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CIE Automotive

Managing high value added processes

www.cieautomotive.com

2018, a great year

Dear friends,

With half of the financial year already through, we can state that 2018 has been a great year so far. In June CIE Automotive stock was included in the Ibex-35, the principal benchmark index of the Spanish stock market. This made us the only representative of the automotive industry in a group with listed companies that lead their sectors. This also places us as the fourth Basque company of the index, one more reason to be proud. The addition to the Ibex-35 is not only a chance to greatly increase the visibility of CIE Automotive on the markets. It is, above all, further recognition of the good performance we have achieved in recent years.

When it began 22 years ago in the Basque Country, CIE Automotive was a company with a hundred or so workers. Today we are a multinational group with presence in more than 30 countries, with hundreds of plants and with more than 30,000 employees. We have grown sustainably, we have integrated new companies into the group efficiently, we have created value for our shareholders and for our environment and, most importantly, we have rigorously fulfilled our strategic plan. We set goals for ourselves and we meet them, and when see opportunities to improve, we take them. In the general shareholders' meeting held in April, we announced a new improvement in the objectives for 2020 with the conviction that we will continue to perform better than the world automotive market. And as we grow, we are maintaining a solid, healthy balance sheet, which reinforces our credibility for investors, customers and shareholders.

On our way as a leading company in the automotive sector, our business growth has remained in step with our commitment to the environment. Thus, in May we joined the Social Impact Cluster, coordinated by Forética. This platform, that already includes 60 large companies, promotes initiatives to understand, evaluate, measure and improve our impact on society and on our professionals.

Finally, we will make use of this missive to bid farewell to Dominion, which has been part of the group since its integration in 2011. As of 3 July, the date on which the distribution of the extraordinary dividend will be made effective, Dominion will be an independent project, and we wish them the best of luck.

New challenges and new goals lie ahead. We will continue making 2018 a great year.

Antón Pradera

Jesús María Herrera

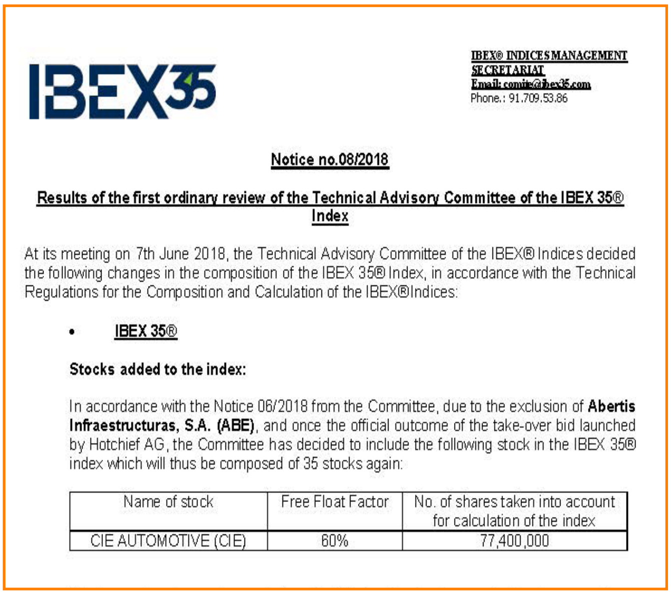
Contents

CIE Automotive included in Ibex 35

The Technical Advisory Committee of the IBEX® Indexes met on 7 June 2018, and decided to include CIE Automotive in the Index, which is again made up of 35 stocks after the exit of Abertis.

CIE Automotive has become a member company of the leading stock market indexes of Spain, the Ibex 35. The company was added on Monday 18 June and is the only company in the Automotive sector on the selective index, to which it will bring greater diversity, reinforcing the presence of industrial companies. In addition, it is the fourth Basque company to be part of this index, after BBVA, Iberdrola and Siemens Gamesa. Access to the Ibex 35 gives the company great visibility before a multitude of principally foreign investment funds.

To access one of the Ibex 35 places, a number of technical requirements related to size of the constituent must be met, which must be equivalent to 0.30% of the mean value of the Ibex, cash flow factors such as the daily contracting volume, or the number of shares in circulation or free float.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Phone.: 91.709.53.86

Notice no.08/2018

Results of the first ordinary review of the Technical Advisory Committee of the IBEX 35® Index

At its meeting on 7th June 2018, the Technical Advisory Committee of the IBEX® Indices decided the following changes in the composition of the IBEX 35® Index, in accordance with the Technical Regulations for the Composition and Calculation of the IBEX® Indices:

- IBEX 35®

Stocks added to the index:

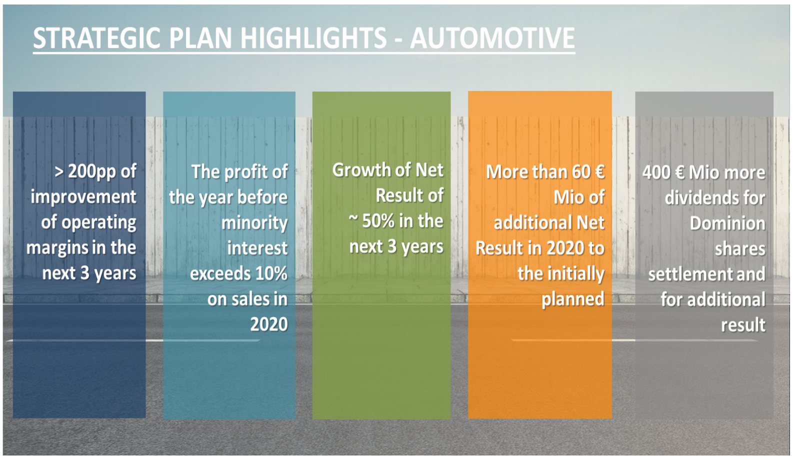
In accordance with the Notice 06/2018 from the Committee, due to the exclusion of **Abertis Infraestructuras, S.A. (ABE)**, and once the official outcome of the take-over bid launched by Hotchief AG, the Committee has decided to include the following stock in the IBEX 35® index which will thus be composed of 35 stocks again:

Name of stock	Free Float Factor	No. of shares taken into account for calculation of the index
CIE AUTOMOTIVE (CIE)	60%	77,400,000

CIE Automotive was included in the Ibex 35 on 18 June with a market capitalisation of more than 4,500 million euros, which placed it at no. 26 of the 35 stocks listed on the index. During the first half of 2018, the company has achieved historical trading peaks, and half-way through the year had accumulated an appreciation of more than 25%.

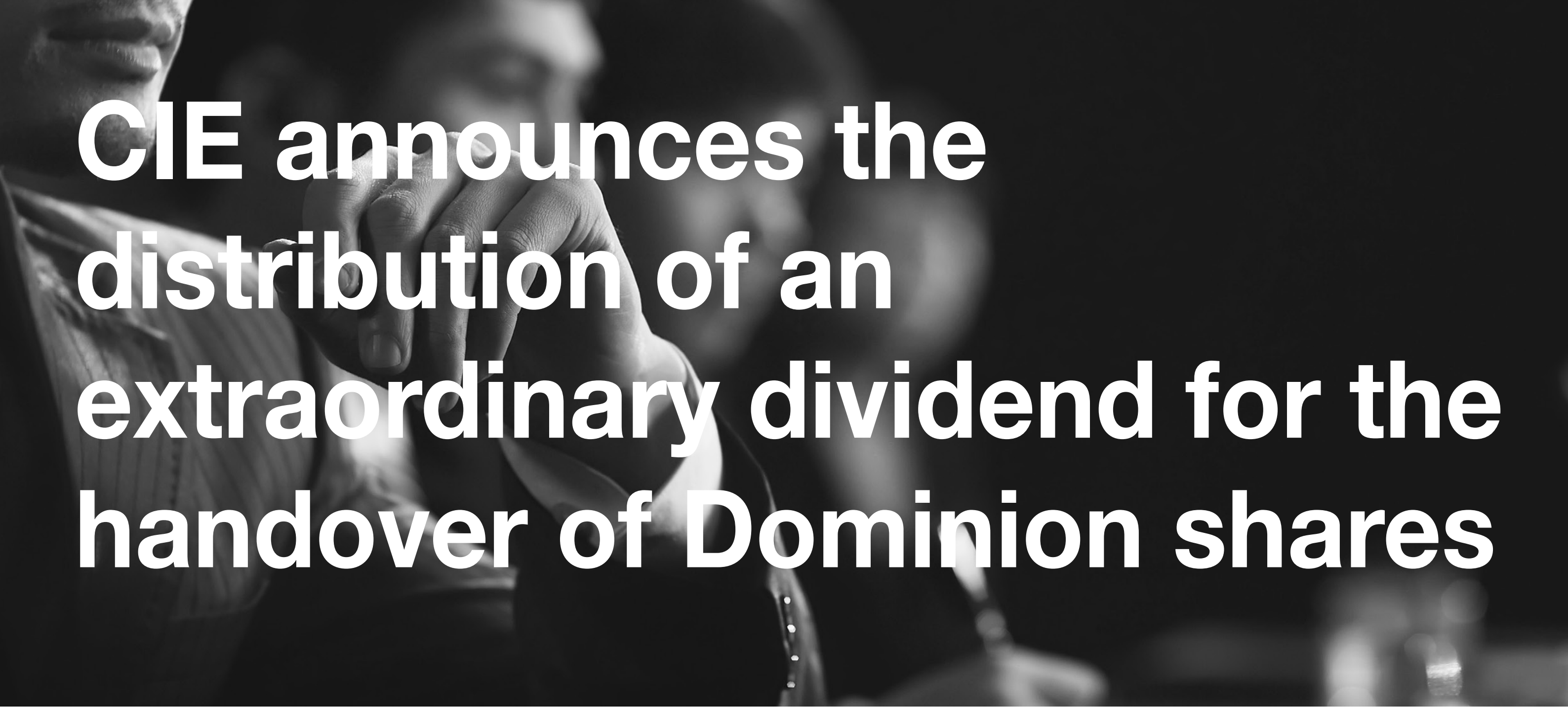
Update of the Strategic Plan

It should be pointed out that, prior to the inclusion of CIE Automotive in the index, the company announced the second upward revision of its strategic objectives, this time focused on the automotive business exclusively.



On one hand, CIE Automotive is committed to continuing to outperform the world automotive market, with an organic growth 4 times greater than that of this market for the complete duration of the Plan. In addition, in 2020 net result of Automotive 2015 will be multiplied by 2.5, reaching 300 million euros. In 2017 there was a net profit of 200 million euros in this divison.

And all of this with an EBIT margin on sales of more than 14% in 2020 and a solid, healthy balance sheet that, without considering potential inorganic operations, will in 2020 have a net financial debt / EBITDA ratio of approximately 1x, thanks to the enormous capacity of generation and conversion into cash of the operations.



CIE announces the distribution of an extraordinary dividend for the handover of Dominion shares

This formula for independence facilitates fulfilling the commitment acquired during Dominion's IPO: the commitment to the future and long-term support of Dominion by the main shareholders of CIE, including the original shareholders of both projects in INSSEC.

As announced on repeated occasions, CIE Automotive no longer holds shares in Dominion; the formula selected was the distribution of dividends in kind. For this purpose, the general shareholders' meeting of CIE approved the distribution to the shareholders of CIE Automotive of 84,764,610 Dominion shares (representing 50% of the social capital of this company).

These shares (with the proportion of 0.65709 Dominion shares for each 1 share of CIE Automotive) were distributed on 3 July 2018, when the complementary dividends of the financial year 2017 were paid.

Since Dominion joined the group in 2011, CIE Automotive has always insisted on the temporary nature of this situation and made public its commitment to disinvest in the medium term. Thus, Dominion's IPO in 2016 was defined as the first step towards the independence of both projects and the acceleration of the M&A of Dominion in the last 2 years meant it reached the reference size for the independence of the project. The new post-operation share structure enabled Dominion to have CIE shareholders (approximately 35%) and its own Management (approximately 10%) as leading shareholders, while increasing its *free float* significantly.

CIE will deconsolidate its participation in Dominion from the third quarter of 2018, with its corresponding effect on assets (the withdrawal of net shares from Dominion), and equity.

During this process, the company has once more demonstrated its ability to integrate projects and generate value for its shareholders.

GENERAL SHAREHOLDERS' MEETING

The event took place on 24 April 2018

In the general shareholders' meeting, CIE Automotive announced a new improvement in the goals set in the current strategic plan 2016-2020. It is expected to continue outperforming the world automotive market, as it has done in previous financial years, and anticipates an organic growth 4 times greater than that of this market during the term of this Plan.
In addition, as predicted, the general shareholders' meeting approved the exit of CIE Automotive as a shareholder of Dominion, as well as the annual accounts of the group.

CIE recognised as the best value on the Stock Market

On 6 June 2018, the Stock Market of Madrid hosted the fourth ‘Tu Economía’ prizes, awarded by the newspaper ‘La Razón’.

CIE Automotive was recognised as the "Most Notable Stock on the Stock Market" in recognition of its great business performance, something that has been reflected in the behaviour of the company stock. The ceremony was hosted by the vice-president and counsellor of the Office of the President of the Community of Madrid, Pedro Rollán. According to that same newspaper, "these awards highlight the talent, the effort, the consistency, the creativity, the ingenuity and the ambition of our entrepreneurs and companies".

Regarding CIE Automotive, they noted that "it has managed to become a leader in a very competitive market thanks to its constant evolution and stringent quality standards". The director of Invertia, Pedro Calvo, was responsible for delivering the award to Jesús María Herrera, CEO of CIE Automotive, who highlighted that "the market has appreciated that we fulfil our commitments year after year. Thanks to this, the company constituted 22 years ago in the Basque Country with 100 workers, today has a presence in 25 countries, 100 plants and 30,000 employees".

The award winners in this fourth edition were: the Chair of Ferrovial, Rafael del Pino (Career in Business); Cre100do (Best Company Accelerator); Housers (Best Digital Initiative); Viesgo (Best CSR Policy); Altadis (Best Human Resources Management); Viajes El Corte Inglés (Best Internationalisation); Trison (Best Technological Innovation); Borja Vázquez (Best Entrepreneur); Octaviano Doves (Bankia Best SME); CIE Automotive (Most Notable Stock on the Stock Market), and Cellnex Telecom (Best Ibex 35 Stock).

CIE NANJING: 5 YEARS OF JV BETWEEN CIE AND DONGHUA

DIEGO CARBALLIDO

EXECUTIVE ASSISTANT

Can you explain briefly the origin of the joint venture between CIE Automotive and Donghua?

The origin of this joint venture (JV) lies in the change of strategy of the OEMs regarding engine platforms. Like other car components, in the search for synergies, flexibility and cost reduction, the strategy changed from being based on Local Engine Platforms to Global Engine Platforms. To adapt to this new environment it was decided to make global offers, considering investments in new forging premises in Mexico and China. This increased the competitiveness of the offers enormously (advantages for the OEM of having one single global supplier) and finally in China projects were booked that justified the investment in two crankshaft forging lines (1.5 million crankshafts/year). The reality exceeded initial expectations and in 2017, 1.65 million crankshafts had already been sold in China and the forecast for 2018 exceeds 1.8 million crankshafts sold.
The decision on the final partner in the JV was mainly based on its location in the Shanghai area, where we acquired the first projects, and its more than 60 years of experience in forging.
The JV was finally signed in October 2012, and this year we will celebrate our 5th anniversary. The JV is comprised of 50% CIE Automotive and 50% Donghua Group (70% of Donghua belongs to SAIC, the largest car manufacturer in China with total sales of 6.9 million in 2017).

What has been your role in these last five years?

Fortunately I have been changing over the years, which has been very enriching professionally. There have been three different periods:

2011-2012

This was when we had our first contact with our partners. There were various trips of different heads of department of CIE Galfor to evaluate the state of the factory and possible lines of improvement. The first were more general assessments, and finally in October 2012 a more detailed evaluation was carried out, in which I was able to participate.

2013-2015

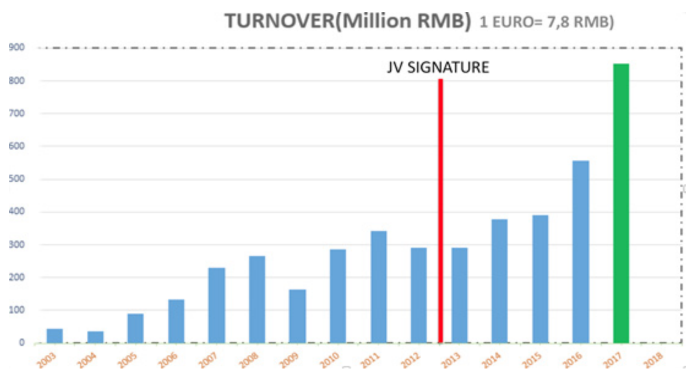
In January 2013 my family and I moved to Nanjing. For the first two years we were very much focused on the installation of the forging equipment and the development of the business in China (customers, suppliers, staff training, transfer of working standards, etc). As of 2015 we started to produce on the first line installed.

2016-2018

Once we were in full production on the first line, we started the installation of the second (2016). In this case the local team, with support from CIE Galfor, was directly responsible for the assembly, and I was able to focus on the One Factory Project. Basically there were two factories working differently: the two production lines installed as CIE, the rest as Chinese government corporation. The objective was that both would work under the same standard. The main changes were adapting from a hierarchical organisation and with isolated departments to a matrix organisation with departments providing support to our business core: production. The other two were to implement the CIE process Map and create a good single information system (we are still working on this last one).
In late 2017 the One Factory Project was already a reality, allowing the implementation of significant changes and improvements throughout the factory. Finally, the two production lines were at full yield, also at the end of 2017.

What is the current state after five years of collaboration between CIE and Donghua?

Since the JV was established, sales have almost tripled (from 36 million euros in 2012 to 109 million in 2017) and profits have multiplied by five. The forecast for this year to exceed sales of



120 million euros.

The good operation and improved management of the business also contribute to this growth. All of this would not have been possible without the enormous, extremely valuable help of the whole CIE Galfor team for more than five years. Right from the start they really took on this project as if it were their own. We are currently also collaborating with CIE Legazpi on other type of products, making use of their experience in closed volume and semi-warm.

How do you see the future of the JV?

The future of CIE Nanjing presents very interesting opportunities and challenges in the near future.
Some opportunities worth noting are:
• New products: with the new environmental regulation China, they are committing to the development of the forged truck piston for the local market. TIER 1 consists of well-known foreigners in the sector, with JVs in China (Mahle, Erdf Mogul, Kolben Smidth).
• Pre-JV business, fundamentally links for Caterpillar: Automation of the forging lines and loading and unloading in finishes.
• Integration of more processes in the links, increasing the added value provided to Caterpillar.
Challenges:
• Relocation of the plant: the urban development of Nanjing means that the local government will force us to relocate in the coming years. It will be a challenging project taking into account the number of units, size, civil works and the high workload that awaits and the difficulty creating the stock necessary for this change.
• The competition in crankshaft forging is ever increasing, which means we have to accelerate the implementation of the improvements already achieved in our CIE Galfor plant.
• There is an ever clearer trend towards requesting tenders for crankshafts ready to fit in the engine: At CIE Nanjing we are looking for local partners to provide finished crankshafts.

What are your strong points compared to the competition?

We (CIE) are world leaders in crankshaft manufacture. In China we have and will continue to have great support from CIE Galfor, who always considered this project their own. Their great experience, speed in the development of new models, stable process continuous modernisation, quality and reliability in deliveries.
In links, for similar reasons to those of the crankshaft, over the years we have become strategic suppliers of Caterpillar in China. Now we are integrating more operations of value downstream in our plant.

What is the current situation in China of the automotive sector?

The annual sales of passenger vehicles reached 25 million units in 2017, and continuous growth of 3% is expected in coming years. Of these sales, somewhat less than 800,000 units correspond to EVs of all types (3%).

Will Nanjing be able to respond to the levels of demand predicted for the future? Are there plans for investment for the coming years?

Yes, with the current forecast we do not need to invest in new lines, just improve the current ones to remain competitive. Just now there is investment approved for the automation of the main forging and finish lines, and for integrating more operations downstream in links (machining and tempering by induction). At the same time new investments are being studied aimed at new products (truck pistons) for which there would not be capacity in the medium term.

CIE LT FORGE HAS LAUNCHED A SECOND CRANKSHAFT PRODUCTION LINE

The plant, located uin Marijampole, Lithuania, has invested 8 million euros.

In 14th March, 2018 CIE LT Forge has launched its second crankshafts production line. The company invested 8 million euros to this new project. The new line will increase the production capacity by three times - up to 1.5 million units per year. According to the company, the Public Institution "Invest in Lithuania" and the Administration of Marijampole Municipality contributed significantly to the implementation of the project that has created around 60 new job positions in the city.

"After long talks that have lasted more than a year, we have already secured all the necessary contracts with different clients with plants in Hungary, Poland and Romania. So we already have approved products for production on new line", says General Manager of CIE LT Forge Darius Masionis.

The two-year line launch project created over 60 job positions. The company employed specialists with qualifications of production operator, technologist, equipment assembler, electrician-automatics engineer and quality engineer. More than half of these employees were sent to Spain for training on the initiative of CIE LT Forge, and one fifth of them received high qualification of automotive engineering degrees.

CIE Automotive was one of the first foreign capital companies to believe in Lithuania's perspectives in the automotive components manufacturing industry, and its further development is very important. It shows that, despite the arrival of industry giants, Lithuania has enough opportunities for further growth of the sector", says Virginijus Sinkevicius, Minister of Economy of the Republic of Lithuania.

The second crankshafts production line is characterized by automated control, more efficient production results and more qualitative machining process.

CIE AUTOMOTIVE JOINS THE SOCIAL IMPACT CLUSTER OF FORÉTICA

Forética
CLÚSTER IMPACTO SOCIAL

The cluster aims to become the leading business meeting point shifting trends, boosting dialogue and developing a position of leadership in the management of social aspects.

In May 2018, CIE Automotive joined the Social Impact Cluster of Forética (www.foretica.org). Through this Cluster, made up of large companies, including firms listed in the Ibex 35, Forética aims to constitute a leading work group in social aspects, focusing on those linked to its measurement.

The business platform has been configured as the leadership initiative dedicated to analysing how companies are developing initiatives that seek to understand, evaluate, measure and improve their impact on society and their employees.

Its objectives include transferring the main trends and conversations at a world level on social impact in business to the Spanish context, and helping to generate practical solutions and a greater knowledge of the main matters linked to it.

In addition to the Social Impact Cluster, CIE Automotive is also participating in the Transparency, Good Government and Integrity, and the Climate Change Clusters.

CIE AUTOMOTIVE HOSTS THE I CSR CONFERENCE IN BRAZIL

On 15 March the Department of Compliance held the I Corporate Social Responsibility (CSR) Conference in Brazil, at the CIE Autometal Diadema plant. This conference was attended by the Brazilian division managers and plant directors.

The objective was to share knowledge on the milestones and progress in CSR in the organisation at a global level, thus providing continuity to the CSR conference held for the European plants on 24 October 2017.

The content of the agenda revolved around managing the expectations and needs of CIE Automotive regarding their interest groups: investors, clients, environment, supply chain, financiers, compliance and of course, the professionals who are part of the organisation. In addition, taking advantage of the occasion, a materiality analysis of everyone present was carried out to identify the environmental, social and good government aspects (ESG criteria) of greatest concern to the organisation and how these are being managed internally.

The result of the analysis in Brazil was that ethics, compliance with regulations, cybersecurity, innovation and efficiency, the attraction and retention of talent, and risk management are high-priority aspects, for which the importance they are given in the plants exceeds their current level of management.

Finally, the conference reminded us of the significance of:

- Being rigorous in the non-financial information reported on environment, human resources, the supply chain and social welfare.

- Having the collaboration and support of the CSR Transversal Committee for any doubts on this matter that there may be in the organisation. The corporate email address csr@cieautomotive.com has been set up for his purpose.

- Making use of the corporate Website and Annual report (www.informeanual.cieautomotive.com) to determine everything that CIE Automotive has on the subject of non-financial information.

Throughout 2018 this will continue to be deployed in the remaining countries.

Transversal CSR Committee

Awards and Honours

MCIE GEARS AWARDED BY "ONE EATON SUPPLIER PREMIER"

MCIE Gears has been awarded the prestigious 'One Eaton Supplier Premier Award' for superior performance in quality and delivery. The award was handed over by Mr Rogerio Branco - Senior Vice President of Supply Chain Management at Eaton Corporation on 13th Nov 2017.

CIE DURAMETAL OPERATIONAL EXCELLENCE IN LOGISTICS

Mercedes-Benz presented the award "Operational Excellence in Logistics" to CIE Durametal, this recognising its just-in-time logistics service. CIE Durametal has been receiving awards from Mercedes-Benz since 2007, demonstrating its ongoing improvement.
Congratulations to the whole team for their good work.

PEMSA SALTILLO NOMINATED AS A FINALIST FOR THE BERM AWARDS FOR EXCELLENCE

PEMSA Saltillo has once again been nominated as a finalist for the BERM Awards for Excellence 2018 by our client FCA. This nomination is due to the achievements obtained by PEMSA Saltillo in 2017 for its excellence in quality, guarantee, delivery and participation in the costs improvement programme.

CIE COMPIEGNE RECEIVES THE AWARD AS THE BEST PLANT 2018

For the second consecutive year, CIE Compiegne has received the “Best of the best plant award” 2018 from PSA. (Recognition awarded to the plants that receive the Best Plant Award for 3 consecutive years.)
This year only 16 plants out of more than 1,000 that supply PSA have received this acknowledgement.
The presentation took place in a ceremony at the head office of PSA (RUEIL-MALMAISON) on Tuesday 26.6.2018.

AWARDS FOR CIE GALFOR

Ford and Jaguar Land Rover recognise CIE Galfor

CIE Galfor has been awarded the prizes Q1 and JLRQ from Ford and Jaguar Land Rover respectively, for its work as a supplier.

Both prizes are awarded to the companies that both OEMs consider have achieved operational excellence, PPM ratios, exceptional delivery and guarantee, good operational costs, improvement initiatives and great proactivity in problem solving.

Innovation award for the CIE Galfor project

The CO2 Smart Tech energy management software received the Innovation Award of the ICT Cluster in Galicia for its project "Cloud Computing applied to Integral Energy Management in Industry 4.0", developed exclusively by CIE Galfor. The prizes were presented on 2 February in La Coruña and recognised the most innovative business R&D+i projects, highlighting among the valuation criteria, the disruptive capacity of the project, the business importance, the research work and the results of the project.

CIE Automotive around the world

WESTERN EUROPE

SPAIN
Central Offices
R&D
Aluminium
Forging
Stamping and Pipe Shaping
Machining
Plastic
Roof Systems
Bionor

ITALY
Machining

UNITED KINGDOM
Forging

FRANCE
R&D
Machining
Roof Systems

PORTUGAL
R&D
Plastic

GERMANY
R&D
Forging

EASTERN AND CENTRAL EUROPE

SLOVAKIA
Machining

CZECH REPUBLIC
Stamping and Pipe Shaping
Machining
Plastic

LITHUANIA
Forging

ROMANIA
Aluminium
Roof Systems

RUSSIA
Aluminium

AFRICA

MOROCCO
Plastic

NAFTA

USA
Plastic
Machining

MEXICO
R&D
Aluminium
Forging
Stamping and Pipe Shaping
Machining
Plastic
Roof Systems

CENTRAL AND SOUTH AMERICA

BRAZIL
R&D
Forging
Stamping and Pipe Shaping
Machining
Aluminium
Plastic
Casting

ASIA

CHINA
Forging
Stamping and Pipe Shaping
Machining
Plastic
Roof Systems

INDIA
R&D
Forging
Stamping and Pipe Shaping
Machining
Casting
Composites

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