year and which do not have an explicit contractual interest rate, as well as staff credits, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are valued at their nominal value to the extent that the effect of not updating the cash flows is considered not significant.

Subsequent valuation

Financial assets included in this category shall be valued at their amortised cost. Accrued interest shall be accounted for in the profit and loss account, applying the effective interest rate method.

However, loans with a maturity not exceeding one year that, in accordance with the provisions of the previous section, are initially valued at their nominal value, continue to be valued at that amount, unless they have been deteriorated.

When the contractual cash flows of a financial asset are modified due to the financial difficulties of the issuer, the company analyses whether it is appropriate to account for an impairment loss.

Impairment

The necessary valuation corrections are made, at least at closing and provided that there is objective evidence that the value of a financial asset, or of a group of financial assets with similar risk characteristics valued collectively, has been deteriorated as a result of one or more events that have occurred after its initial recognition and that cause a reduction or delay in future estimated cash flows, which may be motivated by the debtor's insolvency.

In general, the impairment loss of these financial assets is the difference between their carrying value and the present value of future cash flows, including, where appropriate, those arising from the enforcement of the collateral and personal guarantees, which are expected to be generated, discounted at the effective interest rate calculated at the time of their initial recognition.

Impairment value adjustments, as well as their reversal when the amount of such loss decreases for reasons related to a subsequent event, are recognized as an expense or an income, respectively, in the profit and loss account. The reversal of impairment is limited to the carrying value of the asset that would be recognized on the date of reversal if the impairment had not been recorded.

c) Financial assets at cost

In any case, investments in the equity of group companies, jointly controlled entities and associated companies are included in this valuation category.

Initial valuation

Investments included in this category will initially be valued at the cost, which is equivalent to the fair value of the consideration delivered plus the transaction costs that are directly attributable to them, the latter not being incorporated into the cost of investments in group companies.

However, in cases where there is an investment prior to its classification as a group, jointly controlled or associated company, the cost of said investment is considered to be the book value that it should have immediately before the company becomes qualified.

Part of the initial valuation is the amount of preferential subscription rights and similar that, where appropriate, have been acquired.

Subsequent valuation

Equity instruments included in this category are valued at their cost, less, where appropriate, the cumulative amount of impairment valuation corrections.

When these assets must be assigned a value due to derecognition from the balance sheet or other reason, the method of the average cost weighted by homogeneous groups is applied, these being understood as the values that have equal rights.

In the case of sale of preferential subscription rights and similar or segregation thereof to exercise them, the amount of the cost of the rights decreases the book value of the respective assets.

Contributions made as a result of a joint venture account contract and similar shall be valued at the cost, increased or decreased by the profit or loss, respectively, that correspond to the company as a non-managing unit-holder, and less, where appropriate, the accumulated amount of the impairment valuation corrections.

The same criterion applies to participating loans whose interest is contingent, either because a fixed or variable interest rate is agreed conditional on the fulfilment of a milestone in the borrowing company (for example, the obtaining of profits), or because they are calculated exclusively by reference to the evolution of the activity of the aforementioned company. If, in addition to a contingent interest, an irrevocable fixed interest is agreed, the latter is accounted for as a financial income based on its accrual. Transaction costs are charged to the profit and loss account on a straight-line basis over the life of the equity loan.

Impairment

At least at the end of the financial year, the necessary valuation corrections are made whenever there is objective evidence that the carrying value of an investment will not be recoverable. The amount of the valuation correction is the difference between its carrying value and the recoverable amount, understood as the largest amount between its fair value minus the costs of sale and the present value of the future cash flows derived from the investment, which in the case of equity instruments is calculated, either by estimating those expected to be received as a result of the distribution of dividends made by the investee company and the disposal or withdrawal from accounts of the investment in it, or by estimating its participation in the cash flows that are expected to be generated by the investee company, from both its ordinary activities and its disposal or withdrawal from accounts.

Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss of this asset class is calculated on the basis of the equity of the investee and the tacit capital gains existing at the date of valuation, net of the tax effect. In determining this value, and provided that the investee company has invested in another, the equity included in the Consolidated Annual Accounts prepared by applying the criteria of the Commercial Code and its implementing rules is taken into account.

The recognition of impairment valuation corrections and, where appropriate, their reversal, is recorded as an expense or income, respectively, in the profit and loss account. Impairment reversal is limited to the carrying value of the investment that would be recognized on the date of reversal if the impairment had not been recorded.

However, in the event that there has been an investment in the company, prior to its classification as a group, jointly controlled or associated company, and prior to that qualification, valuation adjustments directly imputed to the equity derived from such investment have been made, these adjustments are maintained after the qualification until the disposal or withdrawal of the investment, at which time they are recorded in the profit and loss account, or until the following circumstances occur:

(a) In the case of prior valuation adjustments for increases in value, impairment valuation adjustments shall be recorded against the equity reflecting the valuation adjustments previously made up to the amount thereof, and the excess, if any, is recorded in the profit and loss account. The valuation correction for impairment directly imputed to equity is not reversed.

b) In the case of previous valuation adjustments for value reductions, when subsequently the recoverable amount is higher than the book value of the investments, the latter is increased, up to the limit of the indicated value reduction, against the item that has collected the previous valuation adjustments and from that moment the new amount arising is considered the cost of the investment. However, when there is objective evidence of impairment in the value of the investment, losses accumulated directly in equity are recognized in the profit and loss account.

3.6. Derivative financial instruments and accounting hedge

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

a) Fair value hedges:

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the profit and loss account, along with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Where the hedged item is an unrecognised firm commitment or a component thereof, the cumulative change in the fair value of the hedged item after its designation is recognised as an asset or liability, and the corresponding gain or loss is reflected in the profit and loss account.

Changes in the carrying amount of covered items valued at amortised cost imply the correction, either from the moment of the modification, or subsequently from the cessation of hedge accounting, of the effective interest rate of the instrument.

b) Cash flow hedges:

The loss or gain of the hedging instrument, in the part that constitutes an effective hedge, is directly recognised in the equity. Thus, the equity component that arises as a result of the coverage is adjusted to be equal, in absolute terms, to the lower of the following two values:

(i) The cumulative loss or gain of the hedging instrument since the start of the hedging.

(ii) The cumulative change in the fair value of the hedged item (i.e., the present value of the cumulative change in the hedged expected future cash flows) since the start of the hedge.

Any remaining loss or gain of the hedging instrument or any loss or gain required to offset the change in the cash flow hedging adjustment calculated in accordance with the preceding paragraph, represents an ineffectiveness of the hedging that is recognised in the result for the year.

If a highly probable expected covered transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a covered expected transaction relating to a non-financial asset or a non-financial liability becomes a firm commitment to which fair value hedge accounting applies, that amount is removed from the cash flow coverage adjustment and is included directly in the initial cost or other carrying amount of the asset or liability. The same criterion applies to the exchange rate risk hedges of the acquisition of an investment in a group, jointly controlled or associated company.

In all other cases, the recognised equity adjustment is transferred to the profit and loss account to the extent that the hedged expected future cash flows affect the result for the year.

However, if the recognised equity adjustment is a loss and all or part of it is not expected to be recovered in one or more future periods, that amount that is not expected to be recovered is immediately reclassified in the result for the year.

3.7. Cash and cash equivalents

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

3.8. Equity

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

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

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

3.9. Financial liabilities

Financial liabilities, for the purposes of their valuation, shall be included in one of the following categories:

Financial liabilities at amortised cost

In general, this category includes debits for commercial operations and debits for non-commercial operations:

a) Debits for commercial operations: are those financial liabilities that originate in the purchase of goods and services for traffic operations of the company with deferred payment, and

b) Debits for non-commercial operations: are those financial liabilities that, not being derivative instruments, have no commercial origin, but come from loan or credit operations received by the company.

Equity loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice to the agreed interest rate (zero or below market).

Initial valuation

Financial liabilities included in this category are initially valued at their fair value, which is the transaction price, which is equivalent to the fair value of the consideration received adjusted for transaction costs directly attributable to them.

However, debits for commercial transactions with a maturity not exceeding one year and which do not have a contractual interest rate, as well as disbursements required by third parties on shares, the amount of which is expected to be paid in the short term, are valued at their nominal value, when the effect of not updating cash flows is not significant.

Subsequent valuation

Financial liabilities included in this category are valued at their amortised cost. Accrued interest is accounted for in the profit and loss account, applying the effective interest rate method.

However, debits with a maturity not exceeding one year which are initially valued at their nominal value continue to be valued at that amount.

Financial liabilities at fair value with changes in the profit and loss account

This category includes financial liabilities that meet any of the following conditions

a) Liabilities that are maintained for negotiation.

b) Those irrevocably designated from the moment of initial recognition to account for fair value with changes in the profit and loss account, given that:

- An inconsistency or "accounting asymmetry" with other fair value instruments with changes in profit and loss is eliminated or significantly reduced; or
- A group of financial liabilities or financial assets and liabilities is managed and its performance is assessed on the basis of its fair value in accordance with a risk management strategy or documented investment and group information is also provided on the basis of fair value to key management personnel.

c) Non-segregable hybrid financial liabilities included optionally and irrevocably.

Initial and subsequent assessment

Financial liabilities included in this category are initially valued at fair value, this being the transaction price, which is equivalent to the fair value of the consideration received. Transaction costs directly attributable to them are recognised in the profit and loss account for the period.

After initial recognition, financial liabilities falling under this category are valued at fair value with changes in the profit and loss account.

In the case of convertible bonds, the fair value of the liability component is determined by applying the interest rate for similar non-convertible bonds. This amount is accounted for as a liability on the basis of the cost amortised until its settlement at the time of its conversion or maturity. The rest of the income obtained is allocated to the conversion option that is recognised in the equity.

In the event of renegotiation of existing debts, it is considered that there are no substantial changes in financial liabilities when the lender of the new loan is the same as the lender who granted the initial loan and the present value of cash flows, including net commissions, does not differ by more than 10% from the present value of unpaid cash flows from the original liability calculated under the same method.

3.9.1. Accounting policies on financial liabilities applicable until fiscal year 2020

Debts and payables

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

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

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

In the event of renegotiation of existing debts, it is considered that there are no substantial changes in financial liabilities when the new loan lender is the same as the one that granted the initial loan and the current value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the cash flows pending payment of the original liability calculated under the same method.

In the case of convertible bonds, the Company determines the fair value of the liability component using the rate of interest for similar non-convertible bonds. This figure is recorded as a liability on the basis of the amortised cost until it is settled upon conversion or maturity. Other income obtained is allocated to the conversion option and is recognised in equity.

3.10. Current and deferred income tax

The Company files its taxes under the consolidated tax system as the parent of a group of companies (Note 18). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Bizkaia provincial tax laws, in 2022 are as follows:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.

- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- Industrias Amaya Tellería, S.L.U.
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Goiain, S.L.U.
- CIE Automotive Boroa, S.L.U.
- CIE Roof Systems, S.L.U.
- Recogida de Aceites y Grasas Maresme, S.L.U.
- CIE Golde Holding, S.L.U. (incorporated in the year 2022)
- Reciclados Ecológicos de Residuos, S.L.U. and Biodiesel del Mediterráneo, S.L.U. (liquidated in December 2021 and officially registered in February 2022).

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

Income tax is calculated on the basis of accounting profit adjusted for any permanent differences between profit for accounting and tax purposes. Tax credits available at the consolidated tax group level, arising mainly from corporate investing activities, are analyzed annually for future utilization and offset and are recognised as a function of current expectations regarding their utilization. This analysis not only encompasses estimable taxable income but also expectations regarding the use of tax credits granted (Note 16).

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

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

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

3.11. Employee benefit

a) Profit-sharing and bonus plans

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

b) Termination benefits

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

c) Share-based payments

At 31st December, 2022 the Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix I).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiaries.

The fair value of the employee services received in exchange for the grant of such shares/ options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives arise to the corresponding change against the Group´s equity.

Likewise, at the General Meeting of shareholders, held on 24th April 2018, the concession for the CEO of a long-term incentive was approved based on the evolution of the share price of CIE Automotive, S.A. This agreement was modified at the General Shareholders' Meeting on 5th May 2021 and has been partially executed in both fiscal years 2022 and 2021 (Note 24).

The total cost of this incentive is recognized as personnel costs, in the period in which the conditions to reach it must be met.

3.12. Provisions and contingent liabilities

The Company recognises provisions when it has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

Provisions due within one year or for which the effect of the time value of money is not material are not discounted.

When some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised separately when, and only when, it is virtually certain that reimbursement will be received.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed in the accompanying Notes as warranted.

3.13. Business combinations

Mergers, spin-offs and non-monetary contributions of businesses among entities under common control are recognised following the rules for accounting for related-party transactions (Note 3.18).

Mergers and spin-offs that are not common control transactions and business combinations arising from the acquisition of all of the assets and liabilities of a company or a portion thereof that constitutes one or more businesses are recognised using the acquisition method.

The Company recognises business combinations arising from the acquisition of shares or equity interests in another company in accordance with the rules for accounting for investments in Group companies, joint ventures and associates (Note 3.5.c).

3.14. Joint operations

Joint ventures

Investments in joint ventures are recognised and measured in keeping with the criteria for accounting for investments in Group companies, joint ventures and associates (Note 3.5.c).

3.15. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in exchange for the goods delivered and services rendered in the course of the Company's ordinary activities, less returns, discounts and value added tax.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the specific conditions applicable to each of its activities are met. The amount of revenue cannot be measured reliably until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

According to the interpretation published by the ICAC in its official journal in September 2009 (interpretation no. 79), companies classified as 'industrial holding companies', such as CIE Automotive, S.A., must present dividends, interest income and management fees from their investments in Group companies, jointly controlled entities and associates within revenue in their income statements.

a) Sales of services

The Company invoices CIE Automotive Group companies for sales commission, for providing general management and administration services, as well as services in the field of IT, according to contracts with each.

Service revenue is recognised in the financial year in which the services are provided with reference to the outcome of the transaction in question and on the basis of the actual level of service performed as a percentage of total services performable.

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

b) Interest income

Interest income of financial assets valued at amortised cost is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

c) Dividend income

Dividend income is recognised as revenue in the income statement when the right to receive payment is established, provided that, since the date of acquisition, an investee company or any subsidiary of the Group has generated profits for an amount greater than the equity distributed. However, if the dividends distributed come from results generated prior to the date of acquisition, they are not recognized as income, reducing the carrying amount of the investment.

3.16. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.17. Foreign currency transactions

a) Functional and presentation currency

The Company's Annual Accounts are presented in euro, which is both its functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, unless they are deferred in equity as eligible cash flow hedges and eligible net investment hedges (Note 3.6).

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3.18. Related-party transactions

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

However, in mergers, spin-offs or non-monetary business contributions, the constituent elements of the acquired business are valued at the amount corresponding to them, once the operation has been carried out, in accordance with their previous values according to the Consolidated Annual Accounts of the group or subgroup, or in case of waiver, the greater between the cost of acquiring the business in the contributing company, and the amount representing its percentage of participation in the equity of the investee company whose business is transferred.

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

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

3.19. Dividend distribution

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

4. Financial risk management

4.1 Financial risk factors

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

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

a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

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

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

If at 31st December 2022, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €287/€235 million (2021: increased/decreased by €268/€220 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2022 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €24.2/€19.8 million higher/ lower, respectively (2021: €23.2/€19.0 million higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of 31st December 2022, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euro)		Profit after tax (million euro)	
	Devalued Euro 10%	**Revalued Euro 10%**	**Devalued Euro 10%**	**Revalued Euro 10%**
Chinese yuan	89	(73)	6.2	(5.0)
US dollar	79	(65)	10.2	(8.4)
Indian rupee	61	(50)	4.3	(3.5)
Brazilian real	38	(31)	4.5	(3.7)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

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

If during 2022 the average interest rate on borrowings denominated in euro had been 100 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €12,100 thousand lower/higher (2021: €14,646 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31st December 2021, the Group had not contracted interest rate hedging derivatives. As of 31st December 2022, in relation to the valuation of the contracted derivatives, a variation of 10 basis points higher/lower in all the sections of the interest rate curve considered in the valuation of both hedging and non-hedging derivatives coverage would affect equity decreasing by €23/€86 thousand.

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards).

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt of the Group at 31st December 2022 and 2021 as follows:

Thousand euro	**31.12.2022**	**31.12.2021**
Cash and cash equivalents	732,053	658,788
Other current financial assets	125,283	126,135
Undrawn lines of credit	676,908	724,767
Liquidity buffer	**1,534,244**	**1,509,690**
Bank borrowings	2,141,122	2,179,853
Other current financial liabilities	6,012	-
Cash and cash equivalents	(732,053)	(658,788)
Other current financial assets	(125,283)	(126,135)
Net debt	**1,289,798**	**1,394,930**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

Additionally, as of 31st December 2022, Shanghai Golde Auto Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method, has a net treasury of €40 million (€36 million in 2021).

The evolution of the Net Financial Debt in 2022 and 2021 is shown in the following table:

Thousand euro	Cash and cash equivalents (Note 12)	Other financial assets (Note 9)	Bank borrowings (Note 15)	Other financial liabilities (Note 9)	TOTAL
Net Financial debt 1st January 2021	**565,561**	**105,176**	**(2,248,031)**	**(17,630)**	**(1,594,924)**
Cash flow	49,031	13,178	96,166	10,944	169,319
Exchange rate adjustments	44,756	4,108	(23,940)	-	24,924
Other non-monetary movements	-	3,673	(7,250)	6,686	3,109
Flows from discontinued operations	(560)	-	3,202	-	2,642
Net Financial debt 31st December 2021	**658,788**	**126,135**	**2,179,853**	**-**	**(1,394,930)**
Cash flow	68,765	7,493	49,717	-	125,975
Exchange rate adjustments	10,415	(3,122)	(14,796)	-	(7,503)
Other non-monetary movements	-	(5,179)	(12,264)	(6,012)	(23,455)
Flows from discontinued operations	3,391	174	5,752	-	9,317
Discontinued operations (Note 13)	(9,306)	(218)	10,322	-	798
Net Financial debt 31st December 2022	**732,053**	**125,283**	**(2,141,122)**	**(6,012)**	**(1,289,798)**

The Group's Treasury Department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2023 will allow facing recurrent payments without increasing net financial debt.

The Group's Treasury Department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans over time amounting to €36.0 million with financial institutions used for the management of operating working capital (€4.6 million as of 31st December 2021). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31st December 2022 of €677 million of undrawn credit lines and loans (31st December 2021: €725 million).

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31st December 2022 and 2021:

Thousand euro	31.12.2022	31.12.2021
Inventories	494,849	482,868
Trade and other receivables	309,457	284,155
Other current assets	47,636	51,819
Current tax assets	57,311	60,467
Current operating assets	**909,253**	**879,309**
Other current financial assets	92,855	102,865
Cash and other cash equivalents	732,053	658,788
CURRENT ASSETS	**1,734,161**	**1,640,962**
Trade and other payables	1,026,609	934,873
Current tax liabilities	65,218	82,007
Current provisions	173,519	135,084
Other current liabilities	176,164	168,346
Current operating liabilities	**1,434,522**	**1,320,310**
Short-term bank borrowings	472,013	525,775
Other current financial liabilities	140	-
CURRENT LIABILITIES	**1,906,675**	**1,846,085**
TOTAL WORKING CAPITAL	**(172,514)**	**(205,123)**

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

During the first half of 2021, and as of 1st July 2021, the Group renewed its structural financing, negotiating the limit of existing covenants, extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group improved the conditions of its financing and, as of 31st December 2022, the Group complies with all the ratios required in its financing.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

c) Credit risk

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

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

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

Given the characteristics of the Group's customers, management historically deemed that those receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers considering the current market conditions.

4.2 Hedge accounting

The Group determines the effectiveness of the hedge at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate coverage between the hedged risk and the hedging instrument.

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

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

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

b) Cash flow hedges

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

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

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

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

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

c) Net investment hedges

As of 31st December 2022 and 2021, the Company did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment. As of 31st December 2022, the Group maintained investments whose net assets were exposed to the risk of conversion into foreign currency and foreign resources denominated in dollars formalized through the company CIE Bérriz, S.L. The foreign resources denominated in dollars, which main purpose is to support the group's sustainable growth in North America. In 2022, the negative exchange difference generated by this financing, which amounted to €7,353 thousand, was recognized under the heading "Net Investment Coverage" of the Consolidated Global Income Statement; heading under "foreign currency conversion differences"(2021: €9,605 thousand).

d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by CIE Automotive Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be adequately offset.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

Based on the underlying asset and the type of hedge, CIE Automotive also uses the Variance Reduction and the Linear Regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

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

4.3 Valuation method (fair value estimation)

The regulations in force establish the information to be disclosed on valuations at fair value applicable also to non-financial assets and liabilities. Based on the provisions of Royal Decree 1/2021, of 12th January, fair value is the price that would be received for the sale of an asset or paid to transfer or cancel a liability through an orderly transaction between market participants on the valuation date.

The Company discloses the fair value estimation according to the following level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31st December 2022 and 31st December 2021:

2022 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	7	-	14,588	14,588
Derivatives	9	1,347	-	1,347
Total assets at fair value		**1,347**	**14,588**	**15,935**
Derivatives	9	(5,872)	-	(5,872)
Total liabilities at fair value		**(5,872)**	**-**	**(5,872)**
2021 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	7	-	20,465	20,465
Derivatives	9	4,541	-	4,541
Total assets at fair value		**4,541**	**20,465**	**25,006**

There were no transfers between levels during 2022 and 2021.

a) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

i) Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

ii) Fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

iii) It is assumed that the carrying amount of trade receivables and payables is similar to their fair value.

iv) The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to financial instruments derivatives (Note 9).

b) Level 3 financial instruments

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Level 3.

As of 31st December 2022, there are loans granted to Group employees valued at fair value and amounting to €14,588 thousand (2021: €20,465 thousand) (Note 6.5).

The Company has not agreements for the offset of financial assets and liabilities

4.4 Capital risk management

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

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

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

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50.

The gearing ratios at 31st December 2022 and 2021 are as follows:

Thousand euro	**2022**	**2021**
Borrowings	2,141,122	2,179,853
Financial liabilities	6,012	-
Less: Cash and cash equivalents and financial assets	(857,336)	(784,923)
Net financial debt	**1,289,798**	**1,394,930**
Equity	1,504,649	1,367,622
Total capital used	**2,794,447**	**2,762,552**
Gearing ratio	**0,46**	**0.50**

At 31st December 2022 and 2021, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants.

During the first half of 2021, and with an application date of 1st July 2021, the Group novated its structural financing, negotiating the limits of existing "covenants", extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group improved the conditions of its financing and, as of 31st December 2022, the Group complies with all the ratios required in its financing.

4.5 Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements. As a consequence of the holding nature of the Company, climate risk is directly related to the impact on its operating subsidiaries and the cash flows expected to be obtained from them.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group had updated its Environment Policy in 2021, where it was recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Additionally, in December 2022, the Board of Directors of the Company took another step in its environmental strategy by approving a new roadmap that establishes new medium- and long-term objectives, consistent with what scientific experts and the Paris agreements dictate, and limiting global warming to 1.5ºC above pre-industrial levels. Thus, the climate emergency has led the Group to continue strengthening its commitment to climate neutrality by joining the SBTi initiative and setting the clear objective of achieving emissions neutrality no later than 2050.

Below are the action plans established to address each of the climate-related risks that have an impact on the financial statements from its subsidiaries and thus, on the Annual Accounts of the Company.

<u>The risks arising from the transition to low-carbon economies</u>

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

- Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector. In this sense, the Group is immersed in a technological transformation, aimed at reducing its corporate footprint, as well as the goods it produces. To achieve these objectives, the Group develops different technologies that provide the efficiency and flexibility necessary to face all challenges with changing volumes and scenarios.

Technological diversity also allows to focus investments on those technologies most demanded by the market in each circumstance. Currently, the market is betting on the electrification of vehicles and more than 80% of the components and subassemblies produced by the Group can be used in any type of vehicle (combustion, electric, hybrid). Despite this considerable percentage of versatility in the goods it produces, the Group has proposed to take advantage of the opportunity offered by the decarbonization of transport to position itself in new products of high added value. These products are related to the engine and power electronics, gearboxes and batteries.

This commitment to batteries has materialized in the investment made by the Group in the company Basquevolt, S.A. with an initial investment of €1.5 million.

Additionally, the Group's technological commitment to meet these environmental objectives focuses on the Eco-efficiency and circularity, the lightweighting of vehicles, the improvement of the user experience (noise reduction, light integration, ...), electric and autonomous vehicles and Industry 4.0 as a key to competitiveness and eco-efficiency, always aiming at the path towards the decarbonization of transport.

These actions are naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

- Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

a) *Environmental Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications.
   The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.
b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, and emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe, where, in addition, in 2022 new contracts have been signed for the supply of green energy for own consumption starting 2023; and India, where investment in new solar power plants has continued (Note 9).
   In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.
c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, it has its own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.
   As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

d) *Pollution control and waste* management: the Group's environmental management systems are based on the IS14001 standard, and ensure that pollution does not exceed the levels established by current regulations. On the other hand, the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

All of these action plans and expected results have been included for each plant in the projections used for the investment impairment assessment described in Note 7.

The risk of the impact on the margins of adaptation to low-carbon economies

Cost pressure can occur on car producers. During the deployment phase of more sustainable vehicles, the final cost will be higher and, to maintain sales volumes, there is a risk of increased cost pressure on component suppliers.

Faced with this type of scenarios and risks, the Group's model is very effective. Commercial diversification makes dependence on a project or its renovation low, so the freedom to invest in projects is key. To this is added another of the axes of the group, the investment discipline, which leads to a detailed analysis of the projects with volume sensitivity analysis, avoiding those projects with volumes lower than those initially announced have a definitive impact on the returns of the projects.

The direct physical risk posed by climate change in the production process and operations of a business

As of 31st December 2022 and 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each of them:

a) *Water stress risks: are the risks that can result in the lack of water supply.*

b) *Acute physical risks*: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.

c) *Chronic physical risks*: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.
Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.

d) *Protection of biodiversity*: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

In this sense, for the assumptions used in the analysis of impairment of investments described in Note 7, the Company has considered macroeconomic variables that already take into account, implicitly, the impacts that climate change may have in each of the geographies where it operates. The growth rates, discount rates and risk rates used are market ratios that implicitly also reflect the valuation of climate risk. These rates do not show significant differences with those used in previous years. Due to the very nature of the activity, it is considered that there is no material impact of the risk of climate change that implies an indication of deterioration, for any of the Group subsidiaries.

Likewise, based on the foregoing, it is not expected that there will be substantial changes in the Group's future estimates (provisions, changes in useful lives, etc.) nor significant impacts on the recovery analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

5. Intangible assets

The movement schedule in intangible assets during the period is as follows:

	Computer applications	Patents	Goodwill	Total
Cost				
Balance at 1st January 2021	**19,657**	**1,000**	**27,718**	**48,375**
Additions	1,158	-	-	1,158
Balance at 31st December 2021	**20,815**	**1,000**	**27,718**	**49,533**
Additions	678	-	-	678
Balance at 31st December 2022	**21,493**	**1,000**	**27,718**	**50,211**
Accumulated amortization				
Balance at 1st January 2021	**(17,402)**	**(300)**	**(13,860)**	**(31,562)**
Additions	(618)	(100)	(2,772)	(3,490)
Balance at 31st December 2021	**(18,020)**	**(400)**	**(16,632)**	**(35,052)**
Additions	(744)	(100)	(2,772)	(3,616)
Balance at 31st December 2022	**(18,764)**	**(500)**	**(19,404)**	**(38,668)**
Carrying amount				
Balance at 1st January 2021	**2,255**	**700**	**13,858**	**16,813**
Balance at 31st December 2021	**2,795**	**600**	**11,086**	**14,481**
Balance at 31st December 2022	**2,729**	**500**	**8,314**	**11,543**

a) Goodwill

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

The goodwill is allocated to the Company's cash-generating units (CGUs) groups by management unit and operating market. Goodwill is allocated to the Brazilian and European operations as was the case at INSSEC.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by Management covering normally a five-year period. Cash flows beyond this five-year period are extrapolated using estimated growth rates. Note 7.c) details the key assumptions used to calculate the value in use of the various CGUs groups in a manner that is consistent with the overall situation of CIE Automotive Group's operating markets as well as the businesses' projected performance.

CIE Automotive Group has verified that neither its goodwill nor its investments in group companies (Note 7) suffered any impairment loss in either 2022 or 2021.

b) Fully-amortised intangible assets

At 31st December 2022 there are fully-amortised items of intangible assets with an historic cost of €17.0 million (2021: €16.3 million).

6. Analysis of financial instruments

6.1 Analysis by category

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

	At cost		At amortised cost		At fair value with changes in profit and loss		Others	
Financial assets in thousands of euros	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-current								
- Balances with group companies								
Investments in group companies (Note 7.a)	1,090,467	1,090,467	-	-	-	-	-	-
Credits to group companies (Note 7.d)	-	-	1,209,983	1,238,090	-	-	-	-
-Other investments (Note 6.4)	81	81	-	-	-	-	-	-
-Credits to third parties (Note 6.5)	-	-	5,200	6,500	14,588	-	-	-
-Derivatives (Note 9)	-	-	-	-	-	4,541	-	-
-Other financial assets	-	-	25	33	-	-	-	-
TOTAL	**1,090,548**	**1,090,548**	**1,215,208**	**1,244,623**	**14,588**	**4,541**	**-**	**-**
Current								
- Trade and other receivables (Note 8)	-	-	22,351	17,622	-	-	-	-
-Credits to group companies (Note 7.d)	-	-	24,676	17,974	-	-	-	-
-Credits to third parties (Note 6.5)	-	-	1,300	1,402	-	20,465	-	-
-Derivatives (Note 9)	-	-	-	-	1,347	-	-	-
-Other financial assets (Note 6.6)	-	-	16,811	16,812	-	-	-	-
-Cash and other cash equivalents (Note 10)	-	-	-	-	-	-	31,202	30,959
TOTAL	**-**	**-**	**65,138**	**53,810**	1,347	**20,465**	**31,202**	**30,959**

	At amortised cost		At fair value with changes in profit and loss	
Financial liabilities in thousands of euros	**2022**	**2021**	**2022**	**2021**
Non-current				
-Borrowings received (Note 14)	1,470,648	1,394,633	-	-
-Other non-current financial liabilities (Derivatives) (Note 9)	-	-	5,872	-
- Borrowings from group companies (Note 14)	175,075	153,107	-	-
- Other debts (Note 14)	50,025	49,994	-	-
TOTAL	**1,695,748**	**1,597,734**	**5,872**	**-**
Current				
-Borrowings received (Note 14)	130,738	70,267	-	-
-Commercial paper program (Note 14)	196,900	360,750	-	-
-Borrowings from group companies (Note 14)	7,846	8,659	-	-
- Trade and other payables (Note 14)	74,853	59,381	-	-
TOTAL	**410,337**	**499,057**	**-**	**-**

6.2 Classification by maturity

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

	Financial assets						
	2023	**2024**	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Investments in group companies and associates:							
Credits to group companies (*)	24,676	-	-	-	-	1,209,983	1,234,659
Other financial investments:							
Trade and other receivables	22,351	-	-	-	-	-	22,351
Credits to third parties	1,300	-	-	-	-	5,200	6,500
Derivatives	1,347	-	-	-	-	-	1,347
Other financial assets	16,811	-	-	-	-	25	16,836
TOTAL	**66,485**	**-**	**-**	**-**	**-**	**1,215,208**	**1,281,693**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

	Financial liabilities						
	2024	**2024**	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Borrowings from group companies and associates	7,846	-	-	-	-	175,075	182,921
Other financial liabilities:							
Bank borrowings	130,738	588,366	201,185	173,742	368,462	138,893	1,602,386
Commercial paper program	196,900	-	-	-	-	-	196,900
Derivatives	-	-	-	-	5,872	-	5,872
Other liabilities	-	-	1,575	7,500	13,145	27,805	50,025
Trade and other payables	74,853	-	-	-	-	-	76,758
TOTAL	**410,337**	**588,366**	**202,760**	**181,242**	**387,479**	**341,773**	**2,114,862**

(*) The long-term loans extended to group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed one year before its maturity for additional periods of one year unless it exists a previous cancellation one year before the established maturity (Note 7.d).

6.3 Credit quality of financial assets

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

6.4 Other investments

The Company at 31st December 2022 and 2021 has under this heading the investment in Fundación CIE I+D+I as Funding Trustee, having given an initial (and unchanged) endowment of €60 thousand.

6.5 Credits to third parties

	Balante at 01.01.21	**Additions**	**Profit/(Loss) adjustment**	**(Collections)**	**Balance at 31.12.21**	**Additions**	**Profit/(Loss) adjustment**	**(Collections)**	**Balance at 31.12.22**
Credits to employees (Notes 17.b and 24)	22,947	-	303	(2,785)	20,465	-	(2,225)	(3,652)	14,588
Advances (Note 25.a)	9,100	-	-	(1,300)	7,800	-	-	(1,300)	6,500
Other	102	-	-	-	102	-	(102)	-	-
TOTAL	**32,149**	**-**	**303**	**(4,085)**	**28,367**	**-**	**(2,327)**	**(4,952)**	**21,088**

6.6 Other current financial assets

The Company records an account receivable with possibility of immediate availability with INSSEC DOS which balance at 31st December 2022 and 2021 stood at €16,800 thousand.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

7. Investments and credits to group companies

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

The main group companies owned directly by the Company (not listed) are as follows:

Name and registered office	Legal structure	Activity	% of total voting rights held directly 2022	% of total voting rights held directly 2021
Group companies and jointly-controlled entities				
CIE Berriz, S.L. (Bizkaia)	S.L.	Holding company	100%	100%
CIE Automotive Boroa, S.L.U. (Bizkaia)	S.L.U.	Holding company	100%	100%
CIE Roof Systems, S.L.U. (Bizkaia)	S.L.U.	Holding company	100%	100%
Autokomp Ingeniería, S.A.U. (Bizkaia)	S.A.U.	Services and installations	100%	100%
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	S.L.U.	Manufacture of automotive components	100%	100%
Advanced Comfort Systems France, S.A.S. (France)	S.A.S.	Manufacture of automotive components	100%	100%
CIE Automotive Roof systems Korea Limited	Ltd	Manufacture of automotive components	100%	100%

The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at 31st December 2022 and 2021, are as follows:

Company	Equity: Capital	Equity: Share premium	Equity: Reserves	Equity: Interim dividend	Operating profit	Profit/(loss) for the year	Investment book value	Dividends received (Note 25)
2022:								
CIE Berriz, S.L.	60,101	-	256,133	-	25,853	1,483	251,874	8,000
Advanced Comfort Systems Ibérica, S.L.U.	450	2,803	3,002	-	755	624	8,528	525
Advanced Comfort Systems France, S.A.S.	3,100	-	30,690	-	1,100	1,084	57,132	-
Autokomp Ingeniería, S.A.U.	180	-	157	(4,500)	7,098	5,957	4,804	6,816
CIE Automotive Boroa, S.L.U.	368,535	368,525	2,511	(10,500)	18,533	14,084	737,060	11,119
CIE Roof Systems, S.L.U.	10	-	(14,868)	(52,000)	123,982	103,546	30,996	52,000
CIE Automotive Roof Systems Korea Limited	73	-	-	-	(3)	(3)	73	-
TOTAL							**1,090,467**	**78,460**
2021:								
CIE Berriz, S.L.	60,101	-	238,537	-	47,422	25,626	251,874	36,000
Advanced Comfort Systems Ibérica, S.L.U.	450	2,803	3,000	-	630	527	8,528	655
Advanced Comfort Systems France, S.A.S.	3,100	-	29,832	-	201	366	57,132	-
Autokomp Ingeniería, S.A.U.	180	-	158	(9,000)	12,398	11,318	4,804	9,000
CIE Automotive Boroa, S.L.U.	368,535	368,525	1,553	(8,000)	12,597	9,576	737,060	15,645
CIE Roof Systems, S.L.U.	10	-	19,494	-	1,993	(8,757)	30,996	-
CIE Automotive Roof Systems Korea Limited	73	-	-	-	(5)	(5)	73	-
TOTAL							**1,090,467**	**61,300**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

b) Movements in investments in CIE Automotive group companies

The movements in 2022 and 2021 are summarized below:

	Balance at 01.01.21	Additions/ (Disposals)	Balance at 31.12.21	Additions/ (Disposals)	Balance at 31.12.22
CIE Berriz, S.L.	251,874	-	251,874	-	251,874
Autokomp Ingeniería, S.A.U.	4,804	-	4,804	-	4,804
Advanced Comfort Systems Ibérica, S.L.U.	8,528	-	8,528	-	8,528
Advanced Comfort Systems France, S.A.S.	57,132	-	57,132	-	57,132
CIE Automotive Boroa, S.L.U.	737,060	-	737,060	-	737,060
CIE Roof Systems, S.L.U.	15,996	15,000	30,996	-	30,996
CIE Automotive Roof Systems Korea Limited	-	73	73	-	73
TOTAL	**1,075,394**	**15,073**	**1,090,467**		**1,090,467**

German forging business

On 14th December 2022, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to put the German forging business up for sale, corresponding to the company CIE Forging Germany GmbH (previously called Mahindra Forgings Europe AG) and its subsidiaries after receiving offers from potential buyers of this business. Both Mahindra CIE Automotive, Ltd. and CIE Forging Europe, Gmbh are subsidiaries indirectly owned by CIE Berriz, S.L.U. As of 31st December 2022, the Group was still negotiating the sale of this subgroup.

Following this decision, the Group has reclassified, in its Consolidated Annual Accounts, the assets and liabilities associated with said business as a group of assets and liabilities held for sale, reclassifying the income statement of all business companies to discontinued operations. It has also proceeded to adjust the fair value of the net assets of CIE Forging Germany, Gmbh to their realizable value.

The Company has taken this new scenario into account when preparing its Annual Accounts, and has not identified any valuation adjustment to be included on its direct subsidiary CIE Berriz, S.L.U.

Movement in investment in group companies

Additions for the year 2021 corresponded to the new investment in the company CIE Automotive Roof systems Korea Limited, S.L.U. and the contribution from partners made in the company CIE Roof Systems, S.L.U.

c) Analysis of impairment of investments in group companies and associates

c.1 Application methodology

The impairment analysis of each investment held by the Company is carried out individually both at the level of the Company itself and at lower levels. In the case of investee companies whose activity is the holding of the Group's subsidiaries, their value in use is determined by adding the value in use of their shares, since an individualized value in use of the same does not It would, in no case, reflect your economic reality. The value in use of each of its direct investees is understood as the present value of the future cash flows derived from each investment and its corresponding subsidiaries, reduced by the net financial debt contributed by each of the participations (equity value).

c.2 Assumptions used

Sales projection and margins

Sales estimates are made at the level of each CGU and below it, at the level of each project, taking into account the confirmed purchase orders at the time of the budget, the portfolio of the different customers for each project, the estimated production units for ongoing projects in the forecasted period and future projects for which the Group has already been nominated.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The gross operating margin (EBITDA) applied to forecasted sales are estimated based on the current profitability of the contracts in production corrected, if applicable, for adjustments, positive or negative, in future profitability already known at the time of preparation of the forecast; as well as expected future returns from each of the projects which production has not started.

The average(*) of the margins projected for the aggregated cash flows for each of the following subsidiaries through the period of the projections has been as follows:

Companies	2022	2021
CIE Berriz, S.L.	19.52%	19.25%
Autokomp Ingeniería, S.A.U.	18.57%	17.79%
Advanced Comfort Systems Ibérica, S.L.U.	8.50%	9.24%
Advanced Comfort Systems France, S.A.S.	18.81%	17.26%
CIE Roof Systems, S.L.U.	15.83%	16.33%

(*) *The average of the detailed margins is the result of dividing the sum of the gross operating profits (EBITDA) by the sum of the sales of the years that make up the projection period.*

The company CIE Automotive Boroa, S.L.U., incorporated in 2019, has as its activity the financing of different companies of the Group, without it having any subsidiary; and the recovery of the cost of this holding is directly related to the flows generated by the Group companies to which it has granted financing. In addition, at 31st December 2022 and 2021, the equity value of the same exceeds the cost of the participation that the Company has recognized.

Calculation of residual value

The residual value is calculated by applying the "normalized annual cash flow", which is made up of the EBITDA of the last year of the budget, minus the maintenance investments necessary to keep the activity at each plant (in the case of the Group it amounts between 2% and 4% of revenue depending on the region and technology); discounted by the normalized payment of taxes in the face of a future recurrence according to the tax situation of each of the tax territories.

Annual growth rate

The growth rates (g) used for the period beyond the projections used in 2022 and 2021 in the CGUs and groups of CGUs, which are reported by segment, have been as follows:

	2022	2021
North America	2.5%	2.0%-2.3%
Brazil	5.0%	4.5%
Asia	4.5%-7.5%	4.4%-7.5%
Mahindra CIE Europe	2.25%	1.5%
Rest of Europe	2.25%	1.5% -3.9%

The Company estimates the growth rate for each of the cash-generating units based on macroeconomic data related to inflation and growth in the economies of each of the countries where it operates, considering these as the main measurement factors for estimating the growth rate in current valuation models, due to the direct relationship between macroeconomic growth and the sale of vehicles.

Discount rate

The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes.

The methodology for calculating the discount rate consists of adding to the risk-free rate of each market the specific risks of the assets assigned to each of the cash generating units.

The risk-free rate corresponds to the 10-year Treasury in the market in question. In the case of countries with economies or currencies with doubtful solvency levels, the Group carries out an estimate of its own risk applicable to each country.

The specific risk premium assigned to the Group's assets corresponds to the specific risks of the Automotive business itself, for which an estimated beta is used, based on the betas assigned to comparable companies or groups of companies.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The discount rates applied to cash flow projections were as follows:

	2022	2021
North America	6.93%-11.65%	5.78% - 10.09%
Brazil	14.58%	12.28%
Asia	6.74%-10.38%	6.65% - 10.58%
Mahindra Europe	6.11%-7.47%	4.65% - 5.63%
Rest of Europe	6.03%-7.47%	4.62% - 11.70%

c.3 Results of the impairment test

The impairment analysis carried out has not reflected any indication of impairment for investments in group companies and associates as of 31st December 2022 and 2021. For those investments in group companies whose equity value is lower than the net book value recorded, the Group has verified that there is sufficient margin for their recoverability.

d) Credits to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates. Cancellation of the loans must be notified by the parties with one year's notice, which is why €1,209,983 thousand is recognized as non-current loans at the 2022 year-end (2021: €1,238,090 thousand) (Note 6).

These receivable balances and those payable (Note 14) arise mainly from the Company's role as a financing centre for Group companies.

The opening balance of current loans to group companies includes the interest due on these credit accounts as well as income tax due from CIE Automotive Group companies under the consolidated tax regime in an aggregate amount of €24,676 thousand (2021: €17,974 thousand) (Note 6).

The detail of the non-current credits to other group companies at 31st December 2022 and 2021 is as follows:

	2022	2021
Alcasting Legutiano, S.L.U.	3,195	5,010
Autokomp Ingeniería, S.A.U.	63,425	63,338
CIE Legazpi, S.A.U.	2,577	11,063
CIE Berriz, S.L.	930,907	946,094
CIE Automotive Goiain, S.L.U.	17,610	17,609
CIE Mecauto, S.A.U.	3,457	6,567
CIE Praga Louny, a.s.	-	15
CIE Galfor, S.A.U	-	1,221
Participaciones Internacionales Autometal Dos, S.L.U.	155,348	144,418
Componentes de Automoción Recytec, S.L.U.	16,381	20,000
Egaña 2, S.L.	2,414	5,120
CIE Metal CZ, s.r.o.	9,349	10,665
Other	5,320	6,970
TOTAL	**1,209,983**	**1,238,090**

8. Trade and Other receivables

	2022	2021
- Receivables from group companies and associates	22,309	17,610
- Other receivables	42	12
TOTAL	**22,351**	**17,622**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The balances recognised as receivable from CIE Automotive Group companies reflect balances from certain subsidiaries that do not have a credit account with the parent are as follows:

	2022	2021
Machine, Tool and Gears, Inc.	1,953	40
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	2,888	2,552
Pintura y Ensambles de México, S.A. de C.V.	694	896
Forjas de Celaya, S.A. de C.V.	865	351
CIE Celaya, S.A.P.I. de C.V.	2,110	1,826
Automotive Mexico Body Systems, S. de R.L. de C.V.	1,858	945
Advanced Comfort Systems Shanghai Co. Ltd.	1,464	992
Autometal, S.A.	297	425
Metalúrgica Nakayone, Ltda.	127	852
Nugar, S.A. de C.V.	2,215	1,913
CIE Golde Shanghai Innovation Co., Ltd.	3,732	3,735
Other	4,106	3,083
TOTAL	**22,309**	**17,610**

The carrying amounts of trade and other accounts receivable approximate their fair value as they are due in the short term.

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

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at 31st December 2022 and 2021. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

The accounts included in 'Trade and other receivables' have not been impaired.

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

9. Derivative financial instruments

	Assets/(Liabilities)	
	2022	**2021**
Interest rate swaps:		
- Cash-flow hedges	1,347	-
Equity Swap:		
- Non cash-flow hedges	(5,872)	4,541
	(4,525)	**4,541**

Derivatives are classified in the year according to their maturity.

The Company's hedging derivatives as of 31st December 2022 had demonstrated their effectiveness in the hedging tests carried out (Note 3.6).

Swaps (interest rate and other)

In 2022, the Company has signed new interest rate swap agreements (from variable to fixed) with a notional principal outstanding amount to €50,000 thousand, which are classified as hedging instruments on 31st December 2022. During the year 2021, the Group liquidated its interest swap contracts, assuming a reclassification between the income statement for financial year and another comprehensive income of €10,944 thousand.

Equity swap

On 6th August 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A., which was novated on 28th December 2022. The underlying asset of the operation amounts to 2 million shares with an initial value of €25.09 per share. This underlying's valuation amounts to €5,872 thousand negative at 31st December 2022 (€4,541 thousand positive at 31st December 2021), and is due in 2028.

10. Cash and cash equivalents

	2022	2021
Cash	29,256	28,839
Cash equivalents	1,946	2,120
TOTAL	**31,202**	**30,959**

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

11. Share capital and share premium

a) Share capital

The share capital of the Company at 31st December 2022 and 2021 is represented by 122,550,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market.

The companies that hold a direct or indirect interest of more than 10% are as follows:

Shareholding percentage	31.12.2022	31.12.2021
Acek Desarrollo y Gestión Industrial, S.L.	(*)15.69%	(*)15.69%
Corporación Financiera Alba, S.A.	13.35%	12.73%
Elidoza Promoción de Empresas, S.L.	10.34%	10.89%

(*) 5.790% direct and indirectly, through Risteel Corporation, B.V. as of 31st December 2022 and 2021.

The stock price of the Company listed in the Madrid Stock Exchange was €24.06 at 30th December 2022 (last listed session of the period).

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

The movement of treasury shares during the periods ended 31st December 2021 and 31st December 2020 is broken down in the following table:

	31st December 2021		31st December 2020	
	Number of shares	Amount (Thousand euro)	Number of shares	Amount (Thousand euro)
Opening balance	**15,244**	**401**	**-**	**-**
Acquisitions	3,346,121	71,391	2,067,455	50,563
Sales for the year	(442,238)	(11,466)	(2,052,211)	(50,162)
Ending balance	**2,919,127**	**60,326**	**15,244**	**401**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

During 2022, the Company has acquired a final amount of 59,925 treasury shares directly, with an ending balance of 2,919,127 shares (reaching 2.38% of the total voting rights issued by the Company), which are added to the indirect participation resulting from the equity swap agreement signed in the year 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights). During 2021, the Company acquired a net amount of 15,244 own treasury directly (0.01% of the total voting rights issued by the Company), which were in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).

Under this authorization framework, on 16th March 2022, the Company's Board of Directors resolved to terminate the liquidity agreement entered into in 2021 and to approve a program to repurchase the Company's own shares in order to reduce up to a maximum of 5% of the Company's share capital through the redemption of own shares, reserving the right to terminate this program prior to the expiration date in accordance with the agreed terms.

Also, the mandate conferred by the Shareholders' Meeting held on 28th April 2022, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time and as many times as it deems appropriate, shares of CIE Automotive, S.A., by any means permitted by law, including with a charge to profit for the year and/or unrestricted reserves, and to subsequently dispose of or redeem such shares, all accordance with article 146 and concordant of the Capital Companies Law, until 28th April 2027.

12. Reserves and retained earnings

a) Reserves

	2022	22021
Legal and statutory reserves:		
- Legal reserve	6,450	6,450
	6,450	**6,450**
Other reserves:		
- Voluntary reserves	55,716	53,544
- Merger reserve	66,303	66,303
	122,019	**119,847**
TOTAL	**128,469**	**126,297**

Legal reserve

In accordance with Article 274 of the Spanish Companies Act, the 10% of profits must be endowed to the legal reserve until it reaches at least 20% of the share capital. In 2022 and 2021, the legal reserve reaches the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

Merger reserve

The amount of merger reserve contains the equity effect on CIE Automotive S.A. of the merger agreement between the Company and INSSEC in 2011 and the equity effect of the merger among CIE Berriz, S.L, CIE Inversiones e Inmuebles, S.L.U. and CIE Automotive Bioenergía, S.L.U. in 2012.

The merger reserve is available for distribution.

13. Profit /(loss) for year

a) Proposed distribution of profit

The proposed distribution of 2022 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of 28th April 2022 in respect of 2021 profit is shown below:

	2022	2021
Available for distribution		
Profit for the period	106,899	89,929
TOTAL	**106,899**	**89,929**
Distribution:		
Interim dividend	50,246	44,118
Final dividend	50,246	44,118
Voluntary reserves	6,407	1,693
TOTAL	**106,899**	**89,929**

b) Dividends paid

On 15th December, 2022, the Board of Directors approved the payment of an interim dividend charged to the profit of the year 2022 of the Parent Company for an amount of €0.41 per share, which has meant a total of €49,049 thousand. Payment has been effective on 5th January 2023.

The amount to distribute did not exceed the profit obtained by the parent company since the last financial year, deducting the income tax estimation, according to Article 277 of Spain Corporate Enterprise Act.

The provisional accounting statement of the on 30th November 2022, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

Provisional cash-flow statement	Thousand euros
Profit forecast:	
- Available net profit for 2021	114,572
To deduct:	
- Legal reserve	-
Maximum amount to distribute	**114,572**
Amount distribution proposal	**100,491**
Treasury forecast for one year	**214,699**
Interim dividend	**(50,246)**

On 28th April 2022, the General Meeting of Shareholders of CIE Automotive, S.A. has agreed to distribute the individual result for the 2021 year, approving the distribution of a complementary dividend of €0.36 gross per share entitled to a dividend, which has meant a total of €43,094 thousand. The disbursement has been made effective on 6th July 2022.

On 15th December 2021, the Board of Directors of CIE Automotive, S.A. agreed to distribute the result for the 2021 year of the Parent Company, approving the distribution of an interim dividend of €0.36 gross per share entitled to a dividend, which meant a total of €44,113 thousand. The disbursement has been made effective on 5th January 2022.

On 5th May 2021, the General Meeting of Shareholders of CIE Automotive, S.A. agreed the distribution of the individual result for the 2020 year, approving the distribution of a complementary dividend of €0.25 gross per share entitled to a dividend, which amounted to a total of €30,624 thousand. The disbursement was effective on 6th July 2021.

On 16th December 2020, Board of Directors of CIE Automotive, S.A. approved the payment of an interim dividend of 2020 profit of €0.25 gross per share, implying a total pay-out of €30,638 thousand. The disbursement was effective on 7th January 2021.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

14. Financial liabilities at amortised cost

	2022	2021
Non-current financial liabilities at amortised cost		
- Bank borrowings (Notes 6 and 14.a)	1,470,648	1,394,633
- CIE Automotive Group companies and associates, non-current (Note 14.b)	175,075	153,107
Other non-current payables		
- Other non-current payables (Note 14.c)	50,025	49,994
	1,695,748	**1,597,734**
Current financial liabilities at amortised cost		
- Bank borrowings (current portion of non-current borrowings) (Notes 6 and 14.a)	130,738	70,267
- Commercial paper program (Note 14.a)	196,900	360,750
- Payables to CIE Automotive Group companies (Note 14.b)	7,846	8,659
- Trade payables	6,840	7,755
- Trade payables to Group companies	6,563	-
- Fixed asset suppliers	306	534
- Accrued wages and salaries	12,095	6,979
- Dividend payable (Note 13)	49,049	44,113
TOTAL	**410,337**	**499,057**

a) Borrowings and commercial paper

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

	Balance at December 31	More than 1 year	More than 5 years
At 31st December 2022			
Total borrowings	1,798,286	1,470,648	138,893
Borrowings at fixed rate	(999,091)	(725,082)	(102,191)
Effect of interest rate swaps (Note 9)	(50,000)	-	-
Exposure	**749,195**	**745,566**	**36,702**
At 31st December 2021			
Total borrowings	1,825,650	1,394,633	152,019
Borrowings at fixed rate	(724,417)	(351,388)	(100,776)
Exposure	**1,101,233**	**1,043,245**	**51,243**

Non-current borrowings mature as follows:

	2022	2021
Between 1 and 2 years	588,366	243,868
Between 3 and 5 years	743,389	998,746
Over 5 years	138,893	152,019
TOTAL	**1,470,648**	**1,394,633**

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest of 1.95% (1.25% as in the year 2021).

The Company has the following undrawn credit lines:

Thousand euro	**2022**	**2021**
Maturing within one year	74,533	59,195
Maturing in more than one year	437,000	492,486
TOTAL UNDRAWN CREDIT LINES	**511,533**	**551,681**

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

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

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

During 2022, the Company repaid €155.2 million under these financing agreements (2021: €557.9 million) and raised new funding in the amount of €287.6 million (2021: €493.0 million).

On 28th July 2014 the Company entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the syndicated financing in effect. The subsequent novations related to this financing were the following:

- On 13th April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date to the end of April 2020.
- On 14th July 2016, the Company signed a second novation with respect to the syndicated financing arranged in 2014. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.
- On 6th June, 2017, the Company signed a third novation with respect to the syndicated agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.
- On 27th April 2018, the Company signed a forth novation of this syndicated finance agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.
- On 12th April 2019, the Company signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024.
- On 27th February 2020, the Company requested the extension of the maturity date until 13th April 2025, being approved by most of the financing entities.
- In June 2020, this finance agreement became a sustainable loan valued by an external agent annually with its subsequent adjustment to the margin based on the improvement of the annual ratios of the Group's Environmental, Social and Governance criteria.
- On 16th June 2021, a longer maturity agreement was signed due on April 2026, and which was approved by all financial entities involved.
- On 6th June 2022, the extension of this financing until April 2027 has been signed, a new extension was unanimously approved by the financing entities.

The drawn amount of this syndicated financing agreement on 31st December 2022 amounts to €340 million (2021: €300 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

<u>Other financing agreements</u>

On 14th July 2016, the Parent company arranged a new loan with several financial and insurance institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a floating interest rate indexed to Euribor. In July 2021, a 2-year extension was signed for this financing, bringing the final maturity to 2028 and becoming the same at a fixed market interest. The balance disposed to 31st December 2022 and 2021 amounts to €68 million.

In 2014 and 2018, the Group signed financing agreements with the European Investment Bank (EIB) to finance various research and development projects in the automotive components sector. During the first half year of 2021 the group paid-out the finance agreement signed in 2014. In addition, in September 2020 the Group signed a finance agreement with this institution amounting to €40 million, due in 2030. The final maturity of these financings is in 2031 and the outstanding balance as of 31st December 2022 amounts to €108 million euros (€116 million as of 31st December 2021).

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market. As of 31st December 2022, and 31st December 2021, the Group complies with all the obligations that, in accordance with the financing contracts, were in force and were payable by the different lenders as of that date.

Financing contracts for the 2022 and 2021 financial years refer, for the most part, to non-structural contracts signed with Spanish financial entities.

Commercial Paper Program

On 19th July 2018, the Parent company of the Group made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On 18th July 2019, the program was renewed increasing the maximum amount to €300 million. On 18th March 2020, the maximum amount was increased to €400 million and on 21st July 2020 the program was renewed. As of 31st December 2022, the drawn balance amounts to €196.9 million (€361 million as of 31st December 2021).

b) Payables to group companies

The payables with group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates. The cancellation must be notified between the parts with a year of anticipation, for that reason is registered as non-current debts, €175,075 thousand (2021: €153,107 thousand).

These payable balances, as well as the receivable balance to receive (Note 7), arise principally from the action of the Company as financing management center for the Group companies.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The breakdown of non-current payables to group companies, at 31st December 2022 and 2021 is as follows:

	2022	2021
CIE Udalbide, S.A.U.	2,844	3,646
Gameko Fabricación de Componentes, S.A.	4,288	9,503
Inyectametal, S.A.	7,476	-
Mecanizaciones del Sur-Mecasur, S.A.	6,915	4,383
Nova Recyd, S.A.U.	16,559	16,665
Orbelan Plásticos, S.A.	4,019	1,566
CIE Plasty CZ, s.r.o.	4,234	5,427
CIE Compiegne, S.A.S.	12,442	7,925
CIE Galfor, S.A.U.	5,385	-
CIE Zdanice, s.r.o.	17,896	18,297
CIE Unitools Press CZ, a.s.	6,345	2,959
Componentes de Dirección Recylan S.L.U.	3,487	3,718
Industrias Amaya Tellería, S.A.U.	16,078	16,482
MAR SK, s.r.o.	23,593	21,889
Advanced Comfort Systems France, S.A.S.	8,995	8,995
Advanced Comfort Systems Ibérica, S.A.U.	2,950	3,450
CIE Roof Systems, S.L.U.	13,383	16,331
Biosur Transformación, S.L.U.	4,611	4,440
Reciclado de Residuos Grasos, S.L.U.	2,414	1.805
Leaz Valorización, S.L.U.	1,492	-
Transformaciones Metalúrgicas Norma, S.A.	1,918	565
Alurecy, S.A.U.	1,541	1,750
Other less significant balances	6,210	3,311
TOTAL	**175,075**	**153,107**

The balance included in the epigraph debts with group companies in the short term includes the interests of the credit accounts and debts with subsidiaries of the group associated with the liquidation of the tax of companies in regime of fiscal consolidation for amount of €7,846 thousand (2021: €8,659 thousand).

c) Other long-term debts

At 31st December 2022 this heading includes mainly the granted loan in December 2019 with COFIDES, which at 31st December 2022 held a balance of €49,869 thousand, being fully classified in the long term (2021: €49,838 thousand classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

d) Average payment period information

The breakdown of trade payables settled during 2022 and 2021 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5th July, is as follows:

	Days	
	2022	2021
Average payment period to suppliers	54	57
Paid operations ratio	66	65
Outstanding operations ratio	47	49

	Thousand euros	
	2022	2021
Payments made	8,354	7,779
Outstanding payments	13,403	7,755

Additionally, and in accordance with the obligations required in the Spanish Law 18/2022 on creation and growth of companies, it is reported that the total amount of payments made in before than the maximum established by Law 5/2010 has amounted to €5,435 and 1,124 invoices, which represent 65% of the total payments made and 65% of the total invoices.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

15. Provisions

As of 31st December 2022, and 2021 the Company has provisions relating the hedge of various non-operating risks and other contingencies.

16. Deferred taxes

The analysis of deferred taxes is as follows:

	2022	2021
Deferred tax assets:		
- Deductible temporary differences	5,392	4,547
- Tax credits (capex)	12,721	12,204
	18,113	**16,751**
Deferred tax liabilities:		
- Taxable temporary differences	(323)	-
Deferred taxes (net)	**17,790**	**16,751**

The deductible temporary differences derive from the different timing of expense recognition for accounting and tax purposes, among other factors. These differences will revert when the aforementioned expenses turn deductible for tax purposes. Temporary taxable differences are related to cash flow hedge instruments.

The net movement in the deferred income tax account in 2022 and 2021 is as follows:

	2022	2021
Opening balance	16,751	16,841
(Charged)/credited to the income statement (Note 18)	1,362	2,680
Tax recognised directly in equity	(323)	(2,770)
Closing balance	**17,790**	**16,751**

The movements in deferred tax assets in 2022 and 2021 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
Balance at 1st January 2021	**2,727**	**2,547**	**11,567**	**16,841**
(Charged)/credited to the income statement	43	2,000	637	2,680
(Charged)/credited to equity	(2,770)	-	-	(2,770)
Balance at 31st December 2021	**-**	**4,547**	**12,204**	**16,751**
(Charged)/credited to the income statement	-	845	517	1,362
Balance at 31st December 2022	**-**	**5,392**	**12,721**	**18,113**

Deferred tax liabilities	Hedges	Total
Balance at 31st December 2021	**-**	**-**
(Charged)/credited to equity	323	323
Balance at 31st December 2022	**323**	**323**

Deferred taxes charged to equity in 2022 and 2021 correspond to cash flow hedges. After the early cancellation of the hedging derivatives in 2021, the reversal of the temporary difference associated with them occurred.

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

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

At 31st December 2022 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is parent (Note 3.10):

Year generated	Amount
2010	274
2011	1,027
2013	16,082
2018	12,426
2019	264
2020	366
2021	244
2022(forecast)	376
TOTAL	**31,059**

The amounts recorded in the previous table take into account the exit of the company Bionor Berantevilla, S.L.U. from the Tax Group, which took the tax bases pending compensation, in the proportion in which it helped its generation, as well as the dissolution and liquidation of the companies Reciclados Ecológicos de Residuos, S.L.U. y Biodiesel Mediterráneo, S.L.U. occurred in the year 2021.

The tax-loss carry forwards are allocated to each of the companies that contributed to generating them, for the purpose of their possible recognition as deferred tax assets, an amounting to €7,454 thousand. Out of these losses carried forward, €13,798 thousand correspond to the Company. The recognition of losses carried forward in the Company results in the recognition of deferred tax assets amounting to €3,151 thousand.

At 31st December 2022, the Company does not maintain tax loses pending compensation generated previous to its integration to the fiscal Group.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

In addition, the amounts and years of generation of individual tax credits (deriving from various items and including those recognised as tax assets) pending of offset are as follows:

Year generated	Amount
1996	134
1997	86
1998	102
1999	83
2000	2,660
2001	238
2002	34
2003	45
2004	323
2005	30
2006	7,209
2007	2,595
2008	1,829
2009	586
2010	92
2011	118
2012	118
2013	241
2014	267
2015	29
2016	122
2017	242
2018	123
2019	253
2020	244
2021	839
2022	517
TOTAL	**19,159**

From the aforementioned tax credits, an amount of €5,103 thousand derive from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC) and those are considered tax credits earned before the fiscal group.

The applicable tax legislation for the current year imposes a 30-year time limit on tax credits and tax-loss carry forwards generated, also stipulating that the 30-year period commences as from 1st January 2014 for tax credits and tax-loss carry forwards existing prior to that date.

17. Income and expense

a) Revenue

Revenue breaks down as follows:

	2022	2021
Rendering of services	86,125	68,503
Dividend income (Note 7.a)	78,460	61,300
Interest on loans	32,135	21,488
TOTAL	**196,720**	**151,291**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

a.1) Rendering of services

The geographic breakdown of revenue from the core business of rendering corporate services to CIE Automotive Group companies (Note 1 and Appendix I), totalling €86,125 thousand (2021: €68,503 thousand), based on the locations of the receiving companies, is as follows:

Mercado	2022	2021
Spain	23%	28%
America	61%	54%
Rest of the world	16%	18%
TOTAL	**100%**	**100%**

a.2) Dividends received from CIE Automotive Group companies

The Company received in 2022 a dividend from the subsidiaries Advanced Comfort Systems, Ibérica, S.L.U., Autokomp Ingeniería, S.A.U. and CIE Automotive Boroa, S.L.U. for its distribution of results for the year 2021 amounting to €525 thousand, €2,316 thousand and €619 thousand, respectively.

In year 2022, the Company has also received interim dividends of its subsidiaries CIE Roof Systems, S.L.U., Autokomp Ingeniería, S.A.U. and CIE Automotive Boroa, S.L.U. amounting to €52,000 thousand, €4,500 thousand and €10,500 thousand respectively, and CIE Berriz, S.L. has distributed a dividend amounting to €8,000 thousand charged to voluntary reserves.

All these distributions were approved at each of the corresponding General Meetings of Partners/Shareholders held during the month of December 2022. These dividends have been collected by the Company during the year.

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

At 31st December 2022 the Company accrued interest income on credits to CIE Automotive Group companies and associated for an amount of €32,135 thousand (2021: €21,488 thousand).

b) Employee benefit expense

	2022	2021
Wages and salaries	25,793	25,101
Termination benefits	258	-
Social security costs		
- Social security	926	904
TOTAL	**26,977**	**26,005**

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

	Headcount	
	2022	2021
Executives	9	9
University graduates and specialists	57	57
TOTAL	**66**	**66**

The distribution of the Company's personnel by women and men, and Board of Directors members at the year-end is as follows:

	2022			2021		
	Women	Men	Total	Women	Men	Total
Directors	5	9	14	5	8	13
Executives	4	4	8	4	4	8
University graduates and specialists	27	29	56	28	31	59
TOTAL	**36**	**42**	**78**	**37**	**43**	**80**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

Likewise, there were no persons employed in 2022 and 2021 with a functional disability greater than or equal to 33%, however, the Company has subcontracted Lantegi Batuak Foundation, an entity qualified as a special employment center, having obtained the corresponding approval by the Basque Service of Employment - Lanbide.

Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the Company's share capital, granting said employees a loan due at maturity at date of 31st December 2022, with zero interest rate. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from 1st January 2018 to 31st December 2022. These loans, which, meet the conditions to be considered as full recourse, are valued at fair value, are classified under credits classified at fair value and, as of 31st December 2022, amount to €15 million (2021: €20 million) (Note 6).

On December 2022, the maturity of the loans to executives has been extended for a period of 5 years, until January 2028, keeping the rest of the conditions of the plan unchanged. As of 31st December 2022, the assets associated with these long-term loans have been recorded at fair value, resulting in an adjustment of €2.5 million (Note 6.5).

c) Other operating expenses

Other operating expenses are broken down as follows:

	2022	**2021**
Travel expenses	931	427
Repairs and maintenance	1,515	1,429
Independent professional services and other services	1,732	2,705
Leases	497	519
Insurance premiums	2,018	1,591
Other	1,462	2,210
TOTAL	**8,155**	**8,881**

18. Income tax and tax matters

As mentioned in the section covering measurement standards (Note 3.10), CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries.

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

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

	2022			**2021**		
	Increases	**Decreases**	**Net**	**Increases**	**Decreases**	**Net**
Profit /(loss) for year			106,899			89,929
Income tax			5,161			(4,017)
Permanent differences	3,379	(78,460)	(75,081)	3,245	(77,193)	(73,948)
Temporary differences:						
- originated in current year	5,420	(1,905)	3,515	8,659	-	8,659
- originated in previous year	-	-	-	-	-	-
Individual taxable income tax base			**40,494**			**20,623**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

The calculation of tax income is disclosed in the following table:

	2022	2021
Individual taxable income tax base	40,494	20,623
Tax Group taxable base	**40,494**	**20,623**
Current tax payable	9,720	4,949
Tax base not compensated	-	-
Current tax	**9,720**	**4,949**

The breakdown of income tax expense is as follows:

	2022	2021
Current tax	9,720	4,949
Deferred tax (Note 16)	(845)	(2,043)
Tax credits (Note 16)	(517)	(637)
Correction of prior-year income tax	-	(32)
Income tax withholdings (retained abroad)	517	646
Register of provisions and other	(3,714)	(6,900)
Total	**5,161**	**(4,017)**

No corporate income tax was payable to the Tax Administration in 2022 and 2021 (Note 16).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are the years between 2018 and 2022.

The accounting obligations arising from the merger between the Company and Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (Absorbed Company) appear in the 2011 Annual Report, the first approved report that includes the accounting effects of the merger by absorption dated 1st January 2011.

As a result, among others, of the different interpretations of current tax law, additional liabilities could arise as a result of an inspection. In any event, the Directors consider that any such liabilities that may arise will not have a significant impact on the Annual Accounts for 2022 or 2021.

The corporate income tax legislation applicable to the Company in 2022 is that relating to Bizkaia Regional Regulation 11/2013, 5th December; modified by the Foral Regulation 2/2018, of 12th March.

19. Finance income/expense

	2022	2021
Finance income:		
Other finance income	1,266	1,038
	1,266	**1,038**
Finance expense:		
Borrowings from group companies (Note 25)	(5,251)	(2,367)
Third-party borrowings	(29,355)	(25,688)
Other finance expense	(195)	(223)
	(34,801)	**(28,278)**
Change in fair value of financial instruments:		
Gains/(losses) recognised regarding financial instruments	(12,638)	70
	(12,638)	**70**
Net exchange differences	**(6)**	**(108)**
Finance income/expense	**(46,179)**	**(27,278)**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2022 (in thousand euro)

20. Cash flows from operating activities

	2022	2021
Profit for the year before tax	**112,060**	**85,912**
Adjustments for:		
- Depreciation	3,834	3,700
- Change in provisions	992	1,000
- Finance income (Note 19), dividend income and interest income from CIE Automotive Group companies (Note 17)	(11,861)	(83,826)
- Finance expense (Note 19)	34,801	28,278
- Exchange rate differences (Note 19)	6	108
- Change in fair value of financial instruments (Note 19)	12,638	(70)
	(59,590)	**(50,810)**
Changes in working capital:		
- Trade and other receivables	(4,735)	(1,964)
- Trade and other payables	13,347	2,779
	10,517	**815**
Other cash flows from operating activities:		
- Interests paid	(27,832)	(28,702)
- Dividends received (Note 17)	78,460	61,300
- Interests received	22,762	20,632
	73,390	**53,230**
Cash flows from operating activities	**134,472**	**89,147**

21. Cash flows from investing activities

	2022	2021
Payments for investments:		
- Group companies and associates (Note 7.b)	-	(15,073)
- Intangible assets	(678)	(1,158)
- Property, plant and equipment	(6)	(217)
- Other financial assets	-	(7)
	(684)	**(16,455)**
Proceeds from disposals:		
- Other financial assets	4,952	4,196
	4,952	**4,196**
Cash flows from investing activities	**4,268**	**(12,259)**

22. Cash flows from financing activities

	2022	2021
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 14)	287,585	493,000
- Commercial paper program (Note 14)	-	82,650
- Net change in loans to/from Group companies and associates (*)	40,603	-
- Repayment and depreciation of:		
- Bank borrowings (Note 14)	(155,153)	(557,918)
- Commercial paper program (Note 14)	(163,850)	-
- Settlement of hedging derivatives	-	(10,944)
- Net change in loans to/from Group companies and associates (*)	-	(14,061)
	9,185	**(7,273)**
Payment of dividends and remuneration of other equity instruments:		
- Sale/(Acquisition) of treasury shares (Note 11.c)	(60,475)	78
- Payment of dividends and remuneration of other equity instruments(Note 13.b)	(87,207)	(61,262)
	(147,682)	**(61,184)**
Cash flows from financing activities	**(138,497)**	**(68,457)**

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

23. Contingencies

Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed at 31st December 2022 and 2021 (Note 14).

24. Director and Key Management compensation

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

Total compensation accrued by the members of the Board of Directors has amounted to €8,556 thousand (2021: €11,268 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit-sharing arrangements, apart from the indicated in Note 25. Nor did they receive shares or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

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

b) Compensation and loans to Key Management personnel

As of 31st December 2022, and 2021, the Company's Senior Management was made up of 4 women and 3 men.

The total compensation accrued by key management personnel in 2022 amounted to 8,975 thousand (2021: €5,455 thousand). Likewise, Senior management personnel do not have life or civil liability insurance at the expense of the Company. These amounts exclude the compensation related to the members of the Board of Directors, with have been disclosed in Note 17.b).

As explained in Note 17, the Board of Directors of CIE Automotive S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the company's capital stock. The total nominal amount of the loans to members of the Senior Management, pending collection as of 31st December 2022 is 5,364 thousand (2021: €6,425 thousand).

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

c) Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Company, during 2022 the administrators who have occupied charges in the Board of Directors during have complied with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above-mentioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

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

At the General Shareholders' Meeting held on 24th April 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A., and modified by an agreement which was approved by the General Shareholders' Meeting on 5th May 2021.

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of time of 9 years (reference periods), being its initial base quotation of €21.30 per share and the closing value the average of the contribution corresponding to a monthly payment within the established reference periods, in the terms approved by the General Shareholders' Meeting. In accordance with the modifications introduced at the aforementioned General Shareholders' Meeting of 5th May 2021, during the year, the CEO proceeded to partially execute the incentive, so that the amount accrued for said remuneration had amounted to €5,900 thousand. With this partial execution, the base price was set for possible subsequent years of the incentive at €25.37 per share.

In the first half year of 2022, the CEO proceeded again to partially exercise the incentive, so that the amount accrued for said remuneration rose to €2,972 thousand. With this second partial exercise, a base price has been set for possible subsequent exercises of the incentive at €27.41 per share.

25. Transactions with group companies and related parties

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

The breakdown of the transactions conducted with group companies in 2022 and 2021 is provided below:

	2022	2021
Services rendered:	**191,469**	**151,291**
- Dividends received (Notes 7 and 17)	78,460	61,300
- Services (Note 17)	86,125	68,503
- Financial services (Note 17)	32,135	21,488
Interest:		
- Financial (Note 19)	(5,251)	(2,367)

Closing balances at the 2022 and 2021 year-ends derived from the transactions described above are set out in Notes 6, 7, 8 and 14.b) above.

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2022 and 2021 is provided in Note 7.d) and Note 14.b).

In 2022 and 2021, no provision was required for the impairment of loans granted to group companies and associated.

a) Balances and transactions of the Company with related parties not belonging to the CIE Automotive Group:

Balances in thousand euro	**31.12.2022**	**31.12.2021**
Receivable balances for the provision of services	36	36
Advances to related parties	6,500	7,800
Receivable balances with entities with significant influence	16,800	16,800
Payable balances with entities with significant influence (Note 14)	(34,370)	(34,370)
Dividend payable	(49,049)	(44,113)
Balances in thousand euro	**2022**	**2021**
Services provided	17	3
Services received	483	241
Finance expenses	592	427

26. Information on the environment

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts. Because of its holding company structure, the Company is not materially exposed to environmental risk.

The Company has not incurred significant expenses of an environmental nature in either 2022 or 2021.

The Company is not aware of the existence of any environmental protection related contingencies or liabilities and did not deem it necessary to recognize any provision for liabilities or charges of an environmental nature.

27. Auditor fees

Fees from PricewaterhouseCoopers Auditores, S.L. for the audit services of the Company's accounts (including the Company's consolidated annual accounts) and other assessment services amounted to €228 thousand in 2022 (2021: €206 thousand). Other services rendered by PricewaterhouseCoopers, S.L. have amounted to €56 thousand in 2022 (2021: €54 thousand), and mainly refer to agree upon procedures related to covenant compliance, review of the Spanish SCIIFF report related to Internal Control Management on Financial Information and verification of non-financial indicators.

In addition, fees during the year by other firms from the PwC network related tax advisory services have amounted to €73 thousand (2021: €94 thousand).

28. Events after the balance sheet date

On 2nd February 2023, the Group has announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for €20 million approximately.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brazil is located in Sao Paolo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its injection processes, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.

In addition to the aforementioned, at the date of preparation of these Annual Accounts, no significant subsequent event to the fiscal year 2022 has occurred which could arise on significant impacts to the financial statements of the period-ended as of 31st December 2022.

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
CIE Berriz, S.L. (*)	CIE Automotive, S.A.	Holding company	Biscay	100.00%	-
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of auto parts	Barcelona	-	100.00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Gipuzkoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Gipuzkoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Gipuzkoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of auto parts	Portugal	-	100.00%
CIE Stratis-Tratamentos, Ltda.	Plasfil Plásticos da Figueira, S.A.	Manufacture of auto parts	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Unitools Press, a.s.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of auto parts	Morocco	-	100.00%
CIE Praga Louny, a.s.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Facilities	Germany	-	100.00%
Leaz Valorización, S.L.U. (dormant)	CIE Berriz, S.L.	Waste management and recovery	Biscay	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of auto parts	France	-	100.00%
Biosur Transformación, S.L.U. (2)	CIE Berriz, S.L.	Biofuels	Huelva	-	100.00%
Biocombustibles de Guatemala, S.A. (in liquidation)(2)	CIE Berriz, S.L.	Biofuels	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*)(2)	CIE Berriz, S.L.	Biofuels	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (2)	Gestión de Aceites Vegetales, S.L.	Biofuels	Madrid	-	88.73%
Recogida de Aceites y Grasas Maresme, S.L.U. (2)	CIE Berriz, S.L.	Biofuels	Barcelona	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Pontevedra	-	100.00%
Industrias Amaya Tellería, S.A.U.	CIE Berriz, S.L	Manufacture of auto parts	Biscay	-	100.00%
MAR SK, s.r.o.	CIE Berriz, S.L	Manufacture of auto parts	Slovakia	-	100.00%
Autocom Componentes Automotivos do Brasil Ltda.	CIE Berriz, S.L	Manufacture of auto parts	Brazil	-	100.00%
GAT México, S.A. de C.V.	CIE Berriz, S.L	Manufacture of auto parts	Mexico	-	100.00%
SC CIE Matricon, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L.	Manufacture of auto parts	People's Republic of China	-	100.00%
CIE Automotive Rus, LLC	CIE Berriz, S.L.	Manufacture of auto parts	Russia	-	100.00%

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
CIE Automotive Goiain, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Basquevolt, S.A. (1)	CIE Berriz, S.L.	Sustainable batteries	Álava/Araba	-	16.67%
Somaschini, S.P.A.(*)	CIE Berriz, S.L.	Manufacture of auto parts	Italy	-	100.00%
Somaschini Automotive, SRL(*)	Somaschini, SPA	Manufacture of auto parts	Italy	-	100.00%
Somaschini International, Inc(*)	Somaschini Automotive, SRL	Holding company	USA	-	100.00%
Somaschini North America, LLC	Somaschini International, Inc	Manufacture of auto parts	USA	-	100.00%
Somaschini Realty, LLC	Somaschini International, Inc	Real state	USA	-	100.00%
Autometal, Ltda. (*)	CIE Berriz, S.L.	Manufacture of auto parts	Brazil	-	100.00%
Durametal, Ltda.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, Ltda.	Facilities	Brazil	-	100.00%
Gescrap-Autometal Comércio de Sucatas Ltda	Autometal Investimentos e Imóveis, Ltda.	Scrap	Brazil	-	30.00%
Jardim Sistemas Automotivos e Industriais, Ltda.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
Autometal Minas Cromação, Pintura e Injeção de Plásticos Ltda	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
CIE Automotive de México SAPI de C.V. (*)	CIE Berriz, S.L.	Holding company	Mexico	-	100.00%
Pintura y Ensambles de México, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Scrap	Mexico	-	30.00%
Ges Trading Nar, S.A. de C.V. .(3)	CIE Automotive de México SAPI de C.V.	Facilities	Mexico	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Facilities	Mexico	-	100.00%
Nugar, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
Maquinados de Precisión de México S. de R.L. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Plásticos México, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Automotive USA, Inc (*)	CIE Automotive de México SAPI de C.V.	Facilities	USA	-	100.00%
CIE Investments USA, Inc	CIE Automotive USA, Inc	Holding Company	USA	-	100.00%
Century Plastics, LLC (*)	CIE Automotive USA, Inc	Manufacture of auto parts	USA	-	100.00%
Century Plastics Real State Holdings, LLC	Century Plastics, LLC	Real state	USA	-	100.00%
Newcor, Inc (*)	CIE Automotive USA, Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real state	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real state	USA	-	100.00%
Clifford Realty, Corp.	Newcor, Inc	Real state	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of auto parts	USA	-	100.00%
Rochester Gear, Inc	Newcor, Inc	Manufacture of auto parts	USA	-	100.00%
Golde South Africa, LLC	CIE Automotive USA, Inc	Distributor company	USA	-	100.00%
Golde Auburn Hills, LLC	CIE Automotive USA, Inc	Manufacture of auto parts	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U.(*)	CIE Berriz, S.L.	Holding company	Biscay	-	100.00%

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
Mahindra CIE Automotive Ltd. (*)	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of auto parts	India	-	65.71%
Stokes Group Ltd. (in liquidation)(2)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	United Kingdom	-	65.71%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	Orense	-	65.71%
CIE Forging Germany, GmbH (*)(2)(4)	CIE Galfor, S.A.U.	Holding company	Germany	-	65.71%
Gesenkschmiede Schneider GmbH (2)	CIE Forging Germany, GmbH	Manufacture of auto parts	Germany	-	65.71%
Jeco Jellinghaus GmbH (2)	CIE Forging Germany, GmbH	Manufacture of auto parts	Germany	-	65.71%
Falkenroth Umformtechnik GmbH (2)	CIE Forging Germany, GmbH	Manufacture of auto parts	Germany	-	65.71%
Schoneweiss & Co. GmbH (2)	CIE Forging Germany, GmbH	Manufacture of auto parts	Germany	-	65.71%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of auto parts	Gipuzkoa	-	65.71%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of auto parts	Lithuania	-	65.71%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Power generation and trade	Orense	-	16.43%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of auto parts	Italy	-	65.68%
BillForge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	Mexico	-	65.71%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	65.71%
Aurangabad Electricals, Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	65.71%
CIE Hosur, Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	65.71%
Ge Scrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	19.71%
Clean Max Deneb Power, LLP	Mahindra CIE Automotive Ltd.	Power generation and trade	India	-	17.08%
Sunbarn Renewables Pvt, Ltd.	Mahindra CIE Automotive Ltd.	Power generation and trade	India	-	17.16%
Renew Surya Alok Pvt, Ltd (i)	Mahindra CIE Automotive Ltd.	Producción y comercialización de electricidad	India	-	20.50%
Strongsun Solar Pvt, Ltd (i)	Mahindra CIE Automotive Ltd.	Producción y comercialización de electricidad	India	-	17.97%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of auto parts	Orense	100.00%	-
Advanced Comfort Systems France, S.A.S. (*)	CIE Automotive, S.A.	Manufacture of auto parts	France	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of auto parts	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of auto parts	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd. (*)	Advanced Comfort Systems France, S.A.S.	Manufacture of auto parts	People's Republic of China	-	100.00%
Wuhan Advanced Comfort Systems Co. Ltd.	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of auto parts	People's Republic of China	-	100.00%
Autokomp Ingeniería, S.A.U. (*)	CIE Automotive, S.A.	Facilities	Biscay	100.00%	-
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of auto parts	México	-	100.00%
Nanjing Automotive Forging Co., Ltd.	Autokomp Ingeniería, S.A.U.	Manufacture of auto parts	People's Republic of China	-	50.00%
CIE Forjas Minas, Ltda. (*)(7)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	CIE Forjas Minas, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
CIE Automotive Boroa, S.L.U.	CIE Automotive, S.A.	Financing	Biscay	100.00%	-
CIE Automotive Roof Systems Korea, Ltd.	CIE Automotive, S.A.	Manufacture of auto parts	Korea	100.00%	-
CIE Roof Systems, S.L.U. (*)(5)	CIE Automotive, S.A.	Holding company	Biscay	100.00%	-

APPENDIX I: LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
Golde Tianjin Co., Ltd.	CIE Roof Systems, S.L.U.	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Wuhan Co., Ltd.	CIE Roof Systems, S.L.U.	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Shandong Co., Ltd.	CIE Roof Systems, S.L.U.	Manufacture of auto parts	People's Republic of China	-	100.00%
CIE Golde Holding, S.L.U. (*)(6)	CIE Roof Systems, S.L.U.	Holding company	Biscay	-	100.00%
Inteva Products (Barbados), Ltd. (in liquidation)	CIE Golde Holding, S.L.U.	Holding company	Barbados	-	100.00%
Golde Shanghai Co., Ltd.	CIE Golde Holding, S.L.U.	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Changchun Co., Ltd.	CIE Golde Holding, S.L.U.	Manufacture of auto parts	People's Republic of China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd.	CIE Golde Holding, S.L.U.	Technology center	People's Republic of China	-	100.00%
Golde Netherlands, BV (*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Mexico Holdings, LLC (*)	Golde Netherlands, BV	Holding company	USA	-	100.00%
Automotive Mexico Body Systems, S. de R.L. de C.V.	Golde Mexico Holdings, LLC	Manufacture of auto parts	Mexico	-	100.00%
Golde Bengaluru India PvT Ltd.	CIE Roof Systems, S.L.U.	Technology center	India	-	100.00%
Roof Systems Germany, Gmbh	CIE Roof Systems, S.L.U.	Technology center	Germany	-	100.00%
Golde Oradea, SRL	CIE Roof Systems, S.L.U.	Manufacture of auto parts	Romania	-	100.00%
Golde Lozorno, Spol, s.r.o.	CIE Roof Systems, S.L.U.	Manufacture of auto parts	Slovakia	-	100.00%
SIR S.A.S.	CIE Roof Systems, S.L.U.	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. (*)	CIE Roof Systems, S.L.U.	Manufacture of auto parts	People's Republic of China	-	50.00%
Golde Automotive Parts (Ningde) Co., Ltd.	Shanghai Golde Automotive Parts Co., Ltd.	Manufacture of auto parts	People's Republic of China	-	50.00%
Golde Pune Automotive India Private, Ltd.	CIE Roof Systems, S.L.U.	Manufacture of auto parts	India	-	100.00%

(1) Companies added to consolidation scope in 2022 together with their subsidiaries.
(2) Discontinued companies at 31st December 2022
(3) Name change in 2022 from de Gescrap Autometal Mexico Servicios, S.A. de C.V. to Ges Trading Nar, S.A. de C.V.
(4) Name change in 2022 from Mahindra Forgings Europe, AG to CIE Forging Germany, GmbH
(5) Merged in 2022 with Golde Holdings, BV
(6) Name change in 2022 from Golde USA, LLC to CIE Golde Holding, S.L.U and migrated to Biscay
(7) Name change in 2022 from Componentes Automotivos Taubaté, Ltda. to CIE Forjas Minas, Ltda.
(*) Parent company of all investees listed subsequently in the table.

CONSOLIDATED BALANCE SHEETS AS AT 31ST DECEMBER 2022
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	Note	31.12.2022	31.12.2021
Property, plant and equipment	7/8	1,613,447	1,575,325
Intangible assets		1,859,024	1,865,831
Goodwill	7/8	1,827,378	1,830,247
Other intangible assets	7/8	31,646	35,584
Non-current financial assets	9	32,428	23,270
Investments in joint ventures and associates	9	57,929	48,399
Deferred tax assets	18	198,003	192,866
Other non-current assets	-	34,194	47,801
Non-current assets		**3,795,025**	**3,753,492**
Inventories	11	494,849	482,868
Trade debtors and other accounts receivable		414,404	396,441
Trade and other receivables	10	309,457	284,155
Other current assets	-	47,636	51,819
Current tax assets	-	57,311	60,467
Other current financial assets	9	92,855	102,865
Cash and cash equivalents	12	732,053	658,788
Current assets		**1,734,161**	**1,640,962**
Disposal group assets classified as held for sale	**13**	**114,201**	**3,661**
TOTAL ASSETS		**5,643,387**	**5,398,115**

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 2022
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	Note	31.12.2022	31.12.2021
Equity attributable to the Parent company´s shareholders		1,143,340	987,253
Share capital	14	30,637	30,637
Treasury shares	14	(60,326)	(401)
Share premium	14	152,171	152,171
Retained earnings	14	1,290,885	1,085,617
Interim dividend	14	(49,049)	(44,113)
Translation differences	14	(220,978)	(236,658)
Non-controlling interests	14	361,309	380,369
TOTAL EQUITY		**1,504,649**	**1,367,622**
Deferred income		**16,313**	**15,653**
Non-current provisions	19	135,298	196,534
Non-current borrowings	15	1,669,109	1,654,078
Other non-current financial liabilities	9	5,872	-
Deferred tax liabilities	18	176,237	161,834
Other non-current liabilities	17	145,449	153,417
Non-current liabilities		**2,131,965**	**2,165,863**
Current borrowings	15	472,013	525,775
Trade creditors and other payables		1,091,827	1,016,880
Trade and other payables	16	1,026,609	934,873
Current tax liabilities	17	65,218	82,007
Other current financial liabilities	9	140	-
Current provisions	19	173,519	135,084
Other current liabilities	17	169,176	168,346
Current liabilities		**1,906,675**	**1,846,085**
Disposal group liabilities classified as held-for-sale	13	**83,785**	**2,892**
TOTAL LIABILITIES		**4,122,425**	**4,014,840**
TOTAL EQUITY AND LIABILITIES		**5,643,387**	**5,398,115**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2022
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	Note	2022	2021(*)
OPERATING REVENUE		**4,049,222**	**3,312,505**
Revenue	20	3,838,606	3,093,290
Other operating income	20	183,779	189,431
Change in inventories of finished goods and work in progress	11/20	26,837	29,784
OPERATING EXPENSES		**(3,602,483)**	**(2,910,627)**
Consumption of raw materials and secondary materials	11	(2,370,392)	(1,909,050)
Employee benefit expense	22	(605,147)	(551,363)
Depreciation, amortisation and impairment	6/7/8	(186,633)	(163,132)
Other operating expenses	21	(440,311)	(287,082)
OPERATING PROFIT		**446,739**	**401,878**
Finance income	23	29,575	24,479
Finance costs	23	(59,972)	(51,054)
Net exchange differences	23	6,273	(1,462)
Result of financial instruments at fair value	9	(12,778)	(20)
Share in profit/(loss) of joint ventures and associates	9	11,432	6,971
PROFIT BEFORE TAX		**421,269**	**380,792**
Income tax	24	(88,603)	(88,347)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**332,666**	**292,445**
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	13	**9,554**	**1,030**
PROFIT FOR THE YEAR		**342,220**	**293,475**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	14	**(42,100)**	**(25,931)**
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**300,120**	**267,544**
Earnings per share from continuing operations (euro)	14		
- Basic		2.43	2.17
- Diluted		2.43	2.17
Earnings per share from discontinued operations (euro)	14		
- Basic		0.06	0.01
- Diluted		0.06	0.01

(*) Re-casted financial information, see Note 3

(*) Re-casted financial information

CIE AUTOMOTIVE, S.A.

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

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

This management report has been prepared following the guidelines of the "Guide to recommendations for the preparation of management reports for listed entities", published by the CNMV in July 2013.

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the Group

CIE Automotive (from now on, "CIE" or "The Group", interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in the Automotive components business.

The business of Automotive components, which encompasses the design, production and distribution of integral services, components and sub-assemblies for the global automotive market, is CIE Automotive's main activity since its foundation.

CIE Automotive is an international industrial group that manages high added value processes. This concept of high value is applied in management, with a comprehensive vision in all phases of the value chain of sectors with good long-term projection.

CIE Automotive designs and manufactures components and subassemblies globally in 113 production centres. It owns plants in 109 different locations, which are spread over 16 countries on 4 continents, multi-location being the option chosen for the internationalization process, based on decentralized management and led by local teams.

1.2 Business units – auto parts

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

It develops its entire line of products through seven basic processes or technologies: machining, stamping and tube forming, forging, plastic, aluminium injection, steel casting and ceiling systems. With them, components and subassemblies are manufactured for all parts of a vehicle, such as: engine and transmission, chassis and steering assemblies, and exterior and interior of the vehicle.

For 25 years, after its creation in 1996 and integrating more than a hundred companies, CIE Automotive's progress as a components and sub-assemblies supplier for the Automotive industry has been driven by cycles of economic prosperity and hampered by others of crisis, which the Group has overcome and avoided as a result of the features that define its business model: geographical balance, commercial diversification, multi-technology, investment discipline and decentralized management and integration of ESG standards.

1.3 Mission, Vision, and Values

Mission

CIE Automotive is a supplier of components, assemblies and sub-assemblies to the global Automotive market, global supplier with presence in 4 continents and multi-technological for its action based on the use of 7 technologies, complementary and various associated processes as well as with an integrated vision of the entire value chain.

We are a team committed to an automotive project that grows steadily and profitably with the aim of positioning ourselves as a benchmark partner by meeting our customers' needs through innovative, competitive, end-to-end, high value-added solutions.

We seek excellence adding value to our stakeholders through the following commitments:

- Continuous improvement of processes and efficient management guaranteeing quality and service.
- Encouraging participation, involvement and motivated teamwork in a pleasant, safe work environment.
- Transparency and integrity in everything we do.
- Respect for the environment and a commitment to improving our environmental record.

Vision

We aspire to being a benchmark industrial group specialised in managing highly value-added processes supplying the best solutions for the mobility of the future. Moreover, we strive to be the paradigm of a socially-responsible company through our permanent commitment and our responsibility with the consequences and impacts derived from our actions to:

- People and their fundamental rights.
- The climate change, fostering initiatives which translate into greater environmental responsibility.
- Value creation.
- Stakeholder collaboration.
- Management excellence.

We aim to be a reference:

- In the value chain for our Environmental, Social and Governance commitment (ESG).
- In eco-innovation and eco-design.
- In quality and service.

Values

Honesty, fairness and integrity are the basis of all our values

At CIE Automotive we attach importance to people, their families and their environment.

- Respecting their fundamental rights and promoting equality.
- Providing them with fair and safe working conditions.
- Fostering their initiative, creativity and originality, their engagement and teamwork, their ability to achieve objectives and add value and their openness to change and continuous improvement.

At CIE Automotive we give importance to and act in favour of climate change:

- Taking a preventative approach.
- Promoting the circular economy to minimise any adverse impact.
- Promoting the efficient use of natural resources.

At CIE Automotive we attach importance to transparency in management:

- Promoting responsibility, integrity and commitment to a job well done.

- Disclosing in a clear manner all information of relevance to our activities so that it is known and understood.

At CIE Automotive we attach importance to our stakeholders:

- Promoting honest relations through active listening.
- Respecting their rights.

At CIE Automotive we attach importance to compliance by respecting national and international regulations.

Corporate policies

The company promotes the creation of working teams to develop specific aspects of its Corporate Governance System in where authorised representatives of the interest group affected in each case, professionals of the Company and experts external in the matter of the highest level participate.

To develop its mission and advance on its vision, CIE Automotive guides its actions in accordance with its corporate values, based on which it has created a series of Corporate Policies, mandatory for all members of the organisation, approved for the first time by the Board of Directors in December 2015 and which have since been reviewed, updated and approved again, mostly between 2019 and February 2021.

The ethical framework is developed in this series of corporate policies prepared by each of the responsible departments, being mandatory for all members of the company and which are structured into:

Environmental, Social and Governance Policies (ESG)

- Environmental, Social and Good Governance (ESG)
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

Governance policies

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy
- Director selection and board diversity policy
- Recruitment and account auditor's relations policy
- Compliance and prevention of criminal risk policy

2. EVOLUTION OF THE BUSINESS OF CIE AUTOMOTIVE, S.A.

The Company CIE Automotive, S.A., as the parent company of the CIE Group, has as main income the render of services to the different subsidiaries of the Group, the interests received from the financing provided to the Group's subsidiaries and the income from dividends received from these subsidiaries.

The main variation in the turnover of CIE Automotive, S.A. is due to the increase in the render of services to subsidiary companies by €17.6 million, after the recovery of the results of the subsidiaries in a record year in all its territories. Dividend income for the year increased by €17.2 million. The increase of finance income accrued related to intercompany credits amounting to €10.6 million is directly related with the market interest rate increases.

Other operating income and expenses have not varied significantly.

The main variation of the financial net income amounting to €18.9 million of higher expenses compared to the year 2021, relates to the expense on the valuation of assets and liabilities at their fair value amounting to €12.6 million, being the remaining variation related to the increase of interest expenses of finance agreements after the increase of market interest rates.

2.1 Summary of the year

Economic context

This very year 2022 has been affected once again by a very complex health, macroeconomic and sectoral situation, worsened by the Russian invasion of Ukraine in February 2022. At the sectoral level, automotive companies continue to face complications that are already being overcome, but aggravated in this economic and social context: increase in energy prices, disruptions due to the lack of semiconductors, scarcity and increase in the cost of essential materials for the manufacture of vehicles and increase in labour costs.

Additionally, demand is being impacted by uncertainty about the future of the global economy, inflation and the rise in interest rates for the purchase of vehicles. As a result, the global industry has not been able to replenish expected pre-pandemic production levels.

Thus, the automotive sector has maintained production and sales low, closing the year with 82 million vehicles manufactured, 6.7% more than in 2021 (7.4% less than in 2019, this being the last pre-covid year) , and lower demand with global sales below 79 million vehicles, 2% less than in 2021 (12,5% less than 2019).

Although the geopolitical framework derived from the Russian invasion of Ukraine and the possible global recession have conditioned the evolution of the global automotive sector in 2022, it has impacted different in the automotive markets. Europe and, to a lesser extent, the United States have been mainly affected by inflationary tensions and economic uncertainty, while other regions such as China, Brazil or India have been able to recover growth after overcoming new interruptions in activity due to the effects of COVID-19 in the first half of the year.

Europe has been the weakest performer for the automotive industry with production dropping by 1.3% to 15.4 million vehicles produced. The conflict in the Ukraine has skyrocketed the costs of energy, transport and inputs, this coupled with the shortage of semiconductors and the stoppage of Russian plants, has caused a sharp contraction in manufacturing.

Vehicle production grew in the United States and Mexico by 13.1%, to 13.8 million vehicles produced. However, despite strong demand, high prices and the level of inventories, vehicle manufacturing is still not at pre-pandemic levels.

In the case of Brazil, the market has shown a sequential month-on-month improvement, closing the year with 2.2 million vehicles produced, 5.1% more than last year, although still 22% below pre-pandemic volumes.

On the other side of the Earth, the Indian vehicle manufacturing activity has increased by 23.5% in 2022, to 5.1 million, which places it as the fourth world producer of automobiles. These data are especially remarkable considering that the Indian market already reached pre-covid levels in 2021. The keys to this notable rise are the combination of a very low level of motorization, an incipient and growing middle class, a strong post-pandemic dammed demand and a more standardized offer, with fewer disruptions in the supply chain.

China has maintained growth of 6.3% despite the confinements decreed during the year due to its COVID 0 policy. The automotive sector, which had already recovered pre-pandemic levels in 2021, did not suffer from the bottlenecks of other geographies and, in addition, it was helped by the incentives for the purchase of automobiles decreed by the Government to revitalize a critical sector in the country's economy.

Performance of the Group

The year 2022 has been a record year for CIE Automotive. Despite the difficulties in the automotive sector, still fragile due to the consequences of COVID-19, to which factors such as the impact of the rise in inflation on the costs of raw materials and energy or the escalation of interest rates, CIE Automotive has broken its all-time record for revenue and profits in 2022.

In this complex environment, revenue reached €3,838.6 million, 24.1% above those of 2021 and the net result has risen 12% compared to the previous year to exceed €300 million, all this with the achievement of healthy operating margins even in the scenario of the increase in the cost of inputs and the energy crisis, demonstrating the solidity of the business model and the success of the operating strategy in progress.

All lines of the income statement reveal the good progress of the business. Thus, the gross operating result (EBITDA) rose by 12.1%, to reach €633.4 million, while the net result (EBIT) rose by 11.2%, to €446.7 million.

In December 2022, CIE Automotive's Board of Directors approved the strategic decision to discontinue forging activities in Germany with an eye toward the future. This business was integrated in 2013, within the framework of the alliance with Mahindra&Mahindra; and has been achieving satisfactory results in this period and in continuous improvement of its performance. Its focus on the European truck market and the current energy situation, especially gas in Germany, and given that said business is not CIE Automotive's core-business for these reasons; they have motivated the divestment decision with the objective of redirecting financial and management resources to businesses with a higher return; including other geographies with greater growth potential and other technologies with greater demand from our customers in the context of the industry's mega-trends (decarbonization, lightening the car, comfort...).

Thus, it should be noted that, in accordance with accounting regulations, and following the decision to put the German forging business up for sale, all the companies in the business CIE Forging Germany GmbH and its subsidiaries to interrupted activities, therefore, for comparability purposes, the evolutions are presented in the corresponding lines considering said interruption.

The strong dynamism of revenue, 9.7 points above market growth, and the maintenance of margins would be largely due to the absorption of market share from smaller competitors, who have been able to overcome the difficulties of the environment. Apart from the consolidation of the market, several factors would explain the good results: the repercussion of a large part of the increase in inputs on customers, thanks to the incorporation of pass-through clauses in the contracts; the commitment to local supply to avoid transport costs and logistical problems; the increase in efficiency in processes, with very low consumption in manufacturing; the strict control of investments in maintenance and capacity, and decentralized management.

This year 2022, all the geographical areas and divisions have contributed to the good results of the group, with double-digit margins, despite the difficult situation. By geographies, the summary for the year 2022 is as follows:

Europe

It is the main market for CIE Automotive with a presence in Spain, France, Germany, Italy, Portugal and the United Kingdom in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has a plant in Morocco. In this market, it brings together the production plants of the MCIE group, with a strong link to the industrial vehicle, and discontinued in this financial year 2022, and the historical plants of CIE, linked to the passenger vehicle.

Sales of CIE Automotive in Europe stand at €1,308.7 million, a figure that represents an increase of 18.9% compared to 2021, excluding discontinued German forges in both years, quite an achievement given the decline in the market caused due to the war context, which has affected the rise in energy and transport prices and caused interruptions in vehicle production due to the closure of the Ukrainian wiring factories, and the persistence of the semiconductor chip crisis. The evolution is even more outstanding, if one also takes into account that Europe includes the Aluminum divisions, the most energy-intensive, and the Machining, Forging and Plastic divisions.

Despite this difficult situation, margins have remained in double digits, thanks to the inclusion of raw material pass-through clauses in the contracts and the negotiation to pass on the increase in energy costs to customers. All segments have benefited from the consolidation of the components sector in the face of the disappearance of the most fragile suppliers, without being oblivious to the effects of the war and the uncertainty caused by a possible recession and a rise in interest rates among the possible vehicle buyers.

The traditional market plants achieve an EBITDA of 13.1% and an EBIT of 5.7%, while those of Mahindra CIE without considering the German forges present an EBITDA margin of 14.6% and an EBIT margin of 11.3 %.

North America

CIE Automotive has production centers in both Mexico and the US, which serve the North American light vehicle market and, to a lesser extent, Brazil, Europe and Asia.

In 2022, the North American plants reach a turnover of €1,139.6 million, 30.6% more than in 2021. The good results are more notable given the increase in labour costs and the lack of personnel qualified staff available, which has led CIE Automotive to increase the automation of its plants. The efficiency measures adopted at CIE's plants in Mexico and the United States have been key to raising CIE Automotive's margins, which remain at levels similar to those prior to the pandemic, despite the fact that sales continue to be weighed down by weakness demand and supply bottlenecks (EBITDA margin 18.6% and EBIT 14.1%).

Brazil

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron casting, aluminium injection, and machining, being especially competitive in plastic technology, body-colour painting, and chrome plating.

In 2022, CIE Automotive records sales of €311.2 million in Brazil, 44.1% more than in 2022, with an EBITDA margin of 18.7% and EBIT of 14.9%, facing a complex situation (unemployment, interest rate growth, political instability...), in which the demand for SUVs and pickups has remained strong, implying long waiting lists.

Asia

The Group has several plants in Asia, a joint venture and a technology centre. Its presence in India comes from the alliance with the Indian group Mahindra & Mahindra Ltd., while its presence in China was strengthened with the incorporation of companies from Golde's sunroof business. India is one of the development engines of the region and China, the world's leading car producer.

In India, CIE Automotive has billed €634.3 million in 2022 (36.8% more) while maintaining high operating margins (EBITDA 16.3% and EBIT 12.4%). The company has been able to take advantage of the strength of the demand, reactivated after the semiconductor crisis, and driven by the Hindu festivals after two years without being celebrated. The excellent margins would also be related to the measures adopted to improve efficiency.

In China, CIE Automotive's sales grew by 1.1% to €444.8 million, with high EBITDA (18.7%) and EBIT (15.1%) margins, in a market with solid growth, but still weak due to the COVID 0 policy, thanks in part to vehicle purchase incentives. Despite the company's good results, its behaviour has been less dynamic than that of the market, due to less exposure to Chinese OEMs, which are driving the market.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On 2nd February 2023, the Group has announced the acquisition of 100% of the share capital of the company Iber-Oleff Brasil, Ltda. for €20 million approximately.

With close to 400 employees and revenue amounting to €25 million in 2022, Iber-Oleff Brazil is located in Sao Paolo, and is specialized in the manufacture of plastic components for vehicle interiors, integrating into its injection processes, welding, painting, laser and assembly.

The closing of the operation is subject to compliance with the usual conditions to which these types of transactions are subject to.

2.2 Predictable evolution of the Company

The evolution of the businesses in future years is directly subject to the evolution of the geographic markets in which the subsidiaries of CIE Automotive, S.A. operate. In this sense, and as detailed in the Consolidated Management Report, it is not expected that 2023 and future years will be significantly impacted by the global macroeconomic situation and its subsequent effects.

With a view to 2023, and taking into account a gradual recovery of the market, the Group will rely on the axes of its business model in order to achieve the following strategic objectives:

- Consolidate the additions of recent years
- Ensure the normalization of productions in accordance with market forecasts.
- Maximize the efficiency of margins and profitability in all geographic areas.
- Maintain its high degree of operating cash generation by reducing the leverage ratio.

2.3 Business Strategy

In 2021, CIE began rolling out its 2025 Strategic Plan, a new comprehensive strategy to respond to automotive market trends and stakeholder concerns, and which sets the objectives to be followed in all aspects of its activity.

This 2025 Strategic Plan establishes for the first time a series of global commitments in Environmental, Social and Good Governance matters, to which all the Group's plants must contribute under the encouragement and supervision of the corporate cross-sectional areas.

For the coming years, and supported by this 2025 Strategic Plan, CIE has a project underway to advance sustainable profitability. The objectives set and financial commitments of this strategic plan are described below and take into account the evolution of the main trends in the automotive market. The main lines of this plan are:

- Strategic operational plan. The commitments of the new strategic plan seek to turn CIE into a group with €1,000 million in EBITDA and €500 million in net income, with an investment of €1,500 million in inorganic growth without exceeding twice its net financial debt/EBITDA ratio.
  The operational strategy will revolve around the following lines of work:
    - Electrification: The obvious trend towards electric cars has led CIE Automotive to increase its presence in electrified powertrains in order to position itself in the market with new components with high added value, mainly related to the engine and power electronics, gearboxes and batteries. Likewise, this objective that the Group sets is directly related to the mitigation of environmental impact and is part of the path to follow to help minimize its impact on climate change.
    - Industry 4.0: CIE Automotive, in its search for intelligent manufacturing, develops and implements different industry 4.0 tools, which interact and provide feedback to each other, as well as sensitization capabilities, which allow it to capture data and analyse it through algorithms. This will result in an increase in the efficiency of the processes, reducing the use of resources and their environmental impact, achieving everything from a reduction in the number of prototypes to be made, energy consumption and raw materials, to the rejection and generation of scrap.
    - Comfort: CIE Automotive's roof division works in a growing market, supported by the development of electric and autonomous driving.
    - Internationalization: Throughout its history, CIE Automotive has expanded its geographical locations to become a leading global supplier in all the regions in which it operates and each of the automotive markets.

This geographical positioning is a guarantee for success and will continue to strengthen day by day, with an increasingly balanced presence between the different regions, gaining weight in areas with the greatest growth potential such as China, India, Mexico or Brazil. The company has a global technological vision, but adapts the specific strategy of each of its divisions to the different geographical areas, depending on the reality of the different markets.

- The ESG 2025 Strategic Plan, published in November 2021, represents the successful integration of Environmental, Social and Good Governance aspects into CIE's strategy. Four lines of work are defined across the organization:
    - CIE Culture: Identify, promote, retain and attract talent through collaboration with universities and training centres in the area in new technologies. Actively participating in the planning and supervision of DUAL training challenges.
    - Ethical commitment: Respect, compliance and development of the ethical framework. Alignment of their actions with the CIE Automotive Code of Conduct and application of equivalent ethical standards, including Anti-Corruption, Bribery and Conflicts of Interest.
    - Eco-efficiency: Efficiency in production and improvement of environmental impact. The efficient use of materials has been the basis of CIE Automotive's sustainability and competitiveness for years. For this reason, the initiatives to improve the ratios of raw material use compared to the final weight of the product and the weight reduction of the components are core projects year after year of the technological road map.
    - Active listening: Proactivity and continuous communication with our stakeholders in order to meet their expectations.

Based on the foregoing, CIE Automotive expects to continue in 2023 with the growth path of its results, as it has done year after year since its creation.

3. RISK MANAGEMENT

CIE Automotive has a Risk Management System, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might hinder the attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Compliance, identifies the different types of risks that the company faces -between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet-, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, a process of constant cycle in nine phases: communication, setting the context, risks identification, risk analysis, risk evaluation, risk treatment, risk supervision, updating and acting against non-compliance.

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

Risk factors

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

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

a) Market risk

(i) <u>Foreign exchange risk</u>

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

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

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

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

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

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

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

If at 31st December 2022, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €287/€235 million (2021: increased/decreased by €268/€220 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2021 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €24.2/€19.8 million higher/lower, respectively (2021: €23.2/€19.0 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro).

If as of 31st December 2022, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euros)		**Profit after tax (million euros)**	
	Devalued euro 10%	**Revalued euro 10%**	**Devalued euro 10%**	**Revalued euro 10%**
Chinese yuan	89	(73)	6.2	(5.0)
US dollar	79	(65)	10.2	(8.4)
Indian rupee	61	(50)	4.3	(3.5)
Brazilian real	38	(31)	4.5	(3.7)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

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

If during 2022 the average interest rate on borrowings denominated in euro had been 100 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €12,100 thousand lower/higher (2021: €14,646 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31st December 2021, the Group had no interest rate hedging derivatives. As of 31st December 2022, in relation to the valuation of the derivatives, a 10-basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have decreased equity by €23/€86 thousand.

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards).

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2022 will allow facing recurrent payments without increasing net financial debt.

The Group's treasury department monitors Group´s liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans over time amounting to €36.0 million with financial institutions used for the management of operating working capital (€4.6 million as of 31st December 2021). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31st December 2022 of €677 million of undrawn credit lines and loans (31st December 2021: €725 million).

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Meanwhile, the Group's Management efficiently controls the payments for expenses and realization of current assets, carrying out an exhaustive follow-up of the treasury forecasts, in order to ensure that it has sufficient cash to meet the needs. operations while maintaining the availability of sufficient unused credit facilities at all times so that the Group does not breach the limits or indices ("covenants") established by the financing. Therefore, it is estimated that the generation of cash in 2022 will sufficiently cover the needs to meet the commitments in the short term, preventing any situation of tension in the cash position with the actions underway.

In the context of current macroeconomic and sectoral risks, the Group has estimated that the existing liquidity reserve as of 31st December 2022 is more than sufficient to meet future payment needs.

As a consequence of the above, it can be confirmed that there are no risks in the Group's liquidity situation.

c) Credit risk

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

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

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

Given the characteristics of the Group's customers, management historically deemed those receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable.

d) Raw material price risk

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

e) Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group had updated its Environment Policy in 2021, where it was recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Additionally, in December 2022, the Board of Directors of the parent company took another step in its environmental strategy by approving a new roadmap that establishes new medium- and long-term objectives, consistent with what scientific experts and the Paris agreements dictate, and limiting global warming to 1.5ºC above pre-industrial levels. Thus, the climate emergency has led the Group to continue strengthening its commitment to climate neutrality by joining the SBTi initiative and setting the clear objective of achieving emissions neutrality no later than 2050.

Below are the action plans established to address each of the climate-related risks that have an impact on the Group's Consolidated Annual Accounts.

<u>The risks arising from the transition to low-carbon economies</u>

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

- Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector. In this sense, the Group is immersed in a technological transformation, aimed at reducing its corporate footprint, as well as the goods it produces. To achieve these objectives, the Group develops different technologies that provide the efficiency and flexibility necessary to face all challenges with changing volumes and scenarios.

Technological diversity also allows to focus investments on those technologies most demanded by the market in each circumstance. Currently, the market is betting on the electrification of vehicles and more than 80% of the components and subassemblies produced by the Group can be used in any type of vehicle (combustion, electric, hybrid). Despite this considerable percentage of versatility in the goods it produces, the Group has proposed to take advantage of the opportunity offered by the decarbonization of transport to position itself in new products of high added value. These products are related to the engine and power electronics, gearboxes and batteries.

This commitment to batteries has materialized in the investment made by the Group in the company Basquevolt, S.A. with an initial investment of €1.5 million.

Additionally, the Group's technological commitment to meet these environmental objectives focuses on the Eco-efficiency and circularity, the light-weighting of vehicles, the improvement of the user experience (noise reduction, light integration, ...), electric and autonomous vehicles and Industry 4.0 as a key to competitiveness and eco-efficiency, always aiming at the path towards the decarbonization of transport.

These actions are naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

- Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

a) *Environmental Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications (Note 27).
The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.

b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, and emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe, where, in addition, in 2022 new contracts have been signed for the supply of green energy for own consumption starting 2023; and India, where investment in new solar power plants has continued (Note 9).

   In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.

c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, it has its own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.

   As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

d) *Pollution control and waste* management: the Group's environmental management systems are based on the IS14001 standard, and ensure that pollution does not exceed the levels established by current regulations. On the other hand, the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

<u>The risk of the impact on the margins of adaptation to low-carbon economies</u>

Cost pressure can occur on car producers. During the deployment phase of more sustainable vehicles, the final cost will be higher and, to maintain sales volumes, there is a risk of increased cost pressure on component suppliers.

Faced with this type of scenarios and risks, the Group's model is very effective. Commercial diversification makes dependence on a project or its renovation low, so the freedom to invest in projects is key. To this is added another of the axes of the group, the investment discipline, which leads to a detailed analysis of the projects with volume sensitivity analysis, avoiding those projects with volumes lower than those initially announced have a definitive impact on the returns of the projects.

<u>The direct physical risk posed by climate change in the production process and operations of a business</u>

As of 31st December 2022 and 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each of them:

a) *Water stress risks: are the risks that can result in the lack of water supply.*

b) *Acute physical risks*: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.

c) *Chronic physical risks*: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.
Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.

d) *Protection of biodiversity*: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

4. ENVIRONMENT

CIE Automotive is strongly committed to environmental sustainability, this being a priority in the development of its activities and its business strategy. Climate change is a challenge on which CIE has been working proactively for years on its path towards climate neutrality through various initiatives that have a positive impact on reducing its environmental footprint.

The Environment Chapter of the Non-Financial Information of this Report sets out the objectives, strategies and lines of work carried out in the area of environmental management of the Group.

5. HUMAN RESOURCES

People contribute one of the main assets of CIE Automotive, which bases its culture on values such as equality, diversity, equity, inclusion, teamwork and talent development.

The distribution of the staff and members of the Board of Directors as of 31st December 2022 and 2021 between women and men of the Company is as follows:

	2022			2021		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Directors	5	9	14	5	8	13
Executives	4	4	8	4	4	8
University graduates and specialists	27	29	56	28	31	59
TOTAL	**36**	**42**	**78**	**37**	**43**	**80**

(*) As of 31st December 2022 and 2021, two members of the Board of Directors are, equally, executives of the Group.

In the specific section of the Annual Report that forms part of this Report details all the information relating to the Group's workforce.

6. R&D ACTIVITIES

CIE Automotive is proactive in technological transformation and decarbonization to reduce its product and corporate footprint, in accordance with market trends. With this purpose, it works in different lines to materialize the opportunities generated by the current scenario and mitigate or eliminate the risks that arise.

Especially relevant are the new technologies in the plants that provide the flexibility, agility and reaction capacity necessary to face all the challenges with changing volumes and scenarios. CIE Automotive is immersed in a technological transformation focused on the reduction of consumption and emissions, committed to the decarbonization of transport with its participation in the start-up of Basquevolt, S.A., an initiative for the production of solid state batteries.

2022 work lines

The Group has continued to develop initiatives in the short, medium and long term, so that some of them are already reaching the market and others will gradually leave. Work in the technology area is entrusted to the 2025 Strategic Plan and develops five of the eight lines of action set

- Vehicle lightness: reduction of the auto parts weight has a direct impact it its consumption and therefore, both in the emissions of combustion vehicles and autonomy of electric vehicles. CIE develops R&D and engineering projects in search of their maximum optimization.
- Electrification: technological progress in this area positions CIE Automotive as a key agent in mitigating environmental impact and is part of the way forward to help minimize climate change.
- Comfort: the line of innovation for the incorporation of circularity criteria through the use of new materials based on natural fibres and with a higher percentage of recycled material has an important market in the area of comfort and is linked, in turn, to the eco-efficiency.
- Industry 4.0: Sensorisation, capture, analysis and visualization of the parameters of the critical process variables.
- Eco-efficiency: the efficient use of materials, which has been the basis of the Group's sustainability and competitiveness for years.

As a prominent member of the automotive components industry, CIE Automotive works for a fair and responsible organization of its activity for the benefit of the sector, its interest groups and society.

As a consequence, the Group maintains its presence in regional, national and international forums (Presidency of the Automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of component manufacturers SERNAUTO, members of the executive committee of the TECNALIA technology centre, we continue to participate in the CLEPA, EGVIA, etc. R&D&i Industrial forums).

7. TRADING WITH TREASURT SHARES

The balance of existing treasury shares in the Parent Company at the end of 2022 amounted to 2,919,127 shares. As of 31st December 2021, 15,244 treasury shares were held by the Company.

The movement of treasury shares in 2022 was as follows:

	31st December 2022	
	Number of shares	Amount (Thousands of euros)
Initial Balance	**15,244**	**401**
Acquisitions of the year	3,346,121	71,391
Sales for the year	(442,238)	(11,466)
Ending Balance	**2,919,127**	**60,326**

During 2022, the Company has acquired a final amount of 59,925 treasury shares directly, with an ending balance of 2,919,127 shares (reaching 2.38% of the total voting rights issued by the Company), which are added to the indirect participation resulting from the equity swap agreement signed in the year 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights). During 2021, the Company acquired a net amount of 15,244 own treasury directly (0.01% of the total voting rights issued by the Company), which were in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).

Under this authorization framework, on 16th March 2022, the Company's Board of Directors resolved to terminate the liquidity agreement entered into in 2021 and to approve a program to repurchase the Company's own shares in order to reduce up to a maximum of 5% of the Company's share capital through the redemption of own shares, reserving the right to terminate this program prior to the expiration date in accordance with the agreed terms.

Also, the mandate conferred by the Shareholders' Meeting held on 28th April 2022, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time and as many times as it deems appropriate, shares of CIE Automotive, S.A., by any means permitted by law, including with a charge to profit for the year and/or unrestricted reserves, and to subsequently dispose of or redeem such shares, all accordance with article 146 and concordant of the Capital Companies Law, until 28th April 2027.

8. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2022 and 2021 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5th July, is as follows:

	Days	
	2022	**2021**
Average payment period to suppliers	54	57
Paid operations ratio	66	65
Outstanding operations ratio	47	49

	Thousand euros	
	2022	**2021**
Payments made	8,354	7,779
Outstanding payments	13,403	7,755

Additionally, and in accordance with the obligations required in the Spanish Law 18/2022 on creation and growth of companies, it is reported that the total amount of payments made in before than the maximum established by Law 5/2010 has amounted to €5,435 and 1,124 invoices, which represent 65% of the total payments made and 65% of the total invoices.

9. STOCK EXCHANGE INFORMATION

Listing price

In 2022, the CIE Automotive share has continued to be affected by the distrust of the markets towards securities related to the automotive industry. The Russian invasion of Ukraine brought the value of the shares to 18.97 euros per share and, although it gradually recovered positions, the year ended with a price of 24.06 euros per share, below 27.36 euros of the previous year (-12.07%).

Although CIE Automotive's stock market performance in 2022 is better than that of the European index —Stoxx Europe 600 Automobiles & Parts, which has registered a 20% drop—, it is worse than that of the average of the Ibex 35 companies and does not correspond to the record results presented quarter by quarter nor with the reliability demonstrated throughout its more than 25 years of history. Proof of this inconsistency is that the target value given by analysts who follow CIE Automotive has remained above its price throughout the year. At the end of the year, the market consensus places the target price at 29.08 euros per share.

Shareholder remuneration

In a complex year for the financial market, CIE Automotive has wanted to compensate its shareholders for the gap between its real value and its price by investing more than €200 million in operations aimed at increasing their remuneration.

On the one hand, in 2022, the company has distributed €87 million, paid in two payments of €0.36 gross per share. With these 0.72 euros, the dividends were close to pre-pandemic levels, close to 0.74 euros per share charged to 2019 and well above 0.50 charged to the 2020 financial year.

Along these same lines, the Board of Directors approved the distribution of an interim dividend of 0.41 euros gross per share against the results of the 2022 financial year, effective in January 2023.

Thus, in addition to distributing a third of its 2021 net profit, it launched a program to buy back its treasury shares to reduce share capital and increased its stake in MCIE through the purchase of minority interests. These corporate operations reflect CIE Automotive's strategy of investing, not in the acquisition of new companies, but in organic growth and maximizing shareholder remuneration.

10. ANNUAL REPORT ON CORPORATE GOVERNANCE AND REPORT ON REMUNERATION TO DIRECTORS

In order to guarantee transparency, both the legal framework defined by the Group as well as the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration are available on the corporate website www.cieautomotive.com, in line with the technical specifications and legal regulations established by the National Securities Market Commission in its Circular 3/2015, of June 23.

Additionally, considered as part of this Management Report, both the Annual Corporate Governance Report and the Annual Directors' Remuneration Report are incorporated by reference and may be consulted on the website of the National Securities Market Commission after being published by the Group:

https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-20014452
https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-20014452